“Executive successor attributes in the context of executive succession”

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Executive successor attributes in the context of executive succession

Abstract

The article presents the analysis of the characteristics of the successor, the skills and traits required for the successor and the motives he or she follows to accept the position. These are assumed as the main attributes questioning what an executive successor should be in order to sustain or improve organizational performance. The importance of the research is based on the question: what are the main executive’s skills and traits that have the biggest impact on successful company’s performance? The lack of such type of studies conditioned the relevance to perform the research of current literature in the area of executive successor attributes and their impact of company’s behavior and performance results. The aim of the research is to identify executive’s skills and traits that are the most important for successful company’s performance. For this reason the analysis of successor characteristics was made and successor skills’ and traits’ importance inheriting the title and power was analyzed. The results of the research showed that the main traits that makes an executive successful are: emotional maturity, honesty, ethics, energetics, persistence, versatility, quietness, self-confidence, intuitiveness, inquisitiveness, passion, decisiveness. Skills that are required to manage people are found to be more important for organization’s performance than intellectual abilities.

Keywords: executive successor, personnel management, CEO change, successor characteristics, executive skills and traits.

JEL Classification: M12, M19.

Introduction

There are many studies exploring successors’ characteristics, which may be grouped into 6 areas: (1) successor experience in terms of time; (2) successor origin; (3) education; (4) tenure; (5) age. The characteristics of successor were mainly analyzed with succession frequency, organizational performance and relations with the Board.

Perhaps the most consistent finding in the succession literature is the organizational affiliation of the successor.

Successor origin, whether the new CEO (Chief Executive Officer) is hired from outside the firm or promoted within the firm, has been considered as an indication of how much continuity or change an organization seeks in future.

Previous theory suggested that while outsiders were selected when organizations perform poorly and require a strategic change, insiders were selected when organizations desired continuity (Boeker, Goodstein, 1993; Brady, Helmich, 1984). More recent studies suggested that it was not always the case that inside successors maintain strategic direction (Shen, Cannella, 2002), and outside successions could not always be assumed to be optimal and efficient in bringing change because of socio-political forces and institutionalization processes in external labor markets (Khurana, 2002).

As outsiders are seen to be less committed to status quo and therefore more likely to affect changes in the organization, they tend to be favored in situations of poor organizational performance. Though, there are controversial opinions that question, why someone recruited from outside the firm, should be considered truly different from someone within the firm.

Research problem. Studies on executive succession are fragmented and there is a lack of a broader picture explaining the succession phenomenon and its relation to the organizational performance as researchers usually narrowing their approach to a single discipline. It is still unclear of how executive succession effects organizational performance.

The questions how executive succession effects organizational performance considering different conditions before succession, what are the main executive succession parameters, what executive succession parameters determine successful executive succession are still open. The research problem of this paper is what are the main executive’s skills and traits that have the biggest impact on successful company’s performance.

Research object is the attributes of executive successor. Goal of the research is to identify executive’s skills and traits critical to successful company’s performance.

This paper presents logical and comparative analysis and synthesis of scientific references.

1. Analysis of successor characteristics

Research on the past succession performance of new CEO origin has indeed been characterized by mixed results (Kesner, Sebora, 1994; Shen, Cannella, 2002). One of the major reasons for the inconsistent findings is the lack of clear agreement on what has been captured by the insider versus outsider dichotomy (Finkelstein, Hambrick, 1996; Kesner, Sebora,
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Finkelstein and Hambrick (1996) argue that viewing CEO successions in binary terms is a very limited approach.

Some researchers choose to define outsiders as successors who were not in the organization while the predecessor held office (Dalton, Kesner, 1985), others include CEOs who had been in the firm for as long as four years (Lubatkin, Chung, Rogers, Owers, 1989). Helmich and Brown (1972) define outsiders as individuals beyond the predecessor’s “executive role constellation”. Finkelstein and Hambrick (1996) argue that a new CEO who has come directly from outside the company is more of an outsider than a new CEO who has spent three years within the company. However, a new CEO with three years of tenure is more like an outsider compared to a new CEO who has 25-years experience within the company. Furthermore, an outsider who comes from an unrelated industry from the one in which the focal firm is operating will probably bring different knowledge, skills, and perspective than a CEO who comes from the same or a related industry (Finkelstein, Hambrick, 1996). Gabarro (2007) introduced new definitions for outsider and insider, stating that an insider is a person who has five or more years of experience in the new organizations industry.

As a result, the lack of consistency in what the insider versus outsider CEO dichotomy captures may have contributed greatly to mixed findings on the performance consequences of successor origin reported throughout the research (Kesner, Sebora, 1994).

Some of the authors developed and used the conceptions of extreme insider and extreme outsider (Van cil, 1987; Finkelstein, Hambrick, 1996). The extreme insider described as an individual with over 15 years in the firm and extreme outsider – a person hired from unrelated industry. The extreme insider was accepted as the norm for large companies (Finkelstein, Hambrick, 1996). Finkelstein and Hambrick (1996) argued that as the degree of outsideriness increases, the new CEO becomes more cognitively open-minded, less committed to the status quo, and better able to see new courses of actions. Furthermore, more extreme outsiders will be less hesitant to make major changes, since the new CEO is less likely to be socially connected to internal executives, and is less committed to current strategic direction. Appointing an outsider also sends signals internally that change is coming and externally that the Board has decided to break with the past (Finkelstein, Hambrick, 1996).

Tenure in the organization is the most prominent characteristic of a CEO’s origin to the organization (Finkelstein, Hambrick, 1996). Research suggests that long-tenured executives tend not to make necessary strategic changes in their organizations (Gabarro, 2007; Wiersema, Bantel, 1992). Those executives with high organizational tenure are more likely to have a narrow perspective, a psychological commitment to the status quo (Hambrick, D., Geletkanycz, Fredrickson, 1984) and to be resistant to major changes within the organization (Finkelstein, Hambrick, 1996).

Internal candidates for executive positions are often promoted because of their expertise in the work of the organization. Gilmore (2003) stated that up to 80% of executive changes are filled by internal candidates. Often they have worked for many years and have proven to be highly qualified and competent in their role (Gilmore, 2003).

Researchers have typically hypothesized that poor performance of the organization will trigger the hiring of an outsider. The assumptions in most of research are that inside successors are appointed under the conditions of good organizational performance and maintain strategic continuity, the outside successors are appointed under conditions of poor organizational performance to initiate strategic change (Shen, Cannella, 2002).

Shen and Cannella (2002) present the study, where CEO successor is distinguished into three types: followers, contenders and outsiders. The findings suggest that a successor type interacts with financial organizational performance figures (return on assets). According to Giambatista et al. (2005), contenders and followers did not differ in post succession performance, though outside successors did tend to have a negative effect.

Though the findings are not consistent, there is a tendency that an external executive leads to better organizational performance results (Lubatkin, Chung, Rogers, Owers, 1989).

According to Datta and Guthrie (1994) educational background has been discussed by management researchers as indicating executives’ knowledge and skill base. The literature has typically equated attained education level with attributes such as cognitive ability, capacity for information processing, tolerance for ambiguity and propensity or receptivity to innovation (Wiersema, Bantel, 1992). In a study of the banking industry, Bantel and Jackson (1989) found that more innovative banks were led by top managers possessing relatively high levels of education. Top managers’ education levels have also been empirically linked with the propensity to deviate from the status quo and implement strategic change (Wiersema, Bantel, 1992).
Datta and Guthrie (1994) supported the idea that investment in R&D by firms has been characterized as a strategic decision indicating a firm’s propensity and desire for innovation. It is argued that these contexts require certain skills of the CEOs: creativeness, open-mind, risk-taking, tolerance of ambiguity and uncertainty. R&D intensive firms may emphasize and value educational attainment in selecting their organizational leaders. This idea also coincides with Bantel and Jackson (1989) who argue that more creative firms will tend to have more highly educated management teams and that technologically intensive companies are best served by employing individuals with advanced training and education. Datta and Guthrie (1994) results also provide empirical evidence that R&D intensity was associated with selected CEOs having higher educational levels and technical functional backgrounds.

The age of the new CEO has also received attention analyzing executive succession. It is believed that demographic features such as age, religion, sex, and socio-economic position influence not only individual behavior, but also the actions of organizations (Davidson, Nemec et al., 2006). Davidson, Nemec et al. (2006) found that Boards tend to hire CEOs, whose ages are similar to their own. Previous studies showed that age and tenure relate to change and risk taking (Wiersema, Bantel, 1992). Wiersema and Bantel (1992) argue that older people are more risk averse and less change-oriented. Younger people are more risk-oriented and more likely to instigate change.

Summing up, the above indicates that different successor characteristics impose a different succession process. To find the strong tendencies would be a tough task, especially with terminology being so inconsistent.

2. Successor skills’ and traits’ importance inheriting the title and power

In today’s world the executives’ job is no longer to command and control, but to cultivate and coordinate the actions of others at all levels of an organization (Ancona, Malone, Orlikowski, Senge, 2007). With regard to this, the skills and traits that were important a decade ago to perform the job of an executive have now changed. Also to be a complete leader having all necessary skills might signify the incompetence of an executive, as there are no such persons (Ancona et al., 2007). However, the interest in managerial skills and traits is robust if to presume that they are a source of the differences between leaders and non-leaders (Yukl, 2006), they are the source of different strategic orientations of the companies (Fondas, Wiersema, 1997), and finally they may explain the variation of firms performance (Carmi, Tishler, 2006).

According to Jonhson (2006), a review of the relevant literature on executive skills and traits reveals two distinct problems. The first is that the literature today often blurs the concepts of skills vs. functions. Second is the issue of isolating “executive” skills or traits as opposed to “leadership” skills or traits. It is leadership that is most often studied or reported on rather than executive leadership. Also, such literature often discusses both traits and skills interchangeably, even though there is a difference.

This section of the study aims to analyze the key skills and traits required to successfully perform as a new executive in the organization.

Fondas and Wiersema (1997) showed that changes in the executive position influence the strategic direction of an organization. This strategic orientation change may be explained by the differences of the leader’s work experience, educational background, personal characteristics and role context. The role of top management is a critical resource for organizations because of the significant influence on the organization’s strategic decisions and implementation. Though indeed the ability of executives to describe and understand the economic performance potential of an organizations endowments rests on the integration of all or most of the relevant skills (Carmi, Tishler, 2006).

Although several researchers have identified skills that effective leaders should possess, relatively little has been done to estimate the impact of the executive skills and their relative importance to the firms performance (Carmi, Tishler, 2006; Yukl, 2006).

With the emergence of a resource based view, researchers have also tried to link managerial skills to competitive advantage, but the questions of what these skills are and how they should be sorted in the context of performance have not been answered (Carmi, Tishler, 2006).

The literature suggests several typologies of managerial skills of successful leaders, e.g., Castanias and Helfat (1991), Yukl (2006). A hierarchy of four types of skills emerges from the study of Castanias and Helfat (1991):

- generic skills, which are transferable across sectors and organizations;
- sector-related skills;
- organization-specific skills;
- “industry-related” skills.

As noted by Castanias and Helfat (1991), generic skills do not produce quasi-rents (the difference
between the value of an asset in its first best use and its value in its next best use) because they are easily transferable. “Industry-related” skills can be transferred across industries, which make related products or which utilize related resources and production processes. All four types of managerial skills, however, may affect an industry’s performance.

According to Katz (1955), there are three basic categories of skills relevant to executives: effectiveness:

- technical skills;
- conceptual skills;
- interpersonal skills.

Technical skills include knowledge of products and services; knowledge of work operations, procedures, and equipment; and knowledge of markets, clients, and competitors. Conceptual skills include the ability to analyze complex events and perceive trends, recognize changes, and identify problems and opportunities; the ability to develop creative, practical solutions to problems; and the ability to conceptualize complex ideas and use models and analogies. Interpersonal skills include an understanding of interpersonal and group processes; the ability to understand the motives, feelings, and attitudes of people from what they say and do (empathy, social sensitivity); the ability to maintain cooperative relationships with people (tact, diplomacy, conflict resolution skills); and oral communication and persuasive ability. According to the authors, a combination of specific technical, cognitive, and interpersonal skills is involved in the ability to perform relevant managerial functions such as planning, delegating, and supervising.

Yukl (2006) reviewed nine skills as characteristic of successful leaders: cleverness (intelligence), conceptual skills, creativity, diplomacy and tact, fluency in speaking, knowledge about group tasks, organizing skills (administrative ability), persuasiveness, and social skills.

Carmi and Tishler (2006) summarized and provided representative studies on managerial skills in both fields of leadership and strategy. Most studies on managerial skills have been conducted within the domain of leadership studies and most of them focused on what make an individual manager or leader successful. They list the following set of skills: persuasiveness, administrative ability, fluency in speaking, knowledge about group tasks, diplomacy and tact, social skills, creativity, conceptual skills, and cleverness.

Johnson (2006) developed a conceptual model of executive skills and traits, which a new executive should possess. The model is based on required executive functions: communication, people, vision and execution. For each of these functions, a synthesis of the literature provides a series of executive skills and traits.

Ancona et al. (2007) argue that each executive should think about 4 key things. These are: engagement in sense-making, building relationships, creating a vision and cultivating inventiveness. Bearing in mind, that no leader is perfect, the other task for the leader appears – to find others who can make up for his or her limitations.

According to the researchers, emotional maturity is expected of executives. Keeping one’s balance when all hell is breaking loose, letting go of the need to look superb at all times, stifling vindictive impulses – these are all difficult (Fox, Zauderer, 1987). Perhaps the best description of emotional maturity and self-awareness comes from Goleman’s (1998) concept of “emotional intelligence”. The most effective leaders are alike in one crucial way: they all have a high degree of what has come to be known as emotional intelligence (Goleman, 1998). Goleman (1998) actually defines emotional intelligence with five components.

Self-confidence is also in the list of traits required for being successful. Jim Collins and his research team found a link between the concept of “self-confident and being humble” and the success of the organization (Collins, 2001). Goleman (2000) also found the idea of self-confidence to be an important component of effective leadership. This reflects a “strong and positive sense of self-worth”. For the leader, and particularly the executive, the level of self-confidence has a direct impact on those being lead. Personal traits like energetics, persistency, flexibility, versatility, and persistence also were described as the ones which a leader should possess.

Returning to Goleman’s (1998) concept of emotional intelligence, this aligns with the component of trustworthiness, where the leader exhibits a “consistent display of honesty and integrity”. In short, the executive is expected to display integrity in all of his/her dealings. The executive must also combine the traits of inquisitiveness and intuitiveness. In this, it is expected that the executive be willing to ask questions and then to act on not only the facts but also his/her intuition. According to Benton (1996), to be successful in almost anything you have to be the one to initiate asking, getting answers, and really hearing answers. If you ever stop inquiring, you will stop growing. However, just having intuition is not enough; the executive must also know how to make sense of it. Passion shows how the executive ap-
problems and duties both on and off the job. But along with the passion, the executive is expected to display a calmness – in fact people often depend on this calmness in the face of adversity or problem solving. Accordingly, executives are socialized as to the importance of conveying calm and thoughtfulness no matter how much pressure they may be feeling under (Hambrick, Mason, 1984). Mariotti (1999) describes this as the “ability to move relentlessly ahead toward a goal without giving in to stress or causing undue stress in others. This person is healthy and strong in the executive sense, and helps people to set “stretch” objectives, and provides the support they need to reach them”.

The next critical executive trait is self-regulation. This is the ability to control or redirect disruptive impulses and moods; the propensity to suspend judgment – to think before acting (Goleman, 1998). One hallmark of this trait is being comfortable with ambiguity. This is especially important in today’s fast-paced business environment, where the executive is expected to make critical decisions on the run and with often-conflicting data to support the decision.

Finally, while there has been some argument in the business press over the years, it is suggested that the successful executive exhibits the trait of empathy and is, in short, a nice person. Empathy is the trait that allows the executive “to understand the emotional makeup of other people” (Goleman, 1998). It means that the executive takes into account others feelings and positions when making decisions. It is a matter of “understanding their perspective and taking an active interest in their concerns” (Goleman, 2000). In short, it means being nice to people but still getting the job done. Also, decisiveness is also appreciated as a desirable trait of the successful executive. Many executives have failed due to their “frequent reversal of self-indecisiveness or because of inadequate judgments or decisions” (Brown, 1964).

Based on the work done by Johnson (2006), Carmi and Tishler (2006) and Ancona et al. (2007), the set of skills and traits required for the newly appointed executive is developed (Figure 1). The authors of this study believe that when entering an organization, the skills and traits related to the interactions with people are the most important. However, other skills and traits should not be devaluated.

Executives are constantly trying to understand the context in which they operate. Those who are strong in the sense-making capability know how to quickly capture the complexities of their environment and explain them to others in simple terms (Ancona et al., 2007). Communicating is a critical skill for the executive – and this concept encompasses all forms of communication including verbal, non-verbal, written. It also includes the executive’s listening skill. Of course that means listening to those within the organization but also includes external listening. The executive must be able to clearly communicate both inside and outside of the organization. Another set of communicating skills involves the development of relationships and networks. This skill takes into account the ability to build trust and to maintain a wide circle of relationships (Fulmer, Wagner, 1999). Involvement of others in the communication process is also seen as a required skill. Communication should processes both ways: sender-receiver.

The skills associated with the relating executive function include the ability to hire and retain the right people, motivate others, teach and mentor employees, reasoning with and empowering others. Each skill is critical to the success of the executive as well as the organization. If one accepts that the function of the executive is to ensure the success of the organization, then he/she must be adept at getting and keeping people that will help to achieve this success. As attributed to Jack Welch, former CEO of General Electric “… winning is about having the very best people” (Collingwood, 2001). Getting the right personnel in place is not the only skill related to the people function of the executive. Once the right people are in place, it is incumbent upon the executive to motivate them along with teaching and mentoring them. It is the executive’s responsibility to ensure empowerment at all levels of the organization. “The skills associated with empowerment entail being willing to share power; taking delight in others’ development more than in having
control; and realizing that visions are achieved by teams, not by single leaders” (Byrd, 1987). Effective relating does not mean avoiding interpersonal conflict, it is all about showing respect, challenging opinions, asking tough questions and taking a stand (Ancona et al., 2007).

The skills that fall under the executive function of visioning include the ability to create a strategy for the organization; its vision, mission, and purpose; to make meaning for the organization; create shared values for the stakeholders of the organization; and to have the ability to understand the bigger picture or context. Without the vision to create the mission, strategy, and purpose for the organization, the executive will be unable to create meaning for the members of the organization. It is through this creation of meaning that the executive instills shared values in the members of the organization – resulting in a shared culture that is aimed towards the achievement of the organizational goals. To be a strategic visionary, the leader must possess a “two-fold ability: to foresee market opportunities and to craft organizational strategies that captured these opportunities in ways that were personally meaningful to employees” (Conger, 1990). Of all the skills outlined here, the set of vision skills are probably most exclusive to the executive ranks. Setting of vision and strategy along with the creation of meaning for the organization is generally the exclusive purview of the highest level executives.

The list of skills within the executive function of executing is rather longer than the other skill categories. It includes the ability to: be decisive; to deal with fragmented and robust information; to work at a fast pace; to adapt to and exploit change; to operate globally; to be knowledgeable about the specific industry; to be financially astute; and finally to invent. In the end, execution boils down to performance and results (Johnson, 2006). As the pace and complexity of the work accelerates, the executive requires a skill set that allows him/her to adapt to and exploit change. This includes the ability of the executive to understand the environment in which he/she operates. In today’s business environment, it is critical that the executive be able to function on a global basis. The successful executive will have the necessary technical skills that allow him/her to understand the complexities of the industry in which he/she operates. Any executive should have some level of financial acumen. However, the most senior of executives will be faced with not only internal financial information and issues but also external financial information and issues as well. In this context, the executive must have the skills necessary to deal with bankers, investors, and shareholders.

In Figure 1, the authors of this study also provide a list of traits characterized as the ones that makes an executive successful. These are: emotional maturity, honesty, ethics, energetics, persistence, versatility, quiteness, self-confidence, intuitiveness, inquisitiveness, passion, decisiveness. Probably they do not differ much in terms of if the executive is incumbent or successor, but they are, nevertheless, important in order to do things right and do the right things (Ancona et al., 2007).

However, literature dealing with executive succession as previously paid more attention to executive characteristics such as education, gender, age and their respective impact on organizational performance. Executive skills and traits important for organizational performance are often poorly analyzed. The findings of the study, carried out by Carmi and Tishler (2006), suggest that managerial skills possessed by top managers strongly affect an organization’s performance and, being greater than that of variables representing industry sectors, its size and age, and environmental uncertainty. In particular skills that are required to manage people (human resource skills) are found to be more important for organization’s performance than intellectual abilities. Though the researchers were more interested in the top management team, the findings still give a prediction that an individual executive, having certain skills and traits can influence organizational performance. However, the importance of certain skills and traits in the context of succession was poorly analyzed. The main focus was paid to the skills related to the sector or industry.

Conclusions

The literature of executive succession is fragmented, the findings are inconsistent, and no common agreements are made. There is a lack of a generalized picture of the linkage between executive succession and organizational performance. Most of the attempts were made to analyze separate executive succession factors.

Researchers of executive succession have so far ignored the question as to how the motives of new successor relate with organizational performance. The authors of this study would like to make an assumption that a greater dominance of a certain motive could lead to different actions, which in turn create different organizational outcome.

Managers suffer bigger tension than employees, they not only have to undertake measures to motive others, but also motivate themselves for the work respectively, because the success of their own work and employees depends on the manager’s initiative, activeness and positive disposition. A manager’s
influence on employees depends on his/her attitudes, management, therefore in this case, inner motivation of manager.

The analysis of scientific references raises various unanswered questions related to the executive succession. What are the motives of executive successor? Do the motives differ among inside and outside successors? Finally, do the motives create a difference in organizational performance after succession? These are the questions, which are still open and were not elaborated upon by the researchers, as far as it is can be ascertained by the authors of this study.

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