Leadership Succession and Firm Performance in Emerging Economies: Successor Origin, Structural Embeddedness, and Legitimacy

By

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All interested are welcome
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Abstract

We examine how leadership transition with successors from different origins affects firm performance in emerging economies. Drawing on the social embeddedness and neo-institutional perspectives, we investigate how firms’ embeddedness in macro social contexts affects the successors’ access to pre-existing network resources and their legitimacy as conferred by important stakeholders, which in turn shape post-succession performance. Using Taiwanese listed firms between 1996 and 2005 as our empirical setting, we find that succession by outsiders improves firm performance compared with inside or family successors, demonstrating the overall advantage of outsiders in the turbulent environment of market transition. More importantly, the performance premium of outside successors is reduced in firms with high levels of family ownership and in firms affiliated with business groups, where family members enjoy better access to family network resources; however, this premium is enhanced in high-tech industries and in firms with high foreign institutional ownership, where outside successors are perceived as being more legitimate. Our study fills a significant gap in research on firm performance in emerging economies by examining leadership succession, and it broadens the leadership succession literature by theorizing about the influence of macro social contexts.

Chi-Nien Chung is associate professor in the Department of Management & Organization at National University of Singapore. He received his Ph.D. in sociology from Stanford University. His major research program is about business groups in emerging economies, with a focus on the interaction between institutional changes and organizational responses, in particular, how market-oriented transitions such as deregulation and privatization moderate the relationships between business groups strategy, structure, governance and performance. His work appeared in Administrative Science Quarterly, Organization Science, Journal of Management Studies, Organization Studies, Journal of International Business Studies and other refereed journals. He serves on the editorial board of Strategic Management Journal.