THE EFFECTS OF CEO SUCCESSION ON CORPORATE
RESTRUCTURING AND STRATEGY CHANGE

Shih-chi Chiu

Dissertation Supervisor: Dr. Richard A. Johnson

ABSTRACT

This dissertation examines three CEO succession scenarios—established CEOs, new outsider CEOs, and new insider CEOs—and their effect on the strategic actions of firms undergoing portfolio restructuring. I argue that restructuring strategies (i.e., the amount and type of businesses sold) are contingent upon the individual CEO’s problem framing and risk bearing and that board independence moderates the relationship between the succession scenarios and a firm’s restructuring strategies. My research shows that CEO succession events and the successor’s origin have a significant impact on divestiture intensity and strategy change and that board independence, measured as the ratio and equity ownership of independent outside board members, moderates a CEO’s decisions regarding types of businesses sold but does not influence divestiture intensity. This research demonstrates that succession consequences on organizations are affected by a CEO’s problem framing and risk perception and that corporate boards do not always promote executive risk taking; rather, some forms of risk taking would be discouraged by a more independent board.