

Powerful board allies are a CEO's best weapon, say researchers

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If we've learned anything from HBO's smash hit "Succession" over the last four years, it's that "Even the most powerful individuals do not work alone," as the authors of a new *Strategic Management Journal* article

state. Given that, whether Tom succeeds in his new role depends less on his business acumen than on who the new CEO has as his allies.

In the article titled "Can powerful allies protect the CEO against performance declines? The role of the CEO's subgroup power in CEO dismissal," authors Jihae You, Taekjin Shin, and Yunhyung Chung explore why one company's board might fire its CEO even though the firm is performing well, while another company might retain its CEO despite poor performance.

The answer revolves around the composition of the firm's board of directors. Within boards, directors often form subgroups. Members of a particular subgroup share individual characteristics with each other (and, thus, identify with each other); and they feel distant from other subgroups. There are often two, three, or even four subgroups within a board.

The influence a subgroup can have on the board as a whole depends on its power. Powerful subgroups can exert their will to change other board members' attitudes and behaviors, including those about CEO retention or dismissal. There is often a subgroup of directors who have common "social identities"—shared gender, race, age, beliefs, values, and/or backgrounds—with the CEO. You, Shin, and Chung identify this "CEO subgroup" and explain that if it is large enough and its individual members are powerful enough, the CEO subgroup can reduce the risk of CEO dismissal. The effect is even stronger when the company's performance declines.

How can this be? While on the surface it may not make sense that a board would retain a CEO when firm performance declines, the inner workings of the CEO subgroup offer an explanation.

When a CEO comes under attack, the CEO subgroup members feel

insecure. They are afraid of losing their ally, and thus, any special resources or favors they get from their relationship with the CEO. The CEO subgroup takes on an "us" vs. "them" mentality, which makes it even more cohesive. It uses its power to protect the CEO and, thus, the coalition.

The authors, who drew on faultline theory and built upon social identity theory, examined 20 years of data (1998 to 2018) from S&P 500 boards. The key, they found, is that the CEO subgroup must be powerful; the mere existence of the subgroup does not significantly impact board decisions.

"Studying power at the subgroup level is crucial, as the power and influence of individuals can be shaped and modified by the power of the peers who are close to the focal individual," Professor You says. "Using the concept of CEO subgroup power, our paper explores the power dynamics between the subgroup that is supportive of the CEO and the other subgroups within the board. This perspective allows us to examine how power dynamics between [subgroups](#) impact board decisions, going beyond the individual power of the CEO or other directors."

So what does all this mean on "Succession" for Tom Wambsgans and his new company, Waystar-Royco-GoJo? It's too early to say, but as anyone who has watched all 39 episodes of the show knows, Tom didn't evolve from small-town outsider to top dog by chance. He has understood the importance of relationships (i.e., married Shiv) and has followed the power throughout the series. We can be certain he started building his coalition the day Matsson called his name.

More information: Jihae You et al, Can powerful allies protect the CEO against performance declines? The role of the CEO's subgroup power in CEO dismissal, *Strategic Management Journal* (2023). [DOI: 10.1002/smj.3526](https://doi.org/10.1002/smj.3526)

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