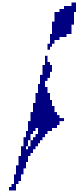
РАЗДЕЛ 1
НАУЧНЫЕ ИССЛЕДОВАНИЯ И КОНЦЕПЦИИ

SECTION 1
ACADEMIC INVESTIGATIONS & CONCEPTS



FACTORS OF CEO FAILURE: MAPPING THE DEBATE

Guido Stein*, Javier Capapé**

Abstract

The failure of the CEO has been studied at great length in the literature. We order and classify the factors that lead to CEO failure into those a CEO can influence (endogenous) and those that are given (exogenous). The absence of unanimity in the literature leads us to conclude that insufficient attention has been paid to the main factor: the personal characteristics of CEOs. The agency approach and method are insufficient to understand leadership performance in organizations, due to the oversimplified view of human nature on which they are based and their heavy reliance on mathematical modeling.

Keywords: CEO, Corporate Governance, Board of Directors

*Professor, Management of People in Organizations, IESE Business School – University of Navarra, Av. Pearson, 21 – 08034 Barcelona, Spain
Tel: (+34) 93 253 42 00
Fax: (+34) 93 253 43 43
Camino del Cerro del Águila, 3 (Ctra. de Castilla, km 5,180) – 28023 Madrid, Spain
Tel: (+34) 91 357 08 09
Fax: (+34) 91 357 29 13

**Researcher, Management of People in Organizations, IESE

1. Introduction

“What do you mean by the ‘failure’ of a CEO?” When we tried briefly to explain this study to various managers of a large multinational, this was their first question. After all, can a CEO who leaves with a multi-million payoff be said to have failed? In this study we do not aim to cover every aspect of the issue of compensation. Our goal is to bring together, organize and classify the endogenous and exogenous factors that lead a top executive to lose the trust of the board of directors, shareholders, colleagues and subordinates, resulting in exit from the company (with or without compensation).

According to Dotlich and Cairo (2003), CEO failure is attributable to human behavior, i.e. to what CEOs are like and how they behave in certain circumstances (Charan, 2003).

One might obviously argue that CEOs tend to lose their job when their company performs badly and the directors (who are responsible for overseeing management), the shareholders (who will not receive the desired return) and the market as a whole (suppliers, creditors, customers, etc.) demand a replacement. This has been demonstrated empirically, particularly during the last quarter of

the 20th century.[1] And yet, according to Fredrickson et al. (1988), poor firm performance explains less than half the variance in CEO dismissals and CEO turnover. In other words, half of all CEO failures occur while the company is performing well. Clearly, there must be other factors at play.

This is a highly topical issue. A total of 524,000 jobs were lost in the United States in December 2008 and that included CEO jobs (*The Wall Street Journal*, January 13, 2009). In times of crisis, CEO turnover can double (Jenter and Kanaan, 2008). The recent announcement by the Obama administration of a cap on the pay of executives whose companies have been rescued with taxpayers' money (*Financial Times*, February 5, 2009) is a clear example of the level of interest in CEO performance in recent times. Similar reactions have been seen in many other developed countries.

According to Charan (2005), "CEO leadership must be treated differently because it is unique in scope and importance. The actions of CEOs determine the future of corporations, which collectively influence entire economies. Our quality of life depends on excellence at the top".

This interest has to do with the influence that multinational enterprises have on today's economy. The economic assets they manage are greater than the GDP of entire nation-states. The people who control them therefore probably have more power and influence than many heads of government (Cappelli and Hamori, 2004). It is therefore important to understand what CEOs are like and how they behave in order to understand the reasons why sometimes they fail.

We do not intend to focus on the causes of CEO failure in the present economic environment, however, but in an atemporal (though not static) perspective.

By our definition, a CEO has failed if he is unable to meet the expectations of the board of directors, the shareholders and the market, as manifested in the decision to press for the CEO's removal.

It is important to note that the literature we shall be reviewing presents the conclusions of studies using mainly United States samples. It therefore predominantly reflects the Anglo-Saxon model of corporate governance, centered on shareholder value creation (Rappaport, 1986). The shift from public to private ownership of large European companies over the last decade has resulted in steady cross-Atlantic convergence in corporate governance (Milne, 2009). Yet the Anglo-Saxon model retains certain distinctive features that need to be borne in mind when applying the conclusions found in the literature to European firms[2] (Gentry et al., 2007[a], and Russell Reynolds Associates, 2006a, 2006b).

In his historical study, Vancil (1987) concludes that 90% of CEO turnover is due to retirement, death or disability, i.e. factors that have nothing to do with firm performance. In other words, only 10% of CEO successions come about unexpectedly, as a result of a board decision prompted by the company's results, a change of ownership, a restructuring, a strategic change, or any of the other causes we shall be considering. In this article, therefore, we shall focus on the 10% identified by Vancil: the dismissals and voluntary departures. While other studies have taken a broader approach, our view is that this smaller group is the one that demands rigorous study, as these are the events that have most theoretical interest (Fredrickson et al., 1988). By examining the causes we will be able to determine why CEOs fail or at least shed some light on what leads to failure.

CEOs fail for a wide variety of reasons. Companies rarely disclose the reasons for dismissal or contract termination, or only in the vaguest terms (Cannella and Shen, 2002). It does not seem feasible to cover all the causes of failure and the interrelationships between them, but it is worth reflecting on the main causes that have been analyzed and studied in the international academic literature.

In this article we will try to weigh the academic contributions in light of the theory of human behavior put forward by Pérez López (1993)[3] and with reference to the new approaches that may come together to create an alternative paradigm (Pfeffer, 1993) to that of agency theory, one that has more precise explanatory power (Ghoshal, 2005).

First, we shall distinguish between endogenous factors (modifiable: the result of a function which the CEO himself can influence) and exogenous factors (beyond the CEO's control, i.e. given). As we shall see, the CEO can indirectly influence some

[1] James and Soref (1981), McEachern (1975), Salancik and Pfeffer (1980), Coughlan and Schmidt (1985), Warner et al. (1988).

[2] There is no unified European model (Guest, 2008). The model least like the Anglo-Saxon one is perhaps the German model. The main differences between the Anglo-Saxon and the German include: CEO remuneration (significantly higher in the United States); separation of CEO and Chairman roles (required by law in Germany, almost universal in the United Kingdom and less common in the United States); board representation (mainly the CEO and executives in the United States, equal presence of independents in the United Kingdom and considerable representation of the main shareholders in continental Europe); and employee participation in the selection of directors (in Germany, Austria and Denmark). See Krivogorsky (2006) and Russell Reynolds Associates (2006b).

[3] A theory built upon by, among others, Chinchilla (1997), Cardona and García Lombardía (2005), Argandoña (2007) and Rosanas (2008).

of the exogenous factors, so as to lessen their impact.

The endogenous factors include ownership of an interest in the company (Salancik and Pfeffer, 1980; Core and Larcker, 2002), compensation systems (Murphy, 1998), CEO origin (Puffer and Weintrop, 1995; Fredrickson et al., 1988; Warner et al., 1988), CEO capabilities (Dotlich and Cairo, 2003; Cappelli, 2008; Ciampa, 2005; Charan, 2005; Zajac, 1990, and Gentry et al., 2007b) and CEO involvement in selecting directors (Hermalin and Weisbach, 1998; Boeker, 1992). At the same time, there are conditioning factors external to the CEO that influence the exit decision: company size (Reinganum, 1985; Grusky, 1961), board composition (Weisbach, 1988; Hermalin and Weisbach, 1998; Bhagat and Black, 2002), the presence of institutional investors (Doidge et al., 2006), the actions of the CEO's predecessor (Conger and Nadler, 2004) and the existence of an incomplete succession plan (Kovach, 1986; Walter, 2002; Conger, 2004, and Watkins, 2004). This classification is not intended to be exhaustive, but singles out the factors we consider most relevant today (Table 1).

Table 1.

Factors in CEO failure*

Endogenous	**Exogenous**
Interest in the capital	CEO age and tenure
Compensation	Influence of predecessor
CEO origin	Company age and size
Selection of directors	Mergers and acquisitions
Competencies	Type of industry
	Board composition
	Directors' commitment
	Valid successor
	Industry regulation

* Source: compiled by the authors.

This classification is merely illustrative, as in practice the factors cannot be so neatly separated. An endogenous factor may be reinforced by exogenous factors. Tenure, for example (an exogenous factor insofar as it does not depend exclusively on the CEO himself) makes it more likely that a CEO will own stock in the company (an endogenous factor) and be able to influence the selection of directors (another endogenous factor), i.e. more likely that a CEO will be powerful enough to hold on to his job despite below-par performance.

This article is divided into four parts. In part two, following this introduction, we analyze the most important endogenous factors identified in the literature. In part three we describe the main contributions in the literature on exogenous factors. Lastly, we present our conclusions and outline directions for future research.

2. Endogenous Factors

In what follows we analyze the factors that have been identified in previous studies as possible causes of CEO failure. These are all factors the CEO can influence, although his influence is not always positive (in the sense that a CEO may effectively hasten his own departure). Given the lack of consensus in the literature, there is almost no positive statement to be made about how these endogenous factors affect CEO failure. As the statistical models lack explanatory power, we turn to competencies as a possible alternative.

As we said, in practice the causes of failure are not neatly separated. Nor does there appear to be a direct relationship between cause and failure taken in isolation. Some of the articles we review address the relationship between a particular cause and CEO failure; others group together two or three causes. As we describe in the section on competencies, we have not found a holistic model that combines quantitative and qualitative measures and achieves valid results. According to Kesner and Sebora (1994), research to date has omitted variables that influence CEO exit. The models used in much research omit qualitative variables because it is difficult to obtain homogenous, and therefore comparable, data.

2.1. Interest in the capital of the company. Compensation

Apart from the influence of personal characteristics (which we examine at the end of this section), there are other explanations for why a CEO remains in the position despite the company's having below-industry-average performance. One is the possession of an interest in the company's capital. According to Salancik and Pfeffer (1980), an increase in stock ownership is positively correlated with tenure; stock ownership gives CEOs an artificial defense against failure. This view presupposes power struggles in the company.

How compensation influences failure depends, among other things, on the relative importance of each level of remuneration in total CEO pay. Theorists have

switched from studying total compensation to analyzing the structure of compensation (Mehran, 1995). Not all levels of pay influence CEO turnover to the same extent. As Murphy (1998) points out, annual or multi-year bonuses can generate perverse incentives for the company and, ultimately, for the CEO himself. In recent years we have seen cases of fraud in large companies (Satyam Computer Services in 2009, Parmalat in 2007, AIG in 2004, Enron and WorldCom in 2001). During the dotcom bubble both *Forbes* magazine and *MarketWatch* reported dozens of cases of accounting fraud in large organizations. If this behavior is repeated, more accounting fraud is likely to come to light in 2009.

Needless to say, the relationship between bonuses and stock options, on the one hand, and fraud, on the other, is not direct. Yet the motivation this kind of compensation plan generates can lead to other problems. As Murphy (1998) points out, when part of an executive's pay is linked to the achievement of personal targets, there may be a perverse incentive for the CEO to manipulate his results. A CEO whose performance exceeds the upper threshold for bonuses may work less hard, while one whose performance near year-end is below the threshold may be more inclined to make a special effort.

CEO performance is particularly difficult to assess if the assessment includes not only accounting measures but also measures of competencies and competency improvement (Dierdoff and Surface, 2008).

Stock options have also been criticized (Yermack, 1997). Numerous articles question the idea that stock options align the interests of executives and owners (Core et al., 2005). According to Bartol et al. (2008), any benefit from aligning interests is offset by the incentive to manipulate results. These authors also analyze the influence compensation systems have on the behaviors that lead to manipulation of revenues. They conclude that the likelihood of revenue manipulation increases with the amount of out-of-the-money options received and decreases with the proportion of capital owned by the CEO.

Bartol et al. (2008) consider that unethical CEO behavior, where CEOs manipulate revenue figures, is explained by Kahneman and Tversky's prospect theory (1979). According to prospect theory, the expectation of losses prompts individuals to make aggressive decisions that counteract or minimize the effect of any losses.

Tosi et al. (2000) conclude that 40% of the variance in CEO compensation is attributable to company size, while company performance explains only 5%. However, changes in compensation are equally sensitive to changes in size and performance.

Terviö (2007) concludes that the variable that best explains the level of CEO compensation is company size and that the distinctive qualities or talents of CEOs do not explain much of the variation in pay. Given the competitive balance in a market where CEO talent and CEO jobs are scarce, the added value that CEOs generate through their distinctive competencies has a weak effect on shareholder wealth.

The disparity of the findings (which is repeated throughout the literature on the factors considered in this article) supports Collins' (2001) conclusion that it is impossible to link any particular compensation model to firm or CEO success.

2.2. CEO origin: outsider or insider

Another relationship that displays empirical regularities is that between the decision to dismiss a CEO and the CEO's origin, i.e. whether the CEO is an insider or an outsider. Insider/outsider status has been defined in different ways: Weisbach (1988) defines an outsider as a manager who does not work for the company (i.e. who has no responsibilities in the company beyond board responsibilities) and who is not a former employee or a relative of a former employee, nor a lawyer, accountant, financial adviser or employee of any other company that has contractual relationships with the company in which he serves as a director. There is no generally accepted definition (Kesner and Sebora, 1994). This indeterminacy is one of the reasons for the diversity of results reported in the literature.[4]

Some researchers have found positive correlations between dismissal and outsider status. That is to say, all else equal, a CEO (or senior executive) promoted from inside the company has more chance of staying on than one brought in from outside. According to Collins (2001), 70% of successful companies have an insider CEO.

Agrawal et al. (2007) establish that the choice of an outsider CEO, effectively limiting existing employees' incentive to strive for the top job, has to do with organizational structure. Firms with a product-oriented structure, they suggest, tend to look for CEO candidates outside their own organization.

Zajac (1990) find that internal successors generate higher revenue, while Furtado and Rozeff (1987) find that they generate a higher share price. Given the variety of definitions (Kesner and Sebora, 1994), however, other researchers have concluded that having an outsider CEO correlates with improved company results (Reinganum, 1985, and Warner et al., 1988). For the latter authors,

[4] As we shall see later, in the wake of the Worldcom, Enron and Parmalat scandals regulatory bodies have defined more closely who qualifies as an outside director. For a description of the problems this issues has raised over five decades of research, see Karaevli (2007).

however, the positive correlation between hiring an outsider and subsequent results is very weak.

2.3. Membership of the board of directors

Boeker (1992) adds board membership as another field of analysis. As Mizruchi (1983) says, being a member of the board of directors gives a CEO greater influence. Boeker explains in his article that, where a firm is performing badly, the CEO is more likely to dismiss senior executives the less demanding the board of directors is in its monitoring of his activities. In other words, he will be inclined to blame outcomes on his senior executives and so save his own job.

This looser control is usually associated with a high proportion of internal, non-independent directors (Rostow, 1959; Fama and Jensen, 1983; Mizruchi, 1983; Weisbach, 1988; Fredrickson et al., 1988). Another stream of research, however, relates internal promotion to organizational success (Davidson et al., 1990; Zajac, 1990; Bower, 2007; Bhagat and Black, 2002). For Bower (2007), a successful CEO is an internal appointee who develops the capabilities and perspective usually attributed to outsiders. On this basis, we could infer that a mainly insider board would exercise stricter control over the CEO and be as demanding as outsiders are said to be.

If a CEO's main concern is to hold on to his position (Brady and Helmich, 1984), he will try to acquire the power to help him do so.[5] He will therefore try to influence those who may want him dismissed if the company's results deteriorate, namely the directors, who have the formal authority to dismiss him (Selznick, 1957), and the owners, who are directly affected by poor firm performance (Boeker, 1992). One way to reduce the amount of pressure from the board of directors is by becoming a director.

The CEO has a seat on the board when the roles of CEO and Chairman are combined. According to a study by Russell Reynolds Associates (2006b), there is a clear tendency, increasingly backed by the literature, to separate the two roles. The reason for this tendency is the increasing participation of directors in strategy formulation and the need for board independence to meet standards of good corporate governance. The figure of the CEO-Chairman persists, however. According to Russell Reynolds Associates (2006b), in 2005 the two roles were separate in only 29% of companies in the S&P 500.[6] Advocates of the combination of roles argue that having a CEO-Chairman reduces power struggles and facilitates succession. Survey respondents explain that the main reason for combining the roles is to have better chances of hiring an outside CEO, who will not find his authority within the company challenged.

Based on empirical data, Baliga et al. (1996) conclude that there is insufficient evidence to infer any negative impact of separating the CEO and Chairman roles. Brickley et al. (1997) also analyze the impact of separating roles using statistical methods and conclude that the costs are greater than the benefits.

2.4. Participation in the selection of directors

Shivdasani and Yermack (1999) introduce another explanatory variable: CEO involvement in selecting the members of the board of directors. There are those who argue that boards with a majority of independent directors exercise tighter control over CEOs (Hermalin and Weisbach, 1998; Weisbach, 1988; Jensen, 1993). A CEO may influence board supervision by influencing the selection of directors. Shivdasani and Yermack (1999) conclude that companies where the CEO has a say in selecting directors tend to select directors who exercise less control over the CEO. In these studies, as in those that analyze board composition, impact is measured by changes in the company's share price. Shivdasani and Yermack (1999) find a significantly higher impact in companies that appoint independent directors when the CEO has no part in selecting them. To explain this, they suggest that CEO participation signals to the market that the new director is less likely to exercise strict control over the CEO's activities. Klein (2002) likewise concludes that CEO membership of the nomination committee correlates with a smaller number of outsiders on the audit committee and higher CEO compensation, suggesting lax board supervision. In short, the empirical literature indicates a limited amount of value creation for companies when the CEO does not have a say in choosing directors.

With respect to CEO dismissal, Mace (1971) infers that CEO involvement in the director selection process limits board independence, as the chosen directors are likely to be personally close to the CEO. The board will be more tolerant of poor firm performance and less likely to dismiss the CEO. This increase in CEO power has been identified in the literature as a reflection of growing CEO stock ownership and tenure (Baker and Gompers, 2003).

Hermalin and Weisbach (1998) approach the question from a different angle. Rather than analyzing how boards behave depending on their

[5] Shleifer and Vishny (1989) explain that one way for a CEO to protect his job is by selecting projects that require specific human capital that cannot easily be transferred.

[6] In other indices the percentage varies: Nasdaq 100 (41%), Eurotop 100 (79%) and FTSE (93%). As we have seen, there is a clear difference between the United States and Europe on this matter.

insider or outsider composition, they argue that board behavior and board composition are related and united in the figure of the CEO. Although by law it is the shareholders that select the directors, they usually choose among pre-selected candidates. Overtly or covertly, depending on the extent of his influence, the CEO may have a hand in pre-selecting candidates. As Hermalin and Weisbach indicate, to understand corporate governance, the selection and performance of directors need to be considered simultaneously.

The studies we have mentioned can be summed up by the hypothesis that, all else equal, a CEO who has a say in selecting directors is less likely to be dismissed.

2.5. Competencies

Many authors consider the factors mentioned so far insufficient to explain CEO failure (Kesner and Sebora, 1994; Core and Larcker, 2002; Finkelstein, 2003; Shivdasani and Zenner, 2004; Cappelli and Hamori, 2004; Boone et al., 2007). In the literature, CEO failure has been attributed to a great variety of factors, yet lack of competencies, as one of those factors, has been underestimated due to the empirical difficulty of obtaining valid statistical evidence of competency. Fredrickson et al. (1988) attribute high explanatory potential to competencies, but they build their model of failure using empirically observable variables and fail to tackle the essential issue. Other authors have systematized competencies (Charan, 2005; Cardona and Wilkinson, 2009) or aimed for a deeper analysis (Kesner and Sebora, 1994).

The external factors we have considered so far fail to provide a valid explanation. That is why we consider it crucial to analyze CEO characteristics, or character, in more depth in order to understand CEO failure (Kesner and Sebora, 1994).

Many authors agree that lack of the necessary competencies is the main reason for CEO dismissal (Dotlich and Cairo, 2003;[7] Conger and Nadler, 2004; Cappelli, 2008; Charan, 2005; Gentry et al., 2007a and 2007b). In this section we discuss a number of characteristics that repeatedly emerge in CEO failure and propose that they be used as explanatory variables in a hypothetical regression aimed at explaining the dependent variable "CEO failure." This line of research is intended to remedy the shortage of qualitative analysis in the literature (Gentry et al., 2007b). CEO competencies may serve as a basis for future studies aimed at explaining the contradictions observed in CEO dismissals.

As the literature reveals, promotion on its own is not enough to ensure success. Kovach (1986) concludes that in many cases a brilliant career is not sufficient to guarantee talent. Many of the CEO failures we see nowadays are due at least in some measure to an inadequate career design that prevents the acquisition of management competencies (San Martin and Stein, 2008).

In Khurana's (2002) view, the pendulum of expected CEO capabilities has swung from professional excellence and honesty toward charisma and leadership ability. We may wonder whether this is a good thing. According to Susaeta et al. (2008), based on a survey of Spanish executives, credibility is the most highly valued quality in a CEO. Yet there are clear differences between industries. Neither ethics nor social or environmental responsibility feature among the top four reputational characteristics of CEOs in the financial industry.

We believe that this type of statistically valid empirical study should be encouraged in order to establish a proper model for explaining CEO failure in terms of these qualitative variables. We realize that there is a major problem of data collection. Bennis (1959) discusses the confusion that has arisen around this subject. Then, as now, the difficulty lies not in lack of evidence, but in the abundance of it and the contradictory conclusions it appears to support.

One method that might be useful would be interviews with, or surveys of, CEOs and the people around them, aimed at determining the influence of each of the characteristics we typically find in senior executives. This is the method used in demographic analyses of top management teams[8] and in books recounting the experience of top managers, as revealed in conversation (Finkelstein, 2003; Sonnenfeld and Ward, 2007; Dotlich and Cairo, 2003; Cardona and Wilkinson, 2009; and many others). According to Jensen et al. (2004), this type of qualitative analysis is more commonly used by executive search organizations (headhunters), so one may well ask what type of person would be the model for a CEO position.

Unless leaders find the happy medium in each competency, they may tend to an extreme. Maccoby (2000), for example, analyzes narcissism. The same competency can be a weakness when taken to excess, and a strength if kept within limits (Kets de Vries and Miller, 1985; Campbell et al., 2004). According to Maccoby (2003), however, it is difficult to draw the line between confidence and overconfidence. Narcissism is undesirable in many ways, but in some circumstances narcissists can be

[7] Dotlich and Cairo identify eleven defects that are found recurrently in CEOs that have failed. For each of the characteristics they study they identify an approximate threshold above which the characteristic becomes a defect that can increase the probability of failure.

[8] This article refers to several of these studies: Warner et al. (1988), Simons et al. (1999) and Miller et al. (1998). Authors that have analyzed these characteristics and their impact on corporate strategy include Iaquinto and Fredrickson (1997) and Jensen and Zajac (2004).

extraordinarily useful, or necessary even. Chatterjee and Hambrick (2007) find out that narcissistic leaders do seem to be more inclined to adopt dynamic, grandiose, alluring strategies (high risks, multiple acquisitions) that lead to extreme outcomes: huge success or catastrophic failure.

According to Collins (2001), who conducted an extensive field study on the success of United States public companies, it is impossible to simplify this complex process into a single function.

The question of CEO failure also goes beyond corporate governance, which does not consider the person as a whole nor attempt to grasp all the dimensions of a person. Just as a CEO who aims only to satisfy his subordinates' basic needs is doomed to failure (Pérez López, 1993), research into CEO failure that ignores the deeper question in the interests of statistically significant results is mistaken. However significant the results, if the variables are inadequate, the question will not be answered. This conclusion, though consistent with a deep view of management that is poorly represented in the literature, is in fact not new. As early as 1959 Bennis announced a fracture in organization theory: the transition from mechanistic models (free of friction with human emotions) to "human relations" models, which take account (or claim to take account) of the intuitions, beliefs, perceptions, ideas and feelings that inevitably interfere in employee decision making.

Nevertheless, we do not believe that the difficulties involved in studying the endogenous factors are impossible to overcome. In light of the risk of statistical oversimplification, we propose an advanced qualitative study (Kaplan et al., 2008) that will help today's CEOs to successfully meet the challenges of their position.

Table 2 shows the bibliographical references we have used to examine the endogenous factors. The divergence in the literature is clear. Only competencies are unanimously recognized by scholars.

Table 2.

Factor	Increases likelihood of staying on as CEO		Reduces likelihood of staying on as CEO		No clear effect on CEO failure / Other approaches to the factor	
Relation to failure	Author (year)	Contributions	Author (year)	Contributions	Author (year)	Contributions
Interest in the company *Greater share in the company's capital is associated with closer identification with shareholders' interests (in an agency perspective).*	Jensen and Meckling (1976)	Started agency theory.	Shivdasani and Zenner (2004)	Excessive stock ownership makes it less likely that a CEO will perform well.	Chung (2008)	Pay-performance sensitivity and independent directors are substitutes; they exert the same influence.
			McConnell and Servaes (1990)	Beyond a certain level the effect of stock ownership is reversed and becomes detrimental to performance.		
	Salancik and Pfeffer (1980) Morck et al. (1988) Core and Larcker (2002)	A CEO who holds a higher percentage of capital is more likely to act in the shareholders' best interests and to survive.	Morck et al. (1988)	Rewriting contracts entails an excessive cost for companies. With suboptimal contracts, interests are not aligned.		
			Hermalin and Weisbach (1991)	Increases in stock ownership (above 1%) entail better firm performance.		
Compensation *Like the factors linked to stock ownership, compensation has in many cases been studied as a way of aligning interests.*	Jensen and Murphy (1990) Coughlan and Schmidt (1985)	Interests are aligned by increasing the proportion of variable pay (linked to firm performance).	Kahneman and Tversky (1979)	The prospect of losses (out-of-the-money options) leads people to make aggressive decisions to counteract or minimize losses.	Yermack (1997)	Anticipating bull markets, CEOS increase the proportion of stock options in their contracts.
					Tosi et al. (2000)	Around 40% of the variance in CEO compensation is attributable to company size. Firm performance explains only 5%.

	Crawford et al. (1985)	In deregulated industries CEOs receive more performance-related pay, resulting in better firm performance.	Jensen (2004) Ghoshal (2005) Argandoña (2007)	Optimal remuneration may mitigate agency costs, but it cannot eliminate them completely.	Collins (2001)	The complexity of a CEO's tasks makes it impossible to design an ideal compensation system.
			Bartol et al. (2008)	The incentive to manipulate accounting ratios offsets the beneficial effect of alignment of interests.	Terviö (2007)	CEO compensation is explained by firm size.
			Taleb (2009) Murphy (1998)	Compensation linked to stock performance may encourage CEOs to take unjustified risks.	Core et al. (2005)	The increase in total compensation is explained by the growing risk entailed in stock-based compensation.
Outsider CEOs *The indeterminacy of the term "outsider" and the disparity of the research findings makes it impossible to determine the impact of outsider status on CEO failure.*	Weisbach (1988) Reinganum (1985) Warner et al. (1988)	Outsider CEOs enable the companies they lead to perform better.	Collins (2001)	Only 30% of the companies that go from "good to great" do so with an outsider CEO.	Kesner and Sebora (1994) Karaevli (2007)	The absence of a common definition of the term "outsider" is an obstacle to the study of this variable.
			Furtado and Rozeff (1987)	Outsider CEOs generate less revenue than insiders.		
	Dalton and Kesner (1983, 1985)	Smaller companies with average profitability are more likely to hire outsider CEOs.	Kets de Vries (1989)	Internal succession is beneficial in large, complex companies because it eliminates structural friction.	Agrawal et al. (2007)	Selection of outside candidates reduces employees' incentive to make the necessary effort to reach the position.
			Zajac (1990)	An outsider CEO is unlikely to succeed if the company wants continuity rather than a strategic break.	Kaplan et al. (2008)	CEOs are hired based on talent, not origin.

Outsider CEO (continued) *The indeterminacy of the term "outsider" and the disparity of the research findings makes it impossible to determine the impact of outsider status on CEO failure.*			Bower, (1992) Davidson et al. (1990) Bhagat and Black (2002)	Internal promotion is positively correlated with improved firm performance.		
			Cannella and Shen (2002)	Outside CEOs develop weaker social networks and lack the support of top management.		
			Brady and Helmich (1984)	Outside CEOs have shorter tenure if the object of the succession was to achieve stability and continuity.		
			Ocasio (1994)	Outsider CEOs have less chance of institutionalizing their power.		
Participation in the selection of the board of directors *The literature is practically unanimous on this point: participation is seen as a CEO defense mechanism that reduces shareholder value.*	Mace (1971)	CEO involvement in the selection process limits board independence.				
	Weisbach (1988) Wade et al. (1990) Jensen (1993) Hermalin and Weisbach (1998) Shivdasani and Yermack (1999)	Companies in which the CEO has a say in selecting directors tend to select directors who exercise less control over the CEO.				
	Klein (2002)	CEO membership of the nomination committee correlates with a smaller number of outsiders on the audit committee and higher CEO compensation.				
Board membership. **CEO-Chairman role** *Both institutional and agency theory agree that combining the two roles aids CEO survival, but with opposite consequences.*	Baliga et al. (1996)	There is not enough evidence to infer that combining the CEO-Chairman roles results in worse firm performance.	Selznick (1957)	The board of directors has the formal power to dismiss the CEO. CEO board membership may affect the board's performance of this function.	Brady and Helmich (1984)	A CEO's primary concern is to hold on to power. CEO board membership may be interpreted as a attempt to

						prolong his mandate.
	Brickley et al. (1997)	Empirically, the costs associated with separation of the roles are greater than the benefits.	Mizruchi (1983)	Increases the CEO's influence.	RRA (2006b) MacAvoy and Millstein, (2003)	Executives prefer that the roles of CEO and Chairman not fall upon the same person.
	Lorsch and Zellecke (2005)	Avoidance of power struggles and smoother successions.	Boeker (1992)	Increases the CEO's ability to attribute his own mistakes to other executives.	Finkelstein and D'Aveni (1994)	Distinguish between the institutional and agency approaches in the literature.
			Rechner and Dalton (1991) Pi and Timme (1993)	Companies that have separated the two functions achieve better results.		
Competencies *Competencies have increasingly been seen as a fundamental factor in CEO failure. Authors agree on their importance for avoiding CEO failure.*	Kesner and Sebora (1994)	To study CEO failure properly, it is necessary to study each CEO's competencies.			Pérez López (1993)	The study of management must take into account the three types of motivation inherent in any human action.
	Conger (2004)	An incomplete succession plan increases the probability of failure.			Groysberg et al. (2004)	Talent declines abruptly when a CEO switches company. This indicates that there are factors that reinforce a CEO's capabilities: firm resources, systems and processes, internal networks, etc.

	Gentry et al. (2007a and 2007b)	CEOs who have a more inflated view of their own capabilities are more likely to fail.			Khurana (2002)	Nowadays, firms seek competencies that are closely related to short-term results, namely CEOs with charisma and leadership quality in preference to professional excellence and honesty.
	Cappelli and Hamori (1994)	The perception of capabilities varies over time: today firms seek younger CEOs with a shorter track record who have been educated in the public education system.			Fich (2005)	Companies want to retain highly qualified human capital.
	Core and Larcker (2002) Finkelstein (2003) Shivdasani and Zenner (2004)	The reach of the studies focused on searching for empirical patterns has proven inadequate.			Boone et al. (2007)	Financial economists have reached few conclusions regarding the forces that determine board composition. The motivations of a director cannot be reduced to an arbitrary number of years in the company.
					Terviö (2007) Gabaix and Landier (2008)	Legal restrictions on compensation may result in labor market inefficiencies, as they prevent the signaling of the most efficient managers.

	Cappelli (2008) Charan (2003) Dotlich and Cairo (2003) Charan (2005) Cardona and Wilkinson (2009)	Systematization of CEO characteristics and analysis of the influence of each characteristic.			Kaplan et al. (2008)	Executive capabilities are more closely related to success than interpersonal capabilities. First systematic study of the impact of CEO skills and characteristics, based on interviews carried out over four years.
	Kovach (1986) Walker (2002) Watkins (2004) San Martin and Stein (2007)	Rapid career progression entails a lack of leadership training.				
	Kets de Vries and Miller (1985) Maccoby (2000, 2003) Campbell et al. (2004) Chatterjee and Hambrick (2007) Friel and Duboff (2008)	Narcissism may prevent business leaders from acquiring leadership capabilities.				
	Bennis (1959) Jensen et al. (2004) Sonnenfeld and Ward (2007) Susaeta et al. (2008)	Competencies determine CEO reputation.				

3. Exogenous Factors

So far we have examined the exogenous factors that can lead to CEO failure. These are variables the CEO himself can influence. For example, the CEO can choose whether or not to hold an interest in the company's capital, or whether or not to take part in selecting directors or his successor; and he can choose to develop the leadership competencies required of a CEO.

His efforts in this direction may be frustrated, however, by other factors. Parrino (1997) identifies several of them and examines the influence the presence of a qualified outside successor can have on the decision to dismiss a CEO. Others include board composition, board control, and industry type. We shall also consider the effect of CEO age and tenure, regulatory framework, multiple directorships ("busy boards") and firm size.

It is reasonable to assume that the main exogenous causes of CEO dismissal are poor firm performance (D'Aveni and Hambrick, 1989) and failure to achieve targets. As we said, however, these do not provide sufficient explanation (Fredrickson et al., 1988). Moreover, defining a measure of firm performance is by no means a trivial task. In fact, the variety of measures actually used by boards to measure their firms' performance indicates an absence of agreement as to the relative merits of accounting and market variables (Brickley, 2003).

3.1. Demographic factors

Age deserves serious consideration. In most empirical studies it is used as a control variable. In the studies discussed below it is used mainly to exclude departures for retirement from departures that need explaining.

Some authors have tried to relate age to CEO failure. Morck et al. (1988), for instance, note that organizations with young CEOs have higher rates of CEO turnover. According to Weisbach (1988), Barro and Barro (1990), Murphy and Zimmerman (1993) and Goyal and Park (2002), however, age and turnover are positively correlated.

Vancil (1987) introduces age as an explanatory variable for CEO turnover and concludes that an outgoing CEO's choice of successor is influenced by the successor's age insofar as the CEO will try to choose a successor who has at least 10 years to retirement at the time of succession.

Brickley (2003) suggests that age has not been studied in depth and asks how retirement age affects or is related to the choice of successor.

Hambrick and Mason (1984) created "upper echelons theory," which claims that observable demographic characteristics of senior executives, such as diversity of age, education or background, influence organizational outcomes. Attempts have been made to relate such diversity to innovation, diversification and firm performance (Kisfalvi and Pitcher, 2003). The theory suggests that diversity of perspectives on the strategic environment propitiates a more effective, more rational response (Simons et al., 1999). Like large boards, however, diversity can generate conflict (Ocasio, 1994, and Pfeffer, 1981), hamper decision making and prevent consensus on strategy (Kisfalvi and Pitcher, 2003).

Another exogenous factor considered in the literature is the characteristics of the CEO's predecessor (Reinganum, 1985; Fredrickson et al., 1988; Cannella and Shen, 2001; Conger and Nadler, 2004). Fredrickson et al. describe four ways in which the characteristics of the predecessor make it more likely that his successor will be dismissed: a) job tenure: for the reasons already stated, regarding board loyalty and possible comparisons between the two CEOs; b) the reasons for the predecessor's departure: the incoming CEO will be under more pressure if his predecessor was fired than if he left to head another company and the board understands that the job they are offering has been considered inferior; c) continued presence of the predecessor in the company (either as a director, as a consultant, or in some other capacity): the newcomer will be under close scrutiny and the market does not react favorably to such successions (Reinganum, 1985); and d) the predecessor's having been the founder of the company: the previous three influences will be combined, thus augmenting the CEO's chances of being dismissed.

3.2. Company size and age

Numerous articles have been written on the impact of CEO succession on shareholder wealth. Reinganum (1985) is a classic example, pointing to an association between succession and return on equity. The author signals the need to establish certain control variables for company size, successor origin and the measures taken by the outgoing CEO.

He finds that in large companies CEO succession has no statistically significant impact on stock price (Reinganum, 1985). In small companies, however, he finds an "abnormal cumulative return".[9] Combined with the above, Reinganum's findings imply that the CEO of a small company is more likely to be dismissed if he has been promoted from within. According to Cappelli and Hamori (2004), these two factors (small company and internal promotion) are unlikely to occur simultaneously, as

[9] This term is commonly used to explain the impact a certain event has on a variable. In our case, Reinganum studies the impact that succession announcements have on stock prices. For an explanation of event study, see MacKinlay (1997).

small companies increasingly tend to hire CEOs from outside.

There is no agreement in the literature as to the impact of firm size on CEO turnover. Boeker (1992), who defines size in terms of company sales compared to industry average sales, concludes that size may affect turnover because in larger companies routines become institutionalized, increasing the number of dismissals. Using a sample of the smallest and largest *Fortune 500* companies, Grusky (1961) finds that large companies have higher CEO turnover.

Others, such as Brady and Helmich (1984), find no significant impact of company size on CEO dismissal.

Miller et al. (1982) argue that size has an inertial effect on CEOs in that as corporate processes entail stricter monitoring of, or limitations on, management, larger organizations will tend to have higher CEO turnover.

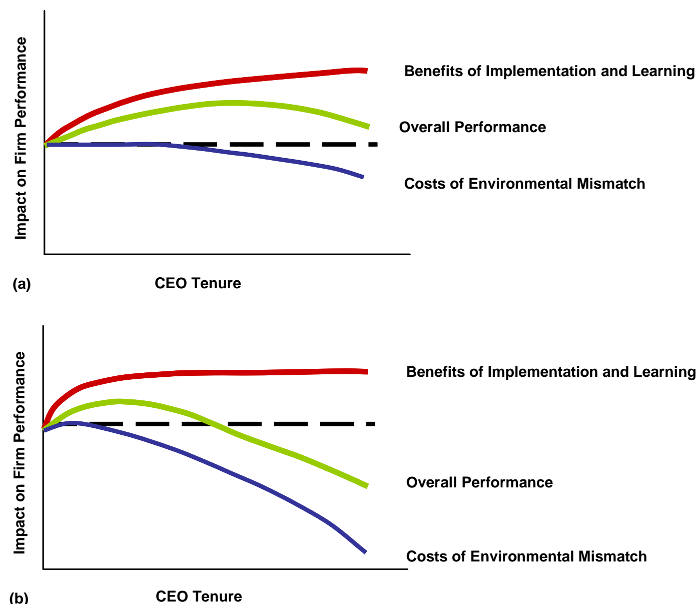
With respect to company age, the most recent studies note a growing correlation between company age and number of outside directors (Boone et al., 2007; Coles et al., 2008; and Linck et al., 2008). As we shall see, the relationship between majority outside boards and CEO turnover is one of most fiercely debated issues in the literature. Therefore, there is no conclusion to be drawn as to how company age affects CEO failure.

3.3. Industry type

According to Fredrickson et al. (1988), industry type can affect CEO turnover through three channels: the level of development of the industry, the diversity of financial performance, and the number of companies. Level of development is found to have a range of contrasting effects. In young industries there is no benchmark for CEO or firm performance (Pfeffer and Moore, 1980), as industry knowledge is limited (Porter, 1980). This can increase CEO turnover for two reasons: divergence of interests among the directors of these companies can make the CEO more vulnerable and at the same time prevent consensus (inside and outside the company) on dismissal. Henderson et al. (2006) suggest that CEOs in fast-growing industries can contribute strategic value to their companies intensely but for a short period. In contrast, stable industries (the authors cite the United States food industry) provide an environment in which CEOs can improve their companies' performance over a longer period, albeit less dramatically.

The two charts in Figure 1 show the trend reported by Henderson et al. (2006, p. 450) in the impact of the CEO on company earnings (a) in stable industries and (b) in fast-growing industries.

Figure 1.



Source: Henderson et al. (2006).

Another influence on CEO turnover is disparity of earnings within an industry (as explained by Fredrickson et al.). Boards of directors use not only their own company's past performance but also the performance of rival firms as an indicator of their company's performance. Heterogeneity of performance in emerging industries can create incentives in either direction (Parrino, 1997).

Fredrickson et al. identify a final source of influence: the number of companies in an industry. This last variable does not alter the effect of the

previous two and correlates highly with industry age and disparity of earnings.

3.4. Board composition

Board composition, especially the proportion of executive and non-executive directors, can be expected to have a major impact on the likelihood of CEO dismissal (Boeker, 1992). According to Shivdasani and Zenner (2004), few issues find such consensus in academia: board decisions are generally thought to be better for shareholders when the board has a majority of non-executive directors. Even so, there are those who deny any such relationship between outside directors and company performance.

Weisbach (1988), for example, argues that boards are, for shareholders, the first line of defense against incompetent management and concludes that, where outsiders are a majority,[10] the stock price is positively correlated with CEO succession. This means that a change of CEO is a signal to the market that the change will generate value for the company. This result is explained by there being a majority of outside directors.

Having a majority independent board may therefore be a good explanatory variable for CEO dismissal in the event of poor management performance (Shivdasani and Yermack, 1999). Fama and Jensen (1983) note that, in order to preserve their reputation as directors, outside directors will work to eject under-performing CEOs and thus signal their decision monitoring capability to the market.

The literature argues in favor of majority outside boards on the understanding that insiders are less likely to dismiss a CEO to whom they owe their position (Fama, 1980).

However, non-executive directors could be expected to exercise more effective control and monitoring of CEO decisions (Shivdasani and Zenner, 2004; NYSE, 2003; Fama and Jensen, 1983), as they are good advisers and have a "wealth of experience," so CEOs would make fewer mistakes and give fewer signals to the market (e.g. declines in earnings) that might spark a chain of decisions leading to CEO dismissal. In other words, CEOs in companies with majority outside boards should be replaced less frequently.

Other researchers, question the importance of board composition. Longstreth (1995) is skeptical of any correlation between board composition and firm performance. He also contends that directors' management oversight role may detract from their advisory role, which may be neglected if directors habitually adopt an attitude of confrontation with management. For Tobin (1994), who analyzes the issue from a legal perspective, the link between the number of outside directors and board independence is weak. In his view, many inside directors with an interest in the company would set more ambitious goals and ask more searching questions. He therefore considers "independence" to be just one of the many characteristics of the "ideal" director (Faulk, 1991).

Despite the theoretical consensus (with the noted exceptions), the empirical findings disagree (Mehran, 1995; Coles et al., 2008). Hermalin and Weisbach (1991) conclude that board composition and firm performance are unrelated. They acknowledge that their findings contradict the literature and argue in favor of the beneficial effects of insider boards, which understand the company's day-to-day operations (Mace, 1971, and Vancil, 1987) and the succession process (Mace, 1971). This positive assessment of the contribution of insider directors is shared by Coles et al. (2008) and Berry et al. (2006).

Bhagat and Black (2002) study firm profitability in relation to board composition. They conclude that companies with majority independent boards are no more profitable than those with a majority of executive directors.

The solution, therefore, would seem not to be more regulation (MacAvoy and Millstein, 2003) or "more independent" boards, nor power sharing between the board of directors and the management team (led by the CEO). Rather, the aim should be to strike a delicate balance, so that board and management join forces to grow the company in the long run (Canals, 2008).

3.5. Board size and commitment

According to Fredrickson et al. (1988) CEO turnover is higher in companies with large boards of directors. Where there is a large number of directors, there are more likely to be different interest groups; any policy the CEO adopts is more likely to be criticized from different angles; and CEO decisions supported by one group of shareholders are more likely to be rejected by another group. This disparity may result in higher CEO turnover.

Iaquinto and Fredrickson (1997) conclude that companies with more cohesive top management teams achieve better results. These authors also explore the direction of causality and find that cohesion among the top management team modifies firm performance, not vice versa. In addition, they find that firm size (which is reflected in board size) is positively correlated with diversity of views among members of the top management team.

[10] As we have said, there is no unanimity in the literature on what is meant by "outside." Since 2002, following the Enron and Worldcom scandals, the NYSE and Nasdaq determined a majority of outsiders on the boards of publicly traded companies and audit committees. The Sarbanes-Oxley Act defined more clearly what constitutes an outsider for both bodies.

This size-related diversity has been found to have a delaying effect on CEO dismissal due to the difficulty of reaching consensus (Lipton and Lorsch, 1992; Jensen, 1993; Monks and Minow, 1995; Yermack, 1996; and Eisenberg et al., 1998). The costs of coordination and the presence of free riders make it likely that large boards will perform their CEO monitoring role less effectively (Lehn et al., 2003).

Fan et al. (2007) find no significant relationship in their study using a relatively small sample of Chinese companies.

Coles et al. (2008) find a U-shaped parabolic relationship between firm performance (measured by Tobin's Q) and board size. In other words, there is a certain optimum at the two extremes: small boards and large boards regularly achieve better results than medium-sized boards. This pattern holds for complex industries, whereas in simpler companies an increase in number of directors is associated with a decrease in Tobin's Q.

Dalton et al. (1999) and Shivdasani (2004), in their bibliographical reviews, conclude that scholars disagree as to the impact of board size on corporate governance. The optimal size for any given company is not easy to determine and it does not seem useful to prescribe an ideal board size for all companies.

Directors' commitment

Using Core et al.'s (1999) definition of "busy directors" (those with three or more directorships if still working, or six or more if retired), Fich and Shivdasani (2005) introduce another factor that influences board effectiveness. According to their research, the number of busy directors is inversely related to CEO monitoring. Beasley (1996) and Perry and Peyer (2005) also find a decrease in monitoring capacity due to multiple directorships. Thus, the more busy directors there are on a board, the lower the level of board control and, all else equal, the lower the probability of CEO dismissal even if the firm performs badly.

However, there is a strand in the literature that sees a positive in this: the experience gained on multiple boards adds value to the company (Pritchard et al., 2003), so there is no reason to set a limit to the number of directorships.

3.6. Valid successor and succession plans

Hermalin and Weisbach (1998) consider that a CEO has a better chance of staying on if there is no obvious successor in the organization. A CEO who has a hand in the succession process therefore faces a conflict of interests: if he selects a brilliant candidate, he will soon be replaced, whereas if he chooses a less capable candidate, he will have no immediate rival (Fredrickson et al., 1988). This interpretation of succession is inconsistent with the value creation arising from internal succession (San Martín and Stein, 2008; Bower, 2007).

Greenblatt (1983) argues that senior managers' perceptions of the CEO affect CEO turnover. CEOs considered irreplaceable ("Rebecca Myth") are better able to hold onto their position (Kets de Vries, 1988).

Cannella and Shen (2001) suggest that the presence of an heir is determined by the interaction of three parties: outside directors, the outgoing CEO and the successor himself. The authors conclude that an heir succeeds (i.e. becomes CEO) if he has experience in the company, the environment is favorable (independent directors tend to back the heir in order to limit the incumbent CEO's power), the outgoing CEO does not control the process (scant stock ownership, short tenure) and the heir has strong leadership qualities.

According to Fredrickson et al. (1988), CEO turnover increases once an industry has matured and shareholders are able to make comparisons and accurately assess CEO performance. In these cases, the board has access to a talent pool, thus reducing the CEO's bargaining power.

Behn et al. (2005) find that the market reacts favorably to CEO succession when a succession plan has been established and there is a publicly identified heir apparent.

According to Conger (2004), an incomplete succession plan entails a direct increase in the probability of CEO failure. An employee who has risen too quickly may not be a good replacement, as he may well not have acquired the necessary leadership competencies (Kovach, 1986). As Pérez López (1993) puts it, an executive who has climbed too fast will not have acquired the necessary personal experience to learn to lead. Walker (2002) highlights the importance of competencies when he notes that people who are used to relying on their own capabilities are slow to discover new roles, such as promoting growth in others, delegating, or building effective teams. Watkins (2004) offers recommendations to new leaders to help avoid failure in the transition period. In his view, failure early on in the CEO's tenure results from failure to understand the new situation or lack of the necessary competencies and flexibility to adapt to it. Premature failure is sometimes related to the narcissism of CEOs who think they can do everything on their own, spurning the support of their predecessor (Friel and Duboff, 2009).

3.7. Mergers and acquisitions: institutional factors

One exogenous reason for CEO turnover often cited in the literature is the merger or acquisition of the CEO's company (Grossman and Hart, 1980; Daines

and Klausner, 2001; Offenberg, 2009; Netter et al., 2009). However, this factor correlates very closely with poor organizational performance. Most acquisitions come in the wake of a period of below industry average results (Martin and McConnell, 1991). Like firm performance, therefore, this factor has limited power to explain CEO failure (Fredrickson et al., 1988).

Martin and McConnell distinguish between disciplinary and synergistic mergers and acquisitions. Synergistic M&As generate gains by combining the resources of the acquirer and the target. In these cases, there is little change in CEO turnover. In disciplinary M&As, however, CEO turnover increases significantly. Martin and McConnell consider an acquisition or merger to be disciplinary when the target is performing poorly. The acquisition of the poorly performing target and the replacement of its top managers effectively disciplines management inefficiency. The possibility of becoming a takeover target is an incentive to change inefficient behavior and brings the interests of management into line with those of shareholders. According to Short and Keasey (1999), in economies where there are few defense mechanisms against hostile takeover, this market discipline (Jensen, 1988) is efficient.

Institutional factors

According to Geddes and Vinod (2002), regulatory changes in an industry influence CEO survival. Their direct conclusion is that CEOs in deregulated industries have shorter tenure. Indirectly, these changes influence CEO turnover because deregulation generates at least two contrasting effects for CEOs. On the one hand, Geddes and Vinod observe that deregulation is linked with smaller boards and a smaller proportion of outside directors. On the other, there is insufficient evidence to be able to state unequivocally that deregulation influences the proportion of outsiders. Therefore, deregulation has opposite effects on CEO turnover. Smaller boards and fewer outsiders are indicators of lower CEO turnover,[11] but the lack of statistically significant evidence means that the proportion of outsiders cannot be said to favor turnover. The aggregate effect is ambiguous and requires further research.

As regards the effect that deregulation has on individual industries, Crawford et al. (1995) and Hubbard and Palia (1995) examine the United States banking industry. Hubbard and Palia find that a deregulated sector is associated with greater pay-performance sensitivity. They also find that deregulation entails higher rates of CEO turnover. In their view, these results are consistent with the idea that legal restrictions on CEO pay reduce labor market efficiency: standardization of pay prevents the market from signaling the most efficient managers. This lower CEO labor market efficiency has been studied in a theoretical framework by Gabaix and Landier (2008) and Terviö (2007). In their models these authors attempt to assess the effect that CEO talent has on company earnings and, consequently, the optimal level of additional compensation.

The growing importance of capital markets in recent years has also affected CEOs' decisions. Vancil (1987) correctly predicted growing pressure on CEOs from the capital markets. He foresaw that the market (seeking to maximize shareholder wealth) would be an impartial judge of CEO's decisions and would ultimately determine CEO survival. Vancil's predictions were accurate (Guerrera, 2009). However, this demand for short-term results can also undermine the longer-term development of a company and its professionals, which are essentially what will enable the company to survive over the medium to long run (Canals, 2008).

As with the endogenous factors, the results of our review of the literature on the exogenous factors of CEO failure are summarized in a table (Table 3).

[11] In parts of the literature analyzed in this article, the relationship described here is seen as being the reverse: small boards tend to make faster decisions, resulting in higher CEO turnover.

Table 3.

Factor	Increases likelihood of staying on as CEO		Reduces likelihood of staying on as CEO	No clear effect on CEO failure / Other approaches to the factor		
Relation to failure	Author (year)	Contributions	Author (year)	Contributions	Author (year)	Contributions
CEO age (older) *Are older CEOs more likely to be dismissed?*	Morck et al. (1989)	Younger CEOs have higher turnover rates.	Weisbach (1988) Murphy and Zimmerman (1993) Goyal and Park (2002)	Empirical evidence shows a significant negative relationship between age and dismissal.	Brickley (2003)	Insufficient empirical evidence to draw conclusions.
Long tenure *A long-serving CEO is less likely to be dismissed than a shorter-serving one.*	Pfeffer (1981)	Theory of the institutionalization of power.	Selznick (1957) Michels (1962) Pareto (1968)	Theory of the circulation of power: time generates conflicts between elites.		
	Fredrickson et al. (1988) Wade et al. (1990)	Loyalty of board members hired during CEO's tenure.				
	Boeker (1992) Ocasio (1994) Lehn and Zhao (2002) Cannella and Shen (2002) Baker and Gompers (2003)	Greater CEO influence.	Vancil (1987)	After 10 years CEOs start to be worn down.		
	Henderson et al. (2006)	In stable industries CEOs can learn more. The impact of CEOs' decisions on the environment allows 10-15 year tenures.				
Greater demographic diversity *Does greater demographic diversity (education, age, origin) in top management teams promote CEO survival?*	Simons et al. (2001)	Diversity of approaches to the environment propitiates a more appropriate strategic vision, which helps the CEO to improve the company's performance.	O'Reilly et al. (1984)	The greater the demographic diversity of the top management team, the greater the threat to CEO survival.	Hambrick and Mason (1984)	Started the study of demographic factors: Upper echelon theory.

	Kisfalvi and Pitcher (2003)	Laxer monitoring of the CEO due to diversity of board opinion.			Lieberson and O'Connor (1972) Hannah and Freeman (1977) Salancik and Pfeffer (1980)	Strategy (as a source of CEO failure) is determined by the environment: it is an inertial response to the environment.
	Finkelstein and Hambrick (1990)	Longer-serving top management teams obtain above-average results.			Jensen and Zajac (2004)	The agency view does not include these demographic factors.
Outgoing CEO *The activity of the outgoing CEO may facilitate the decisions of the incoming CEO.*	Vancil (1987)	Facilitates the transition and the incoming CEO's first decisions	Helmich (1977)	Outgoing CEOs leave behind an image created over a long period.	Fredrickson et al. (1988)	Succession is influenced by the outgoing CEO's tenure, reasons for exit, active presence in the company after leaving the CEO position, and company founder role
			Pfeffer (1981) Cannella and Shen (2002) Conger and Nadler (2004)	The loyalty of old directors makes succession more difficult.		
			Reinganum (1985)	Succession is less successful if the outgoing CEO remains in the company.		
Company size *The bigger the company, the smaller the probability of CEO dismissal.*	Reinganum (1985)	If the CEO is an insider, a statistically valid pattern is observed: in small companies, CEO turnover is higher.	Grusky (1963)	Large companies have higher turnover.	Cappelli and Hamori (2004)	The two characteristics are unlikely to occur simultaneously. There is insufficient evidence to determine the direction of the effect.
			Miller et al. (1982) Boeker (1992)	In larger companies CEO monitoring processes are more likely to be institutionalized, leading to higher CEO turnover.	Brady and Helmich (1984)	There are no empirical differences based on company size.
					Tosi et al. (2000)	CEOs try to increase company size because in doing so they increase their own compensation.

Company age *High correlation with company size: older companies can be expected to dismiss fewer CEOs than younger ones.*					Boone et al. (2007) Coles et al. (2008) Linck et al. (2008)	Correlation between company age and proportion of independent directors. Impact on CEO turnover is indeterminate.
Board composition *Having a majority of outsider directors implies stricter supervision of CEO activities.*	Mace (1979)	Insider directors contribute value to the CEO with their advice and knowledge of daily operations.	Rostow (1959)	Outsider directors monitor CEO decisions more rigorously.	Demsetz (1983)	Dispersion is linked to weaker control.
	Vancil (1987)	Insider directors facilitate smooth succession.	Jensen and Meckling (1976)	Independent directors, who are not influenced by the CEO, can help to minimize agency costs.	Hermalin and Weisbach (1991)	There is no empirical relationship between CEO turnover and board composition. There may be no real relationship; or insiders may be the same as outsiders.
	Faulk (1991)	Independence should not be the only factor considered.	Fama (1980) Fama and Jensen (1983)	Independent directors' desire to cultivate their reputation in the senior management market makes them more demanding of CEOs.	Agrawal and Knoeber (1996)	Board supervision must be considered in conjunction with other variables, such as the presence of institutional investors or the dispersion of capital.
	Tobin (1994)	Insiders set more ambitious goals than outsiders because they have closer ties with the company	Mizruchi (1983)	Identifies independence with outside, non-executive directors. Concludes that the capacity to dismiss the CEO is dependent on the presence of outside directors.	Bhagat and Black (2002)	There is no enough statistical evidence to state that outsider boards obtain better results than insiders.
	Longstreth (1995)	Excessive concern for supervision is detrimental to the board's advisory role. The merit of independence needs to be proven.	Weisbach (1988)	Independent directors are the first line of defense of shareholders' interests.	Canals (2008)	Rather than a power struggle, it would be better to find a balance that allows insiders and outsiders to combine forces.
	Mehran (1995)	There are no empirical data to compare this logical consequence with agency theory.			Guest (2008)	Identifying independence with better supervision is an oversimplification.

	Coles et al. (2008)	Better firm profitability with more outside directors on the board in R&D-intensive industries .	Friedman and Singh (1989) Boeker (1992) Jensen (1993) Borokhovich et al. (1996) Agrawal and Knoeber (1996)	Greater probability that succession will not be initiated by the CEO.		
			Shivdasani and Yermack (1999)	The market does not value the inclusion of independent directors when the CEO sits on the nomination committee.		
			Shivdasani and Zenner (2004)	A majority of articles stress the importance of outside supervision.		
Board size *How does board size influence the decision to replace the current CEO. Board size has been associated with fragmentation of views.*	Chaganti et al. (1985)	Successful companies have larger boards than unsuccessful ones.	Fredrickson et al. (1988)	In larger boards, rival groups are more likely to form. If the CEO identifies with any of these groups, there may be confrontation with the others.	Selznick (1957)	Merely having worked together on the board for a long period does not necessarily mean that directors are united in their views
	Lipton and Lorsch (1992) Jensen (1993) Monks and Minow (1995) Yermack (1996) Eisenberg et al. (1998)	The diversity of large boards leads to laxer monitoring of CEO activities. Coordination costs lead to dilution of board monitoring of management.	Helmich (1980)	Higher CEO turnover in companies with large boards and below-average performance.	O'Reilly et al. (1984)	Board members tend to come to share the same values over time. The impact on CEO turnover is unclear.
					Dalton et al. (1999) Shivdasani and Zenner (2004)	There is no unanimity in the literature on the impact of board size.
			Iaquinto and Fredrickson (1997)	Top management team cohesion results in better firm performance: large boards prevent such cohesion, as they increase the likelihood of	Fan et al. (2007)	No relationship has been found between CEO turnover and board size.

				divergence of opinion.	Coles et al. (2008)	Complex organizations perform better (as measured by Tobin's Q) when they have large boards.
	Lehn et al. (2003)	Coordination costs and the greater probability of having ineffectual directors on the board dilutes board control				
Board commitment *Multiple directorships may enhance supervision (broader, more diverse experience) or they may decrease it (difficulty of advising appropriately).*	Beasley (1996) Perry and Peyer (2005) Fich and Shivdasani (2005)	Busy boards are less able to supervise the CEO effectively.	Pritchard et al. (2003)	Boards whose members have experience from multiple directorships have access to best practices and are better able to monitor the CEO.	Fich and Shivdasani (2005)	Companies whose reputation is damaged by irregular activities do not have higher board turnover, but they do have fewer directors who also sit on other boards.
Type of industry *Do younger, more innovative industries with higher R&D spending have higher CEO turnover?*	Fredrickson et al. (1988) Parrino (1997)	CEOs less likely to face dismissal in young industries with large numbers of companies (disparity of results) and no generally accepted criteria for assessing CEO performance.	Fredrickson et al. (1988)	Boards in mature industries may place higher demands on CEOs, due to the relative ease of achieving good performance.	Coles et al. (2008) Berry et al. (2006)	Boards in R&D-intensive industries have a higher percentage of insider directors. There is no empirical evidence that this higher percentage of insiders has any impact on CEO turnover.
	Henderson et al. (2006)	CEOs learn more in stable industries. The impact of their decisions on the environment allows 10-15 year tenures.	Henderson et al. (2006)	In nascent industries there is more statistical noise and boards' decision-making capacity is more limited.	Linck et al. (2008)	There is a positive correlation between R&D investment and the proportion of outsider directors. The effect of this circumstance is unclear.
Valid successor *Companies need to establish succession plans. Divergence of interests may disrupt such plans.*	Fredrickson et al. (1988)	The CEO has incentives to appoint less capable successors and so reduce the pressure of succession.	Hermalin and Weisbach (1988)	In the short term, succession has a positive impact on stock price.	Greenblatt (1983)	In the event of succession, top managers may see the successor as a Messiah (putting the incumbent under greater pressure) or they may succumb to the Rebecca Myth (comparing the successor unfavorably with his predecessor).
	Hermalin and Weisbach (1988)	A CEO's jobs is safer when there is no clear successor within the company.	Cannella and Shen (2001)	A CEO is more likely to be replaced when the company is performing well, the CEO has little influence over the choice of successor and there is a successor with leadership capabilities.	Behn et al. (2005)	The return to shareholders improves if the heir is announced publicly.

			Bower (2007) San Martín and Stein (2008)	CEOs have incentives to make their succession a success.		
Institutional factors. Mergers and acquisitions *Having a market that disciplines inefficient management puts pressure on CEOs to perform well.*	Vancil (1987)	The capital market, which performs the monitoring tasks described by Jensen (1988), provides an incentive for better management performance.	Grossman and Hart (1980) Jensen (1988) Daines and Klausner (2001)	Mergers and acquisitions can help to protect shareholders, as they monitor and replace inefficient executives.	Geddes and Vinod (2002)	The effects found in the empirical comparison (of regulated and unregulated industries) do not indicate causal relations.
	Martin and McConnell (1991)	Mergers and acquisitions may be synergistic or disciplinary. Synergistic M&As may strengthen the position of the target company's CEO.	Crawford et al. (1995) Hubbard and Palia (1995) Offenberg (2009) Netter et al. (2009)	Empirically, companies involved in M&A processes have higher CEO turnover.	Rosen (1982) Ortín and Salas (1997)	The labor market may generate hierarchical assignment of talent within companies. The influence on CEO survival will depend on the effectiveness of the market assignment.
			Gabaix and Landier (2008) Terviö (2003)	Based on theoretical models, caps on CEO pay distort the labor market and reduce the pressure to perform optimally.	Short and Keasey (1999) Daines and Klausner (2001) Stout (2002)	Managers may develop defense mechanisms that discourage M&A processes.
					Canals (2008)	Market supervision of corporate governance may be excessively biased toward the short term and may undermine the longer-term development of companies and their employees.

4. Conclusions

We find no consensus in the literature as to the factors that lead to CEO failure. We therefore cannot draw valid conclusions on how to model failure. Given the disparity of the statistical results, it is impossible to design a single model that satisfactorily explains CEO failure. We have analyzed the various factors that may contribute to CEO dismissal, but the conclusions are unclear, and there is a considerable temptation to relate the variables (Kesner and Sebora, 1994), with the result that no practical consequences follow.

In view of the absence of unanimity on the causes of CEO failure and the unsatisfactory nature of the explanations backed by powerful statistical methods, we conclude that the most decisive and informative variable, namely CEO characteristics, has not been sufficiently studied. CEO characteristics (not only competencies) may be the area of greatest interest for research into CEO failure.

We believe that the complexity of the task carried out by CEOs calls for a set of qualitative explanatory variables of such depth that the process most likely cannot be modeled (Ghoshal, 2005; Hayek, 1989). Attempts to answer this question statistically have produced no satisfactory results.

We have probably reached a point of diminishing returns in *logit* models focused on the correlation between CEO turnover and firm financial performance. To improve our understanding of these complex processes we need to explore other, less well trodden paths (Brickley, 2003). The search must continue, perhaps using innovative methods with a greater emphasis on qualitative analysis and within a new theoretical framework.

Firm profitability is significantly negatively correlated with CEO succession, yet it still does not satisfactorily explain CEO failure. The criteria used to measure firm performance are disparate (accounting performance, market share, industry-weighted, etc.), so the results depend on the sample and the criteria used. As we announced at the beginning of this study, the relationship between firm performance and CEO failure is widely acknowledged (and seems common sense), but it is not a sufficient explanation.

We have analyzed the influence of CEO stock ownership on CEO turnover. The two seem to be inversely related: the higher the CEO's interest in the firm's capital, the lower the probability of CEO dismissal.

This conclusion fits with Jensen and Meckling's (1976) agency theory, which argues that stock ownership aligns managers' interests with those of shareholders and so reduces agency costs. Nevertheless, numerous authors attribute a perverse effect to stock-based pay, in that it can encourage CEOs to act unethically and even manipulate their companies' accounts, thus effectively increasing their chances of failure.[12]

Although this is a central question for corporate governance, there is no consensus, in theory or practice, as to how CEO stock ownership affects either firm performance or CEO succession.

Another much debated variable in relation to CEO failure is board composition. Despite general agreement on the desirability of majority independent boards, we believe that this issue has been oversimplified in the literature and in regulation, while the value of executive directors has been underestimated. In fact, Bhagat and Black (2002) find no statistically significant evidence that companies with majority independent boards perform better than those with majority non-independent boards. The preference for independent directors is too closely linked to agency theory (Ghoshal, 2005) and is not based on a rigorous analysis of directors' personal qualifications or a precise definition of "independent" (Shivdasani, 2004).

Financial economists have reached few conclusions regarding the forces that determine board composition (Boone et al., 2007).

Two factors favor CEO survival: CEO membership of the board of directors and CEO participation in selecting directors. Both increase job stability in the short term, but if the CEO's decisions are self-interested, both may also be detrimental to the company (the value of its shares) and prove harmful in the medium term.

A universal definition of failure would allow the various aspects analyzed here to be brought together in a general framework. Studies refer variously to CEO turnover, CEO dismissal, involuntary departure, retirement, decease, etc. This disagreement over the dependent variable makes it difficult to draw any overall conclusions and results in a loss of relevant information.

In most of the samples analyzed in the literature, the possibility of survival bias is not considered. Yet when analyzing time series or panel data from different industries, we find a clear survival bias. This entails a loss of relevant information, as company failure will have a high correlation with CEO failure.

There is a serious bias in the samples used in field studies of CEO competencies. In our view, the information that is not obtained, due to questions not being answered in interviews, represents a significant loss, as non-response and worse performance may be correlated.

To illustrate this lack of unanimity in the literature, below are the profiles of two types of

[12] The subprime crisis seems sufficient evidence of this.

CEO that the research we have analyzed would consider to be at risk of losing their jobs. In some respects the profiles are opposites and yet the literature comes to the same conclusions about both. This suggests that "to date, many different and mutually exclusive theories have sought to study the same phenomenon" (Ghoshal, 2005, quoted in Rosanas, 2008).

CEO A. This CEO is not a member of the board of directors and does not have a say in the selection of directors. He has not been in the company for long and a successor is ready and waiting. He comes from outside the firm and the industry and does not hold many shares in the company. Also, the board of directors is large and has a majority of independent directors, most of whom do not serve on other boards. The company operates in a highly deregulated industry.

CEO B. This CEO (also close to dismissal) has been with the company for many years and holds a substantial proportion of the company's stock. The company's board is small and consists mainly of insiders, who have no other directorships. The company is large and operates in a deregulated sector, where it is subject to share price pressure.

Ghoshal asks why there has not been a fundamental rethink in corporate governance. His answer like that of Hayek (1989) is crucial: the honest answer is that such a perspective cannot be elegantly modeled we don't have the mathematics to do it (at least not yet).

We consider that the main avenues for future research in this area are as follows: a) exploration of the differences between industries as regards CEO failure, so as to remove industry bias; b) further in-depth study of CEO competencies as an endogenous cause of failure, using statistically valid qualitative analysis; c) study of the impact of the stock market on the monitoring of CEO decisions; d) assessment of the increase in performance-related pay at all levels of the company (Hall and Murphy, 2003) and of whether agency theory's prediction of greater alignment between employees and shareholders is accurate; e) development of a comprehensive definition of failure, distinguishing between voluntary and involuntary departure, so as to allow more valid conclusions to be drawn and a more holistic basic model to be built; and f) exploration of new approaches, based on recognition of the inability of the existing literature to explain CEO failure, perhaps less dependent on statistics and built on new theoretical foundations (*The Economist*, 2005), moving toward a theory that acknowledges the complexity of human motives in decision making in corporate governance, thus breaking the hold of agency theory (Pérez López, 1993; MacAvoy and Millstein, 2003; Ghoshal and Rocha, 2006; Rosanas, 2008).

References

1. Agrawal, A. and C. R. Knoeber (1996), "Firm performance and mechanisms to control agency problems between managers and shareholders," *Journal of Financial and Quantitative Analysis*, 31, September, pp. 377-397.
2. Agrawal, A., T. Tsoulouhas, and C. Knoeber (2007), "Contests to become CEO: incentives, selection and handicaps," *Economic Theory,* 30 (2), pp. 195-221.
3. Argandoña, A. (2000), "La remuneración de directivos mediante opciones sobre acciones: aspectos económicos y éticos," IESE Working Paper (DI-411).
4. Argandoña, A. (2007), "Integrating ethics into action theory and organizational theory," *Journal of Business Ethics*, 78, pp. 435-446.
5. Baker, M. and P. A. Gompers (2003), "The Determinants of Board Structure at the Initial Public Offering," *The Journal of Law and Economics*, 46 (2), pp. 569-598.
6. Baliga, B. R., R. C. Moyer, and R. S. Rao (1996), "CEO duality and firm performance: What's the fuss?," *Strategic Management Journal*, 17, pp. 41-43.
7. Barro, J. R. and R. J. Barro (1990), "Pay, performance and turnover of bank CEOs," *Journal of Labor Economics*, 8 (4), pp. 448-481.
8. Bartol, K. M., K. G. Smith, M. D. Pfarrer, X. Zhang, and D. M. Khanin (2008), "CEOs on the edge: earnings manipulation and stock-based incentive misalignment," *Academy of Management Journal,* 51 (2), pp. 241-258.
9. Beasley, M. (1996), "An empirical analysis of the relation between the board of director composition and financial statement fraud," *Accounting Review*, 71, pp. 443-465.
10. Behn, B. K., R. A. Riley Jr., and Y. Yang (2005), "The value of an heir apparent in succession planning," *Corporate Governance*, 13 (2), pp. 168-177.
11. Bennis, W. (1959), "Leadership theory and administrative behavior: the problem of authority," *Administrative Science Quarterly*, 4 (3), pp. 259-301.
12. Berry T. K., L. P. Fields, and M. S. Wilkins (2006), "The interaction among multiple governance mechanisms in young newly public firms," *Journal of Corporate Finance,* 12, pp. 449-466.
13. Bhagat, S. and B. S. Black (2002), "The non-correlation between board independence and long-term firm performance," *Journal of Corporation Law*, 27, pp. 231-273.
14. Boeker, W. (1992), "Power and managerial dismissal: scapegoating at the top," *Administrative Science Quarterly*, 37 (3), pp. 400-421.
15. Boone, A. L., L. C. Field, J. M. Karpoff, and Ch. G. Raheja (2007), "The determinants of corporate board size and composition: An empirical analysis," *Journal of Financial Economics*, 85 (1), pp. 66-101.
16. Borokhovich, K. A., R. Parrino, and T. Trampani, (1996), "Outside directors and CEO selection," *Journal of Financial and Quantitative Analysis,* 31, pp. 337-362.
17. Bower, J. L. (2007), "The CEO within: why inside outsiders are the key to succession planning," Harvard Business School Press, Boston.

18. Brady, G. F. and D. L. Helmich (1984), "Executive succession," Prentice-Hall, Englewood Cliffs (NJ).
19. Brickley, J. A. (2003), "Empirical research on CEO turnover and firm-performance: a discussion," *Journal of Accounting and Economics*, 36, pp. 227-233.
20. Brickley, J. A., J. L. Coles, and G. Jarrell (1997), "Leadership structure: separating the CEO and Chairman of the Board," *Journal of Corporate Finance*, 3 (3), pp. 189-220.
21. Campbell, W. K., A. S. Goodie, and J. D. Foster (2004), "Narcissism, confidence, and risk attitude," *Journal of Behavioral Decision Making,* 17, pp. 297-311.
22. Canals, J. (2008), "En busca del equilibrio," Prentice Hall, Madrid.
23. Cannella, A. A. and W. Shen (2001), "So close and yet so far: promotion versus exit for CEO heirs apparent," *Academy of Management Journal,* 44 (2), pp. 252-270.
24. Cannella, A. A. and W. Shen (2002), "Power dynamics within top management and their impacts on CEO dismissal followed by inside succession," *Academy of Management Journal*, 45 (6), pp. 1195-1208.
25. Cappelli, P. (2008), "Talent management for the twenty-first century," *Harvard Business Review*, March, pp. 74-81.
26. Cappelli, P. and M. Hamori (2004), "The path to the top: changes in the attributes and careers of corporate executives, 1980-2001," NBER Working Papers 10507.
27. Cardona, P. and P. García Lombardía (2005), "Cómo desarrollar las competencias de liderazgo," Eunsa, Pamplona.
28. Cardona, P. and H. Wilkinson (2009), "Creciendo como líder," Eunsa, Pamplona.
29. Chaganti, R., V. Mahajan, and S. Sharma (1985), "Corporate board size, composition, and corporate failures in retailing industry," *Journal of Management Studies,* 22, pp. 400-416.
30. Charan, R. (2003), preface in L. D. Dotlich and P. C. Cairo, "Why CEOs fail," Jossey-Bass, San Francisco.
31. Charan, R. (2005), "Ending the CEO succession crisis," *Harvard Business Review*, February, pp. 72-81.
32. Charan, R. (2007), "Know-how: the 8 skills that separate people who perform from those who don't," Crown Business, New York.
33. Chatterjee, A. and D. C. Hambrick (2007), "It's all about me: Narcissistic chief executive officers and their effects on company strategy and performance," *Administrative Science Quarterly,* 52 (3), pp. 351-386.
34. Chinchilla, Mª. N. (1997), "Los vínculos de pertenencia y el compromiso con la organización," in "Desafíos de las carreras directivas" (various authors), Biblioteca IESE de Gestión de Empresas, Barcelona, 1997.
35. Ciampa, D. (2005), "Almost ready: how leaders move up," *Harvard Business Review*, January, pp. 46-53.
36. Coles, J. L., N. D. Daniel, and L. Naveen (2008), "Boards: Does one size fit all?," *Journal of Financial Economics,* 87 (2), pp. 329-356.
37. Collins, J. (2001), "Good to great," HarperCollins, New York.
38. Conger, J. A. (2004), "Developing leadership capability: What's inside the black box?," *Academy of Management Executive,* 18 (3), pp. 136-139.
39. Conger, J. A. and D. A. Nadler (2004), "When CEOs step up to fail," *MIT Sloan Management Review*, 45 (3), pp. 50-56.
40. Core, J. E., R. Holthausen, and D. F. Larcker (1999), "Corporate governance, chief executive officer compensation, and firm performance," *Journal of Financial Economics,* 51, pp. 371-406.
41. Core, J. and D. Larcker (2002), "Performance consequences of mandatory increases in executive stock ownership," *Journal of Financial Economics,* 64 (3), pp. 317-340.
42. Core, J. E., W. Guay, and R. S. Thomas (2005), "Is US CEO compensation broken?," *Journal of Applied Corporate Finance*, 17 (4), pp. 97-104.
43. Coughlan, A. and R. Schmidt (1985), "Executive compensation, management turnover, and firm performance: An empirical investigation," *Journal of Accounting and Economics,* 7, pp. 43-66.
44. Crawford, A. J., J. R. Ezzell, and J. A. Miles (1995), "Bank CEO pay-performance relations and the effects of deregulation," *Journal of Business,* 68 (2), pp. 231-256.
45. Daines, R. and M. Klausner (2001), "Do IPO charters maximize firm value? Antitakeover protection in IPOs," *Journal of Law, Economics & Organization*, 17 (1), pp. 83-120.
46. Dalton, D. R. and I. F. Kesner (1983), "Inside/outside succession and organizational size: The pragmatics of executive replacement," *Academy of Management Journal,* 26 (4), pp. 736-742.
47. Dalton, D. R. and I. F. Kesner (1985), "Organizational performance as an antecedent of inside/outside chief executive succesion: an empirical assessment," *Academy of Management Journal,* 28 (4), pp. 749-762.
48. Dalton, D. R. and P. L. Rechner (1991), "CEO duality and organizational performance: a longitudinal analysis," *Strategic Management Journal*, 12, pp. 155-160.
49. Dalton, D. R., C. M., Daily, J. L. Johnson, and A. E. Ellstrand (1999), "Number of directors and financial performance: a meta-analysis," *Academy of Management Journal,* 42 (6), pp. 674-686.
50. Davidson, W. N., D. L. Worrell, and L. Cheng (1990), "Key executive succession and stockholder wealth: The influence of successor's origin, position, and age," *Journal of Management,* 16 (3), pp. 647-664.
51. Dierdoff, E.C. and E.A. Surface (2008), "If you pay for skills, will they learn? Skill change and maintenance under a skill-based pay system," *Journal of Management*, 34 (4), pp. 721-743.
52. DiMaggio, P. J. and W. W. Powell (eds.), (1991), "The new institutionalism in organizational analysis," University of Chicago Press, Chicago.
53. Doidge, C. A., G. A., Karolyi, R. M., Stulz, K. V. Lins, and D. P. Miller (2006), "Private benefits of control, ownership, and the cross-listing decision," ECGI - Finance Working Paper, 77/2005.
54. Dotlich, D. L. and P. C. Cairo (2003), "Why CEO's fail," Jossey-Bass, San Francisco.

55. D'Aveni, R. A. and D. C. Hambrick (1988), "Large corporate failures as downward spirals," *Administrative Science Quarterly,* 33 (1), pp. 1-23.
56. Eisenberg, T., S. Sundgren, and M. Wells (1998), "Larger board size and decreasing firm value in small firms," *Journal of Financial Economics,* 48 (1), pp. 35-54.
57. Fama, E. (1980), "Agency problems and the theory of the firm," *Journal of Political Economy,* 88 (2), pp. 288-307.
58. Fama, E. and M. C. Jensen (1983), "Separation of ownership and control," *Journal of Law and Economics,* 26, pp. 255-270.
59. Fan, D. K. K., Ch. M. Lau, and M. Young (2007), "Is China's corporate governance beginning to come of age? The case of CEO turnover," *Pacific-Basin Financial Journal*, 15 (2), pp. 105-120.
60. Faulk, A. (1991), "Rethinking outside directors," *The Corporate Board*, 12 (71).
61. Fich, E. (2005), "Are some outside directors better than others? Evidence from Director Appointments by Fortune 1000 Firms," *Journal of Business,* 78 (5), pp. 1943-1971.
62. Fich, E. M. and A. Shivdasani (2005), "Financial fraud, director reputation and shareholder wealth," *Journal of Financial Economics*, 86 (2), pp. 306-336.
63. Finkelstein, S. (2003), "Why smart executives fail and what you can learn from their mistakes", Penguin Group, New York.
64. Finkelstein, S. and D. C. Hambrick (1990), "Top-Management-Team tenure and organizational outcomes: the moderating role of managerial discretion," *Administrative Science Quarterly,* 35 (3), pp. 484-503.
65. Finkelstein, S. and R. D'Aveni (1994), "CEO duality as a double-edged sword: how boards of directors balance entrenchment avoidance and unity of command," *Academy of Management Journal,* 37 (5), pp. 1079-1108.
66. *Fortune* (2008), "Geoff Colvin. AmEx gets CEO pay right," 8 de January.
67. Fredrickson, J. W., D. C. Hambrick, and S. Baumrin (1988), "A model of CEO dismissal," *Academy of Management Review*, 13 (2), pp. 255-270.
68. Friedman, S. D. and H. Singh (1989), "CEO succession and stockholder reaction: the influence of organizational context and event content," *Academy of Management Journal*, 32 (4), pp. 718-744.
69. Friel, T. J. and R. S. Duboff (2009), "The last act of a great CEO," *Harvard Business Review*, January, pp. 82-89.
70. Furtado, E. P. H. and M. S. Rozeff (1987), "The wealth effects of company initiated management changes," *Journal of Financial Economics*, 18, pp. 147-160.
71. Gabaix, X. and A. Landier (2008), "Why has CEO pay increased so much?," *The Quarterly Journal of Economics*, 123 (1), pp. 49-100.
72. Geddes, R. and H. D. Vinod (2002), "CEO tenure, board composition, and regulation," *Journal of Regulatory Economics*, 21 (2), pp. 217-235.
73. Gentry, W. A., K. M. Hannum, B. Z. Ekelund, and A. de Jong (2007a), "A study of the discrepancy between self- and observer-ratings on managerial derailment characteristics of European managers," *European Journal of Work and Organizational Psychology*, 16, pp. 295-325.
74. Gentry, W. A., S. P. Mondore, and B. D. Cox (2007b), "A study of managerial derailment characteristics and personality preferences," *Journal of Management Development,* 26 (9), pp. 857-873.
75. Ghoshal, S. (2005), "Bad management theories are destroying good management practices," *Academy of Management Learning & Education,* 4 (1), pp. 75-91.
76. Ghoshal, S. and H. O. Rocha (2006), "Beyond self-interest revisited," *Journal of Management Studies,* 43 (3), pp. 585-619.
77. Greenblatt, M. (1983), "Management succession: some major parameters," *Administration in Mental Health,* 11 (1), pp. 3-10.
78. Grossman, S. and O. Hart (1980), "Takeover bids, the free-rider problem, and the theory of the corporation," *Bell Journal of Economics*, 11 (1), pp. 42-64.
79. Grossman, S. and O. Hart, (1983), "An analysis of the principal-agent problem," *Econometrica,* 51 (1), pp. 7-45.
80. Groysberg, B., A. Nanda, and N. Nohria (2004), "The risky business of hiring stars," *Harvard Business Review*, May, pp. 92-100.
81. Grusky, O. (1961), "Corporate size, bureaucratization, and managerial succession," *The American Journal of Sociology,* 67 (3), pp. 261-269.
82. Guerrera, F. (2009), "A need to reconnect," *Financial Times*, March 13.
83. Guest, P. M. (2008), "The determinants of board size and composition: the evidence from the United Kingdom," *Journal of Corporate Finance,* 14 (1), pp. 51-72.
84. Hall, B. J. and K. J. Murphy (2003), "The trouble with stock options," Harvard NOM Research Paper No. 03-33.
85. Hambrick, D. C. and P. A. Mason (1984), "Upper echelons: the organization as a reflection of its top managers," *Academy of Management Review,* 9 (2), pp. 193-206.
86. Helmich, D. L. (1980), "Board size variation and rates of succession in the corporate presidency," *Journal of Business Research,* 8, pp. 51-63.
87. Henderson, A. D., D. Miller, and D. C. Hambrick (2006), "How quickly do CEOs become obsolete? Industry dynamism, CEO tenure, and company performance," *Strategic Management Journal,* 27 (5), pp. 447-460.
88. Hermalin, B. E. and M. S. Weisbach (1991), "The effects of board composition and direct incentives on firm performance," *Financial Management,* 20 (4), pp. 101-112.
89. Hermalin, B. E. and M. S. Weisbach (1998), "Endogenously chosen boards of directors and their monitoring of the CEO," *American Economic Review,* 88 (1), pp. 96-118.
90. Hubbard, R. G. and D. Palia (1995), "Executive pay and performance. Evidence from the United States banking industry," *Journal of Financial Economics,* 39 (1), pp. 105-130.
91. Iaquinto, A. L. and J. W. Fredrickson (1997), "TMT agreement about the strategic decision process: a test of some of its determinants and consequences," *Strategic Management Journal,* 18, pp. 63-75.

92. James, D. R. and M. Soref (1981), "Profit constraints on managerial autonomy: managerial theory and the unmaking of the corporation president," *American Sociological Review,* 46 (1), pp. 1-18.
93. Jensen, M. C. (1988), "Takeovers: their causes and consequences," *Journal of Economic Perspectives,* 2 (1), pp. 21-48.
94. Jensen, M. C. (1993), "The modern Industrial Revolution, exit, and the failure of internal control systems," *Journal of Finance*, 48 (3), pp. 831-880.
95. Jensen, M. C. and W. H. Meckling (1976), "Theory of the firm: managerial behavior, agency costs and ownership structure," *Journal of Financial Economics*, 3, pp. 305-360.
96. Jensen, M. C. and K. J. Murphy (1990), "CEO incentives-it's not how much you pay, but how," *Harvard Business Review*, May-June, pp. 138-153.
97. Jensen, M. and E. J. Zajac (2004), "Corporate elites and corporate strategy: how demographic preferences and structural position shape the scope of the firm," *Strategic Management Journal,* 27, pp. 507-524.
98. Jenter, D. and F. Kanaan (2008), "CEO turnover and relative performance evaluation," Stanford University Graduate School of Business, Research Paper 1992/08.
99. Jin Chung, H. (2008), "Board independence and CEO incentives (Job Market Paper)," Stern School of Business, New York University.
100. Kahneman, D. and A. Tversky (1979), "Prospect theory: An analysis of decision under risk," *Econometrica*, 47, pp. 263-291.
101. Kaplan, S. N., M. M. Keblanov, and M. Sorensen (2008), "Which CEO characteristics and abilities matter?", NBER Working Paper 14195.
102. Kesner, I. F. and T. C. Sebora (1994), "Executive succession: past, present & future," *Journal of Management,* 20 (2), pp. 327-372.
103. Kets de Vries, M. F. R. (1988), "The dark side of CEO succession," *Harvard Business Review*, January-February, pp. 23-28.
104. Kets de Vries, M. F. R. and D. Miller (1985), "Narcissism and leadership: an object relations perspective," *Human Relations,* 38 (6), pp. 583-601.
105. Kieschnick, R. and R. Moussawi (2004), "The board of directors: a bargaining perspective," Working Paper, University of Texas.
106. Kisfalvi, V. and P. Pitcher (2003), "Doing what feels right: the influence of CEO character and emotions on top management team dynamics," *Journal of Management Inquiry,* 12 (1), pp. 42-66.
107. Kovach, B. E. (1986), "The derailment of fast-track managers," *Organizational Dynamics*, 15 (2), pp. 41-48.
108. Krivogorsky, A. (2006), "Ownership, board structure, and performance in continental Europe," *The International Journal of Accounting*, 41 (2), pp. 176-197.
109. Lehn, K. M. and M. Zhao (2006), "CEO turnover after acquisitions: are bad bidders fired?," *Journal of Finance*, 61 (4), pp. 1,759-1,811.
110. Lehn, K., S. Patro, and M. Zhao (2003), "Determinants of the size and structure of corporate boards: 1935-2000," Working Paper, University of Pittsburgh.
111. Linck, J., J. Netter, and T. Yang (2008), "The determinants of board structure," *Journal of Financial Economics,* 87, pp. 308-328.
112. Lipton, M. and J. W. Lorsch (1992), "A modest proposal for improved corporate governance," *Business Lawyer*, 48 (1), pp. 59-77.
113. Longstreth, B. (2005), "Corporate governance: there's danger in new orthodoxies," *The Journal of Portfolio Management*, pp. 47-52.
114. Lorsch, J. W. and A. Zelleke (2005), "Should the CEO be the chairman?," *MIT Sloan Management Review,* 48 (2), pp. 71-74.
115. MacAvoy, P. W. and I. M. Millstein (2003), "The recurrent crisis in corporate governance," Palgrave Macmillan, New York.
116. Maccoby, M. (2000), "Narcissistic leaders: the incredible pros, the inevitable cons," *Harvard Business Review*, January, pp. 92-101.
117. Maccoby, M. (2003), "The productive narcissist: the promise and peril of visionary leadership," Broadway Books, New York.
118. Mace, M. L. (1971), "Directors, myth and reality," Harvard Business School Press, Boston.
119. MacKinlay, A. C. (1997), "Event studies in economics and finance," *Journal of Economic Literature,* 35, pp. 13-39.
120. Maitlis, S. (2004), "Taking it from the top: how CEOs influence (and fail to influence) their boards," *Organization Studies*, 25 (8), pp. 1,275-1,311.
121. Martin, K. J. and J. J. McConnell (1991), "Corporate performance, corporate takeovers, and management turnover," *Journal of Finance*, 46 (2), pp. 671-687.
122. McConnell, J. and H. Servaes (1990), "Additional evidence on equity ownership and corporate value," *Journal of Financial Economics*, 27, pp. 595-612.
123. McEachern, W. A. (1975), "Managerial control and performance," Lexington Books, Lexington.
124. Michels, R. (1962), "Political parties," The Free Press, New York.
125. Milne, R. (2009), "European industry," *Financial Times,* March 13.
126. Miller, D., M. F. R. Kets de Vries, and J. M. Toulouse (1992), "Top executive locus of control and its relationship to strategy-making, structure, and environment," *Academy of Management Journal,* 25 (2), pp. 237-253.
127. Miller, C. C., L. M. Burke, and W. H. Glick (1998), "Cognitive diversity among upper echelon executives: implications for strategic decision processes," *Strategic Management Journal,* 19, pp. 39-58.
128. Mizruchi, M. (1983), "Who controls whom? An examination of relations between management and boards of directors in large American corporations," *Academy of Management Review*, 8 (3), pp. 426-435.
129. Monks, R. and M. Minow (1995), "Corporate governance," Blackwell Publishing, Oxford.
130. Morck, E., A. Schleifer, and R. Vishny (1988), "Management ownership and market valuation: an empirical analysis," *Journal of Financial Economics*, 18, pp. 293-315.
131. Murphy, K. J. (1998), "Executive compensation", in Ashenfelter, O. and D. Card (eds.), "Handbook of labor economics 3 (II)," Elsevier, New York.
132. Murphy, K. J. and J. L. Zimmerman (1993), "Financial performance surrounding CEO turnover,"

Journal of Accounting and Economics, 16, pp. 273-315.
133. Netter, J., A. Poulsen, and M. Stegemoller (2009), "The rise of corporate governance in corporate control research," *Journal of Corporate Finance*, 15 (1), pp. 1-9.
134. NYSE (2003), "NYSE's listed company manual: Section 303A."
135. Ocasio, W. (1994), "Political dynamics and the circulation of power: CEO succession in US industrial corporations, 1960-1990," *Administrative Science Quarterly,* 39 (2), pp. 285-312.
136. Offenberg, D. (2009), "Firm size and the effectiveness of the market for corporate control," *Journal of Corporate Finance*, 15 (1), pp. 66-79.
137. Ortín, P. and V. Salas (1997), "The compensation of Spanish executives: a test of a managerial talent allocation model," *International Journal of Industrial Organization*, 15 (4), pp. 511-531.
138. O'Reilly III, Ch. A., W. G. Wagner, and J. Pfeffer (1984), "Organizational demography and turnover in top management groups," *Administrative Science Quarterly*, 29 (1), pp. 74-92.
139. Pareto, V. (1968), "The rise and fall of the elites," Bedminster Press, Totowa (NJ).
140. Parrino, R. (1997), "CEO turnover and outside succession: a cross-sectional analysis," *Journal of Financial Economics*, 46, pp. 165-197.
141. Pérez López, J. A. (1993), "Fundamentos de la dirección de empresas," Rialp, Madrid.
142. Perry, T. and U. Peyer (2005), "Board seat accumulation by executives: a shareholder's perspective," *Journal of Finance*, 60 (4), pp. 2083-2123.
143. Pfeffer, J. (1981), "Management as symbolic action: the creation and maintenance of organizational paradigms," *Research in Organizational Behavior*, 3, pp. 1-52.
144. Pfeffer, J. (1993), "Barriers to the advance of organizational science: paradigm development as a dependent variable," *Academy of Management Review*, 18 (4), pp. 599-620.
145. Pfeffer, J. and W. L. Moore (1980), "Average tenure of academic department heads: The effects of paradigm, size, and departmental demography," *Administrative Science Quarterly*, 25 (3), pp. 387-406.
146. Pi, L. and S. G. Timme (1993), "Corporate control and bank efficiency," *Journal of Banking & Finance*, 17 (2-3), pp. 515-530.
147. Porter, M. E. (1980), "Competitive strategy," The Free Press, New York.
148. Pritchard, A., S. Ferris, and M. Jagannathan (2003), "Too busy to mind the business? Monitoring by directors with multiple board appointments," *Journal of Finance*, 58 (3), pp. 1087-1111.
149. Puffer, S. M. and J. B. Weintrop (1995), "CEO and board leadership: the influence of organizational performance, board composition, and retirement on CEO successor origin," *The Leadership Quarterly*, 6 (1), pp. 49-68.
150. Rappaport, A. (1986), "Creating shareholder value: the new standard for business performance," The Free Press, New York.
151. Reinganum, M. (1985), "The effect of executive succession on sotckholder wealth," *Administrative Science Quarterly*, 30 (1), pp. 46-60.
152. Rosanas, J. M. (2008), "Beyond economic criteria: a humanistic approach to organizational survival," *Journal of Business Ethics*, 78, pp. 447-462.
153. Rosen, S. (1982), "Authority, control, and the distribution of earnings," *The Bell Journal of Economics*, 13 (2), pp. 311-323.
154. Rostow, E. V. (1959), "To whom and for what ends is corporate management responsible?," in Mason, E. S. (ed.), "The corporation in modern society," pp. 46-71, Antheneum, New York.
155. Russell Reynolds Associates (2006a), "Governance for good or ill -Europe's chairmen report," Thought Leadership Series.
156. Russell Reynolds Associates (2006b), "Changing leadership roles: splitting chairs," Thought Leadership Series.
157. Salancik, G. and J. Pfeffer (1980), "Effects of ownership and performance on executive succession in US corporations," *Academy of Management Journal*, 23 (4), pp. 653-664.
158. Selznick, P. (1957), "Leadership in administration," Row, Peterson & Co., Evanston.
159. Shivdasani, A. and D. Yermack (1999), "CEO involvement in the selection of new board members: an empirical analysis," *Journal of Finance*, 54 (5), pp. 1829-1853.
160. Shivdasani, A. and M. Zenner (2004), "Best practices in corporate governance: what two decades of research reveal," *Journal of Applied Corporate Finance*, 16 (2-3), pp. 29-41.
161. Shleifer, A. and R. W. Vishny (1989), "Management entrenchment: the case of manager-specific investments," *Journal of Financial Economics*, 25 (1), pp. 123-139.
162. Short, H. and K. Keasey (1999), "Managerial ownership and the performance of firms: evidence from the United Kingdom," *Journal of Corporate Finance*, 5, pp. 79-101.
163. Simons, T., L. H. Pelled, and K. A. Smith (1999), "Making use of difference: diversity, debate, and decision comprehensivenss in top management teams," *Academy of Management Journal*, 42 (6), pp. 662-673.
164. Stout, L. A. (2002), "Do antitakeover defenses decrease shareholder value? The ex post/ex ante valuation problem," *Stanford Law Review*, 55 (3), pp. 845-861.
165. Susaeta, L., J. R. Pin, and M. J. Belizón (2008), "Factores determinantes de la reputación del CEO: un análisis sectorial de las principales empresas españolas," IESE Working Paper (DI-772).
166. Taleb, N. (2009), "How bank bonuses let us all down," *Financial Times*, February 24.
167. Terviö, M. (2007), "The difference that CEOs make: an assignment model approach," available at SSRN, Haas School of Business, University of California, Berkeley.
168. *The Economist* (2005), "School for scandal", February 19.
169. Tobin, J. M. (1994), "The squeeze on directors-inside is out," *Business Lawyer*, 49, pp. 1,707-1,760.
170. Tosi, H. L., S. Werner, J. P. Katz, and L. R. Gómez-Mejía (2000), "How much does performance matter? A meta-analysis of CEO pay studies," *Journal of Management*, 26 (2), pp. 301-339.

171. Vancil, R. (1987), "Passing the baton: managing the process of CEO succession," Harvard Business School Press, Boston.
172. Wade, J., Ch. O'Reilly, and I. Chandratat (1990), "Golden parachutes: CEOs and the exercise of social influence," *Administrative Science Quarterly,* 35 (4), pp. 587-603.
173. Walker, C. A. (2002), "Saving your rookie managers from themselves," *Harvard Business Review*, April, pp. 97-102.
174. Warner, J. B., R. L. Watts, and K. H. Wruck (1988), "Stock prices and top management changes," *Journal of Financial Economics*, 20, pp. 461-492.
175. Watkins, M. (2004), "Strategy for the critical first 90 days of leadership," Strategy & Leadership, 32 (1), pp. 15-20.
176. Weisbach, M. (1988), "Outside directors and CEO turnover," *Journal of Financial Economics*, 20, pp. 431-460.
177. Yermack, D. (1996), "Higher valuation of companies with a small board of directors," *Journal of Financial Economics*, 40 (2), pp. 185-212.
178. Yermack, D. (1997), "Good timing: CEO stock options awards and company news announcements," *Journal of Finance*, 52 (2), pp. 449-476.
179. Zajac, E. J. (1990), "CEO selection, succession, compensation and firm performance: theoretical integration and empirical analysis," *Strategic Management Journal*, 11, pp. 217-230.