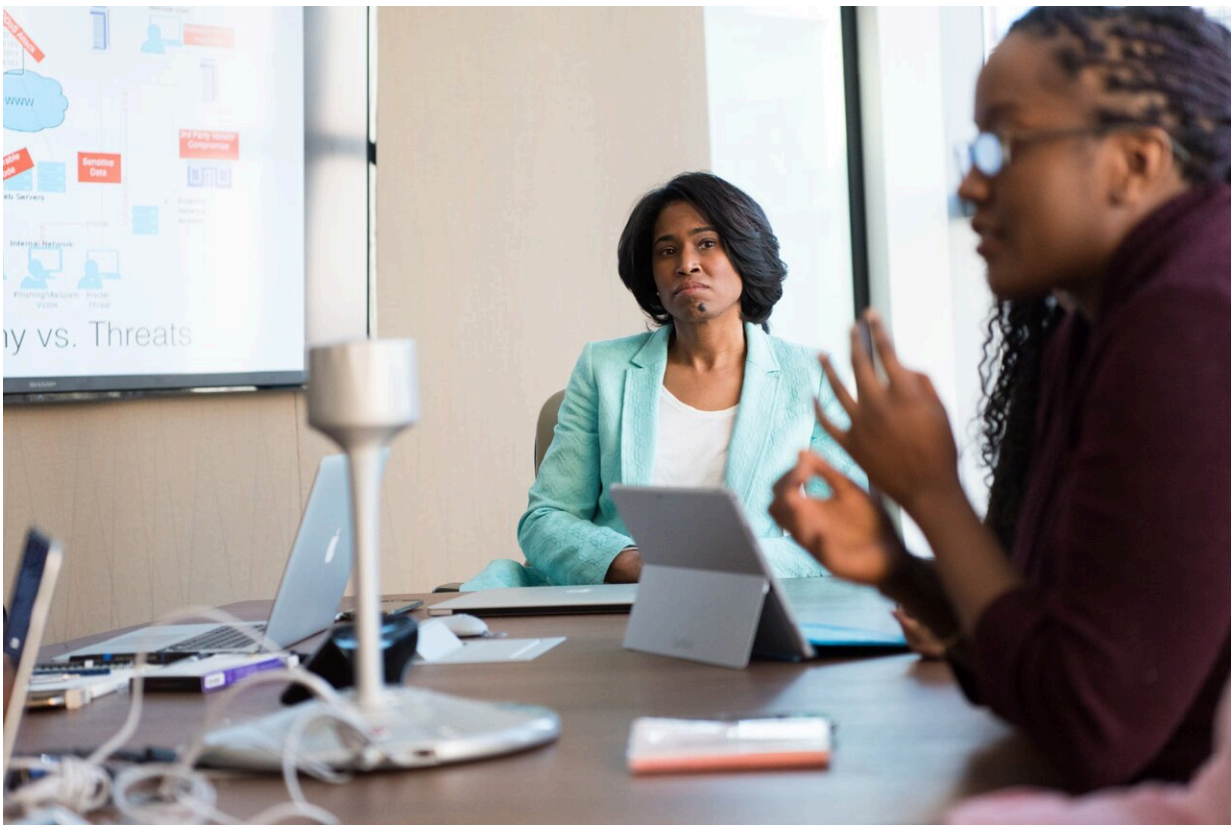


Incoming CEO's political views may drive director departure in a firm, study shows

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Voicing one's political view is no longer a taboo. People's political ideologies pervade almost every aspect of their lives. For example, researchers have identified that people choose to associate with

individuals with similar political beliefs and avoid colleagues who share dissimilar or opposing political ideologies.

As important entities in society, business organizations are not immune to the influence of [political ideologies](#) either. Views and beliefs held by the top executives in a firm are known to influence organizational initiatives. Now, a new study published in the *Strategic Management Journal* in November 2022 reveals that the [political ideology](#) of the interim or "incoming" CEO influences whether serving directors of a company choose to continue or leave their positions.

"As a frontline corporate governance mechanism, the [board of directors'](#) mandate is typically more professional in nature. At the same time, directors often prioritize avoiding situations that compromise their personal reputations and provoke unfavorable publicity," explains John Busenbark, the study's corresponding author and an assistant professor of management and organization at the University of Notre Dame.

"Given the inextricable relationship between individuals on the board and the CEO, we argue that directors may depart from the organization if they have conflicting political ideologies with the incoming chief executive, and they are apt to retain their roles if they share [political views](#) with that individual."

Busenbark, along with Jonathan Bundy of Arizona State University and M K Chin of Indiana University, further argues that the directors' past familiarity with the incoming CEO lessens this effect. The researchers tested these arguments by using data from 203 publicly traded firms with CEO succession events from 2008 to 2012.

Corroborating their arguments, they found that directors tend to leave their positions when a new CEO with an opposing political ideology joins the company. Conversely, they choose to continue in their positions

when the incoming CEO shares similar political views.

"On further study, we found that the directors' willingness to depart from their positions is stronger when a CEO with opposing political ideology joins the firm, as compared to their willingness to stay when a CEO with similar political ideology joins," explains Dr. Bundy, an associate professor and dean's council distinguished scholar.

"We also found that when directors have shared more time and experience with the incoming CEO in the past, they are less likely to exit the firm despite opposing political ideologies."

These findings shed light on how social and professional circles are formed among the top actors in the corporate world and can have practical implications for business practitioners. As Dr. Chin, an associate professor, points out, "Executives interested in maximizing the firm's success should bear in mind that their political views might influence the retention of the best people in the right role."

Moreover, the researchers opine that by gathering more information about the candidates applying for the CEO position, boards can prevent disagreement and even out the rough times for the organization. And lastly, from a larger societal perspective, investing in relationships with people holding opposing political views can lessen the tendency to avoid or distance oneself from such people, and help in embracing their views more openly.

More information: John R. Busenbark et al, Director departure following political ideology (in)congruence with an incoming CEO, *Strategic Management Journal* (2022). [DOI: 10.1002/smj.3477](https://doi.org/10.1002/smj.3477)

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