

# Are boards reluctant to remove poorly performing successors to interim CEOs?

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## Abstract

**Research Summary:** Interim CEO appointments are disruptive and costly to firms. Boards justify them as necessary to find the right permanent successor. But what happens if that successor performs poorly? This paper argues that directors may be reluctant to remove a poorly performing successor to an interim CEO early in their tenure. It posits that this may be owing to directors' concerns for their own reputations or for the firm. Results demonstrate that successors to interim CEOs are considerably less likely than successors to permanent CEOs to experience performance-related early departures. This appears to be owing to directors' efforts to avoid further harming the firm. Additional analyses suggest these concerns may be justified, as early exits by successors to interim CEOs are associated with post-succession market declines.

**Managerial Summary:** When faced with an unexpected CEO departure, appointing an interim CEO is often viewed as a prudent decision to ensure the selection of the right permanent successor. Yet interim appointments are disruptive and can have lasting consequences. This study finds that when a permanent successor follows an interim CEO, directors appear

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reluctant to remove them early for poor performance. This reluctance appears to be driven primarily by directors' concerns about causing further harm to the firm rather than their concerns that removing the successor early may damage their reputations as governance professionals. Additional analyses indicate that these concerns for the well-being of the firm may be justified, as early exits by successors to interim CEOs are associated with post-succession declines in market performance.

#### KEYWORDS

board of directors, CEO dismissal, CEO succession, corporate governance, interim CEOs

## 1 | INTRODUCTION

Interim CEO successions represent approximately 20% of CEO successions each year (He & Zhu, 2018; Mooney et al., 2017). When a board appoints an interim CEO, it subjects the firm to costs. An interim CEO appointment is considered highly disruptive to a firm and is associated with a variety of negative outcomes, including poorer performance and negative investor reactions (e.g., Ballinger & Marcel, 2010; Gangloff et al., 2016; Kavadis et al., 2020; Langan & Deuschel, 2025a). A board typically appoints an interim CEO when the incumbent departs and the board has no immediate suitable successor ready to take the role (Mooney et al., 2017). The justification for an interim appointment is that conducting a thorough search and evaluation of candidates is better than making an ill-informed, rushed, permanent appointment which could result in a poor selection and subsequent poor outcomes (e.g., Chen & Hambrick, 2012; Intintoli et al., 2014; Mooney et al., 2013; Zhang, 2008). Hence, when appointing an interim CEO, the board subjects the firm to some short-term harm in order to achieve longer-term success by making a good selection of the next, permanent CEO.

But what happens when the permanent CEO ultimately selected at the end of the interim period does not perform well? Does the board remove that CEO, admitting it made a poor selection and subjecting the firm to yet another CEO succession? The CEO succession literature suggests that, in general, CEO successions are more likely when the firm is performing badly—even early in a new CEO's tenure—as poor performance indicates that the CEO is not effective in the role and that a change is needed (Berns & Klarner, 2017; Cragun et al., 2016; Zhang, 2008). From this perspective, one would expect that if the firm is performing poorly under the successor to the interim CEO, an early succession should be likely, as it would for any other CEO. I contend, however, that a CEO who is the successor to an interim CEO may be less susceptible to early turnover owing to poor performance. Drawing on prior research, I suggest two possible reasons for this: (a) that directors may escalate their commitment to the CEO and avoid removing them in order to protect their own reputations; and (b) that directors may worry that removing the CEO might create further disruption which could harm the firm.

This paper examines this question. I run hazard regression models on a matched sample of CEOs from firms that appeared in the S&P 1500 index between the years 2002 and 2017,



matching CEOs who succeeded an interim CEO with CEOs who succeeded a permanent CEO. Results demonstrate that, compared to a successor to a permanent CEO, a successor to an interim CEO is less likely to depart early in their tenure owing to poor performance. Considering the two possible mechanisms for this effect, I do not find evidence that it is stronger when a higher proportion of current directors were present when the CEO was hired, suggesting that an escalation of commitment owing to directors' reputational concerns may not be the key driver. However, I do find that this effect is stronger when board ownership is higher, suggesting that the effect may be driven more by directors' concerns for the firm's best interests. In subsequent analyses, I also find that the early departure of a successor to an interim CEO is related to poorer firm market performance, suggesting that this concern for the firm's well-being may be warranted.

This paper offers several important contributions. First, it contributes to the interim CEO literature by demonstrating how interim CEO appointments affect subsequent CEO succession practices. Interim CEO successions have typically been viewed as episodic events to address an immediate succession issue (e.g., Ballinger & Marcel, 2010; Chen et al., 2015; Gangloff et al., 2016). Less is known about what their longer-term effects are. But given that they are considered the result of poor succession planning and are in themselves unusual successions (Marcel et al., 2017; Mooney et al., 2017), a greater understanding of how they affect subsequent succession practices is needed. This paper contributes by demonstrating that their effects can linger and influence subsequent succession decisions even years later.

Second, this paper extends theory on board decision-making around CEO successions. The literature has traditionally viewed CEO turnover-performance sensitivity as being driven by agency issues—a CEO's power to remain in office or the board's lack of oversight (Berns & Klarner, 2017). More recently, scholars have begun to further develop theory on the nuances and complexity of board decision-making around CEO successions (Graffin et al., 2013; Krause et al., 2025; Nyberg et al., 2021; Shin & You, 2023; Zorn et al., 2020). This paper contributes to this literature by considering what may drive a reluctance to remove a poorly performing CEO appointed following an interim period, providing evidence that directors may indeed be concerned for the firm and thus act in good faith.

Third, this paper contributes to the broader CEO succession literature by highlighting the fact that succession decisions are not made with only the present (or future) in mind, but also the past. In predicting CEO turnover, the literature largely focuses on the state of the firm at a point in time. However, the reality is that boards and firms have histories that can influence subsequent decisions for years to come (e.g., Argyres & Liebeskind, 1999; Phillips et al., 2020; Schrempf-Stirling et al., 2016). This paper incorporates this reality into current theory on CEO turnover and provides a new lens through which to approach CEO succession predictions.

This paper also makes some important practical contributions. First, while the short-term effects of interim CEO successions are well established, there is far less known about their longer-term consequences. As such, boards are left with few insights from academic scholarship as to whether installing an interim CEO is a good long-term decision. While interim appointments may serve to fill a short-term gap, they are not well received by the market (Gangloff et al., 2016; Kavadis et al., 2020). And given that they are justified by boards as a means to conduct a thorough search to find the right permanent CEO, boards inevitably generate expectations regarding the firm's future performance under the new, permanent CEO ultimately selected. This may raise the stakes and expectations about the new CEO's ability, complicating the board's duty in monitoring them. The present paper highlights this and serves as a warning

to boards to consider such longer-term consequences before making an interim CEO appointment.

Second, this paper also serves as a warning to investors. While an interim CEO appointment may be sold to them as a necessary evil to find the right permanent CEO, the reality is that, if the chosen CEO does not perform as expected, the board may avoid engaging in another CEO succession even when it appears that it should, which could perpetuate poor firm performance and deteriorate shareholder wealth. Accordingly, this paper suggests that investors should carefully consider the longer-term implications of interim CEO appointments.

## 2 | THEORY AND HYPOTHESIS

### 2.1 | Background on interim CEO successions

An interim CEO succession occurs when the board of directors announces the appointment of an interim, temporary, or acting CEO while it searches for the firm's next, permanent CEO. An interim CEO is therefore explicitly temporary, and is mentioned as such in the firm's press release (Ballinger & Marcel, 2010; Chen et al., 2015; Marcel et al., 2017; Mooney et al., 2017). The temporary nature of an interim CEO appointment means that another succession will occur in the near future when a permanent CEO is ultimately appointed. Interim periods are not short; approximately half last longer than three fiscal quarters and about one third last for more than a year (Ballinger & Marcel, 2010; Chen et al., 2015).

Interim CEO appointments tend to occur when a CEO departs after a short time in office, or when a CEO is dismissed and no heir apparent is in place (Mooney et al., 2017). An interim CEO appointment is therefore interpreted by investors as the product of a lack of succession planning, and thus a governance lapse of the board, with the result that board turnover is higher following an interim CEO appointment (Marcel et al., 2017). Indeed, the market generally reacts negatively to interim CEO appointments (Gangloff et al., 2016), as do analysts (Kavadis et al., 2020). Consequently, firm value decreases during the interim period (Ballinger & Marcel, 2010).

These reactions from investors are for good reason. Research demonstrates that interim CEOs do not wield much authority to make strategic decisions, and that interim CEO appointments are therefore disruptive to firms and result in poorer operational and market performance during the interim period and after (Ballinger & Marcel, 2010; Langan & Deuschel, 2025b). In one interim CEO's words, the disruption during the interim period caused him to focus on "keeping things from flying apart" (Ballinger & Marcel, 2010, p. 267). Another commented on how strategic decision-making had been halted: "I didn't want to stack the company with expensive talent or commit millions of dollars in spending just a few weeks before someone permanent was named" (Hymowitz, 2006). Interim CEO appointments have also been suggested to trigger competition among top executives who may vie for the permanent CEO role or another coveted position, with the result that the top management team becomes fragmented and turnover is higher (Ballinger & Marcel, 2010; Langan & Deuschel, 2025a). This competition can also extend to the interim CEO, who is more likely to engage in earnings management in efforts to win the job on a permanent basis (Chen et al., 2015). Accordingly, the consensus is that interim CEO successions are disruptive and harmful to firms in the short term. As Andrew McKenna, former Chairman of MacDonald's, concluded, "Interim CEOs are never the best way. It's like buying something on trial" (Sellers, 2011).



Yet, interim CEO appointments are actually becoming more common (He & Zhu, 2018). This is because boards take a longer-term perspective when appointing an interim CEO. From the board's perspective, appointing an interim CEO for a short period while it carries out a thorough search for the firm's next CEO may be more prudent than rashly appointing someone permanently. Caught on its heels and with little time to evaluate candidates, a board runs the risk of adverse selection if it makes a rash choice without properly vetting candidates (Zajac, 1990). A failure to find a suitable CEO can lead to an early departure of that CEO, thus initiating yet another CEO succession and further disruption to the firm (Zhang, 2008). This can result in lost opportunities for the firm (Khurana, 2001) or another poorly planned succession leading to a vicious cycle of successions (Mooney et al., 2013; Wiersema, 2002).

In the face of such risks from a rash permanent appointment, an interim CEO appointment appears a reasonable solution to boards. As scholars have noted, the appointment of an interim CEO serves as a way "to extend the succession process, which can help to improve decision making by allowing the board sufficient time to evaluate all alternative candidates" (Intintoli et al., 2014, p. 542). From this perspective, an interim CEO appointment might be the lesser of two evils by allowing the board to get itself in order, decide what it wants from its next, permanent CEO, and then carry out a thorough search and evaluation of all potential candidates, which should ultimately result in a good selection (Mooney et al., 2013). This view is also not without merit; research demonstrates that some firms test out a candidate in the interim CEO role before appointing them permanently, and that when they do, subsequent performance under that permanent CEO is actually better (He & Zhu, 2018). Research also demonstrates that, when the selection of the permanent CEO may be more challenging, using an interim period can be beneficial (Langan & Deuschel, 2025b).

In short, the logic for appointing an interim CEO is understandable. From a board's perspective, accepting some short-term costs in order to take the time to find the right CEO should have longer-term gains, making it an overall net positive. However, the risk is that the board subjects the firm to short-term harm and that the permanent CEO ultimately selected does not perform as hoped. In such a case, the board may find itself in a dilemma regarding whether to change the firm's CEO yet again. On one hand it may seem the prudent thing to do; on the other, directors may perceive risks to triggering yet another CEO succession so soon after an interim period.

## 2.2 | When to remove a CEO: Board decision-making around CEO successions

Given that CEOs have a strong influence over firm outcomes, particularly performance (Quigley & Hambrick, 2015), boards have the duty to ensure the optimal fit between CEO and firm. Upon hiring a CEO, a board begins to evaluate him/her and will continue to do so throughout the CEO's tenure (Boivie et al., 2016). As a CEO spends more time in office, the board gathers an increasing amount of information regarding the CEO's ability to effectively run the firm, which aids it in evaluating the CEO (Zhang, 2008). Given that the CEO's primary objective as agent is to maximize financial returns for the firm's principals (Fama & Jensen, 1983), firm performance (often total shareholder return [TSR]) is perhaps the key metric boards consider in evaluating the CEO's efficacy (Berns & Klarner, 2017). A CEO change is thus considered increasingly necessary when firm performance is poor, as this indicates that the CEO no longer fits with the firm's needs (Berns & Klarner, 2017; Finkelstein et al., 2009).

The challenge for boards is whether and when to remove a CEO who is not performing as desired (Finkelstein et al., 2009). This is a challenge because CEO successions are disruptive to firms and can be costly when they are unplanned or when the CEO is dismissed (e.g., Friedman & Saul, 1991; Shen & Cannella, 2003; Taylor, 2010). While determining whether and when to remove a poorly performing CEO is in general challenging, it is likely even more so when the CEO was appointed following an interim period. Indeed, the costs associated with the interim period and the promise of a thorough evaluation likely increase expectations. With higher stakes come greater risks, which directors should be keenly aware of. In considering the risks of triggering another CEO succession, prior research highlights two concerns that directors may have. The first centers on directors' concerns for their own reputations. The second centers on directors' concerns for what another succession might do to the firm.

**Directors' concerns for their reputations.** A constant barrier to effective evaluation of a CEO's performance is that a board is evaluating the efficacy of its own decision—its choice of CEO. Given that the board is comprised of individuals who themselves are limited by bounded rationality (Desai et al., 2018; Seborá & Kesner, 1996), they can be subject to biases and heuristics that may cloud their ability to objectively evaluate the efficacy of their decisions (Graffin et al., 2013; Krause et al., 2025; Pissaris et al., 2010; Shin & You, 2023; Zorn et al., 2020).

Directors' self-interests can be a source of such biases that inhibit their decision-making and monitoring of the CEO. One such self-interest is their reputations. As Fama and Jensen (1983) note, directors have incentives to develop their reputations as experts in governance. Doing so has benefits; serving as a director offers money, prestige, and further attractive career opportunities that can increase these benefits (e.g., Acharya & Pollock, 2013; Boivie et al., 2012; Yermack, 2004). But being associated with poor firm outcomes can put this at risk; directors can be blamed and removed from a board associated with poor succession planning, financial fraud, or bankruptcy (e.g., Arthaud-Day et al., 2006; Gilson, 1990; Marcel et al., 2017; Marcel & Cowen, 2014). Indeed, directors can even be removed from a board when they sit on another board that has been associated with financial fraud (Cowen & Marcel, 2011). They also lose out on future directorships elsewhere, particularly when they are deemed to have had greater responsibility for monitoring fraud (Fich & Shivdasani, 2007).

As such, directors are keen to safeguard their reputations, and this can incentivize them toward certain governance decisions. For instance, directors who sit on multiple boards are more diligent monitors on the more prestigious ones, with the result that CEO turnover-performance sensitivity is higher at those firms (Masulis & Mobbs, 2014). Director reputational incentives are also linked to a decrease in CEO overpayment (Masulis & Mobbs, 2023), a higher degree of stock price information and voluntary disclosures (Sila et al., 2017), and the likelihood of directors to dissent (Jiang et al., 2016).

Beyond governance decisions, directors are also careful to protect their reputations. For instance, when a firm's director served as a director of another firm that experienced an adverse event (restatement, securities litigation, or bankruptcy), mention of that directorship is more likely to be withheld from the director's biography reported to the SEC (Gow et al., 2018). Moreover, they will proactively leave boards receiving negative attention, or those facing adverse events, in order to safeguard their reputations (Fahlenbrach et al., 2010; Harrison et al., 2018). And when they do leave firms, directors with greater reputational concerns often do it publicly in an effort to control the narrative around their exit (Dewally & Peck, 2010).

Given the incentives for avoiding being associated with a negative firm outcome, directors may be keen to maintain that the use of an interim period and choice of CEO were good decisions. In doing so, they run the risk of escalating their commitment to these decisions.



Escalation of commitment is the tendency for decision-makers to persist with a course of action even when confronted with negative feedback about its efficacy (Staw, 1981). It is most likely to occur when (a) there is a need to justify the correctness of an initial decision; and (b) when there is negative feedback about the outcome of such a decision (Brockner, 1992). Prior research has found that directors are subject to escalation of commitment bias when evaluating a CEO, with the result that the CEO is less likely to be removed even when performance is poor (Zorn et al., 2020).

While the expectation of any new CEO selection will be high, the fact that the board has intentionally subjected the firm to the disruption of an interim period, justifying it with a promise of a thorough candidate search and evaluation, heightens expectations regarding its ultimate choice of CEO (Connelly et al., 2016). If the board then removes that CEO early in their tenure, it indicates that these were poor decisions, and subjects the firm to yet another CEO succession. Hence, the need for directors to justify that the use of an interim period and the choice of permanent successor were the right decisions is particularly high. This in turn increases the risk that they become wedded to the CEO and continue to deem him/her fit to remain in office even in the face of information to the contrary (Schoorman, 1988; Zorn et al., 2020). Indeed, boards do seek to present their succession choices in as positive a light as possible and downplay negative aspects of their decisions (Graffin et al., 2011; Westphal & Graebner, 2010), including specifically in cases of interim CEO successions (Chen et al., 2015). In short, directors may be reluctant to remove a poorly performing CEO appointed following an interim period early in their tenure so as to avoid any admission of poor governance decisions that might damage their reputations.

**Directors' concern for the firm.** Directors may perceive a risk to the firm of removing a CEO appointed following an interim period early in their tenure. The early departure of a CEO appointed following an interim period would be the third succession (and fourth CEO) in just a few years. Having multiple successions so soon after one another could run the risk of developing a reputation that the firm is in turmoil, as was the case with Yahoo!, which went through five CEOs in just 3 years, and was the subject of much derision by the press (Mooney et al., 2013; Newcomb, 2016; Weidner, 2011). The board might fear that this could trigger further disruption within the firm, and the departure of other executives affected by the CEO's removal or concerned about the stigma of being associated with a distressed firm (Andrus et al., 2019; Semadeni et al., 2008). Moreover, interim CEO successions are related to higher executive turnover (Langan & Deuschel, 2025a). With a larger number of new executives, the firm may not yet have potential successors in place, which could further dissuade the board from removing the successor to the interim CEO.

From a governance perspective, the early removal of a CEO appointed following an interim period would serve as an admission that the board's decision to utilize an interim period and its choice of CEO were poor ones. This could risk eroding investor confidence in the firm's governance mechanism (Marcel et al., 2017) and create discontent among key investors which could harm firm value (Parrino et al., 2003). The board may also seek to avoid incurring further costs to shareholders. Indeed, replacing a CEO is costly (Taylor, 2010) and an early removal of a CEO could harm the firm's ability to attract top talent, as candidates might be wary of joining a firm undergoing such upheaval (Chemmanur & Fedaseyev, 2018). This could result in the firm struggling to find a replacement and paying a premium to attract one (Novak & Bilinski, 2018). It might also create concerns from investors that the firm has deeper issues that no CEO can address. Hence, in the face of such risks to the firm, directors may be wary of the early removal of a CEO appointed following an interim period, even if performing poorly.

In summary, while these two perspectives suggest different concerns driving directors' potential reluctance to remove a CEO appointed following an interim period early in their tenure, they both suggest that, in comparison to a CEO appointed in a direct succession, the turnover–performance sensitivity of a CEO appointed following an interim period should be weaker. Thus:

**Hypothesis 1 (H1).** The relationship between poor firm performance and an early CEO departure is weaker for a CEO who succeeds an interim CEO than for a CEO who succeeds a permanent CEO.

Although these two reasons emerge from the literature as possible mechanisms, it remains unclear which might be the primary driver of a board's reluctance to engage in an early removal of a poorly performing CEO appointed following an interim period. Accordingly, I develop two additional hypotheses to explicate how such an effect may be moderated by each mechanism, which can then be tested empirically. This serves to further examine whether one of the two mechanisms is the main driver of this effect (Marcel & Cowen, 2014).

In considering the notion that directors' concerns for their reputations may result in an escalation of commitment to the CEO, a key consideration is whether current directors were also on the board when the CEO was hired. Indeed, only directors who selected the CEO would be concerned about how removing that CEO would affect their reputations. Those who were not on the board when the CEO was appointed would not need to justify such decisions. Accordingly, only directors who were on the board when the CEO was appointed would be at risk of escalating their commitment to the CEO in order to save face and protect their reputations (Zorn et al., 2020). This suggests that, if a board's reluctance to remove a poorly performing CEO appointed following an interim period is driven by directors' reputational concerns, the effect should be stronger when a higher proportion of current directors were on the board when the CEO was hired. Thus:

**Hypothesis 2 (H2).** The negative relationship between poor firm performance and the early departure of a CEO who succeeds an interim CEO is stronger when a higher proportion of current directors were on the board when the CEO was hired.

Considering the perspective that directors may be driven instead by concern for the firm, it would follow that when directors have more to lose from harm to the firm, they should be more likely to prevent such harm. Agency theory suggests that firm ownership serves to align the interests of directors and the firm, with greater ownership resulting in a closer alignment of interests (Fama & Jensen, 1983; Jensen & Meckling, 1976). The result is that directors' decisions will be driven to a greater extent by what is best for the firm—as this will also be what is best for them personally. This suggests that, if directors' reluctance to remove a poorly performing CEO appointed following an interim period early in their tenure is driven by their concerns for the firm, greater ownership of the firm should strengthen this effect. Put formally:

**Hypothesis 3 (H3).** The negative relationship between poor firm performance and the early departure of a CEO who succeeds an interim CEO is stronger when board ownership is higher.



### 3 | METHODS

#### 3.1 | Sample

Following prior work on interim CEO successions (Chen et al., 2015; He & Zhu, 2018; Langan & Deuschel, 2025a), hypotheses were tested on a matched sample of CEOs appointed between the years 2002 and 2015 to firms that appeared in the S&P 1500 index at any point within the sample window. The final sample includes data through the year 2017 to capture at least 3 years of data for all appointments. Observations of CEOs that were still in office as of the end of 2017 were treated as right censored. Data on board directors and executives were collected from the *BoardEx* and *Execucomp* databases (Andrus et al., 2019). Firm-level data were collected from *Compustat*. Data on the reasons for CEO departures were collected from the open-source dataset of CEO departures published in the *Strategic Management Journal* (Gentry et al., 2021).

When testing between firms, creating a matched sample enables scholars to compare similar observations that differ mainly on the independent variable of interest. This helps to ensure a comparison of “apples to apples” (Quigley et al., 2019). In the context of interim CEO successions, generating a matched sample helps to ensure that the characteristics of interim CEO successions and permanent successions are similar and not driving the results. Accordingly, I generated the matched sample of CEOs by employing propensity score matching (Narita et al., 2023) to determine the closest match of a successor to an interim CEO (treated) with a successor to a permanent CEO (untreated). The matching strategy focused on matching CEOs on the key variables demonstrated to be related to the likelihood of a departure and to the particularities of interim successions (e.g., Goyal & Park, 2002; Langan & Deuschel, 2025a; Mooney et al., 2017; Ocasio, 1994; Zhang, 2008). The variables included in the matching procedure were firm size, pre-succession firm performance, whether the CEO was an insider or outsider, executive turnover, board ownership, and the reasons for the previous CEO's departure (dismissal, resignation, or health). The matching strategy required common support and did not allow for replacement (i.e., ensured that multiple treated CEOs were not matched to the same untreated CEO) (Quigley et al., 2019).

In creating the matched sample, I excluded observations of interim CEOs and also observations of CEOs who preceded interim CEOs. This was done to create as comparable a match as possible of CEOs who succeeded an interim CEO and CEOs who succeeded a permanent CEO. Given that interim CEOs remain in office for typically less than a year (Ballinger & Marcel, 2010), and that interim CEOs are often appointed when the incumbent CEO departs unexpectedly and after only a short period in office (Mooney et al., 2017), comparing CEOs who succeeded an interim CEO to interim CEOs or CEOs who preceded an interim CEO runs the risk of generating findings that are the result of a biased sample construction. By excluding these, I can compare CEOs who succeeded an interim CEO to CEOs who succeeded a permanent CEO not in any way connected to an interim succession. The final matched sample, in panel format, consisted of 346 CEOs (half of which were successors to an interim CEO) and a total of 897 CEO-year observations. In this sample, 15% of observations of successors to interim CEOs had been the interim CEO themselves.

#### 3.2 | Dependent variable

**Early CEO departure.** This study focuses on early CEO departure, as it is most suitable within this context. Much of the argumentation centers around the notion of the interim period being

a factor in directors' decision-making. As a CEO's tenure increases, the circumstances around their appointment become less relevant to a board and shareholders. Indeed, there would be little need to justify the circumstances of a CEO succession that occurred many years ago. Moreover, early in their tenures, CEOs have less power within the organization and are evaluated on how well they are executing on their initial mandate, making them particularly vulnerable to performance evaluations (Hambrick & Fukutomi, 1991). Hence, focusing on the early years of a CEO's tenure is more appropriate.

In line with prior research, an early CEO departure was considered as such if the CEO departed within 3 years of being appointed to the job (e.g., Georgakakis et al., 2024; Jiang et al., 2024; Zhang, 2008). While an alternative would be to examine early dismissals, prior literature demonstrates that poor performance is related to CEO departure in general (Jenter & Lewellen, 2021), not simply CEO dismissals. Indeed, dismissals are quite rare and typically for signaling purposes (Gangloff et al., 2016; Jenter & Lewellen, 2021; Taylor, 2010). As such, the variable for early CEO departure takes the value of "1" if, in the focal fiscal quarter, a CEO departed within 3 years of taking the position, and "0" otherwise. There was a total of 76 early CEO departures in the final sample. Of these, 43% were early departures of successors to interim CEOs and 57% departures of successors to permanent CEOs.

### 3.3 | Independent variables

**Successor to interim CEO.** I measured whether a CEO succeeded an interim CEO as a binary variable taking the value of "1" if a focal CEO directly succeeded an interim CEO, and "0" otherwise. Interim CEOs were identified by manually inspecting the titles reported by *BoardEx* (He & Zhu, 2018).

**CEO tenure.** CEO tenure served as the time variable in the analyses. I followed recent work on CEO departures and captured CEO tenure at a more granular level than the year (Shin & You, 2023; You et al., 2023). CEO tenure was captured by quarter. For ease of interpretation, this variable was then divided by 4 to represent CEO tenure on a yearly level.

**Pre-succession firm performance.** I followed prior work examining the relationship between performance and board succession decisions, and measured pre-succession firm performance as a firm's industry adjusted TSR (e.g., Krause et al., 2017; Krause & Semadeni, 2013; Quigley & Hambrick, 2012). A firm's TSR is highly salient to directors and shareholders, as it reflects whether the board is fulfilling its role of maximizing shareholder value, which is a key indication of good management and governance. Given that CEO tenure is captured by quarter, TSR was calculated as the share price at the end of quarter  $t - 1$  minus the share price at the end of quarter  $t - 3$ , plus dividends over the two quarters, all divided by the share price from quarter  $t - 3$ . This was then adjusted by the industry median TSR over the same period at the four-digit SIC level.

**Hiring directors present.** I followed prior research (Zorn et al., 2020) to develop this variable which measures the proportion of directors in the focal year who were on the board when the CEO was hired.

**Board ownership.** Following prior research (e.g., Denis et al., 1997; Shen & Cannella, 2002; Zorn et al., 2020), this variable was calculated as the proportion of outstanding firm shares owned by all outside directors on the board.



### 3.4 | Control variables

I controlled for factors that may affect the likelihood of a CEO succession, lagged by 1 year in order to avoid issues of reverse causality. These controls were updated dynamically throughout the panel. *Board independence* is considered a key element of the board's ability to effectively monitor the CEO and replace them if needed, and was therefore added as a control, measured as the proportion of board directors who are independent (Finkelstein & D'aveni, 1994). *Busy directors* (i.e., board directors who sit on other boards contemporaneously) have valuable experience but are also considered to be poorer monitors, both of which may affect CEO departure decisions (Fich & Shivdasani, 2006). A variable was therefore included as a control, measured as the proportion of directors on the board with three or more external directorships in listed firms. *Board size* can also play a role in how well a board monitors its CEO (e.g., Yermack, 1996) and was therefore included in the models. Interim CEO successions are related to board turnover which could also influence the board's monitoring of the CEO or indicate greater changes within the firm (Marcel et al., 2017). *Board turnover* was therefore included as a control, measured as the proportion of new board members.

*CEO duality* has been found to be associated with weaker CEO turnover-performance sensitivity (e.g., Goyal & Park, 2002) and was included as a binary variable. I also controlled for *outsider CEO*, as previous research has found that outsiders have a greater tendency to depart earlier in their tenures (Zhang, 2008). This was included as a binary variable taking the value of "1" if the CEO had not been an executive or a director of the firm before taking office, and "0" otherwise. While outsider CEOs are sometimes operationalized with thresholds that incorporate some firm tenure, my operationalization follows prior work on interim CEOs (Ballinger & Marcel, 2010; Chen et al., 2015; He & Zhu, 2018; Langan & Deuschel, 2025b), and has the advantage of avoiding any confounding measurement issues from cases when the permanent CEO selected at the end of the interim period was in fact the interim CEO who was promoted to the position permanently. Given that older CEOs may be more likely to depart (e.g., Ocasio, 1994), *CEO age*, measured in years, was included as a control.

Firms that have an *heir apparent designated* may also be more likely to engage in a CEO succession (e.g., Cannella & Shen, 2001; Vancil, 1987). As such, I followed prior literature and included a control for this, measured as the presence of an executive holding the title of president and/or COO who is at least 5 years younger than the incumbent CEO (e.g., Cannella & Shen, 2001; Mooney et al., 2017; Shen & Cannella, 2003). Prior research on interim CEO successions notes that executive turnover indicates the degree of disruption within the firm (Langan & Deuschel, 2025a). As such, a variable capturing this was also included in the models. The reasons for a CEO departure that led to an interim CEO appointment are important to consider in studies on interim CEO successions (Chen et al., 2015; Marcel et al., 2017; Mooney et al., 2017). I included three reasons as control variables, all taken from the dataset of CEO departure reasons (Gentry et al., 2021): *former CEO fired*, *former CEO health* (indicating that the former CEO stepped down owing to illness or death) and *former CEO resign* (indicating that the former CEO voluntarily resigned for career-driven reasons such as taking another job). A binary variable representing cases in which the CEO retired was excluded from all models to serve as the base case. To account for the possibility that *firm size* plays a role in CEO succession decisions, I included it as a control, measured as the natural log of employees.

### 3.5 | Analysis

Following recent work on CEO departures, I tested my hypotheses using continuous event history analysis estimated by the Cox proportional hazard regression model (e.g., Jenter & Kanaan, 2015; Shin & You, 2023; You et al., 2023). This method estimates the likelihood of an early CEO departure, treating it as a function of the CEO's tenure in office, as well as other controls included in the model. All variables were dynamic; that is, their values updated throughout the course of a CEO's tenure. I used the Breslow method for handling tied events. All analyses include robust standard errors. Given that the board ownership variable was right skewed and included a small number of very high values, I winsorized it at the 99th percentile to avoid the risk that these outliers overly influence results. Finally, for ease of interpretation, moderator variables were standardized.

## 4 | RESULTS

Table 1 presents descriptive statistics and correlations from the final sample used for the main analysis. Table 2 presents the results from the Cox regression models estimating early CEO departure. Model 1 includes just control variables; Model 2 includes the independent variable of interest—successor to interim CEO. Subsequent models include interaction terms individually. The final model includes all variables and interaction terms. The table reporting results from the Cox regressions reports odds ratios (OR).

### 4.1 | Hypothesis tests

Table 2 presents results from the hypothesis tests. As evident in Model 3, the interaction term of successor to an interim CEO and firm performance is above 1 (OR = 6.47;  $p = .048$ ). This suggests a strong positive relationship between the firm performance of a successor to an interim CEO and the likelihood of departure. Or, interpreted inversely and thus from the perspective of poor performance as hypothesized, this suggests a negative relationship between the poor firm performance of a successor to an interim CEO and the likelihood of early departure. In practical terms, the effect of a one standard deviation (SD) decrease in performance on early departure risk for successors to interim CEOs is 6.47 times weaker than for successors to permanent CEOs. A successor to an interim CEO is approximately 86% less likely than a successor to a permanent CEO to depart within 3 years of appointment when performance is one SD below the mean. Overall, this demonstrates support for Hypothesis 1 (H1).

To further illustrate this relationship, Figure 1 displays the estimated cumulative hazard functions of successors to interim CEOs and successors to permanent CEOs, both under good performance (1 SD above the mean) and poor performance (1 SD below the mean). As evident, for a successor to an interim CEO presiding over poor performance (green line) the cumulative hazard of an early departure increases at a much slower rate than it does for a successor to a permanent CEO presiding over poor performance (blue line), which increases at a steep rate.

Results for Hypothesis 2 (H2), which examines whether this effect is driven by directors' concerns for their reputations, are reported in Model 4. To recall specifically, Hypothesis 2 (H2) states that the negative relationship between poor firm performance and the early departure of a CEO who succeeds an interim CEO is stronger when a higher proportion of current directors

TABLE 1 Descriptive statistics and correlations.

	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
1. Early CEO departure	0.08	0.28																	
2. CEO tenure	1.57	0.85	0.12																
3. Successor to interim CEO	0.51	0.50	-0.04	0.00															
4. Firm performance	0.06	0.65	-0.04	0.07	0.04														
5. Hiring directors present	0.79	0.26	-0.03	-0.40	-0.03	-0.05													
6. Outside board ownership	0.08	0.61	0.01	-0.02	0.02	-0.01	-0.02												
7. Board independence	0.84	0.10	-0.02	0.08	0.15	0.03	0.00	-0.01											
8. Busy directors	0.35	0.18	-0.06	-0.01	0.00	-0.03	-0.05	0.02	0.01										
9. Board turnover	0.08	0.13	0.15	-0.02	0.08	0.02	0.02	0.01	-0.03	-0.03									
10. CEO duality	0.25	0.43	0.00	0.09	-0.10	-0.05	-0.15	0.01	0.08	0.17	-0.08								
11. Outsider CEO	0.48	0.50	0.02	0.01	-0.02	-0.02	-0.01	-0.05	0.00	0.14	0.06	-0.01							
12. CEO age	64.00	8.24	0.04	0.07	-0.04	-0.03	0.02	-0.06	-0.07	-0.16	0.03	-0.19	-0.05						
13. Heir apparent	0.10	0.31	0.05	-0.06	-0.02	-0.03	-0.05	0.04	-0.11	-0.04	0.00	-0.01	0.04	0.04					
14. Executive turnover	0.21	0.20	0.07	-0.14	0.03	-0.01	0.11	0.07	0.09	0.00	0.05	-0.05	0.11	-0.07	0.05				
15. Former CEO health	0.04	0.20	0.04	0.00	0.03	-0.03	-0.03	-0.01	-0.04	-0.09	-0.03	0.01	-0.16	0.13	0.02	-0.06			
16. Former CEO fired	0.31	0.46	0.05	-0.03	0.00	0.02	0.05	0.06	0.04	0.02	0.13	0.07	-0.08	-0.02	-0.11	0.07	-0.14		
17. Former CEO resign	0.05	0.21	-0.01	0.02	0.07	0.02	0.00	-0.02	0.07	0.06	-0.04	-0.05	-0.04	0.00	0.03	0.04	-0.04	-0.15	
18. Firm size	1.51	1.73	-0.02	0.03	-0.04	-0.03	-0.07	0.14	0.11	0.24	-0.11	0.26	-0.05	-0.03	-0.07	0.03	0.00	0.06	-0.13

Note:  $N = 897$ . Correlations  $|0.07|$  or greater have  $p$ -values of  $p < 0.05$ .

TABLE 2 Cox regression results predicting hazard rate of early CEO departure.

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Firm performance	0.26 (.022)	0.27 (.030)	0.10 (.005)	0.09 (.002)	0.06 (.000)	0.06 (.000)
Hiring directors present	1.37 (.030)	1.37 (.028)	1.39 (.023)	1.91 (.052)	1.39 (.024)	1.85 (.060)
Board ownership	1.03 (.789)	1.04 (.724)	1.04 (.696)	1.04 (.696)	0.47 (.058)	0.50 (.074)
Board independence	0.22 (.170)	0.34 (.345)	0.37 (.385)	0.33 (.330)	0.35 (.372)	0.30 (.311)
Busy directors	0.46 (.346)	0.47 (.334)	0.45 (.292)	0.44 (.296)	0.44 (.285)	0.43 (.286)
Board size	0.99 (.933)	0.98 (.756)	0.97 (.652)	0.97 (.616)	0.98 (.730)	0.98 (.692)
Board turnover	11.83 (.000)	13.94 (.000)	13.76 (.000)	14.13 (.000)	14.02 (.000)	14.27 (.000)
CEO duality	0.98 (.960)	0.92 (.778)	0.90 (.742)	0.94 (.835)	0.93 (.827)	0.97 (.922)
Outsider CEO	1.08 (.756)	1.09 (.731)	1.09 (.716)	1.09 (.716)	1.07 (.777)	1.08 (.771)
CEO age	0.99 (.724)	0.99 (.669)	0.99 (.713)	0.99 (.710)	1.00 (.763)	0.99 (.744)
Heir apparent designated	1.64 (.122)	1.71 (.091)	1.75 (.075)	1.67 (.104)	1.67 (.107)	1.60 (.142)
Executive turnover	3.71 (.019)	3.95 (.013)	3.94 (.014)	4.11 (.011)	4.03 (.013)	4.19 (.010)
Former CEO health	1.73 (.274)	1.84 (.235)	1.86 (.229)	1.90 (.215)	1.77 (.274)	1.82 (.256)
Former CEO fired	1.41 (.179)	1.40 (.182)	1.37 (.222)	1.36 (.236)	1.33 (.267)	1.33 (.272)
Former CEO resign	1.02 (.977)	1.05 (.927)	0.92 (.871)	1.05 (.926)	0.92 (.878)	1.05 (.927)
Firm size	1.01 (.896)	1.02 (.825)	1.03 (.760)	1.03 (.734)	1.03 (.746)	1.03 (.725)
Successor to interim CEO		0.66 (.084)	0.82 (.474)	0.79 (.422)	0.92 (.757)	0.88 (.664)
Successor to interim CEO × hiring directors present				0.58 (.175)		0.61 (.223)
Firm performance × hiring directors present				2.54 (.307)		2.31 (.355)



TABLE 2 (Continued)

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Successor to interim CEO × board ownership					2.38 (.031)	2.22 (.046)
Firm performance × board ownership					0.07 (.044)	0.08 (.052)
Successor to interim CEO × firm performance			<b>6.47</b> <b>(.048)</b>	<b>5.51</b> <b>(.130)</b>	<b>10.15</b> <b>(.010)</b>	<b>8.36</b> <b>(.052)</b>
Successor to interim CEO × firm performance × hiring directors present				<b>0.27</b> <b>(.203)</b>		<b>0.30</b> <b>(.236)</b>
Successor to interim CEO × firm performance × board ownership					<b>13.61</b> <b>(.052)</b>	<b>11.56</b> <b>(.068)</b>
Number of CEOs	346	346	346	346	346	346
Number of early departures	76	76	76	76	76	76
Number of observations	897	897	897	897	897	897

Note: Robust p-values in parentheses. For ease of interpretation, coefficients in bold report results from the hypothesis tests.

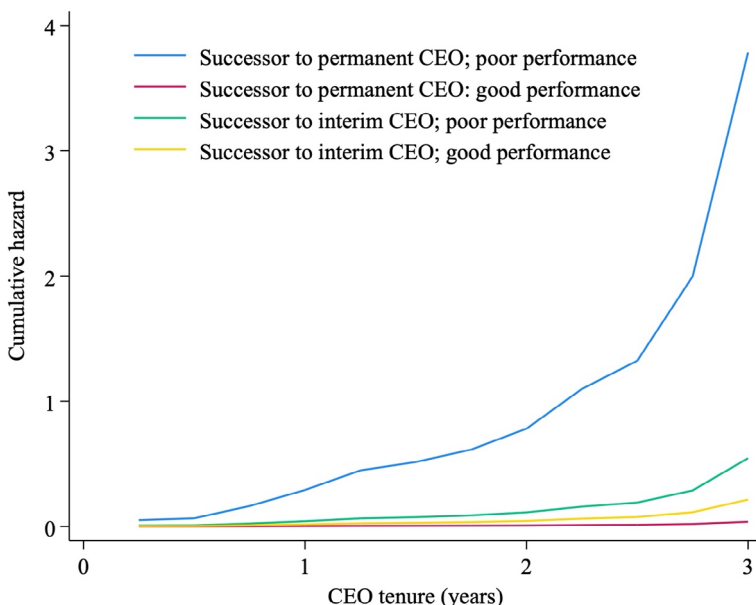


FIGURE 1 Estimated cumulative hazard function of CEO departure.

were on the board when the CEO was hired (*hiring directors present*). Model 4 reports an OR below 1, indicating that the effect of a greater proportion of hiring directors present on the board actually weakens the overall effect, and is thus opposite to what is hypothesized

(OR = 0.27;  $p = .203$ ). However, the  $p$ -value indicates that this is not a meaningful effect. Hence, I do not find support for Hypothesis 2 (H2).

Results for Hypothesis 3 (H3), which examines whether the effect is driven by directors' concerns for the firm, are reported in Model 5. To recall, Hypothesis 3 (H3) states that the negative relationship between poor firm performance and the early departure of a CEO who succeeds an interim CEO is stronger when board ownership is higher. Model 5 finds support for this hypothesis (OR = 13.61;  $p = .052$ ). An OR above 1 suggests that, when directors have a higher amount of firm ownership, the negative effect on the likelihood of removing a poorly performing successor to an interim CEO early in their tenure is even stronger.

To summarize, the results from these analyses find that CEO turnover–performance sensitivity is weaker for successors to interim CEOs when compared to successors to permanent CEOs. I do not find evidence that this is driven by directors' escalation of commitment to their choice of CEO in order to protect their reputations. Rather, I find some evidence that this may be driven by directors' concerns that another succession could harm the firm.

## 4.2 | Additional analyses

**CEO dismissals.** I also ran additional analyses to further investigate these results. While the dependent variable of the main analysis is an early CEO departure, I also tested early dismissals. Owing to the low number of dismissals, I increased the threshold of an early dismissal to be within 5 years since appointment. This is still well below the average CEO tenure cited in the literature of approximately 7–8 years (Darouichi et al., 2021) and aligns with prior work on the subject (Gabarro, 1987; Shen & Cannella, 2002). This resulted in 1252 observations and 45 dismissals. Results remained consistent with those of the main analysis.

**Other variables proxying director concerns.** To recall, I did not find results supporting Hypothesis 2 (H2), that the negative relationship between poor firm performance and the early departure of a CEO who succeeds an interim CEO is stronger when a higher proportion of current directors were on the board when the CEO was hired. This hypothesis sought to examine whether directors' concerns for their reputation drive them to avoid removing a poorly performing successor to an interim CEO early in his/her tenure. To further probe this hypothesis, I carried out several further tests using other moderating variables that might proxy directors' reputational concerns.

First, I considered whether directors sat on other boards. It could be argued that, if a director has few or no other directorships, they might be more preoccupied with maintaining a good reputation as a director of the focal firm. This might be in order to achieve further board seats elsewhere. Or, it might be because they have no other directorship to balance out any reputational damage caused by the focal firm. Having few or no directorships elsewhere might drive their preference to retain the CEO in order to avoid the admission that the board is having succession planning problems, something for which they are responsible. If the board as a whole has fewer external directorships, this might sway it away from removing a poorly performing successor to an interim CEO. With this in mind, I re-ran the analysis for Hypothesis 2 (H2), replacing the *hiring directors present* variable with one capturing the average external directorships held by board members. I found no meaningful results.

Second, I considered the career horizon of directors. It could be argued that directors with a shorter career horizon have less to lose in terms of their reputation as good directors, as they will soon be retired from serving on boards. Conversely, directors who are early in their board



careers may be keen to maintain a positive reputation in order to achieve further directorships. This might influence their approach toward whether or not to remove a poorly performing successor to an interim CEO. If such directors make up a greater proportion of the board, this could sway the board's decision. Again, I re-ran the analysis for Hypothesis 2 (H2), replacing the *hiring directors present* variable first with a variable capturing the average age of directors, and, separately, with a variable capturing the average tenure of directors. I found no meaningful results for either. While one must be careful in interpreting non-findings, these extra tests do offer some further support toward rejecting Hypothesis 2 (H2).

Finally, I considered the reason for the initial CEO succession—specifically, if the former CEO had been fired. From the perspective that directors may be driven by concerns for their reputations, if the board fired the former CEO and then installed an interim CEO to find a permanent successor, directors might feel an even greater need to justify that the permanent successor chosen was a good decision. Indeed, as mentioned earlier, firing a CEO is costly to a firm (Chemmanur & Fedaseyeu, 2018; Taylor, 2010). Expectations that the interim period was used to solve whatever problems led to the firing, and to find the right person going forward, should be even higher. In such a case, one would expect that a board would be even less likely to remove a poorly performing successor to an interim CEO early in their tenure.

From the perspective that directors may be driven by concerns for the firm, one should expect the opposite. Prior research on interim CEO successions finds that, following the firing of a CEO, investors perceive and even expect that the board will use the interim period to resolve whatever issues led to the firing (Connelly et al., 2016). If the permanent successor selected following the interim period fails to resolve such issues, the board might prefer to remove them more quickly, in order to demonstrate that they are committed to resolving the firm's leadership problems. In such a case, one would expect that, if the successor to an interim CEO is performing poorly, the board's reluctance to remove them would diminish.

With these in mind, I ran a three-way interaction testing this (successor to interim CEO  $\times$  firm performance  $\times$  former CEO fired). Results supported the concern for the firm perspective, with the three-way interaction term reporting an OR well below 1 (OR = 0.01;  $p = .056$ ).<sup>1</sup> This suggests that, the negative relationship between poor firm performance and the early departure of a CEO who succeeds an interim CEO is weaker when the former CEO was fired. This offers some further support to the perspective that directors' concerns for the firm may be a strong driver in their decision regarding whether or not to remove a poorly performing successor to an interim CEO.

**Performance consequences of early departures and dismissals.** I also ran tests to see whether the board may be somewhat justified in its concern that triggering the early removal of a successor to an interim CEO might cause harm to the firm. If market performance following an early removal of a successor to an interim CEO is poorer than it is following the early removal of a successor to a permanent CEO, this would offer some evidence that such a succession is harmful to the firm.

To test this, I employed two sets of ordinary least squares (OLS) regressions on a sample of CEO successions. The first test examined the performance effects of CEO departures. The key independent variable took a value of “1” if the succession was the departure of the successor to the interim CEO, and “0” if the succession was the departure of a successor to a permanent CEO. Again, interim CEOs and CEOs preceding interim CEOs were not included in this analysis to avoid confounding effects. Because I am interested in early departures, I interacted this

<sup>1</sup>In the interest of space, these results are not reported in a table.

variable with a measure of CEO tenure. I tested this on 1-year post-succession industry adjusted TSR. Results are presented in Table 3. Model 2 reports a positive coefficient of the interaction term but one below a level that would indicate a meaningful effect ( $b = 0.01$ ;  $p = .220$ ). However, the marginal effects plot reported in Figure 2 reveals the effect in more detail. As evident, the departure of a successor of an interim CEO is related to poorer industry adjusted post-succession TSR if the departure occurred within the first 4 years of their tenure, after which the effect becomes less negative and also with an increasingly higher p-value. As such, although the average effect over the entire distribution of CEO tenure does not appear to be meaningful, I do find a meaningful effect from departures that occurred early in a CEO's tenure (Busenbark et al., 2021).

The second set of tests was similar but instead included a variable measuring whether the successor to an interim CEO was dismissed. This variable took a value of "1" if the succession was the dismissal of the successor to the interim CEO, and "0" otherwise. Model 4 reports a positive coefficient from the interaction with CEO tenure ( $b = 0.05$ ;  $p = .017$ ). The marginal effects plot of this interaction is reported in Figure 3. As evident, there is a strong negative effect on firm performance from the dismissal of a successor to an interim CEO when it occurs early in their tenure. Indeed, the dismissal of a successor to an interim CEO after 2 years in office is related to a 20% decrease in a firm's industry adjusted TSR.

### 4.3 | Robustness checks

I ran several tests to further test the robustness of the main results. As mentioned earlier, in my sample, 15% of observations of successors to interim CEOs were of interim CEOs who were promoted to the CEO position permanently. One might expect that when the board promotes the interim CEO to the position permanently, it could affect the turnover-performance sensitivity. I checked this in two ways. First, I removed cases in which the interim CEO was promoted to the position permanently and re-ran the main analyses. Results remained largely consistent, but with slightly weaker  $p$ -values for Hypothesis 1 (H1) ( $p = .095$ ) and Hypothesis 3 (H3) ( $p = .071$ ). I suspect that this is mainly owing to a drop in observations of successors to interim CEOs.

Second, I conducted an additional analysis on a subsample of successors to interim CEOs to assess whether having previously served as the interim CEO influenced the likelihood of an early CEO departure. Specifically, I interacted a variable indicating whether the successor had been the interim CEO with firm performance. The results showed no meaningful effect. These two additional tests suggest that the main results reported in this paper are not being overly driven by cases in which successors to the interim CEO had been the interim CEO themselves.

Following Zorn et al. (2020), I also re-ran the main analyses replacing the proportion of hiring directors present with the raw number of hiring directors present. Results remained materially unchanged. To ensure that winsorizing the board ownership variable did not materially affect the results, I re-ran the main analyses using the raw variable. Results also remained materially unchanged.

## 5 | DISCUSSION

The results from this paper demonstrate that a successor to an interim CEO is less likely than the successor to a permanent CEO to depart early in their tenure owing to poor performance.



TABLE 3 OLS regression results predicting post-succession firm performance.

	Model 1	Model 2	Model 3	Model 4
Pre-succession firm performance	-0.41 (.000)	-0.41 (.000)	-0.41 (.000)	-0.41 (.000)
Board ownership	0.00 (.420)	0.00 (.424)	0.00 (.424)	0.00 (.417)
Hiring directors present	0.07 (.089)	0.07 (.106)	0.07 (.102)	0.07 (.103)
Board independence	-0.02 (.886)	-0.02 (.888)	-0.02 (.878)	-0.01 (.904)
Busy directors	-0.06 (.297)	-0.06 (.296)	-0.07 (.281)	-0.06 (.300)
Board size	0.00 (.558)	0.00 (.531)	0.00 (.577)	0.00 (.520)
Board turnover	-0.09 (.615)	-0.08 (.631)	-0.08 (.625)	-0.08 (.638)
CEO duality	-0.03 (.245)	-0.03 (.259)	-0.03 (.277)	-0.03 (.278)
Outsider CEO	0.02 (.700)	0.02 (.713)	0.01 (.795)	0.01 (.777)
CEO age	0.00 (.256)	0.00 (.264)	0.00 (.251)	0.00 (.269)
Heir apparent designated	0.04 (.186)	0.04 (.175)	0.04 (.201)	0.04 (.202)
Executive turnover	0.05 (.458)	0.06 (.444)	0.04 (.570)	0.04 (.590)
Former CEO health	-0.05 (.255)	-0.06 (.191)	-0.07 (.145)	-0.07 (.143)
Former CEO fired	-0.06 (.093)	-0.06 (.088)	-0.06 (.075)	-0.06 (.077)
Former CEO resign	-0.17 (.029)	-0.17 (.029)	-0.19 (.019)	-0.19 (.019)
Firm size	0.01 (.596)	0.01 (.620)	0.01 (.543)	0.01 (.633)
CEO tenure	-0.00 (.884)	-0.00 (.687)	-0.00 (.826)	-0.00 (.767)
Successor to interim CEO departure	-0.09 (.055)	-0.13 (.049)		
Successor to interim CEO departure × CEO tenure		0.01 (.220)		

TABLE 3 (Continued)

	Model 1	Model 2	Model 3	Model 4
Successor to interim CEO dismissal			-0.12	-0.29
			(.097)	(.001)
Successor to interim CEO dismissal × CEO tenure				0.05
				(.017)
Constant	-0.24	-0.24	-0.23	-0.23
	(.252)	(.264)	(.278)	(.279)
Industry dummies	Included	Included	Included	Included
Year dummies	Included	Included	Included	Included
Observations	940	940	940	940
R <sup>2</sup>	0.12	0.12	0.12	0.12

Note: Robust *p*-values in parentheses.

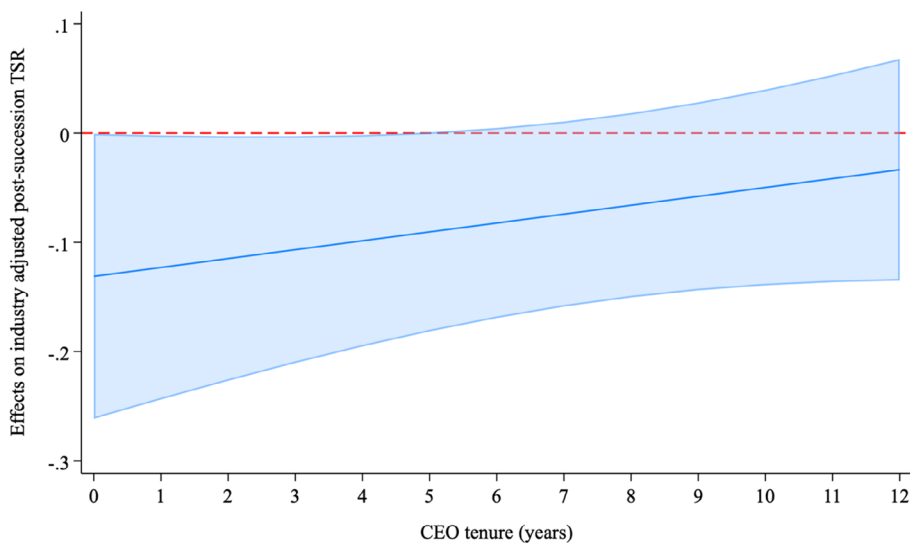
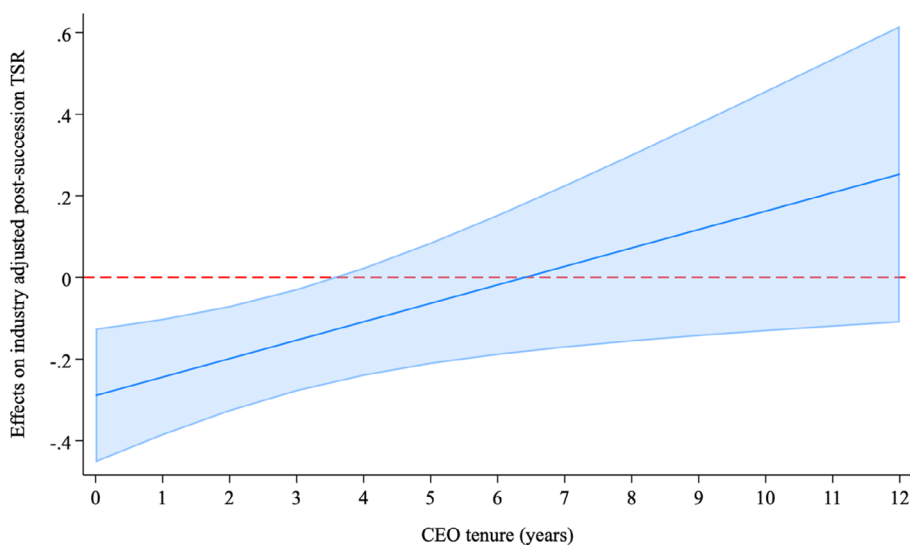


FIGURE 2 Average marginal effects on industry-adjusted post-succession total shareholder return (TSR) of the interaction of a departure of the successor to an interim CEO over the distribution of CEO tenure.

Drawing on prior research, two reasons are presented and tested. The first is that this is owing to directors' desires to justify the use of an interim period and their choice of CEO in order to protect their reputations; the second is that this is owing to directors' concern that engaging in another CEO succession soon after an interim period might cause harm to the firm. Results suggest that directors' concerns for the firm may be the driving factor.

It is important to note, however, that, while I do not find results suggesting that their reputational concerns are a primary driving factor, this is not to say that they play no role. These results do not offer definitive findings on the role of directors' reputational concerns; they simply cannot reject the null hypothesis. Indeed, it could be that, for some directors, this is much more of a concern than for others, but that this does not drive the overall effect. On the other



**FIGURE 3** Average marginal effects on industry adjusted post-succession total shareholder return (TSR) of interaction of a dismissal of the successor to an interim CEO over the distribution of CEO tenure.

hand, the results do point toward directors' concerns that an early removal of a successor to an interim CEO could harm the firm. The tests on post-succession TSR offer some justification for such a concern, highlighting the harm that an early removal of a successor to an interim CEO can do. Overall, this paper offers new insights for both theory and practice.

## 5.1 | Contributions to theory

This paper makes several important contributions to theory. First, this paper offers new insights about how interim CEO successions affect subsequent succession decisions. Although they represent approximately 20% of successions each year (He & Zhu, 2018; Mooney et al., 2017), interim CEO successions are still under-researched. The scholarship that does exist has mainly focused on the immediate, short-term effects of an interim CEO appointment. Far less is known about their longer-term effects. Moreover, it has remained unclear whether an interim appointment has any effect on a board's subsequent succession planning or succession decisions. Given that an interim CEO appointment is deemed to be a governance lapse owing to the board's failure to carry out its succession planning duties (Marcel et al., 2017; Mooney et al., 2017), it is important to know what effects an interim succession may have on how a board engages in subsequent CEO successions. This paper has sought to provide some clarity to this question, and it demonstrates that interim successions have lasting effects on succession planning but, perhaps ironically, not necessarily in the way that one might expect. Indeed, one might expect that, after such a governance lapse, the board would become even more diligent in its monitoring and succession decisions. But actually, the interim period adds another layer of complexity for boards considering whether to replace a poorly performing CEO.

Relatedly, this paper also contributes to the broader CEO succession literature by demonstrating that a firm's succession history is a factor in subsequent succession decisions. This notion has not been explicitly explored in much detail in the literature. Rather, CEO succession

studies typically focus on the present and future. But in practice, many examples exist in which the succession histories of firms are discussed when predicting how a current succession will transpire, Yahoo! being one example (e.g., Mooney et al., 2013; Newcomb, 2016). Naturally, boards must also consider their succession histories when approaching a current succession. This paper thus extends theory on CEO succession by incorporating a firm's succession history as a factor that may affect a board's succession decisions. In doing so, it opens new avenues for research. Indeed, an interim CEO appointment is just one notable succession event. Future research might examine the effects of other notable past succession events on a board's succession decisions. The notion of 'once bitten twice shy' may well apply to boards in their decisions about, for instance, the type of CEO who is appointed relative to past CEOs, or, as this paper explored, whether and when to engage in a CEO succession at all. It might also apply to other leadership choices at the board level, for instance (e.g., Langan et al., 2023; Quigley & Hambrick, 2012).

Finally, this paper contributes to a growing literature on board decision-making, particularly around CEO successions. Recently, there have been calls to focus on how boards evaluate information and make decisions effectively (Nyberg et al., 2021). This avenue of research has received some attention, with scholars examining the nuances and complexity of succession decisions (Graffin et al., 2013; Krause et al., 2025; Shin & You, 2023; Zorn et al., 2020). This paper bolsters this literature and extends it by exploring a case in which a seemingly poor governance decision—retaining a poorly performing CEO—might be made in good faith and actually be the best governance decision available. In doing so, it offers new opportunities for research and highlights the complexity of governing firms.

## 5.2 | Contributions to practice

Boards appoint an interim CEO as a short-term measure but with a longer-term objective in mind: to find the right permanent CEO. It may well be that they do not foresee longer-term consequences to this short-term decision. They may expect that, once a permanent CEO is appointed, all will return to normal. For its part, the existing academic literature mainly offers insights on short-term consequences of interim CEO appointments (Ballinger & Marcel, 2010; Chen et al., 2015; Connelly et al., 2016; Gangloff et al., 2016; Kavadis et al., 2020; Langan & Deuschel, 2025a). What little research exists on the longer-term consequences of interim appointments finds that they can help boards in selecting the next permanent CEO (He & Zhu, 2018; Langan & Deuschel, 2025b). Accordingly, the academic literature offers little guidance to practitioners about potential longer-term detriments of interim CEO appointments. The present paper thus contributes to practice by highlighting the fact that, whether or not they mean to, boards that use an interim period to find their next CEO raise the stakes for making a good selection. And if they do not make a good selection, they may find themselves in a position in which the firm is experiencing poor performance and the board remains reluctant to remove the CEO. This serves as an important warning that boards should consider before appointing an interim CEO, and in deciding how they will evaluate the CEO ultimately appointed to succeed permanently.

Regarding investors, this paper also contributes by warning them about the longer-term risks of an interim CEO appointment. Investors are keenly focused on ensuring that boards govern effectively and that CEO successions are carried out optimally (e.g., Marcel et al., 2017; Parrino et al., 2003; Shen & Cannella, 2003). While a board may present an interim CEO appointment as only a short interlude to find the right CEO, the findings from this paper



suggest that such a decision may haunt subsequent succession decisions and possibly prevent or delay a subsequent succession even when one might be needed. This may result in a deterioration of shareholder wealth, hurting investors. Hence, this paper offers a warning to investors about a potential longer-term danger stemming from interim CEO appointments.

### 5.3 | Limitations and future research

This paper has some limitations that offer opportunities for future research. It is important to note that this paper cannot make a definitive conclusion regarding what drives directors' reluctance to remove a poorly performing successor to an interim CEO early in their tenure. In developing my arguments, I draw on prior literature that discusses directors' decision-making and the challenges associated with it. My argumentation is therefore somewhat limited to what is presented in prior literature. Further, while I have attempted to tease out what might be primarily driving such a reluctance, I cannot measure to what degree each of the two reasons contributes to the final decision. As such, my overall finding suggesting that a concern for the firm appears to be a stronger factor should be considered with this in mind. But I caution that this is only an empirical result on secondary data, that has limits to the degree to which conclusions can be made. As is the case with all empirical research, more findings would be needed before a stronger or more definitive conclusion could be made.

Related to the above, it is important to note that this paper relied on archival data. The ability to fully understand a board's succession plans is difficult from archival data. Indeed, papers that have provided deep insights on how firms engage in succession planning or board decision-making often have a qualitative component (e.g., Boivie et al., 2021; Schepker et al., 2018; Vancil, 1987; Veltrop et al., 2021). While Ballinger and Marcel (2010) did interview some interim CEOs, their study was mainly empirical. Research examining the decision to appoint an interim CEO, and how the use of an interim CEO influences a firm's current and subsequent succession planning is therefore needed. Future qualitative research could explore these questions and offer some important insights on this subject.

Finally, the sample of this paper is of publicly listed firms. The theory and findings from this paper may not necessarily apply to privately held firms that may not have the same concerns. Future research might explore this question. Indeed, little is known about how private firms use interim appointments, offering a research opportunity. Overall, however, and with the limitations considered, this paper aims to contribute to a greater understanding of board decision-making in the context of interim CEO successions.

## 6 | CONCLUSION

This paper examines whether the use of an interim CEO has influence on how boards engage in subsequent CEO succession decisions. It finds that a CEO who is the successor of an interim CEO is less susceptible to early removal owing to poor performance than a successor of a permanent CEO is. Findings suggest that this may be owing to directors' concerns that another CEO succession might harm the firm. Further analyses reveal that, indeed, the early departure of a successor to an interim CEO does harm firm market performance. The paper thus contributes to the interim CEO and broader CEO succession literatures, and offers several avenues for future research.

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## DATA AVAILABILITY STATEMENT

Research data are not shared.

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