

Helper or hindrance: How new CEOs' networks affect post-succession strategic change in turnaround versus non-turnaround context

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New CEOs play a crucial role in generating strategic changes for the organization through their different strategic choices from their predecessors. Literature has long studied new CEOs' characteristics associated with post-succession strategic change. Some recent studies distinguish the organizational contexts prior to the succession and show that outsider CEOs are less likely than inside CEOs to generate strategic change when firms have poor pre-succession performance. This raises a paradox since organizations with worse performance are more likely to require change, but appointing an outsider CEO – considered a good leader for change – will likely disappoint those organizations needing urgent change.

We aim to resolve the controversy by adopting a social network perspective to study the role of new CEOs' social networks with external business elites and internal organizational members in different business contexts (i.e., turnaround vs business-as-usual). In particular, we explore 1) how new CEO's internal and external social networks help or hinder post-succession strategic change in turnaround and business-as-usual situations and 2) how new CEO's social networks explain the controversial relationship between outsider CEOs and post-succession strategic change in turnaround situations. We develop a contingency framework and argue that new CEOs' social networks with internal and external business elites *prior to* their appointment have opposite impacts on post-succession strategic change in turnaround vs. business-as-usual situations.

We conduct a quantitative empirical analysis on the 2208 new CEOs appointed by S&P 1500 companies between 2000 and 2017. We find that while a new CEO's internal networks have a negative effect on post-succession strategic change in business-as-usual situations, they help new CEOs make strategic changes in turnaround situations. On the contrary, we find that a new CEO's external networks positively affect strategic change in business-as-usual situations but negatively affect turnaround situations. We also find that an outsider CEO's weaker internal networks and more extensive external networks explain outsider CEOs' mixed effect on strategic change in the turnaround vs. business-as-usual. Focusing on the firms in turnaround situations and observing their strategic change for a longer time, we further find that the effect of both CEOs' internal networks and external networks get less pronounced over their tenure. This implies that new CEOs may experience a learning process, and it takes time to make the best use of their internal and external network resources to make strategic changes.

Our paper contributes to social networks literature, CEO succession literature, and corporate turnaround research. First, it highlighted that the same network can be a helper or hindrance for CEOs to bring about change, depending on the organizational context. Second, it underscores the importance of new CEOs' relational characteristics, namely their internal and external social networks, for CEO appointments in different firm situations. Third, it indicates that new CEOs' internal networks are crucial in accelerating strategic change in crisis, especially in the early tenure.

Keywords: CEO networks, CEO succession, strategic change, interlocking directorates, corporate turnaround