

RESEARCH

Cornel Germann

Chairperson Succession

Competences, Moderators, and
Disclosure

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Cornel Germann
St. Gallen, Switzerland

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*To my family:
Othmar, Rita, Pascal, Lukas, Andrea,
Elia, Noé, and Linn [and many more].*

Foreword

Dr. Cornel Germann succeeded in tackling one of the most prominent issues in the realm of board governance: the succession planning of the chair of the board of directors. The chairperson as “Primus inter Pares”¹ is often decisive for the strategy of the organisation and the composition of the board. If the organisation is to be successfully led into the future, professional, social, and personal skills are required to adequately fulfill the position and meet the expectations stakeholders have. Although practitioners and academics agree on the need for a well-thought-out succession process, little is known about the inherent dynamics and necessary determinants that make “good governance in succession” tangible. However, governance experts agree that succession must be professional, objective, and goal-oriented.

In principle, there is a large body of academic work on corporate governance matters and on specific topics such as board structure. However, there are very few articles that in-depth deal with internal board processing; board meetings, board decision-making, and onboarding procedures are just a few examples. This is due to the very nature of the subject. If one wants to gain insights that are not based on generally accessible published information and that also cover such sensitive issues as are decided within the board, then direct, trusting access to the board members is required, something that can hardly ever be achieved within the framework of academic work.

The dissertation aims to investigate these aspects. The study results are based on recognised governance theories to introduce the board chairs control, supervisory, and sparing role aspects, an in-depth literature review to capture current research insights, expert interviews to deepen the research gaps, and a survey

¹ Latin for “first among equals”.

to confirm the topics addressed. By combining theories of what good governance means with the practice of how board chairs and nomination committee chairs approach succession planning, recommendations for action are derived that clearly demonstrate (a) the competences necessary to fulfill the role and expectations stakeholder have, (b) the factors that influence the process and the extent relevant stakeholders should be integrated, and (c) the communication to the general meeting of shareholders, which may be deepened to better justify the boards' proposal for a candidate. By that, the inclusion of the interviews and the survey helped to address essential issues that have not been touched upon in research so far. These include, among others, the positive perception of network effects in the identification of potential candidates, a topic that has so far tended to have a negative connotation in research.

Following “from insight to impact” perceptions, the study provides valuable insights into the succession issue of the board chair. Although it is difficult to fully grasp all the dimensions of succession due to the complexity of the topic, the above work offers a number of new, innovative approaches that are of great importance to scholars and practitioners. If nomination committee or ordinary board members need to approach the topic in a professional, forward-looking, and systematic way, the dissertation of Dr. Cornel Germann is an ideal stewardship framework that demonstrates “good governance in succession”.

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Abstract

As *primus inter pares* (Latin for first among equals), the chair of the board of directors holds a unique organisational position. For fulfilling the non-transferable duties pursuant to Article 716a revCO, it is essential that the chair is a person who has rational economic and socio-emotional skills. To date, however, it is unclear how organisations structure the search for a chairperson. On the one hand, this ambiguity arises from a legal perspective, as succession-related formal regulations (hard law) or best-governance principles (soft law) are rare and often lack specificity, and on the other hand, from a business perspective, as there is a lack of sufficient attention and diligence.

Previous research on board governance has primarily focused on the dyadic relationship between board composition and organisational performance (board effectiveness research). However, as board succession is a dynamic process, the research focus should go beyond a pure output/performance paradigm. Following Berns and Klarner (2017) and Kesner and Sebor (1994), this doctoral study therefore empirically analyses the competences (input), moderators (process), and disclosure (output) of board chair succession practices for publicly listed organisations in Switzerland.

A mixed-methods design was used to examine 40 qualitative expert interviews and a subsequent survey of 80 chairpersons and heads of nomination committees applying grounded theory analysis and Kruskal-Wallis H and Dunn-Bonferroni post hoc tests. For *input*, the empirical results showed that person-related competences are more important for a chairperson than work-related competences, with integrity, stamina, and strategic thinking being the three most important. With regard to *process*, business and governance contingencies were found to be the most influential, underlining why there is no one process. For confidentiality

reasons, another central expectation identified from the analysis was that organisations are more interested in involving internal rather than external stakeholders in succession planning. Finally, in terms of *output*, the analysis of the doctoral study showed that economic governance motives highly influence voluntary disclosure principles. In this regard, organisations favour traditional investor-specific channels and prioritise people-level over structure-level information in disclosure.

Zusammenfassung

Als *Primus inter Pares* (lateinisch für Erster unter Gleichen) nimmt der/die Verwaltungsratspräsident:in eine organisatorische Schlüsselrolle ein. Um die unübertragbaren Aufgaben gemäss Artikel 716a revOR zu erfüllen, ist es zentral, diese Position mit einer Person zu besetzen, die über rational-wirtschaftliche und sozio-emotionale Fähigkeiten verfügt. Bislang ist jedoch unklar, wie Organisationen die Nachfolge strukturieren. Diese Unklarheit ergibt sich einerseits aus rechtlicher Sicht, da formale Regelungen (*hard law*) oder Best-Governance-Grundsätze (*soft law*) selten und/oder oftmals unkonkret sind, und andererseits aus unternehmerischer Sicht, da es an ausreichender Planung und Sorgfalt mangelt.

Bislang fokussierte sich die Forschung primär auf die dyadische Beziehung zwischen Verwaltungsratszusammensetzung und Unternehmensleistung (*board effectiveness research*). Da die Verwaltungsratspräsidenten:innen-Nachfolge von Dynamik geprägt ist, sollte der Forschungsfokus jedoch über ein reines Output-/Performance-Paradigma hinausgehen. In Anlehnung an Berns und Klarner (2017) sowie Kesner und Sebor (1994) analysiert die vorliegende Dissertation deshalb empirisch die Kompetenzen (Input), die Moderatoren (Prozess) und die Offenlegungspraktiken (Output) bei der Verwaltungsratspräsidenten:innen-Wahl in Schweizer börsenkotierten Unternehmen.

Mittels Triangulation (*mixed-methods design*) wurden 40 qualitative Experteninterviews und 80 Umfrageergebnisse via *Grounded Theory*, *Kruskal-Wallis H Test* und *Dunn-Bonferroni Post Hoc Test* analysiert. In Bezug auf den *Input* zeigten die empirischen Ergebnisse, dass personenbezogene Kompetenzen für den/die Verwaltungsratspräsidenten:in wichtiger sind als arbeitsbezogene Kompetenzen. Der Fokus liegt primär auf Integrität, Widerstandsfähigkeit und strategischem Denkvermögen. Im Hinblick auf den *Prozess* haben Wirtschafts- und

Governance-Faktoren den grössten Einfluss auf die Nachfolgeplanung. Das Resultat verstärkt somit die Erkenntnis, warum es nicht den einen Prozess gibt. Die Analyse hebt zudem hervor, dass Unternehmen aus Gründen der Vertraulichkeit eher interne als externe Stakeholder in den Prozess einbeziehen. Mit Fokus auf den *Output* zeigt die Doktorarbeit auf, dass vor allem wirtschaftlich orientierte Motive die Grundsätze der freiwilligen Berichterstattung beeinflussen. Für die Kommunikation bezüglich der Verwaltungsratspräsidenten:innen-Wahl bevorzugen Unternehmen dabei traditionelle Kanäle und geben personen- gegenüber strukturbezogenen Informationsfaktoren den Vorrang.

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Abbreviations

AGM	Annual General Meeting of Shareholders
BankG	Swiss Banking Law (Bankengesetz)
bn.	billion
CEO	Chief Executive Officer
CHF	Swiss Franc
CII	Council of Institutional Investors
CO	Swiss Code of Obligations
CV	Curriculum Vitae
DAH	SIX Directive on Ad hoc Publicity
DB	Dunn-Bonferroni
e.d.	editor(s)/edition
e.g.	exempli gratia (for example)
ESG	Environmental, Social, and Governance
etc.	et cetera (and so on)
f./ff.	et folio/et folii (and the following)
FINMA	Swiss Financial Market Supervisory Authority
FinMIA	Financial Market Infrastructure Act
FRC	Financial Reporting Council
GICS	Global Industry Classification Standard
i.e.	id est (that is to say)
ISS	Institutional Shareholder Services
KW	Kruskal-Wallis
lit.	litera (letter)
LR	SIX Listing Rules
m.	million
n.a.	not applicable

NC	Nomination Committee
OECD	Organisation for Economic Co-operation and Development
Ordinance	Ordinance Against Excessive Remuneration (VegüV)
para.	paragraph
PI	Personal Interview
revCO	Revised Swiss Code of Obligations as of 1 January 2023
RQ	Research Question
SCBP	Swiss Code of Best Practice
SEC	U.S. Securities and Exchange Commission
SIX	SIX Swiss Exchange
SPI	Swiss Performance Index
UK	United Kingdom
USA	United States of America
USD	United States Dollar
vs.	versus

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Introduction

1

*“a world-class company needs a world-class chairman.”
(Owen & Kirchmaier, 2008, p. 206)*

If organisations make world-class appointments, a lot of other things will follow.¹ If not, no other governance aspects will resolve the damage that occurred (Nachemson-Ekwall & Mayer, 2018, p. 1). With the belief that “a rigorous, fair and open appointments process is essential to promote meritocracy in the boardroom” (p. 5), Sir Derek Alan Higgs (2003), prime father of good governance, was one of the first to recognise the essence of best practice in board appointments. But what is a rigorous, fair, and open process?

A rigorous, fair, and open succession plan and appointment process is the ideal. In principle, so the tenor of the Financial Reporting Council (FRC) (2018), responsible for the UK Corporate Governance Code, it is the pursuit of planning and processing that “should be based on merit and objective criteria and [...] should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths” (p. 8). It allows for a board to function effectively for the benefit of the organisation and its members (Maharaj, 2009, p. 107). In particular, rigour and fairness apply to the election of the chairperson, also with significant consequences for the future structure of the board of directors. After the Annual General Meeting of Shareholders (AGM), the board of directors—and subsequently the chairperson, who is part of the board—is the highest formal statutory body of an organisation. Because of the overreaching leadership role, the chairperson is often the source of visionary and organisational direction and influences the organisation’s overall business strategy, culture, and legitimacy

¹ For example, proper monitoring, measurement, incentive, and remuneration structure.

(Elms & Nicholson, 2013; Goodman et al., 2021). It is therefore imperative to place a person at the top who is capable of taking on that challenge (Kakabadse & Kakabadse, 2007, p. 179).

However, contrary to academics' and practitioners' understanding of the importance of board composition, there are succession-related shortcomings that have led to 'wrong choices': the lack of transparency (Elms & Nicholson, 2013), the influence of social networks (Withers et al., 2012), the lack of rational election criteria (Clune et al., 2014), and the absence of a formal, objective-based process (Elms et al., 2015). Drastic business value destructions were the consequence (Wendee et al., 2018, p. 223). From that perspective, Elms et al. (2015) acknowledged that "while we know much of who sits on boards, we know relatively little of the processes driving their selection" (p. 1313).

In Switzerland, as part of the Swiss Corporate Law Reform with effect from 1 January 2023, the AGM of listed organisations elects one of the board members as chairperson of the board (Article 712 para. 1 revCO).² To meet the new reform policy, this thesis will investigate the succession of the board chair within the context of *competences*, *process moderators*, and *voluntary disclosures* schemes. To familiarise the reader with the topic, Chapter 1 serves to highlight the motivation, research background, research objective, and structure of the dissertation, and to clarify its central concepts.

1.1 Motivation and Relevance

What is a succession process at chairperson level all about? Which competences must a board chair have? Who determines the necessary competences and which basis is used for their determination? Which parties are involved and why? What do shareholders, as voting parties, need to know about the person who is to become chair? Which factors are decisive for the decision to propose the candidate for the chair position? Or more generally, how can a thorough and formally applied process be used to find *the best fit* for the organisation and its key stakeholders?

In order to *theoretically* address the issue of board chair succession in more detail, two points are worth highlighting. First, one needs to understand why organisations need a thorough strategic allocation of human resources at board

² In order to stay up to date with the latest regulatory reform, the thesis already refers to the revised Swiss Code of Obligations (revCO) where changes apply.

level. Second, one needs to understand the extent to which laws and regulations guide the board.

On the one hand, why is there great need for a strategic and adequate chair succession? As it is essential for securing future resources and key competences at the top of the organisation, the chair, together with the board members, is responsible for defining the organisation's overall management and business strategy (Section 2.1.2; Forbes & Milliken, 1999, p. 489). Since economic and environmental conditions are constantly changing, this is a dynamic rather than a static act (Pearce & Zahra, 1992, p. 433). It is therefore an inherently complex task. As such, it requires a person at the top of the organisation who has appropriate rational economic and socio-emotional skills (Withers et al., 2012, p. 244). But how is one to find and define an individual with such key competences? In view to past election practices (e.g. personal network orientation, favour-for-favour mentality), Kim and Cannella (2008) urge moving beyond the "usual suspects" (p. 283). It is time to change director selection "from one of cronyism and good-old-boy networks to one of selection based on expertise" (O'Neal & Thomas, 1995, p. 84).

On the other hand, in what way does the law guide the selection process in organisations? "Remarkably, most state corporate laws as well as the federal proxy rules are silent on this issue, leaving the gap to be filled by non-binding sources of guidance" (Molitor, 2010, p. 104). Although standard setters (Swiss Federal Council), stock market regulators (SIX Swiss Exchange), and industry associations (economiesuisse) have expanded their principles and standards on corporate governance, formal legal formulations or good governance principles on succession planning are still rare or abstract and lack specificity (how to and what for). In principle, the law is only "concerned with the need for there to be a chairman, but board members are concerned with finding the most competent chairman they can, for the good of the company and to ensure that the time which they spend at the meetings should be as productive as possible" (Cadbury, 1990, p. 69). Consequently, organisations use this leeway to structure and design their own work processes that are often not sufficiently reflected upon (Shekshnia, 2021, p. 54).

Stressing the *practical significance* of succession planning and composition, many contemporary studies have examined the existence and influence of human capital value (e.g. INSEAD, 2015; PWC, 2021). Specifically in relation to the chairperson, Korn Ferry's (2009, p. 2) survey deemed the board chair's leadership as 'very important' when it comes to overall board effectiveness (83% of respondents). Surprisingly, however, only 52% of the respondents believed that the appropriate level of attention and diligence was given to the chairperson

succession planning. Another approach to address the practical relevance of succession planning involves the topics shareholders asked to discuss when they met with board representatives. There, the majority (54%) preferred to discuss board composition and diversity (Deloitte, 2019, p. 26). The examples are probably the reason why the issue of “developing a boardroom succession strategy” continues to be one of the three most important activities of governance/nomination committees to this day (Spencer Stuart, 2021, p. 1).

Overall, according to Banerjee et al. (2020), “a succession plan can play a vital role in guiding board actions” (p. 388). Considering the reasons that have led to board succession in the past, Figure 1.1 clearly demonstrates the need for an appropriate succession strategy. It is, on the one hand, important to discuss the topic in the short term to react to the unpredictable (death or medical urgency) and, on the other hand, it is necessary to approach succession with an adequate long-term strategy (retirement, resignation, and M&A, spin-off, IPO, or new company) (Stadler, 2011, p. 265).³ Hereby, particularly the examples of long-term succession make it clear that the process must be approached with foresight, as 70% of people retire due to age (Korn Ferry, 2017, p. 19).

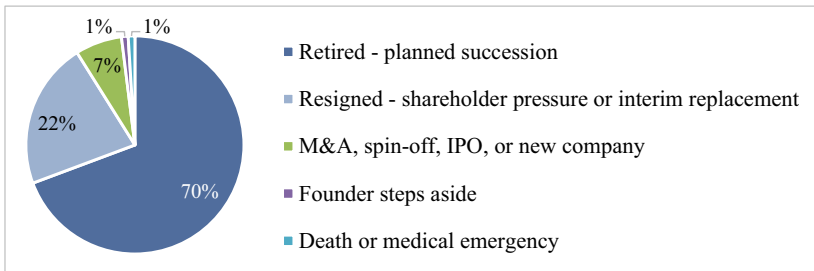


Figure 1.1 Reasons for Succession (S&P 500). (Source: Korn Ferry, 2017, p. 19)

However, what are the financial consequences of inadequate succession planning? Fernandez-Araoz et al. (2021, p. 6) estimated the cost of poor selection to USD 1 trillion per year. In their view, improved succession planning at the executive level for US large-caps could add a full percentage point to the 4% to 5% annual gains projected by Wall Street. “In other words, company valuations and investor returns would be 20 to 25% higher” (Fernandez-Araoz et al., 2021,

³ One example is Erich Walser, at that time chairperson of Helvetia and Huber + Suhner, who died in 2015 after a short but serious illness.

p. 6). In view of these numbers, outsiders question whether, firstly, members are generally selected with too little care and, secondly, sufficient attention is paid to professional competence and human factors such as integrity, prudence, and the courage to criticise (Baches, 2021). As a result, “investors want to understand why directors are the best fit [...] and they want evidence that the board has robust processes and strategies for optimizing the board composition” (Spencer Stuart, 2019, p. 2).

There is little empirical research on Swiss chairpersons in particular. When examining the appointments made by the twenty largest organisations since the year 2000 (by market capitalisation, as of the submission of the dissertation), three striking observations can be made: (1) the position of the chairperson is a male domain, as there is only one female person chairing the board of the organisations mentioned (Wendy Becker, Logitech); (2) in the past, it was common for the Chief Executive Officer (CEO) to become chair, whereby few individuals even exercised a dual role at the same time (e.g. Daniel Vasella, Novartis; Jürgen Dormann, ABB); and (3) historically, there are either only Swiss (e.g. Givaudan, Sika) or predominantly foreigners (e.g. Zurich) who chair the board, with those classified as foreigners there often being of German or Austrian origin (reinforcing the strong German-speaking anchorage).⁴

In general, current research has shown that chair succession planning “is not widely discussed in most boardrooms because there are few formal mechanism for addressing the issue beyond the chairman’s annual review with the senior independent director” (Spencer Stuart, 2011, Chapter 1). Consequently, providing a framework for addressing chairperson succession would allow to “formalize the board recruitment process by defining each step and establishing a timeline” (Spencer Stuart, 2018, p. 2). Once a formal process is established and its necessary/influencing variables are known, all members of the nomination committee and the board can agree on the predefined search process (sequence of events, timing and location of interviews and meetings, communication strategy, etc.). The selected views thus convincingly demonstrate that it makes sense to empirically study board chair succession by reflecting on the question every organisation must ask itself: Is the succession planning for the board chair in line with the strategic direction and challenges that the board and the organisation are facing?

⁴ Specifically for the first point (1): According to Heidrick & Struggles (2021, p. 2) there is also a tiny 8% female chair presence in Fortune 50 organisations.

1.2 Research Background on Succession

Empirical research on board selection is widespread and spans several disciplines, such as accounting (Elms et al., 2015), economics (Hermalin & Weisbach, 1988), finance (Shivdasani & Yermack, 1999), law (Olson & Adams, 2004), management (Westphal & Zajac, 2013), and sociology (Mizruchi & Stearns, 2006). However, despite covering a multitude of disciplines, current research *neglects reflecting on the actual succession planning activity*. According to Withers et al. (2012, pp. 246–247), most of the past studies focused either on trying to satisfy governance-related resource needs (rational economic perspective) or on the influence that social networks and biases have on director selection (socio-cultural perspective). A more reflective approach to board appointments would focus on the succession planning activity and its success story: competences (Aberg & Shen, 2020), process (Clune et al., 2014), and disclosure (Leblanc, 2007). Taking planning activity into account would allow for a clearer picture of board decision-making in chairperson succession planning (Bezemer et al., 2018, p. 220).

Following Pettigrew (1997), Nicholson et al. (2000), and Nicholson and Kiel (2003), considering board behaviour and integrative process-related research is crucial. It allows, on the one hand, to sort out the plethora of studies and, on the other hand, to capture the context and dynamics of the person and the organisation. Following the study structure of Berns and Klarner (2017) and Kesner and Seborá (1994), previous literature on *board succession planning* can be divided into three research streams (Figure 1.2): The first stream of research focused on the context of the board's role (*before* selection); the second on the board's working style (*during* selection); and the third stream of research examined the underlying effectiveness of the board in selection results (*after* selection).

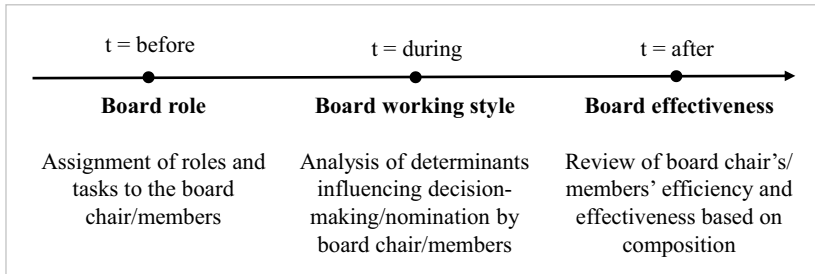


Figure 1.2 Succession Planning Literature Stream. (Source: own illustration)

First, the definitions of the board's role that are prominent in academia go back to Zahra and Pearce (1989, p. 294), who assign the board control, strategy, and service roles. However, the three roles are too limited to the agency and stewardship perspective (Nicholson & Kiel, 2003, p. 6). They do not fully grasp the complexity of a board's position (Bezemer et al., 2018, pp. 219–220). For Huse (2018, p. 4), applying a holistic/multi-layered perspective to board and leadership theories is thus essential. By considering the contextual factors with regard to the board, it allows for grasping the overall picture in which the chairperson is embedded. Up to this point, academic papers such as Morais et al. (2018), Parker (1990), and Owen and Kirchmaier (2008) have addressed role/task expectations but not the associated competences.

Second, the purpose of succession research is to examine factors/conditions that (may) have led to a selection in the decision-making process (Hillman et al., 2008, p. 445). Well-known factors in that respect are senior management and shareholder influence (Barth, 2013), board interdependencies and corporate relations (Westphal & Zajac, 2013), and changes in the business environment (Pearce & Zahra, 1992). However, to the authors' knowledge, research on how the succession process unfolds, which stakeholder(s) should be addressed, and which specific influencing factors are related to board/chairperson succession have not yet been investigated in detail in academic papers. According to O'Neal and Thomas (1995), "a profusion of literature [...] examines in great detail how boards are supposed to work, but provides very little information on how board processes actually function" (pp. 79–80). As a consequence, it is unknown "how social dynamics among nominating committees, CEOs, [board members,] and board chairs affect the different stages" of the succession process (Walther, Morner, & Calabrò, 2017, p. 351).

Third, most scholars have focused on the outcome of director appointments (Nicholson & Kiel, 2004b, pp. 448–449). This was often done using individual input/output measures, for example, board composition and its effect on corporate performance (Krause et al., 2019), independence and its symbolism for strong governance (Kang et al., 2007), and regulation and its impact on board composition (Wintoki, 2007). Given the missing link to behavioural context (market-, organisation-, and person-related), board researchers began to consider the outcome of social identity (Elms et al., 2015), social capital (Nicholson et al., 2004), and director reputation (Eminet & Guedri, 2010). However, information on succession and board composition must be made publicly available and reported in a standardised way so that sufficient valuation patterns can be identified and analysed. For example, once information on corporate dynamics and life cycle stages is accessible, results become interrelated and holistic conclusions can be drawn (Withers et al., 2012, p. 262). Nonetheless, to this date, there have been few attempts to expand board composition and succession disclosure (e.g. Allegrini & Greco, 2013).

While recognising the importance of succession, the three research streams have failed to provide two fundamental insights. On the one hand, the observations are attributable to a *limited geographical distribution*. Most studies were conducted in the US (Clune et al., 2014; Withers, 2011; Withers et al., 2012), while only a few covered Germany (Barth, 2013), France (Eminet & Guedri, 2010), the UK (Kaczmarek et al., 2012), and Switzerland (Ruigrok et al., 2006). As board governance systems differ and national legal contexts vary, the possibility of comparisons is limited. On the other hand, and of greatest relevance for this doctoral thesis, studies have mainly focused on *board member* or *CEO* selection, but few on the *chairperson* (e.g. Dalton & Dalton, 2007; Dedman, 2016; Minichilli et al., 2014; Withers et al., 2012). Therefore, the research used “may not fully capture the contributing dimensions” that are important when addressing board chair succession (Leblanc & Schwartz, 2007, p. 844). Yet, to grasp the fully dynamics, it is necessary to examine the behavioural aspects of the chair in more detail. That includes “the use of methods that help us understand actors, their motivations and their interactions” (Huse, 2018, p. 4).

1.3 Research Objective and Structure of Dissertation

Given the discussion in the previous chapters, the primary objective of this dissertation is to promote the development of chairperson succession for listed

organisations in terms of competences, moderators, and disclosure. Accordingly, the thesis focuses on a theoretical contribution through an in-depth literature review, an empirical contribution through a mixed-methods design, and implications for academia and practice for future chairperson succession planning.

The primary research question asks: **How do listed organisations plan and accomplish chairperson succession?** To address that, the research objectives were broken down into the following three research questions (RQ):

RQ1: What are the *competences* of a chairperson?

RQ2: What are *influential moderators* in chairperson succession?

RQ3: What are the principles of *voluntary disclosure* in chairperson succession?

First, RQ1 examines the competences necessary to fulfil the roles and tasks of a chairperson (Section 4.2). Second, RQ2 sheds light on the process and factors that determine the selection of chairpersons in organisations (Section 4.3). Third, RQ3 urges that the board's proposals to the AGM be justified, thus making the chair succession process more comprehensible to outsiders and the choice of the candidate more understandable (Section 4.4).

To achieve the research objective, the dissertation shall be divided into eight sections (Figure 1.3). Chapter 2 provides the reader with the legal context governing board appointments, divided into hard and soft law. Chapter 3 provides insights into the theoretical background in which the chair is embedded and describes the relevant theory for board, role, process, and disclosure work. Building upon that, Chapter 4 introduces the study's input-process-output model, which addresses chairperson succession planning and delves deeper into the respective competences (input), moderators (process), and disclosure (output) paradigms. Chapter 5 then summarises the research gaps identified in the literature review and addresses the respective research questions and the research strategy pursued. Chapter 6 (qualitative) and Chapter 7 (quantitative) focus on the research objectives after highlighting the findings from the literature review. Finally, Chapter 8 discusses the dissertation's findings and outlines its academic and practical contribution.

Doctoral study on chairperson succession			
1 Introduction	Motivation and relevance	Research background	Central concepts
	RQ1: What are the competences of a chairperson?	RQ2: What are influential moderators in chairperson succession?	RQ3: What are the principles of voluntary disclosure in chairperson succession?
2 Regulation	CO	SIX Directive	FINMA Circular
	Election as chairperson to the board of directors		
3 & 4 Theory and Succession Planning	Board theory		
	Role theory	Process theory	Disclosure theory
	Input	Process	Output
	Competences	Moderators	Disclosure
5 Methodology	Research gap	Research (sub)questions	Research strategy
6 & 7 Paradigm	Qualitative paradigm	Quantitative paradigm	
	Research instrument	Research instrument	
	Descriptions of interview sample	Descriptions of survey sample	
	Results	Results	
8 Contribution and Conclusion	Overall summary and discussion		
	Implications	Research outlook	Concluding remarks

Figure 1.3 Overview Doctoral Study. (Source: own illustration)

1.4 Central Concepts

Before introducing further background on the topic of succession, it is useful to explain the central concepts underlying this thesis: Swiss governance system,

publicly listed organisation, chairperson, competence, succession planning, and discretionary disclosure.

1.4.1 Swiss Governance System

Corporate governance is “the system by which companies are directed and controlled” (Cadbury, 1992, p. 5). They are thus principles for the sustainable long-term orientation of corporate interests at the highest organisational level. Referred to as hybrid system, *Swiss board governance* combines characteristics of the Anglo-Saxon one-tier system (unification of senior management and board) and the continental European two-tier system (separation of senior management and board).⁵

The Swiss board of directors performs operational and supervisory functions, usually delegating operational activities to the senior management (permitted by law), yet without relinquishing its strategic responsibility (Hofstetter, 2002, p. 38). *In theory*, the board performs a supervisory function by distinguishing between non-executive and executive directors (Watter & Roth Pellanda, 2015, p. 371). *In practice*, since boards may be composed of executive and/or non-executive directors at the same time, they rather fulfil a strategic decision-making function as it applies to the Anglo-Saxon environment (Bauen & Venturi, 2009, pp. 4–5).

1.4.2 Publicly Listed Organisation

Publicly listed organisations are businesses whose ownership is dispersed and whose shares are openly traded on the stock exchange (Turnbull, 1997, p. 181).⁶ The advantage of a listed organisation over a private, non-listed organisation is that the purchase/sale of stocks is carried out on a standardised platform; fast and at low transaction costs (Cuervo, 2002, p. 88). If there is no standardised market platform, as it is the case for most privately held organisations, the seller and

⁵ With reference to corporate boards, excluding political boards.

⁶ In this study, the terms company, corporation, firm, enterprise, and organisation are treated as synonyms. They all relate to the *Aktiengesellschaft* (German), *société anonyme* (French), and *società anonima* (Italian) according to the Swiss Code of Obligations (CO). Non-listed small and medium-sized enterprises (SMEs), public corporations (in German: *öffentlich rechtliche Körperschaften*), nonprofit organisations (NPOs), non-governmental organisations (NGOs), or other legal business forms are not part of the study.

buyer must exchange information independently, which is a costly and resource-intensive process (Raffournier, 1995, p. 263).

This thesis focuses on publicly listed stock corporations in the Swiss Performance Index (SPI) that are traded on the SIX Swiss Exchange (SIX). The SPI is the overall index of the Swiss stock market. All listed organisations domiciled in Switzerland and the Principality of Liechtenstein with a free float of 20% or more are included (SIX Swiss Exchange, 2018, p. 1). As of today, the index consists of 213 organisations.⁷

This doctoral study focuses on SPI organisations because they are more visible and therefore receive more attention from key stakeholders (Luoma & Goodstein, 1999, p. 554). Also, these organisations represent an important part of national economic value creation and provide a high degree of comparability in terms of legal regulations, legal forms, and a chairperson's roles and responsibilities. Moreover, the organisations are role models in the Swiss governance landscape and thus have a signalling effect for others.

1.4.3 Chairperson

The *chairperson* is a member of the board of directors. The person presides the board and is elected by the AGM in listed organisations (Article 698 para. 3 cifer 1 revCO).⁸ The motivations for becoming a board chair are manifold but include contributing to the flourishing of the organisation (purpose), passing on experience to the next generation of leaders (sharing wisdom), and seeking challenges in different contexts (leadership) (Spencer Stuart, 2020a, p. 6). In studying chairpersons, the key challenge is the “paradoxical nature of the position” (Bezemer et al., 2018, p. 219). On the one hand, the chairperson's statutory power corresponds to the responsibilities of ordinary board members, on the other hand, the position as *primus inter pares* (Latin for the first among equals) entails an extraordinary formative function to ensure that the board fulfils its statutory duties (Meier, 2005, p. 283).

⁷ For the purpose of this thesis, the Swiss National Bank will not be considered. Otherwise, the SPI counts 214 organisations.

⁸ Chair, board chair, chairperson, chairman, chairwoman, président (France), Verwaltungsratspräsident (Switzerland), and Aufsichtsratsvorstand (Germany) are treated as synonyms to simplify the complexity; although marginal differences due to the individual governance systems apply (see Section 1.4.1). However, for gender-appropriate use of language, the doctoral study primarily refers to chairperson, board chair, and chair.

Doctrine and case law (in German: *Lehre und Rechtsprechung*) approve that the duties of the chairperson are not all-encompassing (Facincani, 2019). For this reason, most organisations further specify them in their organisational regulations:

Subject to *legal duties (in writing)*, the chairperson exercises the casting vote in the event of a stalemate (Article 713 para. 1 CO), signs the minutes of board meetings (Article 713 para. 3 CO), convenes and decides on the form and order of the agenda items in board meetings (Article 715 CO; Articles 15 and 16 SCBP), authorises investigations at the request of another member to obtain information on the organisation's business and on business-related transactions (Article 715a para. 4 CO), and ensures an intact and timely flow of information (Article 16 SCBP).

With regard to *business duties (unwritten)*, the board chair ensures continuity and acts in a fiduciary capacity (puts own interests aside), makes binding decisions on urgent matters that cannot be postponed (on behalf of the board), heads the AGM (speaker), represents the organisation (as acting person in charge), assesses performance (control), and actively exchanges information with members of the board and the senior management (sparring) (Hungerbühler, 2003, pp. 122–132).

1.4.4 Succession Planning

Succession planning is the preparatory work for the search process “designed to ensure the continued effective performance of an organization [...] by making provision for the development, replacement, and strategic application of key people over time” (Rothwell, 2005, p. 10). Succession planning is thereby “proactive and works to address the need before it exists” (Atwood, 2020, p. 2). Bujaki and McConomy (2002, p. 107) thus see succession planning as the mature form of organisational recruitment. Once systematic staffing (solutions for current vacancies) and replacement planning (solutions for future vacancies) have proven to be successful, succession planning is the third logical step.

Each time succession occurs, it is important to consider what alternatives are available (Wendee et al., 2018, p. 234). Having said that, succession planning on board level is aimed at ensuring that the board is properly composed (Kaczmarek et al., 2012, p. 476). It is therefore seen as a multifaceted process “by which individuals are identified, screened, nominated, and elected” (Withers et al., 2012, p. 245). The focus is thus entirely on human capital (Sonnenfeld, 2002, p. 5). Succession planning is a matter of making the search for prospect candidates for a future director position systematic and coherent (Weisblat, 2018, p. 17).

1.4.5 Competence

Competence (also competency and competencies) “refers to the sum of experiences and knowledge, skills, traits, aspects of self-image or social role, values and attitudes” a person has acquired over the course of his or her career (Viitala, 2005, p. 437). In the interconnected business world, competences are personal attributes that meet the position-/job-specific requirements of organisations (Garavan & McGuire, 2001, p. 158). In that sense, competences can be understood as skills and principles that are required, expected, and needed to fulfil the roles and tasks that a position entails (Dulewicz et al., 1995, p. 14).

1.4.6 Moderators

Moderators are components that influence the strength and direction of the succession process. In line with Senquiz-Diaz and Ortiz-Soto (2019), process moderators take account of the task interdependencies between the competence (input) and the voluntary disclosure (output) scheme. By including them, the multitude of contexts that occur in succession planning can be integrated (Conger & Lawler, 2001, p. 13). When referring to moderators in this thesis, this relates to *key stakeholders* (board advisory, company secretary, senior management/CEO, shareholders) and *key contingencies* (business contingencies, environmental contingencies, governance contingencies, and political contingencies).

1.4.7 Voluntary Disclosure

Voluntary disclosure (also discretionary disclosure) is “any medium of expression or publication” that extends the scope of mandatory information disclosed to outsiders (Mayew, 2012, p. 838). For the organisation, it is an opportunity to provide transparency by linking the board principles of creating accountability (understanding actual behaviour) and board accountability (justifying value creation) (Huse, 2005, p. 67). As opposed to mandatory disclosure, the decision on the timing, information content, and information channel is up to the organisations (Healy et al., 1999, p. 508). Discretionary disclosure is typically unpredictable, but must nevertheless meet fundamental and generally accepted criteria, including materiality (relevance), completeness (report all material), accuracy (free from

material error), balance (neutral), clarity (understandable and accessible), comparability (consistent), and reliability (quality) (Bassen et al., 2010, p. 66; CDP, 2019, p. 8).

Information can be disclosed by the organisation itself or by information intermediaries. Voluntary disclosures include strategy presentations, management forecasts, and governance and sustainability reports (Healy & Palepu, 2001, p. 406). Thereby, disclosure often refers to corporate, financial, and non-financial information (Cotter et al., 2011, p. 79).

1.5 Review

Chapter 1 served to introduce the reader to the research phenomenon, motivation and relevance, research background, as well as the research objective and scope of the doctoral study. It also briefly explained the key concepts and underlying terminologies. In summary, the research methodology of this thesis concerns *chair succession*. The more explicit research objective is to analyse the related *competences*, *process moderators*, and *disclosure* of chair succession. By applying a literature review and a mixed-method design, it is expected to establish a fundamental knowledge base and to balance the respective strengths/weaknesses. The doctoral study follows the outlined structure and consists of eight chapters: introduction (Chapter 1), legal and theoretical background (Chapters 2 to 4), the methodological design (Chapter 5), empirical qualitative and quantitative dimension (Chapters 6 and 7), and research discussion, contribution, and conclusion (Chapter 8).

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Chapter 2 provides a background on the mandatory and voluntary legal requirements that organisations in general must/can comply with. Moreover, it highlights the specifics that are relevant for the election of the chairperson. These insights into the regulatory framework help to narrow the scope of the thesis and provide a framework for chair election practices.

2.1 Swiss Code of Obligations (CO)

Swiss company law (hard law) is an integral part of the Swiss Code of Obligations (CO). The CO is available in German, French, Italian, and English.¹ The versions exist side by side as equals.² The CO has been in force since January 1912 and was recently revised with effect from 1 January 2023 (revCO). Articles 552–964 I CO apply to all forms of commercial enterprises, while Articles 620–763 CO govern public limited companies: Aktiengesellschaft (German), société anonyme (French), and società anonima (Italian). They are comparable, but not identical to the corporation USA and the public company UK. For practical reasons, however, the terms will be treated equivalently (see also Section 1.4.2).

Election to the board of directors is subject to the standards established by the CO. Prerequisite for election to the board is the acceptance by the AGM. In

¹ German: Bundesgesetz betreffend die Ergänzung des Schweizerischen Zivilgesetzbuches (Fünfter Teil: Obligationenrecht); French: Loi fédérale complétant le Code civil suisse (Livre cinquième: Droit des obligations); Italian: Legge federale di complemento del Codice civile svizzero (Libro quinto: Diritto delle obbligazioni); and English: Federal Act on the Amendment of the Swiss Civil Code (Part Five: The Code of Obligations).

² Please note: English is not an official Swiss language. Its version is provided for information purposes without legal force.

consideration of the dissertation's research topic, the (non-transferable) duties of the *AGM*, *the board*, and *the nomination committee* are outlined in more detail in the following sections.

2.1.1 Annual General Meeting of Shareholders (AGM)

The *AGM* is the supreme body of the organisation (Article 698 para. 1 CO). It takes place within six months of the end of the respective business year (Article 699 para. 2 CO). According to Article 698 para. 2 revCO, the AGM is assigned non-transferable powers (summarised in the following): determination and amendment of the articles of association (cipher 1); election of the board of directors, the chairperson, and the auditors (cipher 2); approval of the annual management report and consolidated accounts (cipher 3); approval of the annual accounts and resolutions on profit and dividend allocation (cipher 4); determination of interim dividend and approval of interim financial statements (cipher 5); resolution on repayment of statutory capital reserves (cipher 6); discharge of the board and the chairperson (cipher 7); delisting of the organisation's equity securities (cipher 8); and passing on resolutions retained to the AGM by law or the articles of associations (cipher 9).

In particular, shareholders at the AGM hold pecuniary (Article 660 CO) and membership and participation rights (Articles 689–691 CO), the latter comprising *voting rights* (Articles 692–695 CO) and *information and inspection rights* (Articles 696–697 CO). With the introduction of the Ordinance Against Excessive Remuneration (Ordinance), a shift of composition and remuneration rights from the board to the shareholders took place (Forstmoser, 2020, p. 9).³ Subsequently, the AGM for listed organisations is *obliged to vote annually* on the appointment of the chairperson (Article 712 para. 1 revCO), the members of the board (Article 710 para. 1 revCO), the members of the remuneration committee (Article 698 para. 3 cipher 2 revCO), and the proposed compensation to the board (Article

³ The Ordinance Against Excessive Remuneration (in German: Verordnung gegen übermäßige Vergütungen bei börsenkotierten Aktiengesellschaften, VegüV) regulates the compensation for exchange-listed organisations. The ordinance was a consequence of the so-called Minder Initiative. With the Swiss corporate law reform, the ordinance will be integrated into the revCO with effect from 1 January 2023.

735 para. 3 cipher 1 revCO). In this context, the members must be elected individually – an election in globo, i.e. a simultaneous election of several members, is inadmissible (Müller et al., 2021, p. 572).⁴

As previously stated, shareholders have the power to appoint, re-elect, and dismiss the chairperson and the board members (Article 698 para. 2 CO). In doing so, shareholders either follow the board of directors' request or submit their own election proposal to the AGM (Article 709 CO).⁵ In the majority of elections, the AGM takes note of the candidate(s) proposed by the board of directors (Krneta, 2005, p. 75). Consequently, the AGM is left with the passive role of accepting/rejecting the candidates.

2.1.2 Board of Directors

The *board of directors* is the statutory organ at the top of the organisation.⁶ It is characterised as a group of decision-makers “that face complex tasks pertaining to strategic-issue processing” (Forbes & Milliken, 1999, p. 492). According to Article 716a para. 1 revCO, the board also has non-transferable and inalienable duties (summarised in the following): overall management of the organisation (cipher 1); determination of the corporate structure (cipher 2); organisation of the accounting system and financial controlling/planning (cipher 3); appointment and dismissal of the members of the senior management (cipher 4); supervision of the persons entrusted with managing and representing the organisation (cipher 5); compilation of the annual report and preparation of the AGM (cipher 6); notification of the court in case of over-indebtedness (cipher 7); and preparation of the remuneration report (cipher 8).⁷

Board activities are *complex and comprehensive* (van Ees & Postma, 2004, p. 93). To accomplish the tasks, each board member has individual obligations

⁴ The Ordinance has made mandatory what was already good practice before; it is no longer possible to have a staggered board (tenure-related).

⁵ Shareholders only have the right to make proposals, but no direct right of appointment (BGE 66 II 43). The last known (activist) shareholder counterproposal took place at the 2019 AGM of Comet.

⁶ According to the CO: Verwaltungsrat in German; Conseil d'administration in French; and Consiglio di Amministrazione in Italian. The term was introduced by the Swiss legislator in 1881.

⁷ According to Forstmoser and Benz (2011, p. 213), inalienable duties refer to the prohibition of delegation upwards to the AGM and non-transferable duties to the prohibition of delegation downwards to the subordinate authority (e.g. senior management).

(Article 398 para. 3 CO; Article 717 para. 1 CO; Bauen & Venturi, 2009, pp. 60–63): (1) every member is obliged to exercise his or her mandate *in person*; (2) the *duty of care and diligence* prescribes to act with reasonable care in the overall supervision and management of the organisation; (3) the *duty of good faith* imposes an obligation to refrain from any actions that may harm the organisation and lead to the board member being held liable; and (4) the *duty of loyalty* requires members to safeguard the interests of the organisation and includes, for example, insider trading and confidentiality.⁸

In terms of its composition, the board consists of one or more members (Article 707 para. 1 CO).⁹ Thereby, only persons eligible for election as ordinary members may take the chair (Hungerbühler, 2003, p. 37). According to Article 713 para. 1 CO, the resolutions of the board of directors require a majority of the votes cast, with *each member having one vote* (Böckli, 2009, p. 1590).

The board of directors may delegate tasks to committees or members (Article 716a para. 2 CO). The purpose of delegation is to free up more resources for supervisory and control functions (Vafeas, 1999, p. 200). Thereby, the board has no obligation (must), but the possibility (may) to form subcommittees and/or allocate tasks (Müller et al., 2021, p. 73).¹⁰ However, if the board decides to delegate, its legal powers and personal liability are at its discretion (Article 754 CO; Hofstetter, 2002, p. 44).

2.1.3 Nomination Committee

The *nomination committee (also remuneration and nomination committee or human resource committee)* is responsible for board succession planning and leads the search process (Higgs, 2003, p. 6). Initially, due to diffuse patterns of ownership and management dominance, the committee was a response to *stricter* regulatory succession obligations in the US in 1971 (Murphy, 2008, p. 145).¹¹ To date, the

⁸ The personal duty of each board member is linked to the person entrusted with the mandate (BGE 71 II 277).

⁹ As an exception, boards of directors of banks consist of a minimum of three members (Article 11 para. 1 Banking Ordinance). Also, the articles of association usually provide further clarity (e.g. lower and upper limits).

¹⁰ Exchange-listed organisations are obliged to establish a remuneration committee whose members are elected yearly by the AGM (Article 698 para. 3 cipher 2 revCO).

¹¹ The introduction of the nomination committee was the consequence of the concept of direct shareholder access to management proxies. At the time, the U.S. Securities and

majority of exchange-listed organisations have a nomination committee in place (>70%) (Walther, Morner, & Calabrò, 2017, p. 353).¹²

Compared to other committees (Table 2.1), the purpose of the nomination committee is to act as a crucial *gatekeeper*, providing human and economic expertise between internal (board) and external bodies (candidates) (Cheng & Rayton, 2012, p. 85). According to Kaczmarek et al. (2012, p. 476) and Müller et al. (2021, p. 74), key responsibilities of the nomination committee include (summarised in the following): (1) overseeing succession planning; (2) defining, identifying, and recommending candidates for the board; (3) onboarding new board members; (4) annual board assessments and board training; and (5) proposing necessary corporate principles.

Table 2.1 Comparison of Board Committees

	Nomination committee	Audit Committee	Remuneration committee
Primary objective:	Identify candidates	Adequacy of internal control	Review compensation
Time orientation:	Present, future	Past	Future
Information asymmetry:	Medium	High	Medium
Business function:	Human resource management	Accounting and auditing	Strategic management and finance
External partners:	Board advisory	External auditors	Compensation advisory

Source: modified from Hu (2009, p. 26) and Klein (1998, pp. 278–281)

There are three arguments for and two against forming a nomination committee. In favour, and first, succession planning is *time-consuming*. The nomination committee, in comparison to the board, has the time capacity and human resources expertise (Müller et al., 2021, p. 78). Second, succession planning is not yet *state-of-the-art* in many organisations. It needs to remain at the *top of the agenda*. The nomination committee ensures that a clear and transparent selection process is in place (Clune et al., 2014, p. 761). Third, defining and identifying a

Exchange Commission (SEC) launched an investigation to increase shareholder participation in the electoral process. The (political) question to be answered was: who, managers or shareholders, controls corporate voting. While there was no legal reform in this regard in the end, pressure was put on boards to professionalise succession planning.

¹² For an overview on board committees for Switzerland, see Volonté (2019).

pool of suitable candidates is *tedious and requires tact and sensitivity*. The small group of committee members allows for the candidate to be approached with the necessary diligence and confidentiality (Pirzada et al., 2017, p. 104). However, and fourth, there is a tendency towards *silo thinking*. By introducing committees, the board can fragment “into various camps or silos based on individual director characteristics or service” (Olson & Adams, 2004, p. 423). Last, committees only have the right to table motions, but not to make decisions, which limits their scope of action (Forstmoser & Benz, 2011, pp. 62–63).

2.2 SIX Corporate Governance Directive (DCG)

The *SIX Corporate Governance Directive (DCG)* (hard law) is formed by Article 3 of the Listing Rules (LR), which is based on the Financial Market Infrastructure Act (FinMIA). The directive applies to all public organisations primarily or mainly listed in Switzerland. The DCG is published by the Regulatory Board of SIX and has been in force since 2002.

The principles of the Directive aim to provide a framework to ensure that corporate governance information is reported in a *structured and coherent manner* (Watter & Roth Pellanda, 2015, p. 382). The disclosure of key information must be published in a separate section of the annual report (e.g. corporate governance section). The DCG follows a *comply-or-explain* approach, which means that it allows organisations to refrain from publishing certain information if this better suits their purpose (Article 7 DCG; Müller et al., 2021, p. 883). In this case, however, organisations must essentially explain *why and what solution* they have chosen instead.

In principle, the DCG requires the ensuing information to be reported (summarised in the following): group and shareholder structure (Article 1); capital structure (Article 2); board of directors (Article 3); senior management (Article 4); compensation, shareholdings, and loans (Article 5); shareholder participation rights (Article 6); change of control and defence measures (Article 7); auditors (Article 8); and information policy (Article 9). Specifically for the chairperson and the board of directors (Article 3), the DCG requires disclosure of information on the members at the personal level by providing personal details, any changes in the board during the reporting year, educational level and key career aspects, current or previous operational management tasks, activities in other business or non-business organisations and/or political functions, and the allocation of tasks and responsibilities (e.g. committee memberships).

Under the SIX Directive on Ad hoc Publicity (DAH), exchange-listed organisations are required to release ad hoc announcements in the event of decisions that are relevant to the share price. In that context, a price-sensitive fact is information that is likely to trigger a significant change in the market price (Article 53 para. 1 LR). If a board resolution falls under the relevant rubric, an ad hoc announcement must be published as soon as the issuer is aware of the fundamental issues to be assessed (Article 3 DAH; Article 53 para. 1 LR). Few limited circumstances exist that give the organisation the right to postpone such an ad hoc announcement. If this is the case, the organisation must ensure through internal rules and procedures that the price-sensitive information remains confidential (Article 54 para. 1 and 3 LR). With regard to the subject of the dissertation under study, it is assumed that the appointment of the chairperson is price-sensitive information.

2.3 Financial Market Supervisory Authority Circulars (FINMA Circulars)

The *circulars (soft law)* issued by the Swiss Financial Market Supervisory Authority FINMA are based on Article 7 para. 1 lit. b of the Swiss Financial Market Supervisory Authority Act (FINMASA).¹³ The circulars apply to all financial services supervised by FINMA.

The objective of the FINMA circulars is to meet the increased market requirements in the financial industry. For the financial services sector, the provided information defines legal norms that guide the supervisory authority in its assessment procedures. With regard to board composition and succession planning, Circular 2017/1 for banks prescribes that the board of directors be staffed with appropriate *personnel resources* (cipher 13) and *management expertise* (cipher 16), that one-third of the directors be *non-executive* (cipher 17), and that *requirement profiles* be drawn up for the succession process (cipher 27). In addition, the chairperson of the board is assigned a key role in shaping the strategy, communication, and culture of the company (cipher 30). Circular 2017/1 for insurers is structured similarly to the one for banks, albeit with a stronger emphasis on the functions of risk management and the internal control system (ciphers 28–56).

¹³ Please note: FINMA Circulars are only briefly described, as financial services are not the primary focus of the thesis.

2.4 Swiss Code of Best Practice (SCBP)

The *Swiss Code of Best Practice (SCBP)* (soft law) is a standard recommendation on corporate governance published by *economiesuisse*, the national federation of Swiss business. For organisations, the SCBP extends the scope of hard law requirements, but only insofar as “it also ensures that companies retain their organisational flexibility” (*economiesuisse*, 2016, p. 3). In that sense, the SCBP guidelines leave room to tighten certain aspects to strengthen best practice governance with a sustainable, long-term orientation (Hofstetter, 2014, p. 9).

Articles 12–14 SCBP emphasise practices of board composition and succession. According to the principles, the board of directors is neither too small nor too large to perform its management and control functions (Article 12 para. 1 SCBP) and is diversified (Article 12 para. 2–4 SCBP). In the same vein, the standards also ensure that a (chair) succession process with adequate selection criteria is in place. Recommended is the establishment of principles by the nomination committee (Article 26 SCBP).¹⁴ In all the recommendations, the SCBP leaves it up to the organisations to involve consulting/expert advice (Article 15 para. 3 SCBP).

The requirements of the SCBP for the chairperson are more precise than those of the CO (Section 1.4.3). The SCBP, for example, strengthens the leadership function of the chairperson over the ordinary members of the board: “The Chairman [...] is entrusted with running the Board of Directors [...], [and] ensure[s] that procedures relating to preparatory work, deliberation, passing resolutions and implementations of decisions are carried out properly” (Article 16 para. 1 SCBP). Furthermore, if the chairperson also holds the CEO position (dual function), an experienced and independent member shall be appointed as lead director to perform the chairperson’s duties (Article 19 para. 2 SCBP). With that move, the board can ensure the control and supervisory functions.

2.5 Election as Chairperson to the Board of Directors

Regarding the election of the chairperson of the board of directors, it should first be noted that the law makes this office mandatory (Article 712 para. 1 revCO). For the further course of this study, it is essential to examine the motives for the election or re-election and to have background information on the sequence

¹⁴ It is stressed that the nomination committee shall predominantly be composed of non-executive directors (Article 26 para. 1 SCBP).

of events upon entry, employment, and termination of the position. Such an examination allows for anticipating the legal and economic dynamics involved.

2.5.1 Reason for Election

Pressure from insiders (board member, company secretary, senior management) and/or outsiders (shareholder, proxy advisor) is usually the reason for “bringing about a change at the top” (Cadbury, 1990, p. 172). Such stakeholder pressure is a consequence of *economic- and person-related trigger factors* (catalysts) that drive the need for change. The two are thus explained in more depth below.

Starting with economic motives, the first aspect relates to *performance*. In principle, the chairperson is expected to meet financial cost/return targets, which are measured in terms of share price (Cannella & Lubatkin, 1993, p. 764). If the organisation has failed to deliver the expected results, the chairperson may come under pressure and, in the worst case, be forced to resign from his or her position (Maitlis, 2004, p. 1280). Performance, however, can also be tailored to the specific person (Gibson, 2001, p. 126). After the annual board assessments, board members may conclude that they are dissatisfied with the performance of the chairperson. As a consequence, they may communicate to the chair that they have lost confidence and prevent re-election (Cadbury, 1990, p. 172).

A second economic factor concerns *benchmarking*. Benchmarking is a sensitive but important issue and enables an early grasp of what is becoming the norm in the industry (Rothwell, 2005, p. 113). The goal is to jump on the bandwagon early before it is too late. “Just as companies benchmark their products, manufacturing operations and financial management processes against the best in class, they can also benefit from seeing how their [non-]executive leadership stacks up against that of other companies in their industry” (Spencer Stuart, 2010, chapter 5). Exchanges with industry peers may therefore have implications for the organisation’s strategy and consequently raise the question whether the chair is still the right person (Cadbury, 1990, p. 170).

In terms of person-related motives, the first aspect refers to *compatibility*. In that field, regulations/regulatory changes arguably have the greatest impact on board composition, as organisations are eager to comply with laws and policies (Aperre, 2016, p. 43). Here, aspects relate to hard law, soft law, and (additional) voluntary standards and norms (summarised in the following): For *hard law*, especially full capacity of judgement (Article 718 para. 1 CO; Müller et al., 2021, pp. 14–15) and the 30% gender diversity for listed organisations (Article 734 f

revCO) are expected to influence the election.¹⁵ With the newly introduced board gender quota in particular (comply-or-explain approach), the regulator is trying to promote the currently small number of women in board (chair) positions. In *soft law*, besides diversity (Article 12 para. 2 and 3 SCBP), it is above all independence criteria that are decisive for the election. The FINMA Circulars (cipher 19–22 Circular 2017/1 for banks and cipher 20–23 Circular 2017/2 for insurers) and the SCBP (Article 14 para. 1 and 2 SCBP) consider a board member as independent when the person has not been active in other boards (case-by-case assessment), a member of the senior management (for more than three years), an employee of the organisation (for more than two years), an employee of the audit firm as lead auditor (for more than two years), does not have any/minor business relationships/commercial links with the organisation (conflict of interest), and is not a qualified participant/shareholder (of the respective organisation).¹⁶ *On a voluntary basis*, listed organisations have incorporated further norms and standards. For instance, age, size, term of office, and mandate restrictions apply to the board of directors, which are incorporated in the articles of association, by-laws, or related regulations (Article 698 para. 2 cipher 1 CO; von der Crone, 2020, p. 575).

The second personal dimension relates to *capabilities*. The chair has a more stringent requirement profile, in particular in terms of higher demands on time availability (Hungerbühler, 2003, p. 39). Especially in large listed organisations, presiding the board of directors is a *full-time role* due to the expectations of having the right people, addressing the right issues, and maintaining the right strategic course (Cadbury, 1990, p. 93). Adequate time resources enable the control, supervisory, and reputational duties to be taken seriously (Krnetá, 2005, pp. 20–21).¹⁷ Equal requirements apply to the decision-making ability, which requires perseverance and efficiency. Swiss law hereby indirectly points out that members shall have financial expertise and knowledge of legal and economic contexts to follow the standards of the business judgement rule (Müller et al., 2021, p. 25). In the area of financial services, there are also reputational requirements that demand impeccable business conduct on the part of the board of directors, appropriate management skills, expertise, and experience in the banking and financial sector

¹⁵ Capacity to act is not a legal prerequisite (BGE 84 II 677), but it is strongly demanded according to von der Crone (2020, p. 572), Hungerbühler (2003, p. 37), and Krnetá (2005, p. 7).

¹⁶ For banks and insurers, at least one third of the board members must meet the independence criteria.

¹⁷ Time commitment also has an influence on liability; lack of time is not a reason to withdraw from liability claims (BGE 97 II 403).

(Article 3 para. 2 lit. c BankG; cipher 16 Circular 2017/1 for banks; cipher 16 Circular 2017/2 for insurers).

2.5.2 Entry, Relationship, and Termination

In principle, it is the board's responsibility to propose a candidate for election to the AGM (Article 716a para. 1 cipher 1 CO).¹⁸ With a majority of votes (Article 703 revCO), the AGM elects/refuses the chairperson (Article 712 para. 1 revCO). The elected person then formally confirms/rejects acceptance to the board. Acceptance comes without any formal requirements, except that the approval is unconditional and not linked to any terms and conditions (Böckli, 2009, p. 1557; Hungerbühler, 2003, p. 43). The elected board member will be registered accordingly in the Swiss Commercial Register (Article 643 para. 1 lit. e HRegV).

Despite mostly working full-time, the relationship of the chair to the organisation does not differ from that of an ordinary board member. In this respect, according to Meier-Hayoz et al. (2018, pp. 600–601) and Müller et al. (2021, pp. 47–48), it is an independent *basic relationship* between the two organs (in German: *eigenständiges organschaftliches Grundverhältnis*), which may include components of an employment and/or agency contract. For exercising the function, the chair has a *right to compensation*.¹⁹ The remuneration shall thereby take into consideration fixed and variable, short- and long-term, and adequate performance measures (Article 35 SCBP). It also should adequately include the form of payment (cash, stocks, stock options), personal performance (time spent, availability, input), position on the board of directors (chair, vice-chair, deputy chair, delegate), bearing of risk (unlimited and joint liability), and opportunity costs (Böckli, 2009, p. 1629).

There are five reasons leading to mandate termination (the latter two are rare and therefore not described in more detail): *expiry* of statutory limitation period (Article 626 para. 2 revCO); *resignation* (Article 710 para. 1 revCO); *dismissal* (Article 705 para. 1 revCO); *death or incapacity of judgement* (Article 35 para. 1 CO; Wernli & Rizzi, 2016, p. 1105); and *liquidation* (Articles 739 ff. CO). In the case of expiry and resignation, the term of office ends on the day of the

¹⁸ The election resolution by which the AGM appoints a person to the board is comparable to an offer (BGE 105 II 130). See also Section 2.1.1.

¹⁹ There is no specific right of compensation embodied in the CO. However, Müller (2011, p. 122) and Plüss (1990, p. 46) assume that chairpersons (and the members of the board) are entitled to remuneration.

AGM or on the day of resignation. Resignation is possible at any time without any specific form of notification (Bauen & Venturi, 2009, p. 16; von der Crone, 2020, p. 590).²⁰ The dismissal of members, unless the articles of association provide otherwise, requires the majority of the votes cast at the AGM (50% plus one vote) (Article 703 para. 1 revCO and Article 705 para. 1 revCO).²¹ Dismissal is valid immediately, possible at any time, and executable without statement of reasons (BGE 80 II 118; Krmeta, 2005, p. 81).

2.6 Review

The regulatory background in Chapter 2 provides a legal framework for the study. Hard and soft laws specify a range of rules to be respected. However, apart from the election and working duties of the chairperson, there are *few and less specified articles* addressing succession planning. To summarise:

- *The CO* (hard law) stipulates that the AGM elects the members and specifies who chairs the board. The chairperson, together with the entire board, is obliged to define the organisation's strategy and supervise the senior management; in the best interest of the organisation. They have the discretion to delegate tasks (e.g. forming committees), but remain ultimately responsible for their actions. The chairperson must be (re-)elected annually, and his or her term usually ends on the day of the AGM.
- *The DCG* (hard law) aims to provide SIX-listed organisations with a framework for disclosing corporate governance information in a *structured and coherent manner*. It allows shareholders and stakeholders to obtain and compare financial and non-financial information across organisations and industries.

²⁰ The Swiss Federal Supreme Court has given considerable thought to this question in the past and confirmed the resignation for board members at any time without giving any reason (BGE 112 V 1; BGE 111 II 483; BGE 104 Ib 321). An exception is the resignation at an inopportune moment (in German: *zur Unzeit*), e.g. in crises that require immediate entrepreneurial decisions or when the entire board of directors resigns at once, which may result, according to Plüss and Reichenbach (2001, p. 106), in indemnity claims.

²¹ Dismissal takes place either at the ordinary AGM (Article 699 para. 2 revCO) or at the extraordinary AGM (Article 699 para. 3 revCO), the latter requiring 5% of the share capital or votes to convene in the case of exchange-listed organisations.

- *The FINMA Circulars* (soft law) are governance codices for financial services with the objective to provide organisations with adequate and necessary financial, human, and structural resources.
- *The SCBP* (soft law) strives to enhance best governance standards for organisations, without losing too much flexibility. In this respect, its application is voluntary, but expected by stakeholders and shareholders.

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Employing agency theory as *the* approach to board governance studies has become very popular (Carcello et al., 2011, p. 19). Yet, as boards feature multiple roles and face intricate tasks, using a single theory is insufficient, represents an incomplete picture, and ignores “a good bite of the complexity of organizations” (Eisenhardt, 1989a, p. 71). By introducing a *holistic perspective*, it is intended to better explain antecedents and consequences and justify measures for selecting chairs and disclosing information (Huse et al., 2011, p. 11; Ruigrok et al., 2006, p. 122).

Therefore, this dissertation considers the most relevant theories applicable to the research question pursued. It thereby follows DiMaggio’s (1995, pp. 391–392) principles on describing the corporate world as we see it (theory as covering laws), making room for artful and exciting insights (theory as enlightenment), and providing a basis to empirically test the plausibility of the perspectives and scopes applied (theory as narrative). Following that path helps to understand the *inner workings* of boards, their *perception from outside*, and to go “*beyond the usual suspects* in exploring board of directors” (Kim & Cannella, 2008, p. 283).

3.1 Board Theory

As stated in the introductory part, board theories are strongly dominated by *agency theory*. The main premise of the theory is the separation of ownership and its control dilemma (Fama & Jensen, 1983, p. 301). The principal (shareholder) agrees with the agent (board/senior management) on a contractual basis on a de facto delegation of services, where the theory presumes an asymmetric distribution of information and the parties follow opposing assumptions (Eisenhardt, 1989a, p. 59). Opportunistic behaviour and organisational conflicts are ensuing

consequences (Lubatkin et al., 2005, p. 869). All this together leads to the principle of introducing corporate self-regulated mechanism and independence criteria to control the opportunistic behaviour of the agents (Hart, 1988, pp. 470–471).

In practice, board work goes beyond a pure control, monitoring, and shareholder perspective (Ruigrok et al., 2006, p. 122). Other contextual and processual determinants are also to be considered, including organisational, sociological, and psychological perceptions (Maitlis, 2004, p. 1280). Theories complementing agency theory, and of relevance for the chair role, are summarised in Table 3.1.

Table 3.1 Overview of Board Theories¹

	Agency Theory	Stewardship theory	Stakeholder theory	Resource dependency theory	Institutional theory
Origin	Economic theory	Organisation theory	Organisation theory	Sociology theory	Organisation theory
Concept	Separation of principal and agent	Alignment of personal and organisational motives	Pluralistic approach, societal group inclusion	Ability to acquire and maintain resources	Social system embedding requires legitimacy
Assumptions	Incomplete contracts subject to moral hazard and information asymmetry	Utility in cooperative and collaborative activities; trust, ethics, and openness as ideology	Stakeholders are accurately represented and of equal preference	Organisational existence not taken for granted	Organisations are constrained by social rules
Limitations	Ignores complexity, focuses on control aspects	Neglects power, hierarchy, ideology, and conflicts	Lack of balancing and negotiating of diverse group interests	Focuses on resource attainment; ignores interlocks and process issues	Provides over-socialised view; ignores board responsiveness

Source: modified from Hung (1998, p. 105) and Rüdiger (2009, p. 49)

¹ The summary is not exhaustive; for an extensive review on all theories, including class hegemony theory and managerial hegemony theory, refer to Hung (1998) and Zahra and Pearce (1989).

Besides traditional board theories (Table 3.1), board governance scholars have recently paid considerable attention to value-adding boards. Such boards simultaneously create positive and sustainable economic value (financial performance) and social value (non-financial performance) (Huse, 2018, p. 15). To address that, scholars have put additional emphasis on behavioural theory and team production theory.

Behavioural theory builds on the fact that boards behave and decide facing a pluralism of influences and effects (Cyert & March, 1963, p. 4). The board is often forced to make decisions that deviate from the ideal of utility maximisation (van de Ven, 1992, p. 170). Such deviations occur due to the following reasons (van Ees et al., 2009, pp. 311–314): (1) boards are confronted with uncertainty and complexity, which requires them to simplify decision rules (bounded rationality); (2) boards behave opportunistically and thus accept choices that are good enough but do not maximise payoffs (satisficing behaviour); (3) boards rely on experience and manage operations with the help of past experiences of the decision-makers (routinisation of decision-making); and (4) boards are embedded in a complex social structure and solve conflicts through proactive communication and the formation of coalitions (political bargaining).

Team production theory (or group production theory) views stakeholders as organisation-specific resource (Blair & Stout, 1999, p. 265).² In that context, the board is an important mediating and coordinating body between the relevant value-adding, unique, risk assuming, and strategic information-possessing stakeholders (Huse, 2018, p. 23). Attributed to the behavioural corporate governance landscape, the theory assumes that organisations (1) are long-term oriented (based on cooperative game theory), (2) reject ex ante and ex post sharing and bargaining rules for free riding and shirking, and (3) centre on sustainable value creation upwards (Gabrielsson et al., 2016, p. 754).³ All factors suggest that board competence, impartiality, and willingness are crucial. For board succession planning, this means that boards should consist “of a diverse set of board members who can knowledgeably express their interests, perspectives and expertise to value-adding stakeholders” (Huse, 2018, p. 26). This leads to the demand that boards must achieve a greater productivity by working together as a *team and not as a bundle of lone wolves* (Huse et al., 2011, p. 14).

² Some researchers, e.g. Cohen and Bailey (1997, p. 341), believe teams to have a higher ‘groupness’ than groups. However, this view has not been widely shared in the literature. Consequently, both terms are used as equivalent to each other.

³ See Aoki (1984) for more on game theory.

For the board to be an effective mediator and coordinator, however, the chairperson must take an active leadership role on the board (Cascio, 2004, p. 97). Contrary to the agency theory, the team production approach presumes a *skilled, independent, and leading person at the top of the organisation*. A person who, as a representative of the board, has the power to make bilateral contracts with various value-adding contributors (Yar Hamidi & Gabrielsson, 2014a, p. 11).

3.2 Role Theory

Role theory conceptualises the characteristics of social role behaviour (Biddle & Thomas, 1966, p. 4). Roles are defined and predictable. At the same time, however, they depend on social structures and are thus most often occupied differently than expected (Biddle, 1986, p. 68). Role theory explores why individuals accept and perform a set of roles in a system and how they justify their actions to various stakeholders. The theory therefore assumes that actions are the result of expectations of role behaviour (demands on conduct) and role attributes (demands on appearance and personality) (Steiger, 2013, p. 37).

The Organisational Role Analysis is an advancement of the role theory on the business/organisational level. The concept “redefines the individual’s role in the system” (Borwick, 2006, p. 9), i.e. addresses the system where role, role senders, role receivers, and tasks are interrelated.⁴ In essence, the concept describes a set of role-specific normative expectations (e.g. rights, privileges, duties, obligations) directed at the holder of certain positions (e.g. the chairperson) in relation to other persons occupying a different position (e.g. board members, senior management, shareholder) (Rothwell, 2005, p. 127). Organisational Role Analysis represents the concept of roles as a “place where the formal role (as defined by the organisation/system) blends with the informal role (the specific way a specific person takes up his or her role)” (Winter & van de Loo, 2012, p. 243). In that sense, holders interpret explicit and implicit task perceptions of themselves and the role with the intention of meeting other people’s expectations. Roles are thus defined as “the position or purpose that someone or something has in a situation, organization, society, or relationship.”⁵

In management theory, the two traditional role concepts are from Mintzberg (1973) and Quinn (1988).⁶ In fact, *Mintzberg’s (1973)* empirical work on

⁴ Related to Katz and Kahn’s (1966) psychologically oriented framework.

⁵ Definition from Cambridge Dictionary (www.dictionary.cambridge.org).

⁶ Both concepts are widely used in research for data collecting (e.g. interviews).

functional role description of managerial activities is considered *the* classical approach. In his study, during a one-week observation, the activities of five CEOs were categorised into (1) interpersonal role, (2) information role, and (3) decision-making role. They consist of the following ten role types (Mintzberg, 1973, p. 92): (1) representing the organisation (figurehead), guiding the employees (leader), and establishing and maintaining relationships (liaison); (2) managing the organisation (monitor), transmitting information (disseminator), and informing stakeholders (spokesperson); and (3) searching for opportunities (entrepreneur), managing unexpected tasks (disturbance handler), assigning responsibilities (resource allocator), and committing to actions (negotiator).

Quinn's (1988) The Competing Values Framework (Figure 3.1) extends the functional role descriptions with leadership aspects. The study identifies eight leadership roles and allocates two of each to a quadrant, each representing a certain philosophy. In principle terms, the concept follows three elements: (1) the preference for organisational structure by differentiating between control and flexibility; (2) the overall fit with respect to internal socio-technical and external environmental systems; and (3) the temporal focus by representing the distinction “between means and ends or processes and outcomes” (Faerman et al., 1987, p. 311). To be successful, Quinn’s (1988) framework postulates that a member must show *above-average behaviour* in a specific role. Thereby, some roles complement each other, whereas others oppose each other. Effective leaders should thus do justice to all roles – a fact that is strongly reminiscent of the great man theory.⁷

⁷ The great man theory is an approach that follows the trait ‘born to be a natural leader’. For more information refer to Darmer (2000).

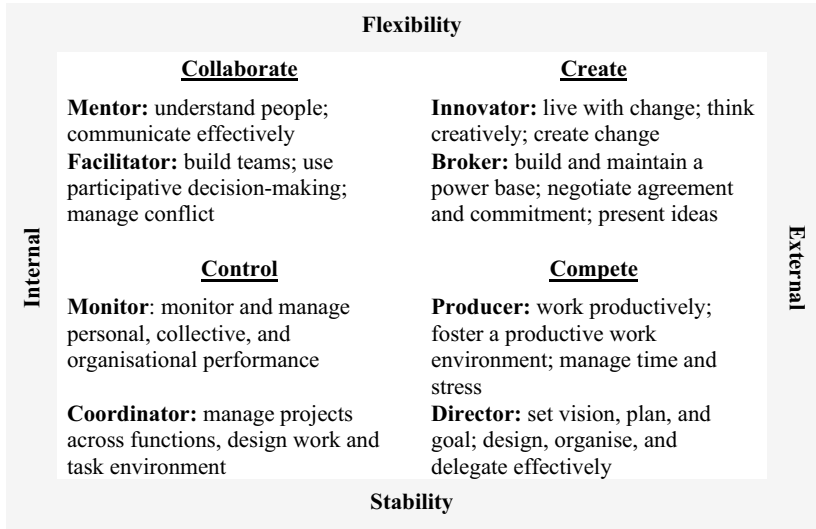


Figure 3.1 The Competing Values Framework. (Source: modified from Denison et al. (1995, p. 527) and Quinn et al. (2015, p. 13))

3.3 Process Theory

Process theory illustrates the interrelated links and paths of events or activities that disperse in the social, political, and economic context (Miebach, 2009, p. 11). It describes “how things change over time [...] by an entity in dealing with an issue” (van de Ven, 1992, p. 170). In principle, researchers use process theory for planning, formulating, implementing, and guiding their design of study. *Proces-sual analysis*, advancing to the generic term, explains and accounts for the what-, why-, and how-links between context, process, and relationships (Pettigrew, 1997, p. 340). It shows how incidents, activities, and stages unfold over time.

Conceptually, process theory with regard to board nomination is closely related to *teleological theory*. The theory encompasses an end state that an organisation or people of an organisation strive for after developing a vision/plan and taking action to achieve it (van de Ven, 1992, p. 178). The teleological view does not impose a necessary sequence of events. However, it postulates to move forward to its final state via “cycle of goal formulation, implementation, evaluation, and modification of goals based on what was learned by the entity” and what was

constrained by its environment (van de Ven & Marshall, 1995, p. 520). Processual research thus includes environmental constraints that force the organisation to continuously replace and adapt their practices (Drazin & van de Ven, 1985, p. 516; Scott, 1961, p. 20). This is why processual analysis requires to inform in *which context* a person, a group, or an organisation is embedded (Walther, Calabrò, & Morner, 2017, p. 2208).

There are four central requirements underlying process theory (Miebach, 2009, pp. 14–16): (1) the elimination of the *dichotomy* between structure and process (alignment of structure and processes); (2) the integration of *micro-diversity* aspects (incorporation of mechanisms that enable change); (3) the modelling of *time* dependence in process chains (linking mechanism to process); and (4) continuous *learning* (adaption to social and organisational change).

To meet the four conceptual expectations, Pettigrew (1992a, p. 9) and Cock and Sharp (2007, p. 234) provided a checklist for process research to consider: (1) *referencing* a number of micro-levels (embeddedness); (2) indicating when and where the process *begins and ends* (temporal interconnectedness); (3) describing context and actions in a *holistic rather than a linear manner* (role and explanation); and (4) taking into account *findings and the research objective* (outcome).

3.4 Disclosure Theory

Disclosure theory Involves providing relevant, credible, and timely information to outsiders (Healy & Palepu, 2001, pp. 408–409). With the provision of information to stakeholders (based on agency theory), the theory intends to reduce uncertainty and sends a signal about the quality of an organisation (Lev, 1992, pp. 14–15). The aim is to diminish adverse selection.

In explaining corporate governance disclosure, many authors have endorsed *legitimacy theory* as an attempt to explain more background on social and environmental policies (Deegan et al., 2002, p. 318). The theory suggests that an organisation “aims to certify its survival and continuity through disclosing detailed information voluntarily so as to confirm that it is a good citizen” (Khelifi & Bouri, 2010, p. 68). To be more specific, it is about aligning corporate goals, methods, and outputs with the evolving expectations of the public. All this is done in order to shape the social image of the organisation (Deegan et al., 2002, p. 320). Thus, corporate disclosure is a post-activity reaction (Guthrie & Parker, 1989, p. 344).

How much to disclose? The disclosure spectrum is a question of disclosure costs (Beyer et al., 2010, p. 301). In general, listed organisations are obliged

to publicly provide information. However, to attract investors and fend off defamation by activist stakeholders, organisations are willing to disclose more information than necessary. Yet, organisations choose to not be fully transparent because, beyond a certain limit, the costs of disclosure exceed the benefits, potentially putting them at a competitive disadvantage (Grossman & Hart, 1980, p. 333; Raffournier, 1995, p. 263). Loss of competitive position (secrecy), disclosure efforts (gathering and processing), and litigation costs (uncertainty of outcome) are examples of why organisations cap the content of information provided (Elliott & Jacobson, 1994, pp. 83–84). Full transparency is consequently not a practical but a theoretical concept.

3.5 Review

The theories mentioned in Chapter 3 form the theoretical basis for the study. Each theory on its own conveys one single perspective. Since a theory is a simplification of reality, it makes sense to combine them to create a *complementary, multidimensional, and holistic view*. To conclude the theoretical insights from Chapter 3:

- *Board theories*, with *agency theory* being the most prominent in governance research, indicate that information asymmetry may occur, leading the principal to establish control and monitoring mechanisms. However, a pure shareholder view is insufficient; a multi-theoretical view is considered more adequate. Also, the board is not static, but rather dynamic. *Behavioural theory* and *modern team production theory* revealed, first, why boards are no utility maximizers and, second, that the impact of boards is value-adding and long-term oriented. That is why boards need the necessary competences.
- *Role theory* emphasised certain role behaviours and role attributes that come with a board seat. Mintzberg (1973) and Quinn (1988) identified managing and leadership responsibilities that can be used to reinforce role understanding.
- *Process theory* highlighted the interrelated and dynamic relationships in board appointments. It emphasised that nomination is the result of behavioural structures and a set of comprehensive decisions, shaped by environmental constraints, time, and ongoing learning mechanisms.
- *Disclosure theory* promoted the implementation of legitimacy standards in organisations. However, disclosure is caught between costs and benefits, which is why organisations do not aim for full transparency when disclosing information.

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Chairperson Succession Planning

4

The previous chapters aimed at providing a theoretical and regulatory background (Figure 4.1). First, the regulatory background section described the determinants around board nomination and the inalienable duties of a chairperson (Chapter 2). Second, the theoretical background provided served as a systematic basis for greater contextual integration and understanding of where the chairperson is embedded (Chapter 3). Third, a succession planning framework will be introduced in Section 4.1 that focuses on substantiating and guiding the development of strategic succession principles.

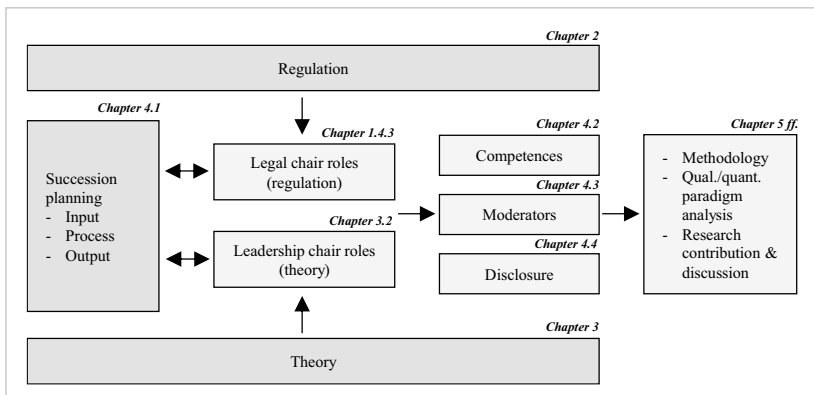


Figure 4.1 Overview of Theoretical Relationships. (Source: own illustration)

After an introduction to succession planning in Section 4.1, the following chapter addresses the three constituents of succession planning for chairs, namely

competences (Section 4.2), moderators (Section 4.3), and disclosure (Section 4.4). That structure not only allows for reviewing all the information and drawing a first conclusion for the subsequent analysis (research questions), but also provides an in-depth overview of the theoretical context of the study.

4.1 Introduction to Succession Planning

Before delving deeper into succession activities of a chairperson, it is of utmost importance to understand *what succession planning* means (following Section 1.4.4). This part of the study strives to contextualise the term as it forms the cornerstone for the further course of this study (Section 4.2 ff.).

In the ideal case, succession planning is oriented towards best practice standards. An ideal succession plan entails selecting a qualified person through a transparent and structured process “on merit and not through any form of patronage” (Cadbury, 1992, p. 23). However, process studies so far “are preoccupied with describing, analysing and explaining” (Pettigrew, 1997, p. 338), yet they fail to recognise that social reality is dynamic rather than static. Consequently, according to Watson et al. (2020, p. 214), succession planning requires context and needs to follow a certain set of principles. It is therefore necessary to institutionalise succession in a framework (Finkelstein et al., 2009, p. 166).

Theory-driven succession entails defining the role and competences of the incoming chair, developing a strategic plan, and communicating it to relevant stakeholders (Carbo & Storm, 2018, p. 214). Encouraged by board governance researchers such as Aberg et al. (2019), Banerjee et al. (2020), and Nicholson and Kiel (2004b), this study employs a conceptual *input-process-output model* to depict succession planning (Figure 4.2).

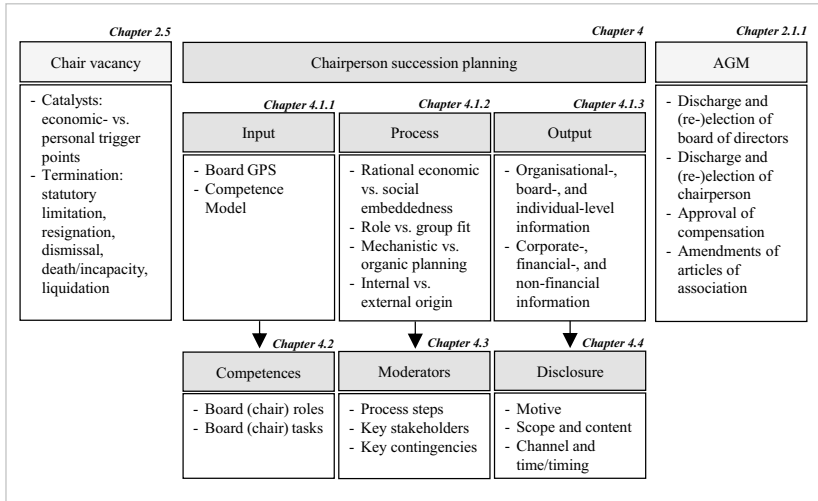


Figure 4.2 Conceptual Succession Planning Framework. (Source: own illustration)

In more detail, the *input section* sheds light on task and role conditions that shape competences. The *process section* builds upon competence requirements and examines succession process practices to understand the potential influence of moderators. The *output section* links succession to outcome by identifying how the choice of the candidate can be justified by disclosure to the external environment. Applying this three-step model has three advantages. First, it allows to apprehend the rational and social dynamics of persons and organisations. Second, it enables to structurally integrate the wealth of studies that serve as a basis for answering the research questions. And finally, it allows for stakeholder orientation to be incorporated into the actions of the boards. The literature review is followed by a thematic analysis (input-process-output).

4.1.1 Succession Input

With the increasing importance of the board in the public eye, the chairperson’s position has also gained traction (van den Berghe & Levrau, 2004, p. 462). This puts the focus on the actual behaviour of each board member and the multiple roles and tasks to be performed (Winter & van de Loo, 2012, p. 235). As it

will be explained in the following paragraphs, there is a significant relationship between board theory, board role, board task/activity, and board competence in succession planning (Nicholson & Kiel, 2003, p. 12).¹ It is thus essential to recognise that succession planning is context-oriented and action-driven. Besides insights on board theory (Section 3.1) and board role (Section 3.2), the *Board GPS (for board tasks)* and the *Competence Model (for board competences)* are two other concepts that address the dynamic relationships within the succession planning sphere.

Board GPS is a relatively new concept in board governance research. The concept focuses on board tasks and builds upon the role perception of Organisational Role Analysis (Section 3.2). In more detail, the Board GPS framework is based on the understanding of ‘being on task’, which means doing the right things right (van den Bergh & Levrau, 2004, p. 462). To explore board task interactions, the Board GPS concept addresses three distinct lenses (Winter & van de Loo, 2012, pp. 236–237): the group lens (G) centres on group task dynamics (leadership style, cohesion/conflict, information sharing); the personal lens (P) concentrates on person-related task dynamics (style, empathy, bias); and the system lens (S) focuses on organisational task dynamics (board structure/board size, board committee). Subsequently, while board roles offer the applicants an idea about their field of tasks (and thus represent an overreaching concept), board tasks can be understood as activities that underpin the specific roles within a particular environment/setting that a position entails (Machold & Farquhar, 2013, p. 149). Simply put, tasks are observable actions in everyday business life.

The *Competence Model* is a strategic tool to identify a unique set of competences that are necessary to meet an explicit set of board tasks (Lee & Phan, 2000, p. 206).² Viitala (2005) recognised the Competence Model as an invaluable governance tool for succession, as it provides organisations with a “common language” (p. 438). For the classification of competences, the model thereby follows Garavan and McGuire’s (2001, pp. 151–152) and Spencer and Spencer’s (1993, p. 11) iceberg analogy. Within the iceberg analogy, competences, on the one hand, are capabilities that are tangible and easily identifiable (e.g. expert knowledge) but, on the other hand, are also basic characteristics of a person that are invisible, hard to detect, and even harder to teach (e.g. self-cognition, motivation, attitudes, and values). To be a useful instrument, the Competence Model

¹ Aberg et al. (2019, p. 650) note that among scholars, board roles, board tasks, board activities, and board functions are used interchangeably and that no single definition exists.

² A practical term often related to the Competence Model is skills matrix, e.g. Dulewicz et al. (1995, p. 14).

“should be bespoke and tailored to the company’s businesses and strategy” and to the personality dimensions required for the position (Spencer Stuart, 2018, p. 2). This way, it is possible to adapt the selection and to “proceed beyond the simple approach of replacement” (Beheshtifar & Nekoie, 2011, p. 116).

In principle, the Competence Model can be applied to all corporate segments. Scholars who attempted to integrate the model in board studies distinguished types of board members according to their effective or dysfunctional behaviour (e.g. Watson et al., 2020) or with focus on the functional skills these people need to bring (e.g. Conger & Lawler, 2001; Mumford et al., 2000), allowing to establish competence classifications accordingly (e.g. Hilb, 2016; Hogan & Warrenfeltz, 2003). For critics, however, “there exists considerable doubt surrounding whether competencies can be extensively categorized and labelled as they often overlap, and thus commonly suffer from ambiguity” (Viitala, 2005, p. 439). Authors like van der Klink et al. (2007, p. 224) thus see competence as a fuzzy concept. To counteract the criticism, it is important to recognise that distinct cultural contexts affect the global understanding of competences (Le Deist & Winterton, 2005, p. 30).³

To conclude, as highlighted at the beginning of the chapter, it is important to recognise that competences are driven by theory, roles, and tasks. Addressing the relationships adequately allows to identify the right competences and helps the chair meet expectations to his or her best ability (Lee & Phan, 2000, p. 207). Modelling competences in succession planning in a strategic manner has five main advantages (Beheshtifar & Nekoie, 2011, p. 121; Rothwell, 2005, p. 85): (1) it presents an accurate way to clearly define what competences are required for a specific position; (2) it creates a basis for an effective board performance environment; (3) it enables a 360-degree assessment; (4) it transparently defines the requirement criteria; and (5) it highlights the gap between required and existing board capabilities.

4.1.2 Succession Process

Board chair succession is not a simple process-cum-task, as it represents the intersection between *supply (candidate) and demand (organisation)* (Withers et al., 2012, p. 244). It is therefore important to provide a holistic explanation of the plan

³ In their review, Deist and Winterton (2005, pp. 31–37) pointed in particular to the cultural influence of the US approach, the UK approach, and the multi-holistic approach from France, Germany, and Austria.

and the process and to highlight the understanding of events over time (Watson et al., 2020, p. 114).⁴ As a holistic understanding “must include accountability, evaluation, and follow up measures” (Weisblat, 2018, p. 17), prior literature identified rational economic vs. social embeddedness, role vs. group fit, organic vs. mechanistic selection, and internal vs. external origins as important parameters in succession processing. They are explained in the following.

In terms of *rational economic vs. social embeddedness*, Withers et al. (2012) were among the first scholars to analyse the two diametrically opposed phenomena in an integrated manner. On the one hand, the rational economic view represents “an attempt to meet the governance and resources needs of the firm and its shareholders” (Withers et al., 2012, p. 244). This view concerns the competences needed to properly execute a chair mandate. The proper execution of a chair mandate can be ensured by having persons on the board who have relevant monitoring capabilities (agency theory), who bring a functional and experiential fit to the organisation (resource dependency theory), and who focus attention on means and legitimacy (institutional theory) (Elms et al., 2015, p. 1314; Luoma & Goodstein, 1999, p. 555). The social embeddedness standpoint, on the other hand, “examines both the social context and the alternative motives that may drive director nominations” (Withers et al., 2012, p. 256). Motives are factors that people can identify with and relate to, such as prestige, reputation, and ingratiation (Eminet & Guedri, 2010, p. 559; Zajac & Westphal, 1996a, p. 509). If they occur, less emphasis is placed on corporate governance principles (Withers et al., 2012, p. 247). One such paradigm is the old boys network, which can result in similarity attraction, director ingratiation, and quid pro quo relationship patterns (Campbell et al., 2012, p. 1436). Together, these social ties increase the risk of an inappropriate appointment. However, appropriate appointment is essential for increasing professionalism on boards, as even “one bad apple can blow up an entire board” (Clune et al., 2014, p. 780).

Role vs. group fit is an in-depth perspective of the rational economic/social embeddedness approach.⁵ Whilst role fit expresses the “need to be able to contribute skills and experience complementary to those possessed by current directors” (Elms et al., 2015, p. 1317), group fit implies teamwork and compatibility between directors to find common ground and a connection to debate “the chunky things” (Elms et al., 2015, p. 1319). Especially group fit, with chemistry

⁴ According to Korn Ferry (2020), board chair succession is rather “a process not an event” (p. 24).

⁵ Beyond the board governance realm, scholars such as Kristof (1996, pp. 7–8) hereby refer to person-job fit (role fit) and person-group fit (group fit).

and board culture as the “tipping point that causes the candidate to be selected over other qualified candidates” (Clune et al., 2014, p. 762), attracted attention. In this context, the aspects of sympathy and reciprocity in particular affect the perception of the board’s social group fit (Judge & Ferris, 1992, p. 56; Main et al., 1995, p. 307). However, betting it all on one card does not come without risk. The obvious risk of group fit is having too many agreeable characters on the board who lack value-adding skills (Elms et al., 2015, p. 1321). This may lead to board cohesiveness with a lack of critical thinking patterns (Forbes & Milliken, 1999, p. 493). In contrast, the role fit perspective assumes a strict rational and standardised process, allowing to select “the individual judged most able to execute the role” (Elms et al., 2015, p. 1314). This approach is in line with regulators who frequently promote independence and skill set as critical components for nomination (Chapter 2).

Organic vs. mechanistic search differs in how decision-making responsibility is divided, coordinated, and planned in advance of the process (Gendron, 2001, p. 288). Organic search (also informal search) relies on one’s own or a related personal network (Barth, 2013, p. 42). Organisations in that category behave adaptively, flexibly, and rely on informal considerations and needs (Clune et al., 2014, p. 754). Contrarily, the mechanistic search (also formal search) is keen to adhere to legitimised conditions (Gendron, 2001, p. 288). With the institutionalisation of frameworks, the mechanistic approach strives to formally implement “decision priorities, the performance of scanning, documenting, and evaluating decision alternatives, and the analysis of risks and benefits of potential successors” (Walther, Calabrò, & Morner, 2017, p. 2203). Advocates of the mechanistic approach see advantages in reducing adverse selection, increasing efficiency, overcoming planning fallacy and confirmation biases, ignoring conflicting evidence, enriching the candidate pool, smooth transition and onboarding, and openness to feedback (Giambatista et al., 2005, p. 965; Metz, 1998, p. 36; Pye, 2002, p. 913; Schepker et al., 2018, pp. 526–527).

Internal vs. external origin refers to the aspect of whether the chairperson is an insider or an outsider. An inside chair is a person who is most likely promoted from a board or senior management position (McNulty et al., 2011, p. 96). Internal candidates are most often selected for their organisation-specific knowledge. An outsider, on the contrary, is an independent person without prior employment or business relationships (Finkelstein et al., 2009, p. 197). The choice of origin is normally contextual and can be an advantage or disadvantage. Research has shown that when selecting an internal candidate, in-depth knowledge and bonding/bridging relationships are particularly relevant for strategic decision-making (Adler & Kwon, 2002, p. 19), that the choice of the CEO as the new chair

may restrict the successor's scope of strategy and service provision (Quigley & Hambrick, 2012, p. 853), and that appointed chairs tend to be older (Davidson et al., 2008, p. 398). Choosing an outsider, however, leads to drastic strategy changes and cultural transformation (Zhang & Rajagopalan, 2010, p. 342), higher pay but also higher risk of dismissal (Bidwell, 2011, p. 401), and a loss of organisation-specific social intellectual capital (Kim & Cannella, 2008, p. 284).

Against that background, how should the nomination committee structure the succession process? In essence, emphasis should be placed on a multi-stakeholder view that takes into account regulatory (rational economic embeddedness, role fit, mechanistic selection) and social dynamics (social embeddedness, group fit, organic selection) (Withers et al., 2012, p. 266). Luoma and Goodstein (1999, p. 554) thereby argue in favour of *moral legitimacy* in assessing whether an activity/structure is right. In line with institutional theory, organisations are thus eager to validate normative commitments, provided that they uphold due diligence, loyalty, and good business judgement. This can be clearly seen in the historical development of succession process planning. In the past, board selection corresponded to a “repertoire of action possibilities” (Ocasio, 1999, p. 391). With the introduction of formalised procedures, organisations shifted from the primary randomness of a traditional or spontaneous selection to a competence-, experience-, and personality-based selection (Werder & Wiczorek, 2007, p. 307).

Whilst there has been progress in professionalising succession processes, more than one third of contemporary nomination committees still do not have written charters (Elms et al., 2015, p. 1320; O'Neal & Thomas, 1995, p. 83). This is why Egon Zehnder (in Leube, 2012, p. 215) reasoned that too many organisations are still using an approach that is *ad hoc and lacks a systematic pattern*. Weber et al. (1978) therefore described successor selection as a “routinization of charisma” (p. 249), referred to as a depersonalised and bureaucratic routine process.

4.1.3 Succession Output

In succession, as highlighted in the previous chapter, it is essential to have an effective process that is not solely based on rational thinking, but also on *behaviour and robust social systems* (Sonnenfeld, 2002, p. 1; Walther & Morner, 2014, p. 140). Given this two-dimensionality, it is important to “link process to outcomes, while recognising that this outcome is not an end point but is itself caught up in the ebb and flow of process” (Watson et al., 2020, p. 114). In that context, providing outcomes enables the identification and control of

“scarce resources needed by the organisation” (Provan, 1980, p. 223). To monitor the organisation and to “play a positive role in encouraging better board succession planning” (ICGN, 2018, p. 3), outsiders thus request timely and adequate information for ex post understanding of the inner workings of appointing chairpersons.

To date, hard and soft law governance codices have not yet examined disclosure succession principles in detail (Chapter 2). They are more concerned “with what constituted good or acceptable practice than with disclosures about those practices” (Collett & Hrasky, 2005, p. 189). In the absence of universally accepted principles, organisations have the *freedom of choice in terms of disclosure* (Ghio & Verona, 2020, p. 56). However, with the belief that “board members need to reflect on the values the company creates” (Huse, 2018, p. 30), communication is an integral tool for external stakeholders to review board activities. When it comes to chairperson succession, this requires *justifying the choice of a candidate* with central arguments.

Given the social and institutional aspects, organisations are hence eager to have a selection process in place that is deemed legitimate (Section 4.1.2). One way to achieve that is to strengthen the link between *normative arguments* (what should happen) and *empirical validation* (what happens and why it happens) (Luoma & Goodstein, 1999, p. 559). From Jackson and Carter’s (1995, p. 879) perspective, voluntary disclosure can be a spotlight to address selective governance topics (analogy to chiaroscuro, managing light and shadow). In doing so, it permits taking on a stakeholder value approach with the basic idea to “build a bridge between the focal firm and its external elements through communication channels and networks” (Walther & Morner, 2014, p. 139). Yet, for this to happen, succession planning must create a *substantial need for necessity* (Collett & Hrasky, 2005, p. 189).

In the context of creating necessity, the favourite metaphor relates to *transparency* (Bujaki & McConomy, 2002, p. 110). Transparency is the widespread access to organisation-specific information for outside stakeholders. Bushman et al. (2004) refer to transparency as “the output from a system of interrelated information mechanisms” (p. 210). Transparency enables outsiders to verify the enforceability of their contracts with the organisation. It helps the organisation to demonstrate “that it is acting on collectively valued purposes in a proper and adequate manner” (Meyer & Rowan, 1977, p. 349).

In light of what has been said, it is worth noting the two most conclusive assumptions with regard to transparency. First, listed and large organisations will be *more accurate* in disclosing information (Mallin & Ow-Yong, 2012, pp. 521, 529). This is because they face greater public scrutiny and have more personnel resources. Second, shareholders and stakeholders collectively *benefit* from a higher level of information disclosure (Berndt & Leibfried, 2007, p. 397; Gul & Leung, 2004, p. 353). Placing more emphasis on transparency reduces the information asymmetry between parties. This enables stakeholders to acquire more knowledge that they can take into account in decision-making and organisations to legitimise their actions (Deegan et al., 2002, p. 332).

In principle, linking chairperson succession and (voluntary) disclosure addresses two output perspectives. The first perspective relates to the level of *work output* driven by the inalienable duties the chairperson and the board face (Section 2.1.2). Work output has a direct impact on performance with consequences for organisational change (*organisational-level output*), a direct effect on board composition that indirectly impacts the dynamics and behaviour of the board (*group-level output*), and is a direct stimulus provided by the leadership style that indirectly develops and that shapes internal board culture (*personal-level output*) (Korn Ferry, 2009, p. 3; Maharaj, 2009, p. 110; Nicholson & Kiel, 2004b, p. 448). The second perspective is determined by the level of organisational know-how. This output perspective addresses corporate (*strategic*), business (*financial*), and non-business (*non-financial*) information. In the context of succession planning, it is mainly the non-financial information of the second stream that is addressed, with emphasis on “procedure and process of appointment and election” (Cotter et al., 2011, p. 79).

4.1.4 Review

Section 4.1 was intended to conceptually integrate the thesis into the realm of succession planning. The aim was to introduce a framework that supports the author in working on the topic of the thesis and in systematically structuring the corresponding literature review and qualitative/quantitative results. Consequently, the thesis follows an *input-process-output model* to depict succession planning:

- *Competences (input)* are driven by board theory, board role, and board tasks/activities. Before the competences can be analysed, it is necessary to

put the functional duties of the chair into context, using classical board theory, Organisational Role Analysis, Board GPS, and the Competence Model as conceptual strategic tools.

- *Moderators (process)* drive board succession and need to be controlled. Succession planning therefore varies, depending on rational economic vs. social embeddedness, role vs. group fit, organic vs. mechanistic selection, and internal vs. external origin parameters.
- *Disclosure (output)* Aims at legitimising the two prior succession stages (input and process) and the respective decisions/activities to outsiders. In this regard, voluntary disclosure mechanisms are addressed, with an emphasis on board chair selection procedures.

4.2 Competences

Section 4.2 addresses the first stage of the *input-process-output* model. The aim is to identify the essential *roles and tasks* of the chairpersons and to discuss the board theories in order to then determine the *competences* of the chair.

4.2.1 Roles and Tasks

How time is spent on board work depends on the style of the chairperson and the dynamics of the organisation (Owen & Kirchmaier, 2008, p. 203). Historically, board role and task definitions go back to Zhara and Pearce (1989). As described in the introductory part of Chapter 3, applying a multiple perspective in board theories allows to grasp the full complexity of a chairperson's tasks. Consequently, as summarised in Table 4.1, the role and task descriptions rely on board theories (Section 3.1), leadership theories (Section 3.2), and prior chair research (e.g. Banerjee et al., 2020; Lorenz Koller, 2010).

Table 4.1 Chair Roles and Task Examples

Chair roles	Chair task examples
Control and monitoring role	Supervising senior management, disciplining internal decision-making stakeholders, reviewing strategic objectives, ensuring adequate audit functions, and protecting shareholder interest
Strategy role	Reviewing and determining an organisation's strategy, supporting the senior management in business strategy purposes, ensuring a continuum level of board involvement in strategy formulation, and organising senior management succession planning
Service role	Representing the organisation to internal and external stakeholders, coaching and mentoring the senior management in business- and personal-related matters, and affirming managerial decisions
Coordination role	Negotiating in contract talks, finding compromise, and creating win-win-solutions in challenging situations
Linking role	Co-opting access to resources, connecting to external environment as boundary spanner, and fostering sustainable relationships
Institutional role	Legitimising organisational behaviour vis-à-vis internal and external stakeholders and understanding/reviewing the external environment
Leadership role	Determining board agenda, organising board work, generating purpose and mission for the organisation, performing annual board (self-) assessment, and steering the organisation to go beyond self-interest

Source: modified from Machold and Farquhar (2013, p. 149)

The classical agency theory and the stewardship theory require the chairperson and the full board to *supervise* the performance of the senior management (control and monitoring role), determine an appropriate *business strategy* (strategy role), *represent* the organisation to the external environment, and *coach* the senior management in a sparring partner and mentor function (service role) (Zahra & Pearce, 1989, p. 294). The three roles include tasks that closely examine senior management discipline in decision-making, critically question strategic proposals to enable a continued organisational success, and actively promote the personal development of the senior management team and the organisation as a whole through guidance and counselling (Forbes & Milliken, 1999, p. 492; Kakabadse & Kakabadse, 2001, p. 25).

Stakeholder theory assumes the chair to take on a *coordinating* responsibility (coordinating role). That implies generating long-term and sustainable values for external suppliers, customers, and own employees (Gabrielsson et al., 2007, p. 24; Huse, 2018, p. 22). The stakeholders thereby have conflicting expectations which need to be met. Handling such a pluralistic approach with its complex relationship

structure requires tasks that involve *team building*, *conflict resolution*, *negotiating*, and *disturbance handling* (Hilb, 2019, p. 36; Smith, 2019, p. 24; van Ees et al., 2009, p. 316).

The theory of resource dependency postulates a distinct *networking* ability (linking role). That enables the development of a sustainable relationship with stakeholders and access to relevant information and needs (Hillman et al., 2000, p. 239; Hillman & Dalziel, 2003, p. 383). The chair thus acts internally as *figurehead* between the senior management and the board of directors as a whole and externally as a *spokesperson* for the organisation to its stakeholders (Johnson et al., 1996, p. 419; Lorsch & Zelleke, 2005, p. 72). Another important task of the chair's office is *information allocation and dissemination*. A regular and well-articulated flow of information in the organisation enables essential decision-making in the board and the senior management (Bezemer et al., 2018, p. 224).

Institutional theory believes the chair to function as an *administrator* (institutional role). To incorporate values and legitimacy standards in the organisation and its culture, organisations are required to adapt their structure to best practice principles (Stiles & Taylor, 2002, p. 6). That allows for meeting society-specific requirements. Beyond this, the chairperson should adopt an *initiator* and *innovative* attitude to meet the ever-evolving societal and economic landscape (Yar Hamidi & Gabrielsson, 2014a, p. 10).

Leadership theories implicitly expect the board chair to assume a leadership function (leadership role). It requires leaders to be able to “broaden and elevate the interests of their employees, when they generate awareness and acceptance of the purposes and mission of the group, and when they stir their employees to look beyond their own self-interest for the good of the group” (Bass, 1990, p. 21). To accomplish all that, the chairperson should be a *visionary* and an *ethicist* who changes the course of action, infects others with enthusiasm, guides the corporate mission, builds strong morale, and inspires people to spark their motivation and inner fire (Guerrero et al., 2015, p. 97; Parker, 1990, p. 38). Additionally, the chair determines the board's agenda, organises the board's work, and performs annual board assessments (Aberg & Shen, 2020, p. 170; Cadbury, 1990, p. 14).

4.2.2 Key Competences

Against the theoretical background of Section 4.1.1, this thesis builds primarily on three pillars to appropriately define chairperson competences (summarised in the following): First, it uses theoretically tested *hierarchical* models (Garavan &

McGuire, 2001, p. 152; Rifkin et al., 1999, p. 54). Analogous to a pyramid structure, the model assumes that the competences at the bottom (personal traits) form the basis for the competences at the top (function-related traits) and are thus at the heart of a person's performance (Viitala, 2005, p. 440). Second, it adapts to acknowledged competence *typologies* (e.g. Hogan & Warrenfeltz, 2003, pp. 78–79; Le Deist & Winterton, 2005, p. 39; Nordhaug, 1998, p. 13; Viitala, 2005, p. 440). The typology frameworks allow for the scaling of competences from person- to organisational/work-related categories. Third, to keep specific focus on the chairperson, views from acknowledged *board research* studies are integrated (e.g. Gabriellsson et al., 2007; Hilb, 2019; Leube, 2012; Lorenz Koller, 2010).

Combining all these dimensions, competences can be categorised into the elements illustrated in Figure 4.3. Consequently, they will be explained in detail in the following sub-chapters.

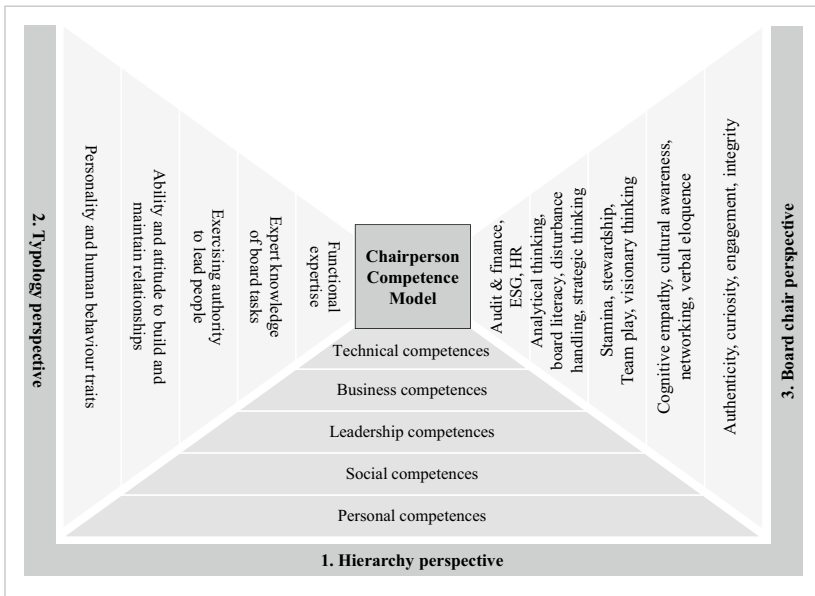


Figure 4.3 Model for Chairperson Competences. (Source: own illustration)

4.2.2.1 Personal Competences

Personal competence (also intrapersonal competence) is closely connected to personality and human behaviour (Nordhaug, 1998, p. 10). These traits embrace attitudes towards emotions (self-esteem), rules (authority), and detrimental impulses (self-control), are developed at a young age, and are the basis for career development (Hogan & Warrenfeltz, 2003, p. 78). Intrapersonal characteristics describe a person's "social role, self-image, motives, and values" (Viitala, 2005, p. 411). For the chairperson, personal competences encompass four dimensions:

Authenticity: Chairing board meetings means leveraging the best out of every single board member (Roberts et al., 2005, p. 6). Exercising the tasks requires an authentic mentor, a person that is self-aware (know who they are), self-regulatory (know what they believe and value), and stands up for his or her own cause and ethics despite external social pressure (act upon values) (Avolio et al., 2004, p. 3; Gardner et al., 2005, p. 6). Authentic individuals "set an example for their followers who strongly identify with them" (Guerrero et al., 2015, p. 89).

Curiosity: To keep pace with economic and technical developments, the chair should "either have the right levels of all those capabilities or, more likely, the potential to develop them" (Fernandez-Araoz et al., 2021, p. 10). Curious people at the top allow to obtain appropriate and complete information in order to facilitate and master "the collective learning process in the boardroom" (Morais & Kakabadse, 2013, p. 76). The board chair should thus have the competence and willingness to learn from experience and be eager to constantly develop and question the existing on business (reshaping) and personal level (reflecting) (McIntyre et al., 2012, p. 661; Senquiz-Diaz & Ortiz-Soto, 2019, p. 91).

Engagement: The chairperson should be competent to contribute (Forbes & Milliken, 1999, p. 493), be confident to take action (Lee & Phan, 2000, p. 208), establish rules and norms for the full board (Huse et al., 2005, p. 292), and ask questions and request more details if the subject is not yet fully understood (Gabrielsson et al., 2007, p. 27). In one sentence: The chair should go the famous extra mile. Chair engagement thus allows to "contribute to focal firm resources" (Hillman et al., 2008, p. 449).

Integrity: Members at the top of an organisation must behave with ethical prudence (Baches, 2021; Fischer, 2021). Integrity is a virtue associated with a morally good character (Audi & Murphy, 2006, p. 11). A chairperson's integrity encompasses acting in the best interest of the company (shareholder), team commitment (peers), career support (subordinate), and contract adherence (organisation) (Palanski & Yammarino, 2009, p. 409). In a study by Fitzsimmons and Callan (2016), integrity of chairpersons was thus defined as "honesty, transparency and the degree of trust" (p. 778). Hence, the chair should use the

information advantage vis-à-vis the other members of the board for fostering a critical discussion rather than for manipulation purposes (Leube, 2012, p. 213). Also, suitable chairs “take pleasure in ensuring the success of others, while taking no public credit” (Spencer Stuart, 2020a, p. 6).

4.2.2.2 Social Competences

Social competence (also interpersonal competence) concerns managing relations (Viitala, 2005, p. 441). It expresses the behavioural ability and attitude of a board chair to build and maintain relationships with several stakeholders (Hogan & Warrenfeltz, 2003, p. 79). Interpersonal traits incorporate certain qualities in human and social behaviour: understanding, collaboration, and interaction (Nordhaug, 1998, p. 10). For the chairperson, social competences incorporate four dimensions:

Cognitive empathy: For an organisation to succeed in its environment, the chair and leaders at the top should be “empathic to feel, understand, respond to and address emotional needs” (Tzouramani, 2017, p. 198). If people succeeded in integrating emotional- (self-awareness), social- (team awareness), and cognitive intelligence (system awareness), they became high-performers (Boyatzis, 2008, p. 7). Moreover, a leader’s empathy positively enabled to mediate interpersonal and task relationships (Kellett et al., 2006, p. 148). In that sense, the consistent effort to ensure a real dialogue enables positive mediation in interpersonal and task relationships and creates win-win situations (Mahsud et al., 2010, p. 570).

Cultural awareness: The board chair significantly shapes board room culture, influenced by global economic challenges and sensitive local conditions (Higgs, 2003, p. 23; Lee & Phan, 2000, p. 205). Cultural characteristics such as pragmatism, consensus, quality, and punctuality are believed to be widely recognised in Switzerland. It is thus postulated that “the timeliness, quality and reliability associated with the craftsmanship of Swiss watchmaking would also be expected from and by the chairs” (Frey, 2019, p. 81). Therefore, a Swiss chair should have a connection to Swiss culture and be able to partake in company visits (internal) and events (external) (Roberts et al., 2005, p. 13).

Networking: A board chair should be well networked and able to actively interact and expand connections over time (Krause et al., 2016, p. 197). Given the chair’s representative functions (Section 1.4.5), an extensive network is beneficial for bridging and establishing connections at board, management, and extra-organisational levels (Adler & Kwon, 2002, p. 19; Nicholson & Kiel, 2004a, p. 11). Networking competence promotes access to resources (Kim & Cannella, 2008), reputation (Nicholson & Kiel, 2004a), legitimacy (Withers & Fitza, 2017),

partnerships (Zahra & Pearce, 1989), and third-party support (Westphal & Zajac, 2013).

Verbal eloquence: The chairperson faces complex and interactive tasks (Williams & O'Reilly, 1998, p. 89). Performing these tasks requires the chair to be a “sophisticated and expert communicator” (Korn Ferry, 2009, p. 5), with a “certain minimum level of interpersonal attraction” (Forbes & Milliken, 1999, p. 496). A chair who is able to foster open discussions in formal (e.g. board meetings) and informal settings (e.g. bilateral discussions) can promote trust and confidence, new ideas, and a fruitful exchange of expectations and opinions throughout the organisation (Petrovic, 2008, p. 1384).

4.2.2.3 Leadership Competences

Leadership competence implies exercising authority to lead people.⁶ It focuses on relationships between supervisors and subordinates (an individual or a group of individuals) and involves recruiting, retaining, motivating, promoting, and being persistent (Hogan & Warrenfeltz, 2003, p. 79; Kirkpatrick & Locke, 1991, p. 52). This means that leadership is the ability of a member to act either alone or in unison with others for a common cause (Viitala, 2005, p. 441). For the chairperson, leadership competences include four dimensions:

Stamina: For managing the trade-off between coaching (advise) and supervising (monitor), the chair must adopt a critical and questioning attitude and withstand third-party pressure (Gabrielsson et al., 2007, p. 27). However, the chairperson should be neither an obstacle nor a devil's advocate to the senior management and board members (Higgs, 2003, p. 24; Petrovic, 2008, p. 1384). Maitlis and Christianson (2014) describe this as sensebreaking, “challenge viability of status quo”, and sensegiving, “shape members' understanding in a positive way forward” (p. 76). The chairperson must therefore have the stamina to simultaneously address challenging situations but also to deal with them by giving constructive feedback (Hinsz et al., 1997, p. 52).

Stewardship: Despite the board being a “collegium of equals” and a body of strong non-executive directors (Korn Ferry, 2009, p. 2), the board chair “handle[s] the granular work” and moves into directive mode when things go wrong (Spencer Stuart, 2010, Chapter 2). As “the head of a board” (Kanadli et al., 2020, p. 586), it is up to the board chair to facilitate that the members perform

⁶ There may (hypothetically) be some overlap between leadership and business competences. To ensure a clear distinction, the focus has been placed on people issues for leadership and on operational issues for business competences.

during the relatively short board meetings (Kakabadse et al., 2015, p. 274). Consequently, the chairperson must keep the goal in mind to create an output (Frey, 2019, p. 82). This means to put collaborative and inclusive stewardship competences into action and “unleash the board’s value-creating potential” (Gabrielsson et al., 2007, p. 22).

Team play: The chair must be a team player who seeks collaboration and consensus in often complex and sensitive relationships (Kakabadse & Kakabadse, 2007, p. 172). Special attention should be paid to the leadership of cross-functional, cross-divisional, and cross-company dimensions (Leube, 2012, p. 213). In principle, the ‘know-it-all’ and ‘know-better’ type of person got the wrong end of the stick (Frey, 2019, p. 85). Necessarily, the chairperson should include other ideas in the board’s decision-making practices by reconciling latent disagreements between members at an early stage (Walther, Calabrò, & Morner, 2017, p. 2210). Seeking consensus and collaboration, yet, does obviously neither mean sinking into group-think nor abandoning critical evaluation (Coles et al. 2015, pp. 2–3; FRC, 2015, p. 5).⁷

Visionary thinking: A leader is only as good as his or her acceptance (Strange & Mumford, 2002, p. 374). This is why a chairperson should feel able to create a vision for the board and the organisation (Lee & Phan, 2000, p. 208). Highly capable visionaries inspire, stimulate, give meaning, and get people to follow them, yet without the carrot and stick (Jackson et al., 2003, p. 204; Olson & Adams, 2004, p. 424). This requires “first and foremost a deep understanding of and concern for others as well as oneself” (Quinn et al., 2015, p. 17). Khatri et al. (2012, p. 40) and Strange and Mumford (2002, p. 347) thus characterised that vision is a matter of the heart (charisma) and the head (intellectual task).

4.2.2.4 Business Competences

Business competence (also intra-organisational competence) is expert knowledge about the tasks of the board.⁸ It reflects the current and future knowledge of board members and is typically presented in (non-)executive education programmes (Viitala, 2005, p. 440). Basically, business competence refers to the ability to make decisions and “to think in terms of systems and knowing how to lead systems” (Viitala, 2005, p. 440). Such decision-making ability depends on crucial

⁷ For more information on group-think refer to Janis (1982).

⁸ Viitala (2005, p. 440) further subdivided business competences into business competences (general management-related work knowledge) and knowledge management competences (special/future demands of management knowledge) to review current and future management demand. However, since the contents of knowledge management competences overlap strongly (also with leadership) and are related to the senior management, this is omitted.

meta-cognitive skills rather than interpersonal abilities (Nordhaug, 1998, p. 11). It is therefore the reason why business knowledge is considered important for performance (Hogan & Warrenfeltz, 2003, p. 79). Specifically for the board chair, business competences include four dimensions:

Analytical thinking: Despite great uncertainties (Section 3.1), the leader at the top must have the (conceptual) flexibility, ability, and capacity to make judgments and to act upon them (Bauen & Venturi, 2009, p. 10; Lee & Phan, 2000, p. 208). In that context, the chairperson must be someone who wants to understand “novel, unexpected, or confusing events” (Maitlis & Christianson, 2014, p. 58). In that sense, the chair must be someone who is able to identify, interpret, and steer the flow of information to make rational decisions with moral and business judgement (duty of care, duty of loyalty).

Board literacy: Becoming a leader entails expertise, wisdom, and intelligence (Khatri et al., 2012, p. 40; Yar Hamidi & Gabrielsson, 2018, p. 89). A chairperson accordingly needs to be able to govern and manage a board, whereby industry expertise with a proven track record in running an organisation is key (Banerjee et al., 2020, p. 382; Korn Ferry, 2009, pp. 5–6; Withers, 2011, p. 39). People with vast transactional know-how, including previous board and senior management practice, often have advanced knowledge in offering advice and a sense of what stakeholders care for (Elms et al., 2015, p. 1314). A chairperson with long-standing experience can help to tackle new and complex issues more effectively by drawing on his or her wealth of experience (Adner & Helfat, 2003, p. 1022; Helfat & Martin, 2015, p. 1286).

Disturbance handling: For the chairperson, being at the centre of inter-organisational tasks, a well thought-out conflict and solution management is necessary (Huse, 2018, p. 11; Marks et al., 2001, p. 368). This means managing unexpected situations by quickly working towards an optimal solution (van Ees et al., 2009, p. 312). Quinn et al. (2015, p. 17) described disturbance handling by the example of financial and operational staff with initially completely different views, who, through the moderating function of the chair, came to an agreeable solution in the end. In other words, disturbance handling describes a person who facilitates and creates win-win situations (Lee & Phan, 2000, p. 208).

Strategic thinking: To constantly adapt the organisation’s strategic raison d’être (Withers & Fitza, 2017, p. 1346), the board chair in particular, together with the CEO, must have a thorough understanding of the organisation’s macro perspective (Krause et al., 2016, p. 194). Hence, as “the board chair acts a strategic advisor and board leader” (Langan et al., 2022, p. 25), the chairperson ought to have the ability to sense (identify), seize (respond), and reconfigure (modify) strategic opportunities and threats (Aberg & Shen, 2020, pp. 181–182; Teece,

2007, p. 1342). That means to be competent to recognise “patterns, trends, and cause/effect relations” at an early stage (Lee & Phan, 2000, p. 207). Being able to identify them early on enables a chairperson to generate value and maintain competitive advantage (Gabrielsson et al., 2007, p. 28).

4.2.2.5 Technical Competences

Technical competence (also inter-organisational competence) is functional expertise. It denotes competences where the person knows “tools, procedures, and techniques” in a field of knowledge by heart (Viitala, 2005, p. 440). Hillman et al. (2000, p. 240) hereby used the term support specialist to group this together. Technical competences are usually required beyond one specific organisation or industry (Nordhaug, 1998, p. 10). Usually, persons with such inter-organisational competences have either studied or demonstrated them while serving on other boards (Viitala, 2005, p. 440). Technical competences may encompass (Hilb, 2016, p. 133): (1) audit and finance; (2) environmental, social, and governance (ESG); (3) human resources; (4) legal; (5) marketing; and (6) technology.⁹

Leube (2012, p. 214) stated that it is important to recognise that no chair can be an expert in all technical areas. Rather, it is important that the technical competence of a chair covers a clearly identifiable field relevant to the company (Kirkpatrick & Locke, 1991, p. 55). It also applies to the chair that he or she must not only be knowledgeable in one specific technical field, but that he or she must have an equally strong general knowledge. Only then will the person be able to challenge the board and senior management.

4.2.3 Review

Bearing in mind Hung’s (1998, p. 105) theoretical frame of reference and Huse’s (2018, p. 31) value-creating approach, a thorough review of the relevant roles, tasks, and competences shows that the expectations a chairperson faces are enormous. The chairperson must therefore overcome and meet multiple challenges. It is thereby essential to keep the following in mind:

- *Roles* describe activities that enable the applicant to fulfil the tasks assigned to him or her. Board governance theories serve as the basis for determining the role of the chairperson. As underlined, the theories should be applied

⁹ List not exhaustive, as a wide range of technical competences can be represented.

in a multiple, holistic view to meet various shareholder and stakeholder expectations.

- *Tasks* relate to activities of the chairperson to meet the role expectations that the position entails. Depending on the characteristics and focus of the role structure, tasks may also change.
- *Competences* are the personal abilities to meet role and task expectations. For the chair position, a focus on key competences is necessary, as no applicant will be able to meet them fully. Finding a candidate who meets the specific competences of a chairperson increases the personal value contribution.

4.3 Moderators

Section 4.3 addresses the second phase of the input-*process*-output model. By introducing a framework, the extensive literature review tackles the single process steps. Once explained, the focus is placed on the moderators: the key stakeholders and the key contingencies.

4.3.1 Succession Process Framework

The nomination committee's objective is to thoroughly plan succession (Kesner & Sebor, 1994, p. 344). According to Johannisson and Huse (2000), a thoughtful succession process in theory consist of "(a) an explicit definition of needs, (b) a systematic director search process, [and] (c) that the final choice of directors is based on the needs and set of evoked candidates" (p. 356). In practice, however, there is a disagreement on the number of process steps, the people involved, and the starting and ending point of the process (Conger & Fulmer, 2003, p. 75).

This dissertation applies an integrative approach and follows the research path of Clune et al. (2014) and Elms et al. (2015). The scholars were among the first to consider the selection process from a social and behavioural perspective. To meet the structural requirements, the thesis follows a four-stage framework (Figure 4.4). Figure 4.4 extends Barth's (2013, p. 40) framework to integrate key stakeholders and key contingencies that influence the succession process.

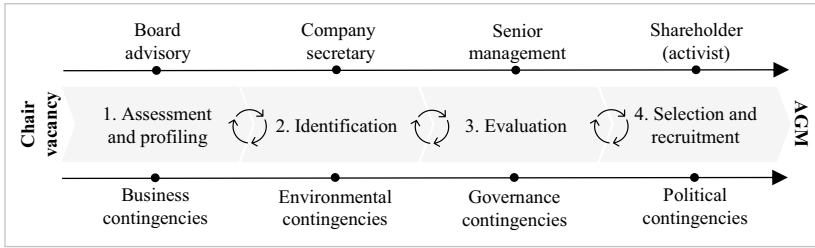


Figure 4.4 Four-stage Succession Process. (Source: modified from Barth, 2013, p. 40)

As highlighted in Figure 4.4, succession starts with the decision for a change at the chair level. The timing of succession should be planned in advance based on mandate duration, expectations, and strategic outlook (Spencer Stuart, 2020a, p. 13). Two important remarks should be noted. First, the primary focus is not on the trigger points that lead to succession planning (catalyst, Section 2.5.2), nor on the final shareholder vote to elect the person as chair (AGM, Section 2.1.1). Focusing makes it possible to clarify the depth of the research under study. However, it does not intend to diminish its importance (e.g. onboarding). Second, the four process stages in Figure 4.4 are not set in stone. They may vary since they follow “both the formally codified standards and the informal routines and norms that structure conduct in organizations” (Ocasio, 1999, pp. 385–386). The use of a framework yet allows context- and organisation-specific backgrounds to be implemented.

4.3.1.1 Assessment and Profiling

The nomination process starts with a *competence assessment* (Clune et al., 2014, p. 761). As chairing the board requires going beyond the control, strategy, and service roles (Section 4.2.1), “boards need to evaluate existing abilities and future tasks” to live up to the expectations (Ruigrok et al., 2006, p. 124). Such an assessment on board level is a systematic analysis to form an overview of the competences present and the ones necessary for the further course of action. Along that process, it is essential to look at the current, but also at the expected changes on macro and micro level (Leube, 2012, pp. 216–217).

Once board aspects are assessed, the second step is to specifically formulate a *candidate profile* for the chair. Profiling is “the activity of collecting important and

useful details about someone.”¹⁰ It allows to identify necessary competence criteria to preselect candidates in the further course of the process (Schepker et al., 2018, p. 524). In general, the qualification profile required is based on the particular *input the chair is expected to contribute*, the overall *constellation of the board*, and the respective *corporate strategy* followed (Leube, 2012, pp. 216–217). In view of the complexity of tasks (Lee & Phan, 2000, p. 210), no chairperson can be expected to be an expert in all areas relevant to the company. In this respect, it is more important that the person concerned covers at least a clearly identifiable field in their professional competence. Therefore, the board as a group must ensure complementarity of competences in all relevant aspects in which the organisation is embedded (Owen & Kirchmaier, 2008, p. 206). In that context, it should be noted that a board chair’s qualification profile per se is *no evergreen*. As is the case with business cycles, the competences required may change over time. They are thus by no means static in nature but need to be adapted dynamically (Werder & Wiczorek, 2007, p. 298).

4.3.1.2 Identification

Systematic candidate search is the second step and refers to “the act or process of looking carefully in order to find someone” to match the requirement profile.¹¹ For finding a fitting personality, organisations often extend their search to unfamiliar sectors such as cross-industry or international environments (Leube, 2012, p. 217). It is important to distinguish between the assessment/profiling and the identification stage, since, for the first time in the succession process, external parties may be involved (Walther, Morner, & Calabrò, 2017, p. 352).¹² The process consequently becomes a *joint effort left to a few individuals*.

The process of identifying candidates is done on a case-by-case basis (Barth, 2013, p. 42). For *external candidates*, the typical identification process starts with screening the market for potential candidates. Once the market is screened, a list of 15 to 25 persons on average is established. If *internal candidates* are qualified for the chair position, they may also be part of the pooling process. Due to the current cooling-off and independency discussion, however, this is less

¹⁰ Definition from Cambridge Dictionary (www.dictionary.cambridge.org).

¹¹ Definition from Cambridge Dictionary (www.dictionary.cambridge.org).

¹² There are also exceptions. In some cases, board advisory consultants are already involved in the profiling process (see Section 4.3.2.1).

likely to happen (Krause et al., 2016, p. 1991).¹³ Once the nomination committee and its partners have determined the 15 to 25 candidates, the personalities are vetted. In that context, vetting refers to the process of contrasting the candidates' competences with the requirement profile and then benchmarking them to the candidate pool. That discussion takes place in nomination committee meetings (Leube, 2012, p. 217). The outcome is a short list of ten respectively three candidates (Olson & Adams, 2004, p. 449).

To learn more about each candidate, the nomination committee/the process owner conducts background and reference checks (Gaughan, 2013, p. 153). This can be done by organic or mechanistic means (Section 4.1.2). The informal, network-oriented information approach allows for ad hoc and direct feedback from candidates (no euphemism) (Biehler & Ortmann, 1985, p. 14). In more formal and compelling formats, organisations may enlist the help of search consultants/board advisors (Clune et al., 2014, p. 770).

4.3.1.3 Evaluation

Once a short list is generated, the chair of the nomination committee or the board advisory consultant, if present, usually contacts the candidate(s) (Roberts, 2002, p. 499). The purpose of the first contact is to explore the general interest in the chair's role and to get to know each other better. If candidates refuse to be interviewed or did not perform as expected in the interview (for whatever reason), other candidates are approached. Candidates who left a positive impression are invited to a second, third, or further follow-up interview.

In the evaluation stage (and the following stages too), interviews should pursue a *vigorous strategy*. There, ideally, other nomination committee members should also talk to the candidate(s): "To best understand a candidate's skills, style, and potential fit in the boardroom, multiple directors should spend time with candidates, and if possible, interviews should take place in a variety of settings or formats" (Spencer Stuart, 2018, p. 2). That allows for deeper conversations and more substance.

One additional option to add informational substance is an *assessment centre* (not to be mistaken with the board assessment for the competences in the profiling phase, Section 4.3.1.1). An assessment centre aims at evaluating the strengths and weaknesses of the candidates. Supported by professional business psychologists, the candidates face interviews, basket and stress exercises, presentations, strategy

¹³ Kakabadse and Kakabadse (2007, p. 175) pointed out that "in order to maintain the spirit of role separation", the chair successor should be non-executive and independent (see Section 2.5.1).

speeches, and role plays to test their personal and cognitive abilities in strategic perspective, business sense, communication, and leadership (Lee & Phan, 2000, p. 212).¹⁴

Overall, the evaluation process is the *least researched* of the four stages (Barth, 2013, p. 44). Boards are highly selective, which is why little information is publicly available. *Discretion* reinforces the poor information level (Campbell et al., 2012, p. 1438). In this context, the literature speaks of a *closed process with low process visibility* (O’Neal & Thomas, 1995, p. 85).

4.3.1.4 Selection and Recruitment

If candidates have proven to be successful in the interview cycle, the nomination committee members propose the most suitable candidate(s) to the full board (Hilb, 2016, p. 88). In fact, the full board votes on the *final election proposal* for the AGM (Section 2.1.2). To have a critical discussion, it seems thus appropriate that the board also interviews the candidates (Werder & Wieczorek, 2007, p. 303).

Whether the current chairperson and/or the CEO should also conduct an interview is *controversially* discussed from a best governance perspective (Walther, Morner, & Calabrò, 2017, p. 358). In general, the main purpose of the second interview round is to check social and personality competences (group fit) of the individual members (Section 4.1.2). The professional know-how and leadership competences (role fit) have already been addressed by the candidacy profile (Olson & Adams, 2004, p. 422). Yet, as the relationship between the chair, the board members, and the CEO “can provide the tipping point that causes the candidate to be selected over other qualified candidates” (Clune et al., 2014, p. 762), interview participation is rather likely.

Ultimately, once all interviews are conducted, the full board makes its final vote.¹⁵ If the majority of votes are in favour, the candidate will be contacted and asked to accept the application to the AGM (Müller et al., 2021, p. 32). If the candidate refuses and/or does not fully meet the requirements (unlikely and rare at this stage of the process), the background checks and the interview rounds would start again (see circulars in Figure 4.4, Section 4.3.1). Overall, it is important to keep in mind that the process described relates to a mechanistic process. In an organic process, a *single decision-maker*, either the former chair, the vice-chair,

¹⁴ For a comparison of assessment test tools, refer to Ryan and Tippins (2004).

¹⁵ A decision to nominate by the board is not a final election to the board. By Swiss law, the election of the candidate is the responsibility of the AGM/the shareholders (see Section 2.1.1).

or the lead independent director, is likely to decide on the succession (Doldor et al., 2012, p. 23; Elms et al., 2015, pp. 1320–1321).

4.3.2 Key Stakeholders

Lately, various players have been *pushing for greater influence and insights* on chair selection. According to Hambrick et al. (2008), as demands go “beyond the obvious roles of regulatory authorities and stock exchanges, we are witnessing an increasing influence from [...] watchdog groups” (pp. 382–383). In the quest for transparency, the basic attitude is to communicate with the relevant reference groups in a confidence-building manner (Leube, 2012, p. 210). Section 4.3.2 describes the relevant key stakeholders.¹⁶

4.3.2.1 Board Advisory

Board advisory consultants (also executive search or head hunter) “facilitate the transaction between hiring firms and candidates that entails bridging gaps between unconnected parties and managing the flow of activity and information between them” (Simmons, 2019, p. 815). The power that board advisors exercise today is evident. An analysis of annual reports in the UK revealed that 73% of FTSE 100 and 60% of FTSE 250 organisations claimed they received support from board advisors in succession (Doldor et al., 2012, p. 26). The situation is similar for S&P 1500 organisations. Between 2004 and 2008, a third of the 4,963 independent directors elected were identified by search consultants (Akyol & Cohen, 2013, pp. 46–47).

Seeking advice from board advisors has two major advantages. First, search consultants work as gatekeepers (Doldor et al., 2012, p. 27). By using their vast pool of candidates, they amplify the chance to find the perfect fit to the candidacy profile (Fernandez-Araoz et al., 2021, p. 20). Second, advisor involvement adds objectivity and transparency to the process (Schepker et al., 2018, p. 529). With their help, organisations are able to implement a systematically and formally structured process more adequately.

Yet these services come at a cost. Since it is a lucrative business (average fee for a listed board mandate: CHF 200,000–300,000), board advisors have incentives to steer the succession process in their favour. Besides critics argue that board advisors generate “the same old lists” and “the same old names” (Main, 1994, p. 166), they can potentially influence selection by encouraging the process

¹⁶ Focus on stakeholders who are not part of the board.

owner to propose only candidates from their long/short list, thus indirectly taking control (Garman & Glawe, 2004, p. 126; Steuer et al., 2015, p. 8). This has led to board appointment processes with the “inability to assess candidates’ fit and chemistry” (Clune et al., 2014, p. 773).

4.3.2.2 Company Secretary

The company secretary (also board secretary) supports the board of directors in legal and administrative functions (Cadbury, 1992, p. 15). The activities do not include executive functions. Aydin (2013) sees the organisational position of the secretary therefore as “accountable to the board of directors and responsible to the Chairperson” (p. 273). In principle, the company secretary performs three fundamental tasks (Müller et al., 2021, pp. 91–92): (1) organising board meetings and meeting records (board agenda, board documentation, meeting minutes); (2) signing of company-related documents (share register, AGM invitation); and (3) representing the organisation at various levels towards internal and external stakeholders (press release, stakeholder meetings).

In his or her function, the company secretary is strongly aligned with the board (Hilb, 2016, p. 43). To perform the role adequately, the board secretary is eager to establish a good relationship with the board. However, within the boundary spanner function, the company secretary can also exert influence. For example, the administrative function can control the flow and volume of information shared (McNulty & Stewart, 2015, p. 522). Another example is the preparatory work for board scheduling. The bilateral meetings with the chairperson and/or head of the nomination committee enable views on certain matters to prevail and can thereby influence their perceptions and opinions (Kakabadse et al., 2017, p. 246). As the company secretary collaborates closely with the chairperson, he or she can influence the outcome in succession planning.

4.3.2.3 Senior Management/CEO

The senior (executive) management is a group of individuals tasked with the day-to-day operational activities within an organisation (Jackson et al., 2003, p. 238). Focusing on succession planning, the primary influence stems from the CEO. Given the role of the chairperson as a supervisor and sparring partner on business level (Section 4.2.1), the CEO is willing to have a board chair who is likely to be compliant with operational strategies (Withers et al., 2012, p. 247). On a personal level, the CEO seeks to maintain good chemistry and trust in the relationship with the chairperson (Kakabadse et al., 2006, p. 144; Kakabadse et al., 2010, p. 290). Ideally, taking into account regulatory principles, the CEO has minimal, but by

no means dominant, interference in succession planning (Olson & Adams, 2004, p. 449; Pirzada et al., 2017, p. 104).

As a matter of fact, the CEO's intention is to guide the candidate selection process in his or her favour with "ways to counteract, delay, or even sabotage succession activities" as the ultimate means (Berns & Klarner, 2017, p. 91). It is best for CEOs to attract candidates who are part of their network (similarity attraction), who tend to share and accept their intellectual ideas (ingratiatory behaviour), and who empower their personal inner elite circle (managerial hegemony) (Clune et al., 2014, p. 754; Walther, Morner, & Calabrò, 2017, p. 358).

4.3.2.4 Shareholder (Activist)

Shareholders are individuals, business organisations, or states that own stocks of organisations (Shekshnia & Zagieva, 2021, p. 21). Arguably, the two most important shareholders of listed organisations are family shareholders and institutional (activist) investors.

Family shareholders can be an individual (founder) or the founder's descendants (family members). Listed organisations with more than 25% family ownership are considered family businesses (Lantelme et al., 2021, p. 5). A lot of influence usually comes from the older family generation, especially from those who used to hold a management position themselves (Allert, 2019). Often, family members are considered to make long-term, sustainable investments by exerting influence via management or board position (Sacristán-Navarro et al., 2011, p. 102).

Institutional shareholders are asset managers, banks, private equity funds, hedge funds, or sovereign wealth funds (Klein & Zur, 2009, pp. 190–191). Particularly private equity and hedge funds take a strong activist role. Activists often voice their dissatisfaction and suggest changes in the organisation to "maximise both returns and social good through corporate governance" (Musa, 2012, p. 3110). In succession, activist behaviour is typically reflected in changes to board composition (Watter & Roth Pellanda, 2015, p. 396). Activists want to understand how selection practises proceed and vary (Elms et al., 2015, p. 1315). Therefore, they seek to understand how boards are composed "beyond director independence" (Spencer Stuart, 2018, p. 2). In Switzerland, where large organisations such as Roche and Swatch are controlled by families, activist behaviour still has a much smaller impact than, for example, in the US and the UK (Hofstetter, 2002, p. 8; Tuch, 2019, p. 1474).

4.3.3 Key Contingencies

In theory, succession processing is smooth and straightforward. *In practice*, however, the process is arduous to manage (Barth, 2013, pp. 44–45; Olson & Adams, 2004, p. 43). As the chairperson is involved in a complex environment and his or her position carries a great deal of responsibility (Maitlis, 2004, p. 1280), there are contingencies across the succession process that simultaneously *hinder and promote* (Gabrielsson & Huse, 2004, p. 19; Huse, 2005, p. 67).¹⁷ To fully understand the dynamics and context around the chair, it is crucial to address them.

For the most part, organisations adapt their search to micro- and macro-level characteristics (Section 4.3.1.1). Reviewing the literature shows that scholars have attempted to address disruptive contingencies within the sphere of succession planning (e.g. Leube, 2012; Luoma & Goodstein, 1999; Pearce & Zahra, 1992; Walther et al., 2015). The attempts, however, were predominantly unstructured and done in a cherry-picking manner. To address them systematically, after a thorough literature review, the following sub-chapters summarise and cluster the respective contingencies into four dimensions: business contingencies, environmental contingencies, governance contingencies, and political contingencies (Figure 4.5).

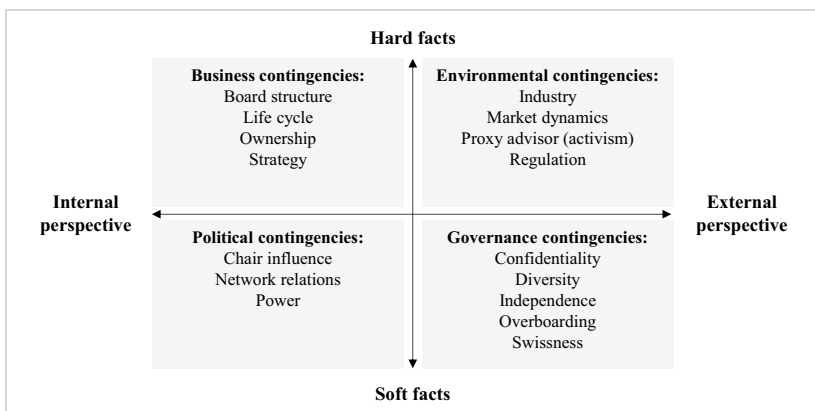


Figure 4.5 Succession Contingencies. (Source: own illustration)

¹⁷ Johnson et al. (2013, p. 250) used the term endogeneity instead of contingencies; Berns and Klarner (2017, p. 86) further divided them into predictors and contingencies.

4.3.3.1 Business Contingencies

Subject to business-level characteristics, *Board structure (or structural board capital)* is the first driver that impacts succession (Kim et al., 2009, p. 738). Board structure facilitates the processing of succession planning as noted in the section on the assessment and profiling phase (Section 4.3.1.1) and in several prior studies (e.g. Finkelstein & Mooney, 2003; Knockaert et al., 2015; Roberts et al., 2005). Referring to “routines, processes, procedures and policies that facilitate the board’s use of its human and social capital” (Nicholson & Kiel, 2003, p. 17), board attributes that drive board capital relate to composition (Li & Hambrick, 2005, p. 796), culture (Spencer Stuart, 2018, p. 3), size (Banerjee et al., 2020, p. 389), hierarchy/status (Mathieu et al., 2008, p. 440), and dynamics (Petrovic, 2008, p. 1382). Depending on the structural conceptualisation of the attributes, board processes vary accordingly between organisations. For example, Walther et al. (2017, p. 352) and McNulty et al. (2011, p. 109) distinguished that the search process in nomination committees changes based on task-related interactions, chair leadership, timing and extent of information exchange, (non-) availability of qualified people, and individual director behaviour.

Moreover, unique and different contexts apply depending on the *life cycle* (Lynall et al., 2003, p. 416; Quinn & Cameron, 1983, p. 34). Depending on past success (or failure), the nomination committee and the board face either greater immediacy (slack search) or risk-taking behaviour (problematic search) during a change at the top (Walther et al., 2015, pp. 14–17).¹⁸ Hence, performance allows boards to invest either less or more time on the search for the chair (Knell, 2006, p. 89; Ruigrok et al., 2006, p. 143). Subsequently, “a company in crisis will demand something different from the board chairperson compared to a company experiencing high growth” (Gabrielsson et al., 2007, p. 26). In addition, organisations become more complex and tend to put more emphasis on their legitimacy once they have made the transition to a more mature business stage (Perrault & McHugh, 2015, p. 631) and grow with size (Boone et al., 2007, p. 2004). Mature and large organisations are thought to be more inclined to adapt governance principles (Lynall et al., 2003, p. 428).

Another factor relates to *ownership* (Brunzell & Peltomäki, 2015, p. 413; Win-dolf & Beyer, 1996, p. 226). Contrary to dispersed shareholdings, organisations with a dominating shareholder, state-controlled enterprises, or family businesses create practices that are specific (INSEAD, 2016, p. 9). So, for instance, large

¹⁸ If performance is poor (slack research; past performance below aspiration level), members of the board/nomination committees urge for quick changes and call for immediate decisions. However, if performance is adequate (problematic search; past performance above aspiration level), members have more time to decide and a ‘reservoir’ to take on higher risks.

and long-term family investors continue to have an influence on the election: Block holders “can and do put immense pressure on boards and directors, with significant consequences for both how they work and judgements made about their effectiveness” (Pye & Pettigrew, 2005, p. 32). Consequently, a lot of backstage work is needed to get all anchor shareholders on board. In the worst case, their influence can go so far as to marginalise the say of the process owner, most likely the chair of the nomination committee, when it comes to candidacy pooling (Barth, 2013, p. 45). In principle, such shareholders expect to be informed about the candidacy before a public nomination is made (Olson & Adams, 2004, p. 427). Therefore, Spencer Stuart (2011) concluded that it “is obviously unwise to run an appointment process that disregards the view of the investors who own the company” (Chapter 3).

Furthermore, for an “effective succession plan” (Weisblat, 2018, p. 17), it is central to closely link planning and profiling to the organisation’s well-articulated *strategy* (Pearce & Zahra, 1992, pp. 415–416). That means that it is important to recognise not merely the current but primarily the future needs of the board (see Section 4.3.1.1). One element of choice, for example, is whether to have a chair who is a collaborative leader for wicked problems (internal-relation/external-hostile) or a vigilant monitor for tame problems (transformational-internal/industry-external) (Morais et al., 2020, pp. 2–3). In that sense, a person with a radical or conservative mindset (Fernandez-Araoz et al., 2021, p. 10). For this reason, a suitable choice is a question of human resources that focuses more on the constitution of the organisation’s future than on the past *raison d’être* (Cadbury, 1990, p. 170).

4.3.3.2 Environmental Contingencies

Subject to environmental-level characteristics, specific *industries* have higher accountability than others (Hillman et al., 2000, p. 236). Banks, insurers, and pharmaceuticals are subject to stricter regulation and create greater public salience (Leube, 2012, p. 204). In that context, since those organisations are “more visible and hence subject to greater attention” (Luoma & Goodstein, 1999, p. 556), they are more concerned to apply recognised norms and standards and are more open to stakeholder demands (Pfeffer & Salancik, 1978, p. 168). Particularly financial services face stricter policies and greater public scrutiny than other organisations in other industries (Section 2.3).

The development of succession principles may also be moderated through *market dynamics* (Pye & Camm, 2003, pp. 54–55). Market dynamics can have multiple causes. They, however, create market expectations that need to be met. Business and societal trends are one example. For Huse (2018, pp. 18–19), the

stricter use of ESG principles or the focus on board value creation are the current trends that apply to the board chair. Another example is competition. If organisations face a high competitive environment, there is greater “need for governing boards to be informed, engaged, and effective” (Brown, 2007, p. 301). That drives the need for high-quality board personalities who have proven themselves in business under public pressure. Market dynamics can be manifold, but they are a dynamic rather than static act, since social and economic conditions are constantly changing (Huse, 2005, p. 7).

Proxy advisors are business organisations offering analytical services to institutional investors for “develop[ing] voting guidelines, handling the mechanics of the voting process, and offering recommendations on each issue on a company’s agenda” (Choi et al., 2010, pp. 870–871). With 90% market share, 40,000 shareholder meetings annually, and more than USD 26 trillion in global assets, Institutional Shareholder Services (ISS) and Glass Lewis are the two dominant proxy players (Dent, 2014, p. 1291; Sauerwald et al., 2018, p. 3368). Their power is demonstrated by Choi et al. (2010, p. 906), who conservatively estimated that a proxy recommendation shifts 6–10% of shareholder votes (other studies speak of 20–30%). Consequently, subject to succession, if organisations fail to persuade proxy advisors to vote for the appointee, this could have consequences for the approval rate at the AGM (Calluzzo & Dudley, 2019, p. 927). Proxy advisors are therefore also often criticised, as their tick-the-box approach neglects to involve contextual explanations (Reutter, 2015). However, as their monitoring relies on disclosure transparency – also with the effect to have a greater say in director nominations – it is in the interest of the nomination committee to communicate early and proactively (Cappucci, 2019, p. 582).¹⁹

Regulation is a societal and institutional influencer (Luoma & Goodstein, 1999, pp. 555–556).²⁰ It guides the organisation to act alongside barriers with incentives and penalties (Olson & Adams, 2004, p. 437). More importantly, it recasts law into an institutional isomorphism with a “broad cultural framework that influences organisations both mimetically and normatively” (Suchman & Edelman, 1996, p. 920). As regulatory parties are multiplying, their range and scope vary “from traditionally more adversarial through to collaborative relationships” (Pye & Camm, 2003, p. 54). In succession, the most obvious influence by regulation is the institutionalisation of the AGM, where the chairperson is elected by shareholder majority (Section 2.1.1). The regulatory outcomes that affected

¹⁹ Ertimur et al. (2015) demonstrated that organisations commonly react to adverse proxy votes/comments in director selection by specifically addressing the underlying suggestions.

²⁰ For an in-depth regulatory overview, see Chapter 2.

succession are manifold, but related to new (industry-related) regulatory intrusion (Baysinger & Zardkoohi, 1986; Luoma & Goodstein, 1999) or regulatory adaptive changes (Hillman et al., 2000; Lang & Lockhart, 1990).

4.3.3.3 Governance Contingencies

Subject to governance-level characteristics, it is important that the process leader pays attention to *confidentiality* and aims at restricted but fair communication (Egon Zehnder, 2021, Chapter 6; Walther, Calabrò, & Morner, 2017, p. 2206). “Good candidates have professional options, including other board opportunities” (Spencer Stuart, 2018, p. 3), which is why it is important to maintain momentum and to remember that it is a two-way street. Under no circumstances should there be an impression of “keeping the candidate warm” or using information for public purposes (Spencer Stuart, 2018, p. 3). Confidential and partnership-based communication helps to overcome barriers of information asymmetry towards the board and external advisors (Eminet & Guedri, 2010, p. 559; Watson et al., 2020, p. 107). More importantly, however, maintaining confidentiality complies with stock market principles, enhances trust, and promotes engagement (Sonnenfeld, 2002, p. 5).

With regard to *diversity*, the talk is booming (Trautman, 2015, p. 234).²¹ Many best practice codes around the world stipulate an adequate diversity ratio (Clune et al., 2014, p. 760). Particularly, female presence on boards is a pressing phenomenon (Doldor et al., 2012, p. 111). Beyond this, organisations are also striving to bring a breath of fresh air to boards in terms of demography, cultural, and socio-economic backgrounds (Akyol & Cohen, 2013, pp. 47–48). According to Li and Hambrick (2005, p. 796), different mindsets and approaches help to overcome routinisation and to adapt to the changing environment. This leads to these aspects influencing candidacy and serving as a fulcrum for the AGM proposal (Cai et al., 2013, p. 121).

An additional facet is *independence* (Campbell et al., 2012, p. 1434). It is assumed that the control and monitoring function will be exercised to a lower extent if the chairperson used to occupy a management position and/or had significant business relations with the organisation (Lahlou, 2018, p. 4). Applicable listing requirements and soft law standards thus stipulate to appoint a non-executive or a cooled-off chair in hybrid governance systems (Section 2.5.1). The independence mechanism is intended to overcome conflicts of interests and

²¹ Harrison et al. (1998, pp. 97–98) and Kang et al. (2007, p. 195) delineated diversity in observable (conspicuous attributes; e.g. gender, ethnicity, and age) and non-observable attributes (inconspicuous attributes; e.g. education, experience, and occupational background).

emphasise a critical mindset (Walther & Morner, 2014, p. 145). Generally speaking, independence is the ability and “willingness to behave in particular ways and display certain qualities” (Petrovic, 2008, p. 1382). Hence, in the spirit of a concert director, the chair should not simply align, but lead critical board discussions. For that, an independent and open way of thinking is indispensable.

In the same vein, *overboarding* is also discussed (Harris & Shimizu, 2004, p. 777). Chairpersons are expected to have the necessary time commitment to be able to meet the multiple roles that the position entails (Olson & Adams, 2004, p. 450). Scholars often refer to the term *busyness* when discussing overboarding (e.g. Ferris et al., 2003, p. 1088). Overboarding principles thus limit the maximum number of directorships (Fich & Shivdasani, 2006, p. 692). Especially proxy advisors focus on that subject (Section 4.3.3.2).²² Organisations are aware of the constraints and therefore limit the amount of board mandates for their own members in their corporate by-laws (Section 2.5.1).

Another, more country-specific factor is *Swissness (also localness)*. In recent years, a trend towards national/local anchoring of the chairperson has emerged (Schütz, 2020, p. 35), also on the level of the full board (guidoschilling, 2021, p. 10). On the one hand, a chairperson with a cultural and local connection can connect more easily with stakeholders (Knyazeva et al., 2013, pp. 1571–1572). On the other hand, board chairs can engage more actively in political and social discussions (e.g. Coalition for Corporate Justice initiative, CO2 initiative). However, this requires a chairperson with political understanding and a broad social network. This is something that cannot be built overnight. Nationality and understanding of the cultural context can play an important role in chair selection (Ruigrok et al., 2007, p. 555).

4.3.3.4 Political Contingencies

Subject to political-level characteristics, the *former chairperson* can play a crucial role by assuming responsibility and thereby influencing the process (Roberts, 2002, p. 500). Spencer Stuart (2011) related this to the analogy of pilots handing over control of their aircraft, with “no room for ambiguity at this moment” (Chapter 3). There are two perspectives to the inclusion of the former board chair in succession. On the one hand, negatively, it is a matter of strengthening the position of power and social status (Finkelstein et al., 2009, p. 195). Acting

²² There is one example with the Adecco Group that withdrew/postponed Rachel Duan’s 2020 AGM proposal due to perceived overboarding concerns after a dialogue with key shareholders and stakeholders.

as a process owner can lead to a reference point for stipulating the new evaluation criteria (Elms et al., 2015, p. 1321; Withers et al., 2012, p. 246). Similarity attraction (Zajac & Westphal, 1996b), ingratiation behaviour (Stern & Westphal, 2010; Westphal & Shani, 2016), friendship ties (Westphal, 1999; Westphal & Stern, 2006), loyalty (Zander, 1979), and persuasion practices (Samra-Fredericks, 2000) can be the consequences. On the other hand, positively, it is about guiding succession in the desired direction. With the experience and wisdom gained, the chairperson can advise the nomination committee and support the process for a positive outcome (Owen & Kirchmaier, 2008, p. 203).

Candidate recommendations, for example by the chairperson, the full board, and the CEO, can go through existing personal *network relations* (Cai et al., 2022, p. 15; Clune et al., 2014, p. 760). The personal network usually results from previous business relationships that were seen “necessary for successful personal and organizational gains” (Ferris et al., 2007, p. 292). Knowing the candidate can be an advantage in proactively defining role fit and group fit and voting in favour/against the candidate (Kim & Cannella, 2008, p. 287). Personal relations, however, can also undermine the formal criteria established by the requirement profile (Olson & Adams, 2004, pp. 449–450; O’Neal & Thomas, 1995, p. 84). The old boy’s network is the best-known effect here (Section 4.1.2).

In the search for a successor, the succession process may be *power-biased* (Pettigrew & McNulty, 1995, p. 857). Behavioural theory argued that the search for directors does not maximise its potential because it is shaped by social qualifications and personality traits (Bazerman & Schoorman, 1983, p. 212; Stenling et al., 2020, p. 637). Therefore, board chair selection is shaped by needs where people act with a strong sense of power and/or political skills (Ferris et al., 2007, p. 292). Consequently, there are people who control the succession process (omitting steps), who decide on the type and amount of information shared (give direction), and who favour personal interest over rational and logical motives (political games) (Walther, Morner, & Calabrò, 2017, p. 353; Wunderer, 1995, p. 173). Ingratiation behaviour is possibly the best-known consequence (Westphal & Shani, 2016, p. 479; Westphal & Stern, 2006, p. 173). If one of the examples can be observed in a succession process, it can be assumed that the process is informal rather than formal (Section 4.1.2).

4.3.4 Review

Section 4.3 emphasised that succession processing is dynamic and complex. The insights provided have shown that the issue of chair succession goes beyond a

pure shareholder voting perspective. To fully understand the process, there is a need to adopt a multiple stakeholder perspective and to recognise the impact of internal and external influences on the dynamics of succession. The analysis brought forward the following learnings:

- Ideally, there is a *clear process structure*. However, as board chair succession is context-dependent, the process may deviate from the ideal structure and requires more time and effort than the search for an ordinary board member (Korn Ferry, 2009, p. 5). The long timeline is certainly a consequence of the multi-step succession approach. The process is also a manifestation of the assumptions of *behavioural theory*. It is the reason why there is no single solution and why the individual stages may not merge smoothly but repeat from time to time (indicated by the review cycles in Figure 4.4, Section 4.3.1).²³
- There are key stakeholders involved in the succession. Due to their prospective high impact, they can have far-reaching effects on market and AGM decisions. Stakeholders are involved as they are important for extending the pool of candidates (*board advisory*), for fulfilling the board’s strategic duties (*company secretary*), for succeeding in business activities (*senior management*), and for meeting expectations early on (*family, institutional shareholders, state*).
- The process adapts to *business contingencies, environmental contingencies, governance contingencies, and political contingencies*. Their influence can be decisive when it comes to the final vote in favour of or against a candidate. To plan the process adequately, it is integral to keep such internal and external influences in mind and to address them proactively and in advance.

4.4 Disclosure

Section 4.4 addresses the third phase of the input-process-output model. It has three objectives. First, it highlights the *added value* of voluntary disclosure in chair succession. Second, it examines to what extent organisations could *better assess* nominees in chairperson election through more specific disclosure. Lastly, it analyses the *patterns* of board succession disclosure. The three objectives combined allow to determine the willingness of organisations to take responsibility for

²³ The review cycles are due to bounded rationality, satisficing behaviour, routinisation of decision-making, and political bargaining (Section 3.1).

accountability and to raise concerns about accountability, as well as their openness to voluntary disclosure on succession (Roberts et al., 2005, p. 18; Weiss & Schwartz, 1977, p. 86).

4.4.1 Disclosure Framework

Voluntary disclosure has a broad spectrum and can be very diverse. Dependent on the stakeholder(s) addressed, disclosure content is an indefinite argument referred to as “disclosure jungle” (Ghio & Verona, 2020, p. 58). In order to keep *creating necessity*, it is essential to stick to “the eyes of the beholder, i.e., the receiver and not the sender” (Nielsen & Madsen, 2009, p. 848). Therefore, organisations must keep in mind their intention as to *what to disclose to whom* (Ferramosca & Ghio, 2018, p. 189).

Subject to board accountability and creating accountability in disclosure (Section 1.4.7), stakeholders do not expect organisations to meet all dimensions (Huse, 2005, p. 67). More emphasis is placed on the quality of actual practices than on “boiler-plate language” (Leblanc, 2007, p. 168). To focus attention equally on qualitative and quantitative criteria, this chapter of the study uses a framework that is in line with Miller and Skinner’s (2015) and Ferramosca and Ghio’s (2018) discretionary analysis (Figure 4.6). On the one hand, it seeks to understand the dissemination principles on board succession disclosure (why). The research here addresses the *motives* that provide the impetus for information release. On the other hand, it examines the organisation’s voluntary discretion in terms of *scope and content* (how much and what), *channel* (where and by which means), and *time/timing* (when). That procedure permits collecting the information needed. It also allows for taking into account dissemination by stakeholders who may have further content (e.g. reports, data analysis) and impact (e.g. stock price, public salience) on the information provided.²⁴

²⁴ See key stakeholders (to whom) in Section 4.3.2.

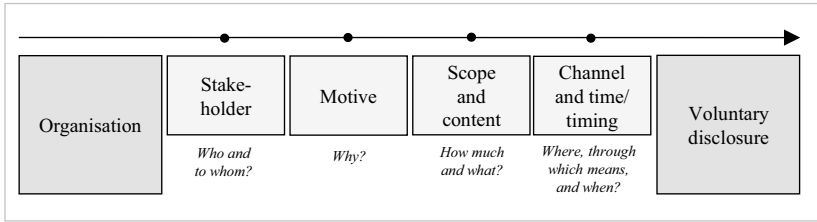


Figure 4.6 Voluntary Disclosure Framework. (Source: modified from Ferramosca and Ghio, 2018, p. 192)

4.4.1.1 Motive

Principally, the choice to disclose information is a *strategic decision* (Bujaki & McConomy, 2002, p. 110). There are basically three motives why the market expects organisations to increase their disclosure: coercive isomorphism, mimetic isomorphism, and professionalisation.²⁵

First, *coercive isomorphism* anticipates that informal and formal outside pressure will force organisations to disclose information to the public (Xiao et al., 2004, p. 197). In that sense, powerful stakeholders leave organisations with no other choice than to adhere. If they refuse, following institutional theory, their organisational functioning would be in danger. In principle, business members and regulators call for greater transparency (Gul & Leung, 2004, p. 352). Especially (activist) investors watch disclosures closely to see how boards engage (Spencer Stuart, 2020b, p. 1). The world’s largest asset manager BlackRock (2022), for example, stated that they “will not support the election of directors whose names and biographical details have not been disclosed sufficiently in advance of the general meeting” (p. 6). Organisations obviously try to avoid contesting elections. That encourages them to reveal part of the information, also against the backdrop of other unfavourable consequences (Verrecchia, 2001, p. 141).

Second, *mimetic isomorphism* entails organisations imitating or benchmarking others (DiMaggio & Powell, 1983, p. 151). “For example, when firms are uncertain about the appropriate level of disclosure they may review disclosures of other firms in their industry” (Bujaki & McConomy, 2002, pp. 109–110). That perspective allows responding to uncertainty and ambiguity in order to appear legitimate in view of emergent norms (Xiao et al., 2004, p. 198). Organisations then “contribute to the public image and this in turn may lead to greater public

²⁵ For an extensive review on the three dimensions, refer to DiMaggio and Powell (1983).

acceptance” (Trotman, 1979, as cited in Deegan & Carroll, 1993, p. 222). As indicated in Section 4.1.3, larger organisations are thereby expected to disclose more extensively as “they are assumed to produce this information already for internal purpose” (Raffournier, 1995, p. 262). That allows small(er) competitors to match the practices of listed organisations (Gallego Alvarez et al., 2008, p. 606).

Third, following the latest argument, *professionalisation* is the process in which norms instituted by professions create homogenous organisational practices (DiMaggio & Powell, 1983, p. 148). In principle, yet, professionalism is hardly ever accomplished with complete success, as organisations agree on third-party compromises (Section 3.1). While they “make voluntary disclosure that goes beyond minimum disclosure requirements in response to market demand” (OECD, 2015, p. 37), boards typically do more than they disclose. With respect to succession, investors thus wish to understand what skills and experiences a board member needs for successful future transitions. However, as they do not go to the maximum, organisations (too) often fail to provide persuasive rationales for the choice of candidates. According to the Council of Institutional Investors (CII) (2014), reflecting on their readiness for confidence-building communication, for meaningful disclosure, or for intelligent accountability would allow shedding “light on the board’s thinking about what each individual brings to the boardroom table” (p. 1).

All in all, when it comes to human capital disclosure, there seem to be reliance concerns on truthful reporting and proprietary costs (Section 3.4). Organisations withhold information because *uncertainty* exists about the intention the sensitive nature of the disclosure may have (Beyer et al., 2010, p. 310). “It may be understood wrongly to highlight any potential or perceived lack of skills or experience on the current board and could be seen as price sensitive information” (FRC, 2016, p. 5). The reasons why organisations are a bit secretive are the general accounting standards in mandatory reporting that disallow to recognise intellectual assets unless they can be reliably measured (Ghio & Verona, 2020, p. 80). But that is exactly where the motivation and value of voluntary disclosure lies: Most intellectual resources cannot be measured appropriately and in a conventional manner. Nonetheless, disclosing them as “intangible and intellectual resources is the limelight” (Ghio & Verona, 2020, p. 80). Organisations that avoid to disclose will a fortiori intensify information asymmetries, which is naturally unfavourable for the equity value (Verrecchia, 2001, p. 141). Thus, discretionary disclosure on board composition and succession works as a communication device for accompanying financial statements and to foreshadow trends in transnational reporting (Meek et al., 1995, p. 557). In addition, it also signals that the “board is willing

to think critically about its own performance on a regular basis and tackle any weaknesses” (Spencer Stuart, 2020b, p. 6).

4.4.1.2 Scope and Content

With regard to the scope and content, in general, succession disclosure is *under-reported, inconsistent, insufficient, and imprecise* (Mercer, 2004, p. 191). CII (2014) stressed that “too many provide basic biographical information” instead of presenting the added-value of each board member (p. 1). For Davis and Robbins (2005), disclosure is scanty, leaving shareholders and stakeholders to assess “director qualifications based on the thumbnail sketches included in proxy statements” (p. 294). As a response, Holder-Webb et al. (2008, pp. 545–548) demonstrated among 50 US organisations that board committee charters were the most frequently disclosed and board structure and procedures the least frequently. As a consequence, the FRC (2016) urged that succession disclosure be more closely linked to the organisation’s strategy, as investors “wish to understand the nature of the skills and experience a board will need in the future and how the company intends to make this transition” (p. 2).

To exercise their voting rights adequately, shareholders need robust information (SEC, 2013, Chapter 1). Providing investors with more meaningful disclosure is the solution. It “will help them [the shareholders] to determine whether and why a director candidate is an appropriate choice for a particular company” (CII, 2014, p. 1). If that information is not shared with the public, a rational buyer interprets that as withheld information and may consider it as a critical input into *how and why* the organisation’s value changes (Bushee & Noe, 2000, pp. 175–176).

There have been attempts to understand the phenomenon of disclosure on succession planning in more detail. In the UK, the FRC (2015, 2016) offered market participants the opportunity to take part in a discussion paper on succession planning and disclosure. In reviewing the statements, they concluded that *disclosing on succession objectively is a complex task*. The sensitive nature of the information and the perception that it may be wrongly understood are the two major arguments why organisations exercised great care. Nevertheless, investors perceived disclosure as valuable and “wished to know that appropriate steps have been taken to find and appoint the right person for the job” (FRC, 2016, p. 5).

Moreover, succession disclosure must be understood and “combined with *narratives and visualizations*” (Ghio & Verona, 2020, p. 82). The principle tenor in the responses to the discussion paper were that many stakeholders addressed the desire to include information and context on how the selection process unfolds, on the search and selection criteria, on involving external advisers, on board biographies, and on how the candidates specifically contribute added-value to

the board (FRC, 2016, p. 4). One participant indicated that *a level of playing field* across all investor classes and sizes should be reported, yet with relevance to “the company’s situation rather than repeating the UK Corporate Governance Code requirements” (Aviva Investors, 2016, p. 3).

Specifically for chair appointments (at the personal and structural level), there was considerable demand for insights on the *process steps* (single steps), on the *source* that recommended the nominee (internal vs. external), on the *succession process leader* (individual vs. group), on the extent of *board involvement* (decision-maker), on *third-party contribution* and compensation received (services performed and consulting fees), and on the candidate evaluation practices (evaluation patterns) (SEC, 2003, cipher 43–46; Spencer Stuart, 2020b). But there were also voices disagreeing with, for example, naming nominee sources as it could have a “chilling effect on the search process”, be immaterial, and might imply that a nominee was considered qualified only because of the position of the recommending person (SEC, 2003, cipher 64). In addition, in a succession process, there are often multiple sources for nominees, which would make a clear and accurate statement complicated.

The discussion paper also addressed *public job advertising*, a practice less widespread in board selection. In that procedure, the chair’s vacancy is advertised, and its role and requirement profile are made public. Candidates could then voluntarily apply for the chair position. Yet only few participants supported that idea. Even though advertising might widen the application pool, it was considered as less cost-efficient and unproductive (FRC, 2016, p. 6). Spencer Stuart (2016) noted that “it is rare for advertising to bring credible candidates to the surface. What is more, some candidates simply will not engage in a process where advertising is involved” (p. 2). This is a statement that shows how closely reputation and prestige accompany election (McNulty et al., 2011, p. 95; Withers et al., 2012, p. 245).

Of all proposals, most participants prioritised *disclosing competences* highest. They indicated that they wanted information on what minimum requirements were necessary, what competences each candidate possessed, and whether attention was paid to personality, and how it ultimately effected the final AGM proposal (FRC, 2016, p. 6).²⁶ Beyond that, participants also stated that they wanted to have more information on diversity and independency (Section 4.3.3.3). That included how the board delineates the chair’s role and responsibility when it comes to leadership, contribution, and strategy (Leblanc, 2007, p. 174).

²⁶ DeGaetano (2004, p. 388) and Leblanc and Schwartz (2007, p. 172) in their study come also to the same conclusion.

4.4.1.3 Channel and Time/Timing

Moving forward, the channel and time/timing of discretionary disclosure are closely related. Most often, the time/timing of disclosure influences the channel, and vice versa.

Subject to channel, voluntary disclosure occurs in *numerous venues* (Mercer, 2004, p. 191). Venue characteristics include formal vs. informal (Beyer et al., 2010, p. 303), verbal vs. non-verbal (Hinsz et al., 1997, p. 44), annual vs. semi-annual vs. ad hoc (Watter & Roth Pellanda, 2015, p. 384), and proactive vs. reactive (Bujaki & McConomy, 2002, p. 118). The annual report is *the most commonly used* source. In Holder-Webb et al.'s (2008, p. 552) survey study, over a third of respondents primarily used the annual report for voluntary disclosure. Yet, according to Ferramosca and Ghio (2018, p. 202), there is a variety of ways to disseminate information (e.g. press release, media, proxy statements, letter to shareholders, conference calls, meetings, employee reports, social network self-disclosure).

To date, research has been vague on what *the best means* for voluntary disclosure are. But there are three general streams. First, the choice for a disclosure channel will be ultimately influenced by the sender, the addressee, the scope, the analyst environment, and the ownership structure (Bushee et al., 2003, p. 160; Ferramosca & Ghio, 2018, p. 202). Second, using the annual report to address negative or unfavourable topics makes for a robust statement (Deegan et al., 2002, p. 318). Trust in the annual report is based on the assurance of the auditors that the information is appropriate, and it is in the media's responsibility to respond to any irregularities (Cotter et al., 2011, p. 82). Moreover, publishing board appointment information in a separate section of the annual report, e.g. the governance report, will further emphasise perceived concerns (Kaczmarek & Nyuur, 2016, p. 7). Third, online reporting will further reduce information asymmetry between insiders and outsiders (Khlifi & Bouri, 2010, p. 63). Using technology in reporting enables a profound change in the way the internet and the organisations' websites can be used to provide timely information to shareholders and stakeholders. The costs of staff, printing, and use of third-party channels will decrease and user trust will increase due to the democratisation of access (Gandia, 2008, pp. 739–794). Furthermore, the multi-directional nature of online reporting will speed up transmission and allow ex post access independent of the user's location (Gallego Alvarez et al., 2008, p. 559).

Depending on the time/timing, there are *episodic* (occasional) or *periodic* (regular/irregular) intervals (Ferramosca & Ghio, 2018, p. 195). Essentially, the hard and soft law standards in the mandatory disclosure standards prescribe the time of disclosure (Chapter 2). However, organisations have much more control in

voluntary disclosure; there are *no cut-off dates* and organisations “*play harder, managing the timing of issuance*” (Ferramosca & Ghio, 2018, p. 196). Yet, they can only do so to a limited extent. The disclosure timing is closely tied to the stakeholders addressed and the reactions expected McCombs (1977) provided an illustrative example: “Once an issue is highly salient and opinions are largely shaped, public relations may be limited to a defensive posture or a redundant ‘*me too-ism*’. Effective public relations require lead time, and opportunities to communicate before an issue is approaching its zenith” (p. 90).

With the invitation to the AGM, organisations officially inform the shareholders about who is standing for board chair election. At the latest *before* the AGM, shareholders expect the necessary background information on the candidate (OECD, 2015, p. 40). Two things need to be distinguished here. First, in a forthcoming primary election, organisations shall (if not must) provide information in advance; the earlier the better. That allows for further background checks on the person. Second, if it is a re-election, the time of disclosure may be moved closer to the AGM. Then, stakeholders can at least review the governance section in the latest periodical annual report. In practice, two observations can be made about chair succession. On the one hand, it has proven to be best practice to announce the chair’s successor at least one year before election day (e.g. Sergio Ermotti at Swiss Re). That allows them to serve as a board member for a year. During that time, they get to know the organisation’s board culture, allowing for a smooth succession transition (Shen & Cannella, 2003, p. 192). On the other hand, there are certain essential confidentiality boundaries when it comes to the timing of disclosure (FRC, 2015, p. 14). Therefore, Spencer Stuart (2011, Chapter 3) strongly advised against the premature release of names as it discourages potential candidates.

When it comes to discretionary disclosure practices, however, organisations often have the *freedom of choice*. There is a high degree of time/timing and channel adoption, which is why there is no “single optimum communication solution, [but rather] just a broadly acceptable range of solution or behaviours” (Holland, 1998, p. 258).

4.4.2 Review

The voluntary disclosure review has shown that communication “can be a catalyst for businesses [...] to limiting information asymmetries, building trust, boosting corporate image, signalling transparency, and accompanying the organization itself at identifying the strategic path to success and sustainability” (Ghio &

Verona, 2020, p. 85). There is a *market demand for more rigorous and concise disclosure* of chairperson succession. However, it has not yet been fully clarified how this should be done. Is chair succession disclosure necessary? *Yes and no*. The structures of Swiss boards are self-constituting (Section 2.1.2). It is thus only appropriate for organisations to justify their compliance or provide arguments for non-compliance. Contrarily, “there does not appear to be any urgent need to disclose the organisational rules as these are unquestionably internal documents which in principle contain confidential information” (Hofstetter, 2002, p. 32). To summarise, the analysis brought forward the following learnings:

- With regard to motives (why), there are demands from *shareholders and stakeholders* for a higher level of disclosure of succession practices. The market views good governance practices in a positive light and considers systematic and truthful communication to enhance the credibility of decision-making. However, this requires a *willingness to be transparent*. At the same time, it means adherence to value standards and a courageous approach to third-party interests. Also, openness in communication makes it possible to *move away from the former* “tap on the shoulder” in succession (Metz, 1998, p. 33). However, for Ghio and Verona (2020), generally “more disclosure does not necessarily mean better disclosure and effective communication” (p. 86). The idea of disclosure transparency must be benevolent and of high quality. This is the only way to reduce information asymmetry and distribution costs, encourage shareholder involvement, and democratise access to corporate information.
- For scope and content (how much and what), *disclosure practices* may encompass describing the process of nomination (e.g. process steps), discussing motivations for change (e.g. strengthening diversity, independency, experience), providing insights into how boards work and how internal and external stakeholders influence selection (e.g. board involvement), and providing more detailed board biographies (e.g. competence fit).
- In disclosing succession information, organisations have, to some extent, the *freedom to choose* the channel (where and by which means) and the time/timing (when). Yet, in order to meet stakeholder expectations, the target audience, the confidentiality level, and the technology used are decisive and should be well considered in advance.

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The conducted literature review highlighted several findings but also, more importantly, the need for improvement. Chapter 5 of this study follows up on these leads. It specifically describes the identified research gaps, the resulting primary research questions, and the research strategy of the present thesis. All this together will lead to a thorough empirical analysis and discussion of the results at a later stage of the dissertation.

5.1 Research Gap (Summary)

This doctoral thesis examines how listed Swiss organisations perceive the board chair election process. The previous chapters were designed to introduce the Swiss regulatory environment (Chapter 2), to find theoretical foundations (Chapter 3), and to present first findings of current academic literature (Chapter 4). Based on the above insights, the following specific *research gaps* in chairperson succession for (1) competences, (2) moderators, and (3) disclosure can be identified (summarised in the following):

- (1) – There is a lack of knowledge about which competences are required for the specific roles and tasks of the chairperson. In research, competences have been treated cursorily, as a ‘consequence of something’ or as an ‘add-on’, yet not entirely (e.g. Lorenz Koller, 2010).

- Beyond theory, there is no clarity as to whether personal, social, and leadership competences are favoured over business and technical competences in chairperson selection, or whether it is the other way around.
- (2) – Succession is not at a low research level, yet there is a lack of knowledge about how succession planning/processing works in relation to teamwork and timing.¹
 - Not all succession process stages are equally developed, leaving the evaluation process the least researched one among all the others.
 - Even though there is a succession framework present, the key stakeholders involved and the extent to which key contingencies influence the process are poorly understood.
- (3) – Shareholders and stakeholders generally expect organisations to voluntarily disclose more than just financial information, but it is not clear which specific topics these are with regards to succession.
 - Organisations do not provide shareholders with enough background information to enable them to vote on AGM proposals, especially information on why the candidate is the best fit in view of the organisation's strategy and the current composition of the board.
 - With respect to motive, scope and content, channel, and time/timing, there is a clear lack of a framework for disclosing confidential succession information to outsiders.

Chapter 6, Chapter 7, and Chapter 8 of this study explore these leads. The three chapters specifically tackle the identified research gaps and conduct a thorough empirical analysis and discussion of the findings.

5.2 Research Questions

In board governance succession, research is gaining importance since there is *no one ultimate* process, but a general agreement that it should be done professionally. Focusing on the chairperson, who is subsequently the key determinant for the board's future composition, will provide deeper insights. To better understand the main research objective, the doctoral study's focus is divided into three research questions. The three questions are intentionally neither kept open-ended nor broad but reflect, to the best of the author's ability, the current research state of the topics addressed (Section 5.3.2). To focus on systematics, the research questions follow the input-process-output scheme (Section 4.1).

¹ Following the recommendation of Johnson et al. (2013, p. 247), efforts should be made to address the teamwork and timing of the board's subgroups (e.g. the nomination committee).

5.2.1 RQ1 Synthesis

RQ1: What are the *competences* of a chairperson?

First, relevant board theories (Section 3.1) agree that the chairperson fulfils multiple roles (Section 4.2.1). Second, previous research has shown how board attributes are interrelated with organisational performance (e.g. Brown, 2007; Khanna et al., 2014). Identifying and evaluating the competences that drive the assessment and profiling of the candidate therefore provides further insights and linkages to research on board effectiveness (Forbes & Milliken, 1999, p. 492). A step-by-step approach, focusing first on the *input* rather than on the *process*, facilitates a focus on the key competences so that the process moderators then can be managed more consciously.

What competence patterns are most required in board chair selection? As highlighted in Section 4.1.1, using the iceberg analogy (Spencer & Spencer, 1993, p. 11) and the hierarchical Competence Model (Viitala, 2005, p. 440) allows for a more systematic mapping of competences. Following that relationship, *person-related competences* (personal, social, and leadership) at the bottom of the pyramid are the foundation for the continuum of *work-related competences* at the top of the pyramid (business and technical).

Although competence modelling is a holistic concept with “technical, management, people, attitude, value, and mental skill components” (Garavan & McGuire, 2001, p. 152), scholars argued that the more competences can be learned and associated to work experience (business, technical), the less they shape the behaviour and performance of a board member. Previous studies examined this dyadic relationship in terms of assessment centres (Henderson et al., 1995), governance attributes (Kakabadse et al., 2001), group social integration (Harrison et al., 1998), and senior management (Thompson et al., 1996).

However, there are exceptions to the dyadic relationships that arise from the attributes of the chairperson’s role. In *stewardship theory*, a solid personality (integrity), leadership skills (stewardship), and industry/transactional knowledge (board literacy) are critical to the work of the board chair (Section 4.2.2). This occurrence refers in particular to the interplay between the senior management and the board in which the chair is positioned. Given this unique interplay, it is important to examine the importance of the three dimensions of integrity, stewardship, and board literacy in supervising, challenging, and guiding the senior management when it comes to strategic issues (Forbes & Milliken, 1999;

Lorsch & MacIver, 1989; Shen & Cannella, 2002). Following the theoretic rationale, this doctoral study thus strives to answer the following sub-questions in RQ1:

- RQ1–1:** What are the priorities for person- and work-related competences?
- RQ1–2:** What are the priorities for integrity-, stewardship-, and board literacy- related competences?

5.2.2 RQ2 Synthesis

- RQ2:** What are *influential moderators* in chairperson succession?

In general, Swiss law permits a great deal of discretion and flexibility with regard to succession. In a corporate setting, the nomination committee is responsible for planning and handling succession (Section 2.1.3). In theory, as outlined in Section 4.3.1, chairperson succession follows a four-stage framework. In practice, however, succession is influenced by personal (Section 4.3.2) and organisational (Section 4.3.3) moderators that affect its execution.

What key contingencies and key stakeholders impact board chair election? As demonstrated in Section 4.1.2, board succession is a circumstance-dependent view (Olson & Adams, 2004, p. 433). On the one hand, the institutional context may affect the planning of succession and make the process unique and organisation-specific (van Ees & Postma, 2004, pp. 91–92). On the other hand, the person steering the process may also (mis)use procedural incidents to align the personal strategy to climbing up career ladder (Molitor, 2010, p. 147; Zajac & Westphal, 1996a, p. 511). According to *agency theory*, it is therefore necessary to be aware of the influence of contingencies or to establish certain control mechanisms. For the latter, the premise of greater independence of the chair to improve information dissemination (Coles & Hesterly, 2000) and to discipline senior management (Mackay et al., 2015) are two examples that illustrate what is meant by this.

However, according to foregoing literature referring to the nomination committee (Clune et al., 2014), chairperson (McNulty et al., 2011; McNulty & Pettigrew, 1996), CEO (Horner & Valenti, 2012; Westphal & Zajac, 1995), social network (Allemand et al., 2022; O’Higgins, 2002), political affiliation (Lester et al., 2008), and reputation (Certo, 2003; Ferris et al., 2003), succession is not a rigid construct but rather a consequence of socio-political dynamics (Withers et al., 2012, p. 244). *Stakeholder theory* and *resource dependency theory* presume the legitimacy of the board’s actions and that the board includes the society in its actions. Thus, it is assumed that boards who actively integrate stakeholder views into succession planning reduce information asymmetry between agents and principals and enhance overall candidate acceptance (Westphal & Zajac, 2013, p. 636).² Fredrickson (1984, pp. 446–447) hereby referred to decision comprehensiveness, i.e. the extent to which decision-making is exhaustive or inclusive – in other words, whether the process owner integrates multiple or uniform criteria/opinions (Forbes, 2007, pp. 370–371).

To combine both perspectives and obtain a unified view in relation to a successful appointment, it is crucial to recognise the influence of individuals (key stakeholders) and the organisational context (key contingencies) in chairperson succession. Identifying and evaluating these enabling and constraining moderators thus will, first, allow to get more insights into the literature on board dynamics (Pugliese et al., 2015) and, second, to handle (potential) corporate despotism (McNulty & Pettigrew, 1996).

Prior studies applied the influence of moderators to German board member selection (Barth, 2013), external board network ties (Carpenter & Westphal, 2001), balanced and effective board composition (Olson & Adams, 2004), board chair engagement (Bezemer et al., 2018), and information-processing mechanisms among the board of directors, nomination committee, and senior management (Walther, Morner, & Calabrò, 2017). To extend the research to the board chair and best ensure that the dynamics of the moderators in chairperson succession are understood, following the theory (Section 4.3), RQ2 therefore examines the following dimensions:

² In that context, for example, Walther, Morner, and Calabrò (2017, pp. 357–358) have shown that adequate quality and the sharing of timely information by the chairperson adds value to board processes.

- RQ2-1:** What is the influence of business contingencies?
RQ2-2: What is the influence of environmental contingencies?
RQ2-3: What is the influence of governance contingencies?
RQ2-4: What is the influence of political contingencies?
RQ2-5: What are the expectations of internal and external key stakeholders?

5.2.3 RQ3 Synthesis

- RQ3:** What are the principles of *voluntary disclosure* in chairperson succession?

Like the *process*, the *output* of chairperson succession is also subject to legal requirements. By Swiss law, especially the DCG (Section 2.2), listed entities are obliged to provide information on the organisational structure (board and senior management) and related transactions (remuneration, related party transactions). The information provided should allow shareholders to make adequate decisions (Deegan et al., 2002, p. 334).

What are the principles of voluntary disclosure in chairperson succession? There is empirical evidence that voluntary disclosure on succession increased due to the stronger presence of the nomination committee (Cerbioni & Parbonetti, 2007, pp. 318–319; O’Sullivan et al., 2008, p. 7). In order to identify the added value of the board chair beyond a curriculum vitae (CV), however, disclosure principally lacks in-depth explanations. Little is said about why the candidate proposed to the AGM is now *the* person best suited (Garman & Glawe, 2004, p. 124).

Explanations for/against greater disclosure are related to the control mechanisms of *agency theory* or the national, legal, and cultural norms of *resource dependency theory* that limit private control benefits.³ From the perspective of *economic governance* (agency theory), organisations usually see no need to

³ See Filatotchev et al. (2013) for national norms, Ernstberger and Grüning (2013) for legal norms, and Jaggi and Low (2000) for cultural norms.

expand the level of the voluntary information disclosed, as this allows competitors to gain profound insights (Darrough & Stoughton, 1990, p. 221).⁴ However, withholding information reduces the decision-making ability of investors and leaves room for interpretation. For the investor, it is thus “uncertain whether the nondisclosure is due to nonexistence of information or due to its adverse content” (Jung & Kwon, 1988, p. 146). To do justice to *the stakeholder-competitor dichotomy*, organisations therefore develop specific disclosure strategies (Beyer et al., 2010, p. 304).

From a *social governance* perspective (resource dependency theory), there are good examples in sensitive industries, such as chemicals, mining, and oil, which put more emphasis on non-financial disclosure to counter past poor practices (Deegan et al., 2002, p. 318; Gray et al., 2001, pp. 341–342). Sound disclosure on human capital in sensitive industries thereby led to long-term rather than short-term changes in market value (Gamerschlag, 2013, p. 339). Consequently, organisations are meeting the demands of industry benchmarks and shareholders/stakeholders. As organisations attract public attention, they are cautious about what information they publish in detail (Gallego Alvarez et al., 2008, p. 606).

With the greater interest in accountability (Roberts et al., 2005, p. 6), it is likely that certain *economic and social governance motives* are driving organisations to rethink their disclosure scheme, which will be the focus of the doctoral study. Therefore, also taking into account best practice standards and market demands, it is of interest to analyse why (motives), how much and what (scope and content), and where and through which means (channel), and when (time/timing) additional transparency in voluntary succession disclosure would bring advantages (Miller & Skinner, 2015, p. 223). Following the theory in Section 4.4, RQ3 addresses the following dimensions to capture voluntary succession disclosure more comprehensively:

⁴ For economic governance level disclosure drivers see Barako et al. (2006) and Gallego Alvarez et al. (2008) for size, Donnelly and Mulcahy (2008) and Eng and Mak (2003) for ownership, Meek et al. (1995) for listing status, Bushee et al. (2003) for analyst followers, Samaha et al. (2015) for CEO duality, Barros et al. (2013) and Chau and Gray (2010) for independency, Dedman and Lennox (2009) for competition, Ahn and Joo (2020) for complexity, and Depoers (2000) and Raffournier (1995) for internationality.

- RQ3-1:** What are economic and social motives?
RQ3-2: What are the priorities for scope and content?
RQ3-3: What are the priorities for channel and time/timing?

5.3 Research Strategy

This section discusses this thesis' overall research strategy. An appropriate research methodology and research design will enable the research questions posed in Section 5.2 to be addressed.

5.3.1 Research Methodology

To verify the validity of the analysis, the primary decision to be made is whether to follow a natural science or a human science perspective. In *natural science*, observations are measured precisely, well-founded theories are used, and clear rules are followed to derive hypotheses (Benton & Craib, 2001, pp. 121–122). *Human sciences*, on the contrary, are less precise because they assume that human interaction is complex and cannot be measured accurately (Risjord, 2014, p. 9). In principle, there is no one single research strategy. It depends on the research objectives and research questions: confirmatory vs. exploratory and quantitative vs. qualitative research methodology.

First, *confirmatory research (also deductive research)* uses existing theories to derive the hypothesis (Hurley et al., 1997, p. 672). Based on a natural science perspective, confirmatory research starts with the general and progresses to the specific. *Exploratory research (also inductive research)* follows a reverse rationale to confirmatory research (Jaeger & Halliday, 1998, p. 64). It is based on the human science view and starts from the observation of specific patterns in order to conclude analogous research findings.

Second, a *quantitative approach* has traditionally been the predominant approach in research. This approach is used to validate existing theories through statistical measures (confirmatory research). Its key strength is the statistical objectivity of the results. One of its weaknesses is the simplistic and often abstract nature of the applied theory, such as the lack of context and of individual and local situations (Johnson & Onwuegbuzie, 2004, p. 19). In contrast, a *qualitative approach* allows for deeper insights to “make the world visible” (Gephart, 2004,

p. 455). Data is obtained through interviews, surveys, or observations. One of its advantages is that participants can provide context that is useful for interpreting the findings. Disadvantages are the time-consuming preparation and the potential bias of the results (Johnson & Onwuegbuzie, 2004, p. 20).

Nonetheless, confirmatory research/quantitative analysis and exploratory research/qualitative analysis are not “polar opposites” (McNeill & Chapman, 2005, p. 21). Rather, they are complementary (Thomas, 2003, p. 8). Consequently, combining them leads to *mixed-methods research*, which in turn allows to merge “quantitative and qualitative research techniques, methods, approaches, concepts or language into a single study” (Johnson & Onwuegbuzie, 2004, p. 17). This combination enables to leverage the advantages and disadvantages of a more holistic view. Triangulation, the use of a variety of methods, is a viable option to achieve valid results – especially in the case of complexity and dynamics (Gibbert & Ruigrok, 2010, p. 713).

5.3.2 Research Design

Edmondson and McManus (2007, p. 1160) consider three archetypes of theory states that determine the methodological fit of a particular research approach. First, *nascent research* covers new phenomena by seeking to identify certain patterns. In doing so, the researcher usually uses qualitative data from interviews and asks open-ended questions to develop a suggestive theory. Second, *intermediate research* attempts to find specific relationships between already established propositions or constructs. Here, the scholar integrates explorative and confirmative research with the purpose of constructing a provisional theory, “often one that integrates previously separate bodies of work” (Edmondson & McManus, 2007, p. 1160). Third, *mature research* examines formal hypotheses through standard testing procedures. It typically relies on existing constructs and attempts to contribute to greater support for the theory. In view of the prior research in this thesis (theory, literature review, and research gaps), *the intermediate research* paradigm applies.

To choose an appropriate research design, the methodology has to fit the nature of the questions to be asked, the requirement to control for behavioural events, and the focus on contemporary or past events (Punch, 2014, p. 24; Yin, 2018, p. 9). The following arguments suggest that for this thesis, *mixed-methods research* is most appropriate: (1) The literature review has revealed the knowledge gap in chairperson succession practices, leading to the need to close the gap to subsequently provide more statistical evidence; (2) all three research questions

posed are in the ‘what’ form, do not require behavioural control, and focus on temporary events (Section 5.2); (3) the archetype of theory is defined as intermediate research, whereby, according to Edmondson and McManus (2007, p. 1160), an intermediate approach allows for a hybrid type of data collected to incorporate separate bodies of work; and (4) following the research of other scholars, the approach is also in line with other qualitative research calls in succession (e.g. Clune et al., 2014; Huse, 2009a; Pye, 2002; Yar Hamidi & Gabrielsson, 2014b).

Applying a mixed-methods design requires the fundamental choice of *paradigm emphasis* (quantitative vs. qualitative) and *temporal sequence* (concurrent vs. sequential) (Johnson & Onwuegbuzie, 2004, pp. 21–22). This thesis favours an *exploratory sequential design* with prior collection of qualitative data (*qual* → *QUAN*) (Creswell, 2015, p. 58). With this, the proposed research design acknowledges to “follow up qualitative findings with quantitative research which allows the scope and generalizability of the qualitative findings to be assessed” (Bell et al., 2019, p. 574). The approach is also in line with the majority of business research studies that prioritised analysis with quantitative and sequential over qualitative and concurrent procedures (Bell et al., 2019, p. 572). Considering mixed-methods research and sequential timing, the data will be collected in a *cross-sectional design*, i.e. the researcher collects multiple observations at a single point in time (Bell et al., 2019, p. 58).⁵ The benefit of a cross-sectional design is the relatively short time for data collection and the ease of conducting the analysis.

In order to address the research gaps, the primary focus of the data collection is on *SPI chairpersons and heads of nomination committees* (Section 1.4.2). In best governance manner, the head of the nomination committee assumes the responsibility to address succession planning. However, not all SPI organisations have a nomination committee (or an equivalent committee) in place (Section 2.1.3). In that case, the chairperson usually leads the succession process together with other senior board members. For reasons of methodological consistency and because the chair is personally liable for board actions until the day the successor is appointed by the AGM (Section 2.5.2), the board chair has therefore also been included. In order to improve the understanding as well as the reliability and validity of the exploratory results, the opinions of *key stakeholders* were also sought (Section 4.3.2).⁶

⁵ Other four types of designs that exist are experimental design, longitudinal design, case study design, and comparative design.

⁶ Key stakeholders were only specifically involved for the interviews, not for the survey.

Succession involves sensitive insider information that could irreparably damage the organisation and the board's reputation (Section 4.3.3.3). A *potential impediment* to the proposed research strategy is access to the boardroom. To overcome the boardroom access barrier, Leblanc and Schwarz's (2007, pp. 847–848) four means were applied, which have proven to be successful: (1) an initial *direct mailing* request asking for participation (letter, email); (2) initiating contact through university *guest lectures* (guest speaker); (3) using *gatekeepers* who work closely with the primary target group (board members, company secretary); and (4) *leveraging access* through prior contacts (personal network relations).

Summing up, this thesis follows a mixed-methods research design (*qual* → *QUAN*) by applying *expert interviews* (Chapter 6) and a *web-based survey* (Chapter 7).

5.4 Review

Chapter 5 summarised the research gaps derived from the law and the literature review, addressed the relevant research questions pursued with it and, last but not least, showed which research methodology and research design will be used to address the underlying findings. The following conclusions were drawn from this:

- There are clear research gaps as to what competences a chairperson needs, how a succession process should be established and with whom it is pursued, and what level of information is necessary to vote appropriately in favour/against the AGM nominee.
- The study pursues three research questions, whereby each question relates to one phase of the conceptual succession planning model. RQ1 relates to competences (input), RQ2 to moderators (process), and RQ3 to voluntary succession disclosure (output).
- To address the respective research gaps in intermediate research, the thesis applies a mixed-methods design. The two-pronged approach, following Edmondson and McManus (2007), allows the best of both worlds to be combined in order to adequately tackle the research topics under study. By focusing on the respective research question, the doctoral study follows a *qual* → *QUAN* research design to present its findings.

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Qualitative Paradigm

6

Chapter 6 focuses on the qualitative paradigm of the dissertation. After a synthesis of the previous theoretical chapters, the research gaps, the research questions, and the research strategy, it first introduces the research instrument and the sample description. This is followed by a presentation of the exploratory findings on each of the research questions and an identification of the general limitations of the study.

6.1 Research Instrument

The following section presents detailed information on the interview method (expert interviews), its application, reliability, and validity, as well as the theoretical-methodological background used for the analysis of the collected data.

6.1.1 Expert Interview

The expert interview is the most frequently used research instrument in qualitative studies. The experts have specific knowledge which they not only possess themselves, but that is specific and relevant to the field of study (Meuser & Nagel, 2009, p. 18). The interview method is thus designed to reveal and collect an exclusive wealth of knowledge from various people.

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The expert interviews were conducted *semi-structured* and *online* (synchronous). The semi-structured interview form enables the interviewer to systematically follow a certain set of questions, yet without losing the flexibility to expand on particular topics (Bell et al., 2019, p. 436). The questionnaire prepared included scientific rigour and was evaluated and tested with scholars and people from the field (instrument pretest). The synchronous online interview method made it possible to conduct the interviews in real time by using software applications. The advantage of online interviews is the opportunity to record (voice and face), the flexibility to make adjustments (ad hoc), time and cost savings (geographical), and the convenience of conducting the interview from home or the office (familiar premises) (Bell et al., 2019, p. 453). In addition to their immense potential, online interviews are expected to gain popularity due to the COVID19 pandemic.

6.1.2 Qualitative Application

The expert interviews took place from February to July 2021. Except for three interviews with participants who explicitly requested that the interview be conducted physically at the organisation's headquarters, all interviews were conducted remotely via MS Teams, WebEx, or Zoom. The participants were informed in writing that the interviews would be recorded and that the output would be treated anonymously and confidentially (one participant explicitly declined to have the interview recorded). This was implemented accordingly. In general, the interviews took between 60 and 90 minutes.¹

A total of 40 interviews were conducted. The selection of interview partners was based on theoretical guidance (cumulative) and saturation (iterative) (Vollstedt & Rezat, 2019, pp. 83–85). Furthermore, the selection was not statistically representative of the target group, but was contextual. The main purpose was to obtain information from experts with different perspectives for a broader understanding of the topic. In order to gain broad and deep insights and appropriately address the three research questions, the interview participants were thoughtfully selected key players in their field (similar to Fitzsimmons & Callan, 2016, p. 767). The 40 participants were either board members (chairperson, vice-chair, chair nomination committee), previously involved in succession processes (candidate, company secretary, board advisor), or had a direct/indirect influence on the election of the chairperson (financial analyst, proxy advisor).

¹ In line with other board governance studies, e.g. Roberts (2002).

Similar to other board studies that have collected primary data (e.g. Barth, 2013; Gay, 2001), the semi-structured interview method allows participants personal leeway in addressing the issues related to succession that they consider relevant. The semi-structured questionnaire was sent to participants a few days in advance so that they could, if desired, prepare for the interview individually. To take advantage of the participants' expertise (functional) and the information gained from previous interviews (content), the questionnaire was slightly modified (see appendix A2 in the electronic supplementary material).²

Overall, the interview contained four dimensional subjects: (1) succession planning (role, planning process, contextual influences); (2) competence (profile and profiling); (3) voluntary disclosure (quality, time, channel); and (4) stakeholder integration (senior management, board advisory, shareholders, proxy advisor).

6.1.3 Qualitative Reliability and Validity

Qualitative reliability refers to the quality and accuracy of the results, whether the findings help to understand a complex phenomenon or explain the purpose and rationale behind certain concepts (Golafshani, 2015, p. 601). Procedures to ensure reliability encompass checking the transcript for obvious mistakes, applying rigor in the definition of codes by continuously comparing them with the data, and cross-checking the codes with those developed by various scholars (Gibbs, 2018, p. 138). *Qualitative validity* implies consistency in the replication of study results among researchers and research projects (Golafshani, 2015, p. 602). Practical validity procedures involve the use of multiple data sources (triangulation), accentuation of areas with potential subjectivity influence (bias), in-depth development of thematic analysis (time), and accuracy in explaining the findings (description) (Creswell & Creswell, 2018, pp. 200–201).

In general, qualitative reliability and validity are more difficult to determine than quantitative validity and reliability (Section 7.1.3). To further validate the qualitative reliability and validity criteria, the following four alternative evaluations were used in this thesis (Eriksson & Kovalainen, 2015, p. 308): (1) the use of the software programme Atlas.ti, that allows previous coding processes be traced, compared, and repeated at any time (dependability); (2) the establishment of a logical connection to existing research through the methodical application

² See the principle of flexible and opportunistic data collection in Eisenhardt (1989b, p. 533).

of a theory elaboration approach (Section 6.1.4; transferability); (3) the identification of conceptual relationships in the data through a previous extensive literature review (credibility); and (4) ensuring the understanding of the conclusion through an in-depth conceptual discussion (conformity). By applying these concepts, it can be assumed that the qualitative analysis in this thesis covers all relevant quantitative reliability and validity aspects.

6.1.4 Methodological Analysis

For a scientifically sound and rigorous analysis of the interview scripts, Glaser and Strauss' (1967) *grounded theory* was employed. Grounded theory uses inductive analysis to develop a "theoretical explanation" of the topic under study (Corbin & Strauss, 1990, p. 5). From the theoretical explanation, a set of (new) concepts, categories, hypotheses, or theories can emerge (Bell et al., 2019, p. 525). To model grounded theory, the scholar sorts the interview data transcripts into conceptual indicators and labels and combines these according to related concepts in order to subsequently establish and compare categories (Punch, 2014, p. 180). As a final step (in the coding phase), the researcher then reduces the number of categorical overlaps and redundancies to create a model with aggregated dimensions (Gioia et al., 2013, p. 20). In this process, a constant comparison between the interview data and the conceptualisation is key (Bell et al., 2019, p. 522).

The majority of scholars who engage in grounded research use a theory generation design. In contrast, this thesis employs a *theory elaboration* design. The concept of theory elaboration ensues "when pre-existing conceptual ideas or a preliminary model drive [the] study's design" (Lee et al., 1999, p. 164). According to Fisher and Aguinis (2017, p. 441), theory elaboration is thus a conceptual methodology that builds upon preliminary models or pre-existing ideas to gain additional insights into the topic under study. In the field of theory elaboration, it is important to recognise that it is not just about building a new, extended theory. The method can also be used for the "refinement of existing theoretical ideas" (Fisher & Aguinis, 2017, p. 442), i.e. to complement and refine contextual factors, constructs, and/or relationships.

The selection of theory elaboration for this thesis has three reasons.³ First, the general purpose of the thesis is to establish major categories, not a (new) formal theory. Second, the qualitative analysis aims to fill existing research gaps, which serves as a basis for the quantitative paradigm. Reinventing the wheel is thus not the primary purpose, but the goal is to build on existing theories and concepts. Using theory elaboration specifically permits the scholar to apply (or at least consider) prior theoretical constructs in coding. This can be a useful tool to compare established and interrelated concepts. In classical theory generation, in contrast, theoretical cycling between emergent concept dimensions and existing literature should take place (if at all) at the earliest in the constant comparison phase (Gioia et al., 2013, p. 20). In addition, using theory elaboration facilitates the systematic building of connections between research questions (theory) and succession patterns (practice). Third, as emphasised by Fisher and Aguinis (2017, p. 443), applying theory elaboration in succession research has provided remarkable results (e.g. Gephart, 1978).

Subsequently, elaboration theory is applied using the tactic of “new construct specification” (Fisher & Aguinis, 2017, p. 447). This tactic allows for a refinement of the validity and scope of the construct of chairperson succession. To ensure rigour in content analysis and specifically to model grounded theory (see first paragraph in this chapter), open coding, axial coding, and selective coding were the predominant coding procedures (Corbin & Strauss, 1990, pp. 12–15). As a first step, open coding breaks the text into fragments and develops categories of information (in vivo codes). Afterwards, axial coding interconnects the in vivo codes by establishing conceptual similarities (first-order concepts). Finally, selective coding aggregates the concepts and raises the level of abstraction (second-order concepts). Table 6.1 provides a coding example with original interview transcript excerpts.⁴

³ For an overview on processes and output in grounded theories, see Bell et al. (2019, p. 525).

⁴ For in-depth insights into coding procedures, see Punch (2014).

Table 6.1 Interview – Qualitative Coding Example (PI 5 and PI 25)

Excerpt ⁵	Indicators
<p>Open coding: “[...] and then the two most important things are always: What are (1) the ethical standards of that person? What are (2) the communication skills of that person? Then of course, needless to say, (3) the reputation and (4) the cultural fit need to be checked. You need to diagnose and understand the corporate culture, the envisioned corporate culture.” “I would think the more important parts of a chairman’s characteristics are (5) integrity, (6) character, (7) openness, also (8) friendliness.”</p>	<p>In vivo codes: (1) ethics, (2) communication skills, (3) reputation, (4) cultural fit, (5) integrity, (6) character, (7) openness, (8) friendliness</p>
<p>Axial coding: (1) ethics, (2) communication skills, (3) reputation, (4) cultural fit, (5) Integrity, (6) character, (7) openness, (8) friendliness</p>	<p>1st-order concepts: (1) authenticity, (2) verbal eloquence, (3, 7) cultural awareness, (5, 6, 8) integrity</p>
<p>Selective coding: (1) authenticity, (2) verbal eloquence, (3, 7) cultural awareness, (5, 6, 8) integrity</p>	<p>2nd-order concepts: (1, 5, 6, 8) personal, (2, 3, 7) social</p>

Source: own illustration

6.2 Description of the Interview Sample

To better classify the interview results and, if necessary, to assign statements to specific criteria, the person-related and organisation-related demographics are mentioned below. A breakdown by the two levels provides extended insights.

6.2.1 Person-related Demographics

Of the 40 interview participants, 85% were male and 15% female.⁶ The average interviewee was 60 years old, with the youngest person being 31 and the oldest 76. The wide age range illustrates the purpose of the explorative approach: to achieve the greatest possible diversity and thus strengthen the depth and breadth

⁵ Numbering for exemplary purpose.

⁶ Number of interview participants in line with other chairperson studies, e.g. Roberts (2002).

of knowledge. Moreover, as specified in Figure 6.1, the majority (48%) was 60 years and older, followed by 50–59 years with 38%. The minority was younger than age 50 (14%) and consisted mainly of institutional analysts, board advisors, and proxy advisors.

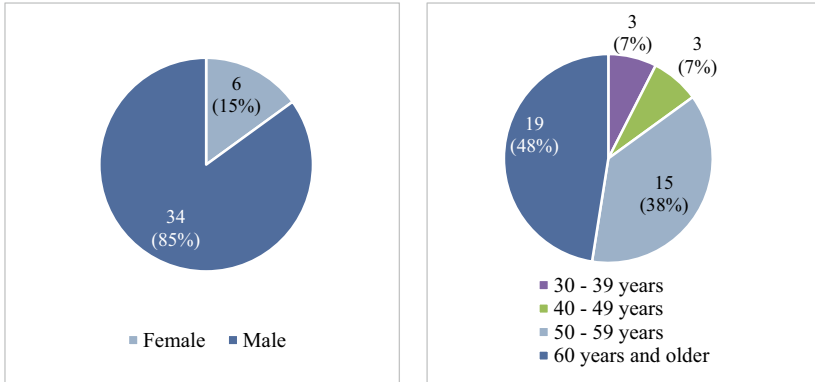


Figure 6.1 Interview – Gender (left) / Age (right). (Source: own illustration)

Most interview participants held the position of chair (55%), followed by board advisors (10%), proxy advisors (8%), nomination committee chairs, vice-chairs, CEOs, company secretaries, and analysts (all 5%), and others (1%). In order to provide insights into past processes, a retired board chair (chairperson category), two CEOs and a chairperson from the same organisation (chairperson and CEO category), and a candidate who was shortlisted but rejected (others category) were also interviewed. Again, the various functional positions were chosen on purpose to allow for a broad diversity of responses (Figure 6.2).

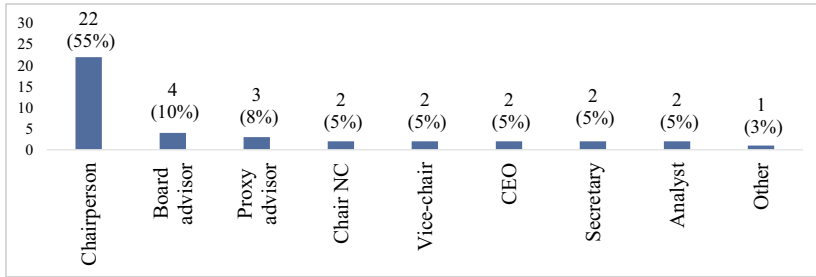


Figure 6.2 Interview – Function. (Source: own illustration)

The many chairpersons, nomination committee chairs, vice-chairs, and CEOs in the sample collectively served on 67 boards (exchange-listed), of which 37 (55%) served as chairpersons and 30 (45%) as ordinary board members. Aggregated, this results in a wealth of experience of 563 years as board members. From the 563 years, 266 years (47%) were served as board chair and 297 years (53%) as ordinary board member. Figure 6.3 thus illustrates, on the one hand, the vast experience of the interview participants and, on the other hand, reflects the age structure with the majority of people being 60 years and older.

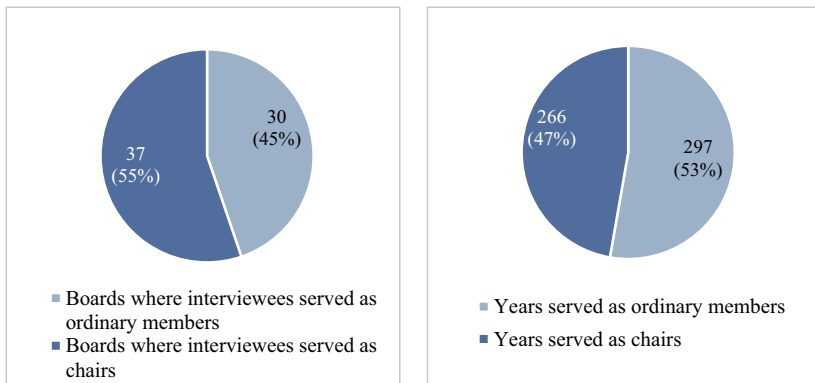


Figure 6.3 Interview – Experience. (Source: own illustration)

6.2.2 Organisation-related Demographics

To further explain the organisational demographics of the interview participants, industry affiliation and market capitalisation are also highlighted. Hereby, only representatives occupying the function of chairperson, vice-chair, nomination committee chair, company secretary, and CEO were included (30 persons in total).⁷ Thereby, the reference point for the statistical analysis was the last position of the person in an organisation with the largest market capitalisation.

Financials (33%), industrials (30%), and health care (13%) were the top three industries represented among interview participants. It is no surprise that the three categories led the field, as they belong to the fundamental pillars of the Swiss economy. Besides the three sectors mentioned above, consumer discretionary (10%), basic materials (10%), and real estate (3%) were also represented. Organisations from the communication services, energy, information technology, and utilities sectors did not participate in the interviews and were thus not represented in the overall exploratory insights (to complete the Global Industry Classification Standard (GICS) list).

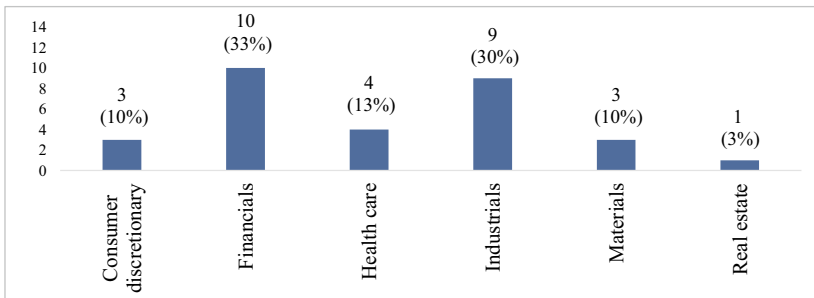


Figure 6.4 Interview – Industry Sector (GICS Classification). (Source: own illustration)

A look at market capitalisation shows that the majority of the organisations surveyed are mid-caps (47%) and large-caps (30%). They are closely followed by mega-caps (10%), small-caps (10%), and micro-caps (3%). Of all the organisation that participated in the survey, none had a market value of less than CHF 50 million (nano-caps). The overview in Figure 6.5 reflects the efforts to increase

⁷ Board advisors, proxy advisors, analysts, and others were excluded, as they did not serve listed organisations or represent one specific industry.

the number of interviews with persons from organisations with a market capitalisation of more than CHF 2bn, as these organisations are likely to be the focus of stakeholders.

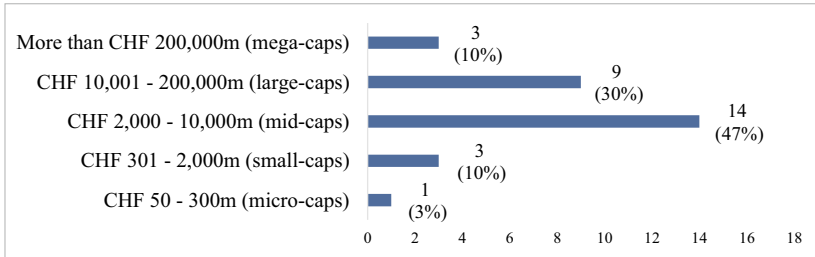


Figure 6.5 Interview – Market Capitalisation (as of 31st December 2020). (Source: own illustration)

When interpreting Figure 6.4 (industry) and Figure 6.5 (market capitalisation), it becomes clear that the organisations of the interview participants are capital-intensive businesses that belong to the upper midfield of the SPI in terms of market value. Recognising this is important for understanding the subsequent findings from the interviews.

6.3 Introductory Results

While analysing the interview data, it became apparent early on that the participants were making statements that are relevant to chairperson succession planning but go beyond the underlying research questions. However, as these are relevant factors that indirectly/directly *affect* the input-process-output paradigm and *complement* the existing theoretical basis, the decision was made to include them.

Introductory result variables can be described as *trigger points* for the process cycle, as their presence, absence, or dynamics can be starting and turning points in planning and executing a chairperson search (Section 2.5.1). Overall, the variables relate to contextual factors that allow planning to progress and certain principles to be followed (Section 4.1, Figure 4.2). Table 6.2 shows excerpt examples.

Table 6.2 Interview – Introductory Results Excerpts

PI	Excerpt
PI 5	“But to be honest, at chair level, an assessment is hardly ever done. Usually, it is the interviews and a set of tools. That is a little bit of a dilemma with these roles because you are talking to people that are very experienced and have a high ranking in a national economic environment.”
PI 16	“I am nervous if I think about the constellation where the chairperson de facto appoints his or her successor directly.”
PI 19	“But actually, the CEO and chair together, they are the powerhouses in a company. My experience and my learnings are that there also has to be a good personal relationship between chair and CEO.”
PI 22	“If it is about the chairman, what you are asking particularly, then it is very often led by the nomination committee chair and not by the chairman himself. [...] Sometimes, it is good that the nomination committee has the independence to run this show in a structured way.”
PI 23	“If you have done your job properly, you most probably have screened the market and you could have convinced one or two potential internal candidates in the past few years. So, they are not external anymore because they sit on your board. If you do that in a very systematic way, then the need to go outside in order to assess the market again is potentially not necessary.”
PI 24	“[...] normally, if it comes to the chairman having to leave because shareholders or because his board colleagues think that he is just not the right chairman anymore, that, of course, puts an enormous number of emotions in the process. So, I have lived through the latter twice, and it makes the succession processes extremely messy.”
PI 32	“Once the new chairman was nominated, the old chair had already mentally disengaged during these four months.”
PI 38	“If you have a candidate in the current board and you are aware that he or she is extremely interested in becoming the new chairman or chairwoman, then you should have had a discussion with this person before looking at an external candidate. Otherwise, you have a bad mood at the beginning when an external person joins the board. You should make sure to first check whether the internal candidates are willing or not.”

Source: own illustration

As in *process theory*, the interview excerpts illustrate that chairperson succession has to do with process-specific interconnections and action paths. It seems that it is not only important to maintain process flexibility, but also to take into account personal dimensions such as career plans (PI 38, Table 6.2), relationships (PI 19, Table 6.2), and emotions (PI 24, Table 6.2). Beyond that, the excerpts

show that chairperson succession is highly contextual and that input-process-output dimensions adjust to different constraints. Confirming the underlying process framework, succession follows non-linear patterns – as indicated by the cycles in the four-stage succession model (Figure 4.4, Section 4.3.1).

For the qualitative introductory results, in total 137 *in vivo* codes were identified through open coding. The interconnection procedure of axial coding then reduced them to 17 first-order concepts. Afterwards, those were subsumed into 4 second-order concepts by further constant comparison procedures and theoretical inclusion. Table 6.3 provides an overview of the relationships in place. The final dimensions were process parameters, people parameters, origin, and succession catalysts. In order to understand the results described, four important points should be noted:

First, in terms of *process parameters*, participants clearly prioritised the nomination committee as the process owner, even though there were several other potential function holders such as the chairperson, vice-chair, or independent director. Participants thus did not consider it appropriate, under best practice circumstances, for the chair to lead his or her own succession. Interviewees justified the choice with independence concerns (PI 16 and PI 22, Table 6.2). However, the board chair should not be completely excluded from the process, but he or she should be integrated as a sparring partner (especially for the chair of the nomination committee). Prioritising independence would also speak in favour of the lead independent director, who is a counterbalance to the chairperson/CEO in the unitary system in the UK (Kakabadse & Kakabadse, 2007, p. 184), but he or she was hardly identified as an option by the interview participants. In addition, interview participants clearly favour a structured and rigorously planned process (mechanistic search, Section 4.1.2). While a long-term strategic planning horizon and candidacy benchmarking are used as adequate tools in the process, assessment centres seem to be rare for the board chair (PI 5, Table 6.2). Although viewed positively and recognised in practice as a suitable tool for senior management succession, the nomination committee refrains from using assessment centres at board chair level, as this could otherwise affect the person's openness for candidacy (e.g. process withdrawal).

Second, related to *people parameters*, the chair and the CEO were seen as the “powerhouses” in an organisation (PI 19, Table 6.2). When it comes to succession, participants thus emphasised to pay attention to the timing (asynchronous planning, coordination of origin) and the relationship (personal and business) between the two parties. Thoughtful consideration of those two parameters increases the chance of a successful and smooth transition and ensures continuity at the top of the organisation. Overall, linking the results with other

scientific research, e.g. on simultaneous chair/CEO appointment (Davidson et al., 2008) and candidate availability (Clune et al., 2014), validates that people-context variables are causes of changing succession planning cycles.

Third, when asked from *where or how* the chair should be recruited (*origin*), several interviewees favoured an internal solution (PI 38, Table 6.2).⁸ Participants thus highlighted the need to prepare an ordinary board member for a possible candidacy. As part of foresighted planning, this means to already include specific chair criteria in the candidacy profile at the time of nomination as an ordinary board member (PI 23, Table 6.2).⁹ If this is the intention, long-term planning is inevitable. In cases with external candidate priority, a transitory year as an ordinary member was often mentioned as an adequate opportunity.¹⁰ This allows familiarisation with board dynamics and getting to know senior management members and key stakeholders in advance. By contrast, a direct takeover of the position of the chair by the CEO, as it was common in the past, was less of an issue. If anything, participants found that a cooling-off period is important.¹¹ Overall, from the answers of the respondents who pointed to the origin of the candidate, the impression was that the succession of the chairperson was planned professionally and more emphasised than that of an ordinary board member or CEO. The very effort that organisations put into pre-planning and the onboarding of external candidates seems to be time-consuming and profound (Roberts, 2002, p. 499).

Fourth, the chairperson succession process is ultimately driven by specific triggers, referred to as *catalysts* (Section 2.5.1). Clearly, office limitations and resignations can be planned in advance, while urgency (e.g. accident) and dismissal (e.g. voting out) require ad hoc or interim solutions. While protocols exist for the former, dismissal can lead to more exhausting situations since it can result in subjective decision-making and a chaotic process. The latter in particular, in combination with emotions (PI 24, Table 6.2), can influence the process and affect the dynamics within the nomination committee/the board as a whole. Is that the

⁸ A study by Heidrick & Struggles (2021, p. 3) revealed that 80% of Fortune 50 board chairs came from within the organisation.

⁹ Larcker et al. (2014, p. 1) speak of the hand-picked successor in such a case.

¹⁰ In this context, Shen and Cannella (2003, p. 192) speak of relay succession when the successor is selected a year/a few years before formal transfer of power.

¹¹ As far as the cooling-off period is concerned, e.g. Velte and Stiglbauer (2012), it raises the question as to what constitutes a reasonable time horizon. It can certainly be viewed critically whether a period of a quarter of a year, as proposed by Emmi for the upcoming election of former CEO Urs Riedener in 2023, is considered reasonable.

case, then it is even more important to systematically carry out the planning and processing, also with regard to timing (PI 32, Table 6.2).

Table 6.3 Interview – Introductory Results Overview of Codes and Concepts

In vivo codes (top three)	1st-order concept	2nd-order concept
Market screening, reference checking, challenge the profile	Candidate benchmarking	Process parameters
24 months, 12 months, 18 months	Process duration	
Nomination committee, chair, vice-chair	Process owner	
Systematic, long-term, person in mind	Process planning	
Assessment centre, process structure, mapping	Process scope	
[Adapt to] board composition, strategy, challenges	Profile	
Commitment, profile trade-off, female pool	Candidate availability	People parameters
Crucial relationship, common ground, fit	Chair-CEO relationship	
Avoid coincidence in succession, collaborative planning, coordinate origin	Chair-CEO succession	
Priority solution, person known, company knowledge	Board of directors	Origin
Former CEO, preserve resources, against best practice	CEO	
External view, change, open candidate field	External	
[Get to know] board work, proper onboarding, company	Transition year	
Shareholder pressure, board pressure, incompetency	Dismissal	Catalysts
Tenure, age, articles of association	Office limitations	
Early planning, retirement, successor in place	Resignation	
Accident, death, emergency	Urgency	

Source: own illustration

6.4 RQ1 Results

To assess RQ1 (*input-process-output*), interview participants were asked what they deemed to be the most important competences, how they differ from those of ordinary board members, and whether and how they had changed over time.

Subject to their answers, follow-up questions were asked for further elaboration or explanation. Table 6.4 shows excerpt examples.

Table 6.4 Interview – RQ1 Excerpts

PI	Excerpt
PI 7	“In my opinion, the most important [competence] is leadership, the board leadership skill of the person, meaning the ability to drive and create a vision, the ability to drive a strategic agenda, and the ability to lead the board in an effective way. That requires a lot of good social skills and, in my opinion, particularly deep self-reflection.”
PI 11	“In my world, once you manage to get to the level of the board, which means executive board or board of directors, your high-level professional and managerial competences are just the entry tickets to be considered. It is not so much, you know, who has 5% more professional or managerial competences but who has the best social skills and personality competences. [...] For myself, I consider myself to be a lazy chairman. I do the essential things and I put things in place. Then I let the system work.”
PI 19	“[...] I think the personality traits are much more important than the technical skills for a chairperson. You obviously need to be able to form a board that is working well together. To form a board that is very important, where everybody feels that he or she speaks and expresses opinions freely. Even if that opinion might not be mainstream and might not be out of the box.”
PI 23	“From my personal view, integrity and authenticity are extremely important. This is more related to the personality. Also related to the personality are good, open, and transparent communication skills – skills to integrate a diverse group of people to reach a common goal.”
PI 24	“You would like to have a chair that knows the industry that the company is in. You could do it without. But the distance of the chair to the company is very large. I would always try to find the person who has an affinity with the industry. If he has a network with the industry, even better. If he knows the customers, even better. If he knows the suppliers, even better. But there needs to be a strong affinity and hopefully some knowledge on how these industries tick.”
PI 27	“Above all, it should be somebody who has leadership skills, but a lot of decency as well, in order not to be too loud because it is the CEO who leads the company. You need to be able to pull back a little bit and let others shine.”

(continued)

Table 6.4 (continued)

PI	Excerpt
PI 33	“The best way for me to define any leadership role that is based on my experience and based on a certain frustration, is that, very often, I have observed that people who are magnificently complementary are incompatible. They fit the piece of paper perfectly in skills, but their character, maybe because of this complementarity of skills, makes them almost incompatible.”
PI 34	“You want a person with the right attitude, with the right character, humanity, down to earth, very experienced, strong communication skills in writing and orally, strong communication skills internally and externally, and somebody who is motivating, who is capable of building a team and the balance to identify the right person and to develop this person as well.”

Source: own illustration

The transcript responses imply that respondents in general have a common understanding of chairperson competences, even if the definitions of the term competences differ slightly (e.g. the classification of communication in the personality dimension in PI 23, Table 6.4). It became clear in the answers that the participants are either experts in the field (e.g. board advisor) or have extensive personal experience (e.g. chairperson).

Open coding identified a total of 138 *in vivo* codes, whereby the axial procedure led to 23 first-order competence concepts for the chair. Subsequently, selective coding, with the constant comparison method and the inclusion of prior theoretical knowledge about competences, raised the level of abstraction to 5 second-order competence concepts. A full overview is provided in Table 6.5, according to which the final dimensions included personal, social, leadership, business, and technical competences. When considering the output, there are six observations worth noting:

Overall, as the final qualitative dimensions are identical to the five dimensions of the theoretical model (Figure 4.3, Section 4.2.2), it confirms the theoretically established competence principles and their application to the chairperson. No missing factors nor outliers were identified that do not correspond to the existing concept. Despite confirming the underlying principles (the use of the wordings of the final dimensions is exactly the same as in the theory), the *in vivo* codes in particular allowed for an expansion of the existing categories with more detailed clarifications (keyword theory elaboration, Section 6.1.4).

Second, integrity and authenticity in particular drive perceptions of *personal competence* in a prominent way (PI 33, Table 6.4). This reflects the theory that less visible, deep-rooted personal competence traits are the foundation for the other four competence dimensions. As an example to illustrate the essence of personality, the interviewees often referred to the chair-CEO relationship (Section 6.3). In that constellation, the board chair should have no (ego) problem with withdrawing from the limelight in favour of the CEO (PI 27, Table 6.4). However, the interviewees were also aware of the fact that these soft factors are difficult to capture. They thus repeatedly stressed the importance of multi-person and face-to-face interviews to get to know the candidate thoroughly and to address both personal as well as professional topics.

Third, the aspect of *social competence* seemed less important (the same conclusion is reached by Krause et al., 2016, p. 1999). When asked what specific competences a chair needs, few of the interviewees mentioned keywords such as ‘networking’ or ‘verbal eloquence’. Finding a specific explanation for this is complex. However, the reason could be that participants took social competences for the efficient completion of subsequent activities for granted. Assuming this were the case, it would indirectly confirm the iceberg analogy (Section 4.1.1). This is exemplified by the excerpt from PI 23 (Table 6.4), which illustrated that communication is an integrator for a common goal (vision), suggesting that social skills are the prerequisite for leadership (and business) competences.

Fourth, participants consider the chair’s *leadership* important for building trust and respect towards the board/senior management and for leading and guiding the overall organisation (PI 7, Table 6.4). In this context, PI 11 (Table 6.4) referred to the notion of the “lazy chairman”. For the interviewees, the tone at the top, the processes, and the dialogue culture strongly influence board work. As the driving person who first implements the board structures accordingly, the board chair then retreats and acts as a sparring partner and coordinator, leaving the assigned work to the individual committees and their members. For discussion and decision-making in the full board, in the sense of a steward, the chairperson then returns to preside the meeting.

Fifth, as clearly highlighted (PI 24, Table 6.4), *business competence* is closely related to the role of the chair. Having knowledge of the board business, especially industry expertise and experience as CEO, board member, and/or chairperson, helps the chair to overcome the distance from the day-to-day business and to quickly build bridges to stakeholders. When it specifically comes to succession processing, however, participants tend to see it as a necessary “entry ticket” (PI 11, Table 6.4). Afterwards, personal and social competences become all the more important.

Lastly, the findings on *technical competence* are in accordance with the theory. Interview participants referred to technical competence as the least important of all competence dimensions. The excerpt from PI 19 (Table 6.4) perfectly exemplifies the dyadic relationship gap that the personal and technical competence dimensions have with each other. The fact that there is a wide range of technical competences also illustrates that the competence requirements for a chairperson are broader compared to those of an ordinary board member. Having knowledge across a wide range of dimensions allows for effectively challenging the board and senior management.

Table 6.5 Interview – RQ1 Overview of Codes and Concepts

In vivo codes (top three)	1st-order concept	2nd-order concept
Ethics, value and purpose, trust	Authenticity	Personal competences
Learning ability, self-reflection, education	Curiosity	
Willingness to contribute, courageous, energy	Engagement	
Personality, low ego, character	Integrity	
Cultural fit, demographic knowledge, Swissness	Cultural awareness	Social competences
People management, respect, emotional capability	Cognitive empathy	
Reputation, business network, social interaction	Networking	
Facilitator, communication skills, stakeholder interaction	Verbal eloquence	
Challenger, headstrong, gravitas	Stamina	Leadership competences
Leader, ask and listen, encourage people	Stewardship	
Integrator, consensus builder, team leader	Team play	
Vision, followers, inspire	Visionary thinking	

(continued)

Table 6.5 (continued)

In vivo codes (top three)	1st-order concept	2nd-order concept
Analytical, rational thinking, well-organised	Analytical thinking	Business competences
Industry expertise, CEO experience, board (chair) experience	Board literacy	
Decision-making, directive, conflict solver	Disturbance handling	
Strategic, strategy shaper, innovative spirit	Strategic thinking	
Financials, banking, audit	Audit and finance	Technical competences
Sustainability, ESG expert, ESG values	ESG	
Retail, food, consumer goods	Food and retail	
Pharma, care market	Health care	
Regulatory, lawyer, legal	Legal	
Branding, marketing, sales	Marketing	
Digital skills, technology, digital transformation	Technology	

Source: own illustration

6.5 RQ2 Results

RQ2 (input-*process*-output) provided in-depth insights into the moderators that drive chairperson succession processing. Interview participants were asked to reflect on current succession practices: what they consider to be an ideal succession process, where there is a need for more accuracy and development in succession planning, and whether and to what extent they integrate stakeholders into the process. In that sense, the questions targeted factors to consider (related to best practice) and factors to address (related to expectation management). Table 6.6 shows excerpt examples.

Table 6.6 Interview – RQ2 Excerpts

PI	Excerpt
PI 4	“With all these people involved and all these organisations and aspects, for me, it is important to avoid politics. As I said earlier, be independent, be transparent, be honest, and have the trust of the client.”
PI 5	“[For involving certain stakeholders] one size does not fit all. It really depends on the ownership structure and who actually represents the shareholders or the owners.”
PI 7	“You need to be clear that, at any point in time, something can leak. You need to have a crisis communication and a crisis communicator in place.”
PI 10	“[...] the guy who was running the succession process was telling me, [PI 10], I would very much love to see you in that function, but the chair has somebody in mind, and I do not want to have a fight with the chair.”
PI 12	“[...] I have seen too many cases where the role, being the undisputed number one, is going to have a negative effect on the individual. People inflate. They suddenly see themselves bigger than they are. People exaggerate in the use of their power. People forget the necessity to listen to others. People too often lose any humility they ever had.”
PI 16	“You need to take into consideration what the expectations of your investors, in particular of your shareholders, are about the proper leadership of the company.”
PI 18	“Do I intend to change it or do I intend to preserve it? If you want to preserve it, then it is probably better not to change anything at the same time, but to allow for some continuity. These technical elements can play a role when you are thinking of who the right person is.”
PI 19	“It is also a key responsibility of the chairperson to keep the family in the loop. [...] Obviously, without disclosing any non-public information which can be stock market-relevant.”
PI 20	“Of course, you are in contact with your shareholders and listen to opinions on certain succession possibilities. But it is more listening than really asking what they really mean or actively involving them.”
PI 22	“Sometimes, it is good that the nomination committee has the independence to run this show in a structured way.”
PI 25	“I think there are basically two decisive stakeholders involved. The first is the board and the second the shareholder meeting. The board has the power to propose, and the shareholder has the power to appoint.”
PI 26	“It was basically all about friends, family, friends of a friend, a friend of a friend of another board member, etc. It was sort of a self-supplying circle of people that you were comfortable with, or that you knew.”

(continued)

Table 6.6 (continued)

PI	Excerpt
PI 27	“If you have a set of shareholders with high stakes, but no real control, that is like a bag of worms. Obviously, then you float around the two, three, or four largest shareholders to find out what the owner strategy should be because they are not going to formulate your owner’s strategy.”
PI 31	“[...] one can discuss whether the chairman should be involved at all. I told the board that I will not orchestrate my own succession. But I have an interest, of course, to make sure that we have a person who gets along with our CEO very well. [...] Of course, you are allowed to choose a successor from a competitor. There are cases where that is done. I would be completely against that. I do not think that this is good. I do not think it reflects positively on the company if you hire a chairman from a competitor.”
PI 32	“The natural, in a way, ideal plan would be, again, when the chairman retires, and the CEO would be ready to step up after a cool-off period. That would be the traditional [organisational] model.”
PI 33	“I think you need also to introduce a level of neutrality in your judgement. That is the reason why it was one of the first things we decided when I came into this company. When it comes to my succession, the man who is in charge is the vice-chair, not me. Me deciding who succeeds me, first, may have an effect on the fact that I will choose somebody who is similar to me.”

Source: own illustration

On the one side, due to the open question format, the excerpts in Table 6.6 exemplify how multifaceted and broad the answers of the respondents were. It illustrates the multidimensionality of the succession process (Elms et al., 2015, p. 1321). On the other side, the response examples emphasise the strong link to theory. The theoretical link exists because the interview participants referred to moderators that fit the elaborated theoretical constructs (Figure 4.4, Section 4.3.1).

Open coding produced 137 *in vivo* codes. Axial coding then subsumed these into 31 first-order concepts. Selective coding, with its constant comparison method as the third step, raised the level of abstraction to 5 second-order process concepts related to chairperson succession processing. An overview of the relationship between the three coding procedures for RQ2 is provided in Table 6.7. Following the theory (Sections 4.3.2 and 4.3.3), the final dimensions identified for the first stream were business contingencies, environmental contingencies, governance contingencies, political contingencies, and stakeholders. In order to correctly embed the absolute results mentioned above, five points should be considered:

First, “one size does not fit all” (PI 5, Table 6.6). Process alignment with respect to *business characteristics* depends on how the organisation intended to address it (PI 18 and PI 33, Table 6.6). For example, it was found that ownership seems to have a major influence on succession processing. According to the participants, organisations with family and institutional ownership approached the process differently. Family-run organisations were more active in involving the respective shareholders to describe the procedure or clarify expectations early on (PI 19, Table 6.6). By contrast, institutional block holders were less actively approached. Mostly, the investor days/roadshows held once a year were suitable events to address succession topics. According to the interviewees’ descriptions, however, discussions were not as in-depth as in organisations owned by individuals or families. With respect to board structure, the interviews revealed that the process approach was particularly based on historical nomination procedures, board dynamics, and board culture (PI 32, Table 6.6). Other business indicators impacting the process relate to the life cycle (time and performance pressures). Depending on the scope, the specific contingencies have less or greater effect on process planning.

Second, with regard to *environmental characteristics*, participants regularly referred to proxy activism and regulation/regulatory influences. For proxy activism, in line with theoretical considerations (Section 4.3.3.2), interviewees especially criticised the proxy advisors’ tick-the-box approach. As there is often a lack of context in the reports of proxy advisors, the tick-the-box scheme particularly requires active participation by the organisations in order to circumvent (negative) influences on the election of the chairperson at the AGM. Regulatory concerns have similar effects, with sometimes strong industry influence (e.g. financial industry). Particularly with respect to legal bodies and specific mandatory articles, organisations are cautious about with whom they speak and how they involve the respective body (e.g. equal treatment of shareholders). In addition, the way the process is managed also depends on a variety of market factors, with particular attention paid to ‘geopolitical environment’, ‘market environment’, ‘political environment’, and ‘societal environment’ (see appendix A5 in the electronic supplementary material).

Third, with respect to *governance*, it was evident that participants were aware of the need to promote a systematic and transparent process (PI 4, Table 6.6). The process should be objectively managed and follow recognised best practice patterns (PI 22, Table 6.6). More importantly, confidentiality should be maintained (PI 7, Table 6.6). The strict(er) focus on systematics is certainly a consequence of regulation (Chapter 2) and increasing activism (Section 4.3.3.2). Had the same interview process been used 20 years ago, it would likely have resulted in a

reverse evaluation format between governance and political contingencies (PI 10 and PI 26, Table 6.6). Specifically for the chair search, the three most frequently mentioned criteria related to ‘diversity’, ‘overboarding’, and ‘independence’. Yet, with reference to ‘age’, ‘financials’, and ‘commitment’, the focus was also placed on less predeterminant variables (usually the primary emphasis is on ‘gender’, ‘independence in mind’, and ‘full-time role’).

Fourth, the *political dimension* shows that personal power dynamics influence chairperson succession. The excerpt from PI 19 (Table 6.6) underlines that power, network, and the will to exert influence can decisively steer the process—beyond best practice processing. To monitor the bypassing of the board and of muscle game attempts, it is key to have roles appropriately distributed (process owner) and to have strong personalities on the board besides the chairperson (board composition). In addition to the examples of ‘club of friends’ and ‘political games’, it is also important to keep in mind social dynamics such as ‘lame duck’ and ‘fame’ that can arise as consequences of certain activities.¹²

Finally, as briefly mentioned above, the process should be managed in such a way that it is accepted by *stakeholders*. It is therefore important to clarify their expectations at an early stage (PI 16, Table 6.6). However, participants only involve stakeholders in decisions in a way that is appropriate for the specific group and the timing/step in the process (PI 20 and PI 27, Table 6.6). On the issue of involvement, participants made a strong distinction between ‘essential’ and ‘non-essential’ stakeholders. Owners, for example, were treated differently than board advisors (PI 25, Table 6.6). In that sense, most interviewees agreed with the involvement of insiders rather than outsiders (board, company secretary, CEO vs. shareholder, board advisory). However, even when respondents agreed to stakeholder involvement, the board was more likely to be involved earlier than the CEO or the family anchor shareholder in terms of timing/process stage. The reasons for the reluctance/passivity to involve stakeholders are related to board confidentiality and regulatory duties (Chapter 2).

¹² Lame duck, a term originally from American politics, is, according to Dalton and Dalton (2007), “an expression for an individual who has announced his or her retirement well ahead of the actual date of resignation” (p. 7). The consequences from the (too) early announcement can seriously compromise the influence and effectiveness of the outgoing person.

Table 6.7 Interview – RQ2 Overview of Codes and Concepts

In vivo codes (top three)	1st-order concept	2nd-order concept
Board culture, board organisation, board dynamics	Board structure	Business contingencies
Life period, performance management, crisis	Life cycle	
Anchor shareholder, activist, board representatives	Ownership	
Transformation, strategy cycle, change	Strategy	
Firm size, exchange-listed	Size	
Industry affiliation, complexity, sector	Industry	Environmental contingencies
Expectation, market environment, mega trends	Market dynamics	
Tick-the-box, active engagement, overinfluence	Proxy activism	
Governance practices, shareholder treatment, compliance	Regulation	
Sensitive topic, avoid leak, avoid rumours	Confidentiality	Governance contingencies
Cool-off, CEO-chair move, hygienical factor	Cool-off	
Gender, diversity, age	Diversity	
Independence in mind, open mind, financials	Independence	
Time availability, full-time role, commitment	Overboarding	
Nationality, background	Swissness	
Openness, transparency, knowledge	Transparency	
Candidate priority, control, influence	Chair influence	Political contingencies
Lame duck, successor orientation, uncertainty	Lame duck	
Business network, club of friends	Network	
Political games, muscle game, convince people	Power	
Recognition, prominent position, fame	Reputation	
Similar type, emotions, mindset	Similarity attraction	

(continued)

Table 6.7 (continued)

In vivo codes (top three)	1st-order concept	2nd-order concept
Advise and support, extend candidate pool, objectivity	Board advisory	Stakeholder
Board responsibility, interview, discussion	Board of directors	
Opinion, discussion, interview	CEO	
Sparring partner, interview, insight	Chairperson	
Administrator, documentation, discussion	Company Secretary	
Manage transition, oversight, deputy	Independent director	
Approval, supervision, regulatory body	Regulator	
AGM vote, feedback, input	Shareholder	
Deputy, sparring partner, manage transition	Vice-chair	

Source: own illustration

6.6 RQ3 Results

To address RQ3 (input-process-*output*), interviewees were asked how they perceive the current quality of board succession disclosure, whether and where they would be willing to voluntarily extend the information, and which channel and time/timing would be the most appropriate for disclosing. Depending on their responses, follow-up questions were posed to explore the topic further. Table 6.8 shows example excerpts.

Table 6.8 Interview – RQ3 Excerpts

PI	Excerpt
PI 3	“[...] it is not reported in a structured form. I also think that it is a must to talk about the process, to talk about the requirements, and to talk about the decision why this person should be elected.”
PI 12	“What is also true, and you may not like it, the very moment the new candidate is published, it is closed. The decision is anyway already taken. The critical moment is the discussion in the board and the interesting thing would be, and you will never have it, to have full access to the documents and minutes of the meeting of the board or the nomination committee.”

(continued)

Table 6.8 (continued)

PI	Excerpt
PI 15	“I mean there are no secrets, and there is no hiding. I think, anyone who wants to serve on a public company board should in principle be fine and comfortable with disclosing all their professional attributes but also provide clarity on what they bring to the board. I think that is not a big issue at all. Otherwise, you should be in private markets.”
PI 16	“I am just raising a bit of concern in case one would try to regulate that in a mechanistic process type of way. Ticking-the-box exercises are, in parts of the world, quite common. I am always reserving a bit of scepticism against too much formalistic approach to that.”
PI 20	“Coming back to the reporting, it is important to have different roles disclosed and say who is sitting on which committees, and what the competences are. But, I think, from the point of view of the company, it is also to some extent dangerous to make too many disclosures on what competences you are looking for or are lacking.”
PI 23	“Obviously, there is an end to it because I do not want to share each and everything in public.”
PI 25	“I am not sure whether big words in big publicity would really add something. Because in the end, it is the choice of those who have to make it.”
PI 27	“This is why I say that the board, who is proposing that person, needs to explain in half of a page why, in this current set of strategy and strategic movements coming up, it is a good proposition why this person comes on board. [...] The quality of information is not going to be improved with social media. It always creates more smoke than fire.”
PI 32	“[...] the thirst for information is never ending. They always want to have more. [...] But there is a limit what we are able and willing to give.”
PI 34	“We do not spend too much time explaining why we have selected the person, why we believe that person is the right person. I think, it is rather an administrative type of activity than really informing the market. In general, I do not think we do a good job of informing the stakeholders about the individuals at board level. [...] But at the same time, let us be fair, I do not think the stakeholders are requesting a lot of communication.”

Source: own illustration

In principle, the excerpt examples validate the theoretical principles (Section 4.4.1). Overall, however, the responses of the interview participants indicated that voluntary disclosure in succession planning is a new phenomenon. In some cases, it was challenging to generate substantial insights on the topic, as

the participants referred to stock exchange-related regulatory measures or had previously not dealt much with the topic personally so far.

The novelty of voluntary succession reporting was also reflected in the coding process. Open coding generated 184 *in vivo* codes. Axial coding resulted in 36 first-order concepts. Finally, the constant comparison method in selective coding led to 5 second-order concepts. A summary is provided in Table 6.9. Subsuming the final dimensions resulted in motive, scope and content, channel, form, and time/timing. To understand the insights from the 40 interview participants, three points are worth emphasising:

First, subject to *motives*, interview participants were rather sceptical about extending the disclosure level. From the perspective of economic governance, some participants expressed concerns about introducing another formalistic approach (PI 16, Table 6.8). Especially chairpersons and company secretaries did not see the added value (PI 25, Table 6.8). For them, the critical discussion takes place on the board, to which the public will never have access to (PI 12, Table 6.8). From a social governance perspective, nevertheless, they reckon that shareholders and stakeholders demand more information (PI 32, Table 6.8). To meet this public demand, they thus strive to go beyond the minimum requirements when reporting on succession. Regardless of the perspective, however, two things were prominent when the respondents referred to voluntary disclosure in succession. First, disclosure content that would enable third parties to subsequently take legal action should be avoided. An example mentioned several times was the subject of the competence matrix (PI 20, Table 6.8). Competence needs could change in the future and may thus represent a potential litigation risk for the matrixes used in the past. Second, organisations intentionally refrained from disclosing certain information (PI 23, Table 6.8). For them, some information was confidential, competitively sensitive, and/or could be misinterpreted in the market (PI 32, Table 6.8).

Secondly, at the *scope and content level*, it is acknowledged that there is currently insufficient disclosure at board level. The tenor was that it is not enough to just provide a CV (PI 34, Table 6.8). On a person-related level, shareholders are owed an explanation as to why the proposed candidate is suitable in view of the strategy and the role the person is expected to assume on the board (PI 27, Table 6.8). For some interviewees, this included structural level insights into the process that led to the proposal of the candidate (PI 3, Table 6.8). Especially in the case of public organisations, shareholders are entitled to and board members are open to greater transparency (PI 15, Table 6.8), even if shareholder and stakeholder demand was (too) low in some cases (PI 34, Table 6.8). It is then up to the organisations to respond actively.

Table 6.9 Interview – RQ3 Overview of Codes and Concepts

In vivo codes (top three)	1st-order concept	2nd-order concept
Explain rationale, argue for choice, background	Accountability	Motive
Ability and willingness, legal restrictions, shareholder information right	Boundary	
Strategic positioning, internals, discretion	Confidentiality	
Tick-the-box exercise, mechanistic approach, flexibility	Feasibility	
Caution, litigation, put in jeopardy	Litigation risk	
Weak stakeholder demand, increasing demand, follow global trend	Market demand	
Private information, reputation damage, name shaming	Privacy	
Low relevance, strengthen qualitative aspects, overcome standardised wording	Purpose	
Acknowledge transparency, transparency limitations, counterproductive	Transparency	
Succession strategy, succession planning horizon, agenda	Committee work	
Competence matrix, future competences, functional skill set	Competence	
Board assessment, profile, board portfolio	Composition	
Consulting fee, support	Consulting	
Demography, age, diversity	Diversity	
Background, experience, crisis experience	Experience	
Board mandates, time commitment	Overboarding	
Process steps, decision process, selection process	Process	
Why selected, why right fit, value contribution	Rationale	
Board role, committee role	Role	

(continued)

Table 6.9 (continued)

In vivo codes (top three)	1st-order concept	2nd-order concept
AGM invitation letter, AGM, question at AGM	AGM	Channel
Annual report, governance report, governance section	Annual report	
Investor meeting, investor days, talk to investor	Investor days	
Press release, media release, traditional media	Press release	
Roadshow, governance roadshow, chair roundtable	Roadshow	
Social media	Social media	
Website	Website	
CV, CV references, CV half pager	CV	Form
Public interview	Interview	
Article	Newspaper Article	
Chairperson speech, open speech, vocal	Speech	
Video clip	Video	
Ad hoc, when decision made, stock exchange rules	Ad hoc	Time/ timing
3 months	3 months	
December before, 4 months	4 months	
6 months, October before, half a year	6 months	
One year, 12 months, announce at prior AGM	12 months	

Source: own illustration

Third, the majority of participants considered the annual report and press release (*channel*), CV (*form*), and ad hoc publication (*time/timing*) to be the appropriate methods of disclosure. The choice of already established variables is no coincidence, as interviewees strongly opposed alternative forms (e.g. social media). They believe that the use of modern technologies will not drastically improve the quality of disclosure (PI 27, Table 6.8).

6.7 Limitations

The collection of interview data offers advantages, but it also has its limitations. Owing to *methodology*, the most important disadvantage of interview processing is the withholding of internal information and/or the omission of critical statements, especially in the case of sensitive questions (Thomas, 2003, p. 66). This has to do with the fact that the researcher conducting the interview cannot guarantee complete anonymity.¹³ Thus, interview participants sometimes refrained from giving detailed explanations because they were not willing to disclose internal processes to outsiders. In addition, the data collected from the organisations' representatives refer to a single point in time. As board chair succession is a dynamic issue, people only serve on boards for a certain period of time, and best practice guidelines are constantly adapting, the implications provided should be applied to the relevant point in time and should not be interpreted backwards/forwards (Pye & Pettigrew, 2005, p. 32).

Conceptually, the knowledge for an in-depth discussion on the topic of chair-person succession differed considerably. For some interview participants, certain topics were already established and/or discussed internally. If this was the case, participants were able to contribute valuable insights for this thesis. For other interviewees, some topics were new and the insights were rather limited. This can be observed particularly in RQ3 (Section 6.6). Interview participants sometimes found it difficult to understand the topic thoroughly and to reflect on views that go beyond the necessary statutory disclosure principles. As the interviews were conducted in English, the situation was further complicated by the language barriers that sometimes arose (Bell et al., 2019, p. 458). In addition, the interview participants were predominantly from capital-intensive, traditionally oriented SPI organisations with little focus on innovation and growth (Section 6.2.2). The willingness to change and to adapt processes to new, modern situations was therefore rather low. Perhaps, interviewing organisations known for their innovative strength and less rigid process structure would have yielded different results.

Theoretically, it is challenging to properly capture a person's qualitative soft criteria. Corresponding to the iceberg analogy (Section 4.1.1), soft criteria are difficult to identify and to analyse in a well-founded manner. This was also evident in the interview results – also beyond the competence dimension of RQ1. The reason was, on the one hand, because participants perceived certain characteristics

¹³ Clune et al. (2014, p. 780), for example, did not digitally record the interviews to maximise anonymity and confidentiality.

differently, which resulted in follow-up questions and/or intensive analysis to subsequently interpret the statements correctly. On the other hand, it takes in-depth knowledge to identify a candidate's soft factors in the succession process. One interviewee thereby highlighted the fact that candidate selection is simultaneously "highly quantitative" and "highly irrational", whereby it is "the irrational that is influencing the development of the individual in a chairman's role" (PI 12). In this sense, time and role perception may change the personality, as overall, the persons with high social status "tend to be most difficult to ingratiate successfully" (Westphal & Shani, 2016, p. 479). This also makes the right choice more difficult and explains why organisations focus more on communicating quantitative rather than qualitative criteria to the outside world.

Lastly, the coding process was performed in such a way that the qualitative results were reliable and valid (Section 6.1.3). In line with the theory of elaboration design (Section 6.1.4), previous theoretical constructs were integrated, but without implying any subjective research bias on the part of the scholar conducting the research. Despite the strong focus on adequate qualitative application, a potential research bias may still occur.

6.8 Review

The qualitative interview findings have shown that chair succession is a complex, interlocking theme that needs to be addressed appropriately. The coded interview transcripts made it possible to expand on existing theory and to establish links within certain thematic blocks that serve as a basis for further analysis. This also revealed that there is a discrepancy between research and practice and that theory thus does not fully correspond to day-to-day methods. To meet the underlying research questions, it is therefore important to connect the two worlds of theory and practice in the analytical interpretation. In view of the interview findings, the following can be noted:

- *The introductory results* have shown that the presence/absence of trigger points influences the chairperson succession cycle. They can be described as planning and turning points in the process. The variables related to this are process parameters, people parameters, origin, and catalysts.
- *For competences (RQ1)*, personal, social, leadership, business, and technical competences are associated with multidimensional role attributes. To adequately capture them, it is necessary to relate them to the context and the people/relationships involved.

- *For moderators (RQ2)*, the business, environmental, governance, and political contingencies have shown that there is not just one single process. Depending on their characteristics, they can distort the process differently. In terms of stakeholders, there is a strong distinction between ‘essential’ and ‘non-essential’, which affects the strength and timing of integration.
- *Voluntary disclosure (RQ3)* was mentioned least by interview participants. Interviewees most often referred to motive, scope and content, channel, and time/timing when talking about external communication about succession. To strengthen disclosure, it is believed that these points should be addressed first to create greater awareness.

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Quantitative Paradigm

7

Chapter 7 elaborates on the quantitative paradigm of the dissertation. Keeping in mind succession planning theory (Chapter 4) and qualitative insights (Chapter 6), the research instrument and the description of the sample are first explained. To familiarise the reader with the results, the quantitative insights are then analysed and their limitations are demonstrated.

7.1 Research Instrument

The next chapter presents detailed information on the survey method (web-based survey), its application, reliability, and validity, as well as the theoretical-methodological context relevant to the presentation of the sample data.

7.1.1 Web-Based Survey

In the sphere of the board, the survey method is a common way of gaining access to the boardroom. It allows to analyse current trends and dynamics with a manageable time and effort for the participating organisations and people (Boyle et al., 2016, p. 402). Therefore, the survey method is suitable for tracking readiness for board practices or identifying new trends.

Supplementary Information The online version contains supplementary material available at https://doi.org/10.1007/978-3-658-40817-6_7.

The survey was *web-based* and contained *closed questions* (Bell et al., 2019, pp. 232–233). Applying the two-dimensional survey format has several advantages (summarised in the following) (Rea et al., 2014, pp. 12–13, 51–55): On the one hand, with a web-based technique, the questionnaire can be completed at the respondent's *convenience* without *time constraints*. Since there is no personal contact between the respondent and the researcher, *anonymity* can be ensured and the *wording of the questions* can be generalised, allowing the questionnaire to be longer and more *complex*. It also allows the use of *visual aids* that may encourage the respondents to make more prominent statements. On the other hand, the questions in a purely closed format tend to be *clearer* and more *comprehensible* in contrast to a social survey with an open questionnaire. It also makes a reduction in *complexity* and *survey duration possible* (~ 10 – 15 minutes). Moreover, the *uniform character* of closed questions facilitates the analytical comparisons of the results.

7.1.2 Quantitative Application

The survey was performed from October to December 2021. The specific time period is aligned with that of other board research studies (e.g. Huse, 2009b). The underlying timing was chosen as it is the time of the year with least board activity, in the hope that this would increase the response rate. Participants were asked personally by email to take part in the study. The email addresses were known from interview results, could be identified through own research, or were provided with the help of independent gatekeepers (Section 5.3.2).¹ For persons whose email address could not be identified, the investor relations department was contacted with a request to forward the survey. As in the interview process, the participants were informed that the results would be treated anonymously and confidentially.

As explained in Section 5.3.2, Table 7.1 shows that the primary target group for the web-based survey was the head nomination committee and the chairperson. The initial sample consisted of 215 chairpersons and 149 nomination committee chairs, with a total of 365 persons identified.² From that, 32 board interlocks (chair and/or chair nomination committee) and 33 dual mandates (chair

¹ Walther and Morner (2014, p. 142) have already successfully used the tactic of employing a gatekeeper for chairs and vice-chairs in their study.

² Montana Aerospace and Sensirion have two persons simultaneously serving as chair. Also, according to the annual reports, seven organisations have entrusted other committees with nomination duties. Their committee heads were also included in the sample population.

equals chair nomination committee) were excluded, leading to an adjusted sample population of 299.

At the end of the survey period, 87 chairpersons and heads of nomination committees had successfully completed the survey. After analysing the data set, seven adjustments were made due to missing values (listwise deletion). Therefore, the final sample consisted of 80 participants with a response rate of 27%. The response rate was thus above the average range of 10 – 25% for high-level professionals, with the lower limit more likely for board chair and head nomination committee as data access is more difficult (Huse, 2009b, pp. 367–368).

Table 7.1 Survey – Sample and Response Rate

Character	N	%	%
Number of organisations	213		
Number of nomination committees	149	70%	
Number of chairpersons	215		
Number of nomination committee chairs	149		
Original sample	365	100%	
– excluding board interlocks	–32	–9%	
– excluding dual mandates	–33	–9%	
Adjusted sample	299	82%	100%
Number of respondents	87		29%
– excluding missing values	–7		–2%
Final sample	80		27%

Source: own illustration

Following previous board survey studies (e.g. Clune et al., 2014; Nicholson et al., 2006), the closed and web-based survey consisted primarily of five-point Likert scale questions or a subset of predetermined response options. In contrast to three- or seven-point scale formats, as exemplified in Devlin et al.’s (1993) study, the five-point scale appears to be less confusing and its scale descriptions easier to read.³ It is also thought to be more suitable for European survey studies (Bouranta et al., 2009, p. 280). More importantly, however, the choice of a five-point scale made it possible to compare the results with other board studies and tailor the questions specifically to the target group without (overly) limiting the

³ For Simms et al. (2019, p. 7), it is often a choice between simplicity and measurement (im)precision by the researcher.

range of options. To meet the respective level of measurement (Bernard, 2017, pp. 45–48), the survey questions also consisted of nominal variables for demographics and ordinal variables for participants' opinions (see appendix A7 in the electronic supplementary material).

Overall, the questionnaire consisted of eight dimensions: (1) introduction (information on the research project), (2) preliminary remarks (information for the survey and first question); (3) organisational demographics (industry, market capitalisation, ownership); (4) succession planning (institutionalisation, process management, key contingencies); (5) stakeholder management (key stakeholders); (6) competences (roles, profile, experience); (7) voluntary disclosure (transparency, strategy, channel, time/timing); and (8) participant demographics (gender, age, position, experience).

7.1.3 Quantitative Reliability and Validity

In quantitative studies, *quantitative reliability* refers to the accuracy and consistency of a study (Cohen et al., 2007, p. 146). According to Golafshani (2015, p. 599), study results can be considered reliable if the researcher reaches the same conclusions when conducting several more attempts. *Quantitative validity* specifies how accurate the results are and/or whether the underlying survey questions truly measure what is intended (Groves et al., 2009, p. 274). Quantitative construct validity thereby refers to the interplay between data and construct, which is obviously key for validation purposes (Golafshani, 2015, p. 599; Wainer & Braun, 1988, p. 25).

To check for quantitative reliability and validity, the survey was based on the theoretical and qualitative insights gained earlier in this thesis. To avoid misunderstandings and ambiguities, questions were pretested by an academic supervisor, a co-worker, a member of the board of directors, and a company secretary, and their feedback was incorporated (Collins, 2003, p. 231). The purpose of pilot testing was to ensure clarity (questions are understandable), comprehensiveness (questions are relevant), and acceptability (questions meet methodological/ethical standards) (Rea et al., 2014, p. 38). By pretesting and including the results from the extensive literature review and the qualitative insights, it can be expected that the questionnaire covered all relevant aspects for the research questions under study and that the quantitative reliability and validity criteria have been met.

7.1.4 Methodological Analysis

Whenever general findings for a population are to be quantified from a specific sample, a researcher employs a descriptive and/or inferential statistic approach (summarised in the following) (Fitzgerald et al., 2001, p. 287): *Descriptive statistics*, on the one hand, present the fact or distribution of the studied phenomena and show the exact, unfiltered responses of the participants. This allows the generalisability of the results to be studied and initial conclusions to be drawn, thereby serving as a point of reference for additional statistical analyses. *Inferential statistics*, on the other hand, assess the significance and strength of the relationships between variables. It examines the (non-)existence of relationships within the sample relative to its population. Depending on the underlying assumptions (distribution, homogeneity, interval/ratio/ordinal data), scholars either apply parametric or non-parametric techniques.⁴

Responding to the research questions (Section 5.2) and the survey's data parameters (abnormal distribution, non-homogeneity, ordinal data), this thesis first applies descriptive statistics and then performs a Kruskal-Wallis H and a Dunn-Bonferroni post hoc test. While the descriptive approach summarises the central tendencies and variabilities, the non-parametric method allows to identify any discrepancies between the group respondents (Corder & Foreman, 2014, p. 118).

The non-parametric group comparison approach draws on the interviews (Chapter 6) and on chair studies (e.g. Dulewicz et al., 2007), which found that stakeholder and shareholder demands vary and thus affect succession planning. Following Farah et al. (2020, p. 2), who urged to study leadership succession in different organisations/types of contexts, the three underlying pairs of groups relate to *market capitalisation* (size), *shareholder structure* (block holdings), and *board experience* (proxy for intergenerational disparities). In contrast to the survey questions posed (up to 6 category items), the number of items within the groups is reduced given they survey's distribution (Section 7.2) and theoretical-logical relationships. The group sample variables are thus as follows (where N = number of observations across groups):

⁴ For a visual overview on non-parametric/parametric testing see, Fitzgerald et al. (2001, p. 289) and Corder and Foreman (2014, p. 4).

Market capitalisation:	Group 1 (N = 36) = Less than CHF 2,001 million
	Group 2 (N = 23) = CHF 2,001 – 10,000 million
	Group 3 (N = 21) = More than CHF 10,000 million
Shareholder structure:⁵	Group 1 (N = 21) = Individual(s)/family
	Group 2 (N = 25) = Institutional investor/activist
	Group 3 (N = 16) = Government/(pension) fund
Board experience:	Group 1 (N = 34) = Less than 10 years
	Group 2 (N = 29) = 10 – 20 years
	Group 3 (N = 17) = More than 20 years

For the descriptive approach, the absolute values (in %) are reported. Insights were provided by visual charts and specific explanations. To address the research questions and strengthen the results, if applicable, constructs from single items were aggregated (absolute values subsumed and then expressed in %). Construct formation was done according to the previous theoretical insights gained earlier. For the non-parametric approach, Kruskal-Wallis' H-value, Dunn-Bonferroni's p-value, and Pearson's r-value are described in more detail below.

The *Kruskal-Wallis H test* is the non-parametric alternative of a one-way analysis of variance (ANOVA) (Kruskal & Wallis, 1952, pp. 584–585). It compares the (in)equality of two or more independent groups on an ordinal scale. By examining the medians of the population (θ_i), Kruskal-Wallis' null hypothesis (H_0) asserts that there is no statistical difference between the groups under study (whereby the significance level is given by the chi-square (χ^2) distribution). Calculating the Kruskal-Wallis statistic (H) and the degrees of freedom (df) requires sorting the data in ascending order, allocating ranks to the data points, and summing the ranks of the groups under study. To determine the H-statistic, the following formula is used, where N = number of observations across groups, R_i = sum of the ranks in the group sample, n_i = group sample size, and k = number of

⁵ This thesis refers to family-owned (individual(s)/family), institutional investor-owned (institutional investor/activist), and government/state-owned (government/(pension) fund).

groups (Corder & Foreman, 2014, p. 118):

$$H = \frac{12}{N(N+1)} \sum_{i=1}^k \frac{R_i^2}{n_i} - 3(N+1)$$

$$df = k - 1$$

The H test expects the measured value to be unique. If, however, two or more survey participants have identical ranking score values, a tie correction must be applied. Under those circumstances, the initial value H is divided by the tie correction value C_H , where T = number of tie values and N = number of observations across groups (Corder & Foreman, 2014, p. 118):

$$C_H = 1 - \frac{\sum(T^3 - T)}{N^3 - N}$$

Kruskal and Wallis find that there is a difference between two samples (Weaver et al., 2017, p. 354), but do not identify the specific sample or the magnitude of the difference (Beatty, 2018, p. 82). Thus, in order to control for type I error, i.e. to reject the null hypothesis if it is true, and to identify the significant sample pairs, a *Dunn-Bonferroni correction* (Dunn, 1961) and a *Dunn-Bonferroni multiple comparison* (Dunn, 1964) are performed as post hoc tests.⁶

For controlling the type I error, the correction method basically adjusts the p-value used for post hoc analysis, where α_B = adjusted risk level, α = initial risk level, and k = number of groups (Corder & Foreman, 2014, p. 119):

$$\alpha_B = \frac{\alpha}{k}$$

For identifying the significant sample pairs, the multiple comparison assesses stochastic dominance between certain sample groups using the z-statistic. To draw statistically significant conclusions, the test examines standardised absolute mean differences of the group ranks (exemplified by group A and B) (Dinno, 2015, p. 298):

⁶ It is possible that the Kruskal-Wallis H test is significant and the Dunn-Bonferroni post hoc test is insignificant. Among other reasons, this may be due to the adjusted alpha risk level (type I error).

$$Z_i = \frac{y_i}{\sigma_i}$$

The nominator Y_i with \bar{R}_A and \bar{R}_B corresponds to the mean ranking from the previous Kruskal-Wallis results, where R_A or R_B = sum of group sample ranks and n_A or n_B = sample size for group A or B.

$$Y_i = \bar{R}_A - \bar{R}_B$$

$$\bar{R}_A = \frac{R_A}{n_A}$$

$$\bar{R}_B = \frac{R_B}{n_B}$$

The denominator σ_i relates to the standard deviation of Y_i , where N = number of observations across groups, T = number of tie values, and n_A or n_B = sample size for group A or B.

$$\sigma_i = \sqrt{\left\{ \frac{N(N+1)}{12} - \frac{\sum(T^3 - T)}{12(N-1)} \right\} \left(\frac{1}{n_A} + \frac{1}{n_B} \right)}$$

In order to evaluate the statistically significant group differences observed, its effect size is also calculated. For that reason, using *Pearson's correlation coefficient* (r) is suitable, as its effect size is always between 0 (minimum effect) and 1 (maximum effect) (Bell et al., 2019, p. 323). By applying Cohen's (2013, p. 82) definition for the r -value, the strength of the effect can be further categorised into a weak ($r = 0.10$), medium ($r = 0.30$), and strong effect ($r = 0.50$), where z_i = Dunn-Bonferroni multiple comparison z -statistic results and n_A or n_B = sample size for group A or B:

$$r_i = \left| \frac{z_i}{\sqrt{n_A + n_B}} \right|$$

Overall, to support and develop the descriptive and non-parametric statistics explained, proven survey (Unipark) and statistical software tools (SPSS) were used.

7.2 Description of the Survey Sample

The core of the overall survey sample studied are the 80 participants. As the survey analysis is influenced by its participants, it is necessary to explain their characteristics accordingly – before the analysis. In order to approach that appropriately, the sample is descriptively divided into person-related and organisation-related demographics.

7.2.1 Person-related Demographics

From the 80 final participants, the majority of respondents were male (87%). This indicates a seven times higher proportion of men than women, who accounted for 13% of the total sample, and emphasises the ongoing discussion on gender diversity, including the chair position (Figure 7.1).

In terms of age, not a single participant was younger than 40. Approximately 4% fell into the category between 40 – 49 years, 40% into the range between 50 – 59 years, and the majority with 56% were 60 years and older. On the one hand, the fairly high age is advantageous as seniority indicates experience in processing succession planning, but on the other hand, it can also be disadvantageous, as it can represent the paradigm of the old boys' network (Allemand et al., 2022, p. 786).

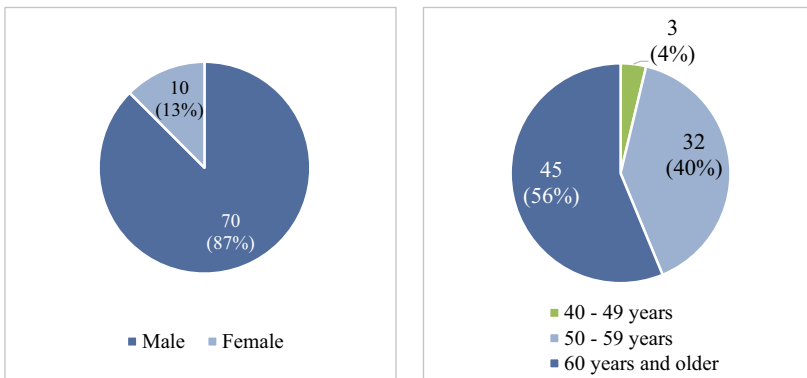


Figure 7.1 Survey – Gender (left) / Age (right). (Source: own illustration)

Most survey participants were chairpersons (61%), followed by nomination committee chairs (28%), and persons simultaneously serving as board chair and nomination committee chair (5%). In the category ‘others’, participants indicated a variety of options (and/or): designated chair, vice-chair, nomination committee member, strategy committee member, audit committee chair, and ordinary board member. Overall, the overview of functions emphasises that all respondents held at least one function on a board of directors (Figure 7.2).

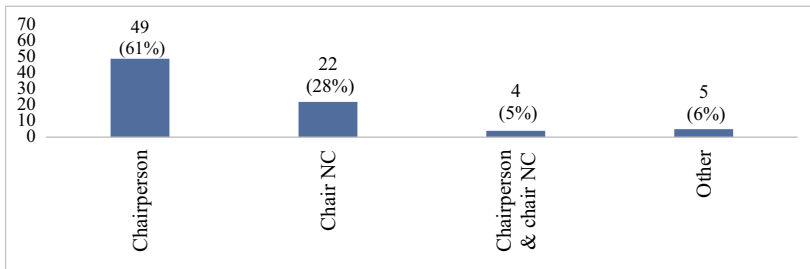


Figure 7.2 Survey – Function. (Source: own illustration)

Overall, cumulative professional board experience was high. People with less than 5 years of experience were the least represented group in the sample with 14%, whereas the most represented group with 29% ranged anywhere between 6 – 10 years of experience. Those with 11 – 15 years (19%), 16 – 20 years (18%), and more than 20 years (21%) were equally distributed. Overall, it can be summarised that the group of individuals in the sample is experienced. Professional board experience can thus be considered as highly relevant for the survey’s target group. It is worth noting that cumulative board experience refers exclusively to years of experience in listed organisations (Figure 7.3).

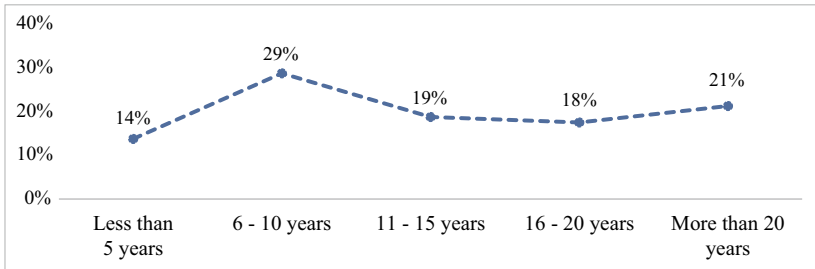


Figure 7.3 Survey – Cumulative Board Experience. (Source: own illustration)

7.2.2 Organisation-related Demographics

For industry affiliation of the 80 respondents (Figure 7.4), industrials (25%), financials (24%), and healthcare (20%) are among the top three represented industries in the sample, adding up to more than two-thirds of the overall sample (69%). They are followed by real estate (8%), energy (6%), information technology (5%), and consumer discretionary (5%). Less distinct and below the 5% trigger level are materials (3%) and communication services (3%). Despite the strong influence of the top three, the sample can be considered diverse and representative of the overall economy. With regard to financials (24%) and healthcare (20%), it should also be noted that these two sectors are more closely monitored by the regulator compared to others.

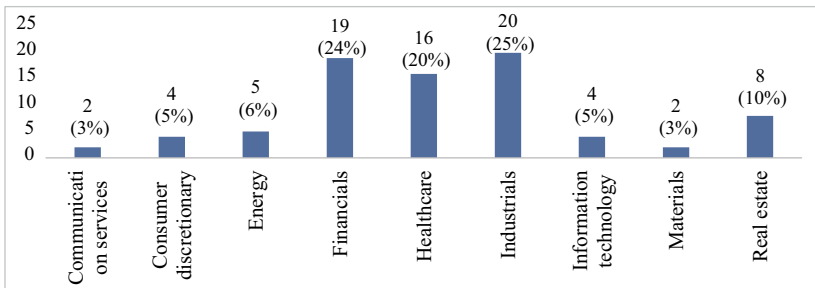


Figure 7.4 Survey – Industry Sector (GICS Classification). (Source: own illustration)

An overview of market capitalisation in Figure 7.5 reveals that the lion's share of the sample organisations were small-caps (35%), mid-caps (29%), and large-caps (19%). Less represented were micro-caps (9%), mega-caps (8%), and nano-caps (1%). The high occurrence of mega-cap bodies in relation to the absolute number of organisations present in Switzerland can be seen as an indicator that chair succession is of practical relevance. Moreover, the sample distribution of market capitalisation shows that chair succession also matters for small- and mid-sized organisations.

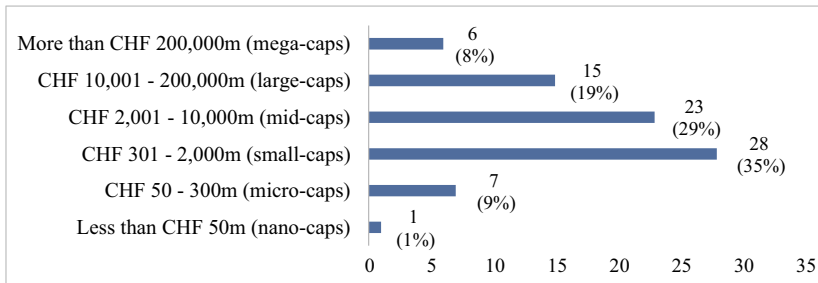


Figure 7.5 Survey – Market Capitalisation. (Source: own illustration)

The demographics of ownership structure show that almost two-thirds (63%) of all sample organisations have block holdings with an equity share of more than 20% (Figure 7.6). The high percentage of block holdings is a typical representation of the Swiss business environment, which has historically been characterised by a low level of dispersed ownership (Section 4.3.2.4). Further holdings are 1 – 5% (16%), 6 – 10% (10%), and 16 – 20% (6%). Less emphasised are the categories 11 – 15% (4%) and less than 1% (1%). It is important for further analysis to keep in mind that the sample represents a high level of block holdings, which may differ when comparing results from a dispersed ownership environment.

Focusing on the type of shareholders in the sample, it shows that individuals with 49%, institutional investors with 30%, and the government with 18% are the three main shareholders. It is interesting to see that (pension) funds (3%) and activists (1%) have low representation in the sample. Considering the high level of block holding as shown in Figure 7.6, it is no surprise that individuals and institutional investors are the most represented in the sample, as especially the latter have gained influence over the last twenty years (Section 4.3.2.4). The balanced

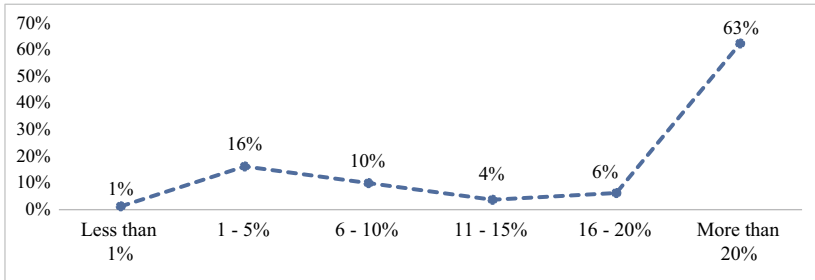


Figure 7.6 Survey – Ownership Structure (in %). (Source: own illustration)

ownership structure will make it possible to highlight the different stakeholder views on succession in the further course of this dissertation (Figure 7.7).

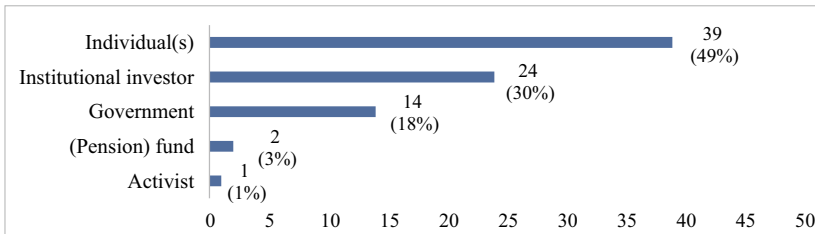


Figure 7.7 Survey – Ownership Structure (by Type). (Source: own illustration)

The high ratio of ownership is also reflected in board representation (Figure 7.8). Two-thirds of all sample organisations have stakeholder representatives at board level while one-third do not. In terms of formally establishing a nomination committee, 92% of all organisations have one in place, with only 8% choosing otherwise. It can thus be presumed that organisations that have already established a formal nomination committee have greater interest in the proper implementation of succession planning.

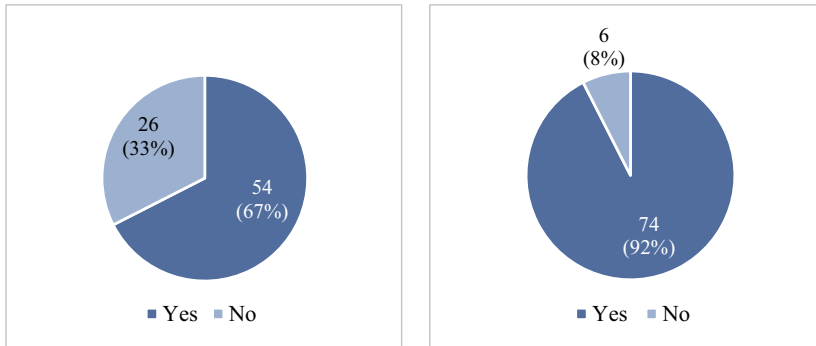


Figure 7.8 Survey – Board Ownership Representative (left) / Formal NC (right). (Source: own illustration)

7.3 Introductory Results

Beyond the pure purpose of analysing the three research questions, it is important to recognise and understand how professionally succession planning is developed/acknowledged in Swiss boards. At the beginning of the survey, participants were thus asked to provide further opinions specifically on the chair and current best practice background to check whether they are generally accepted/neglected. Also pursuing this aspect allowed for a clearer distinction between ordinary board member and chairperson succession.

7.3.1 Descriptive Statistics

To begin with, survey contributors were asked to reflect on their last chairperson succession process and whether they felt it was managed adequately (Figure 7.9). Overall, 87% of all experiences were positive, with only 13% of respondents saying that improvements were necessary. It is interesting to see that critical answers are distributed relatively equally with 12% of chairs (6 vs. 43) and 14% of nomination committee chairs (3 vs. 19).⁷ From that viewpoint, the result serves as a first indication that there is potential for development and that the survey is free of functional bias (chairperson vs. nomination committee chair).

⁷ Further responses came from 'chairperson & chair NC' holding both positions (4 vs. 4; 100%) and 'others' (1 vs. 4; 20%).

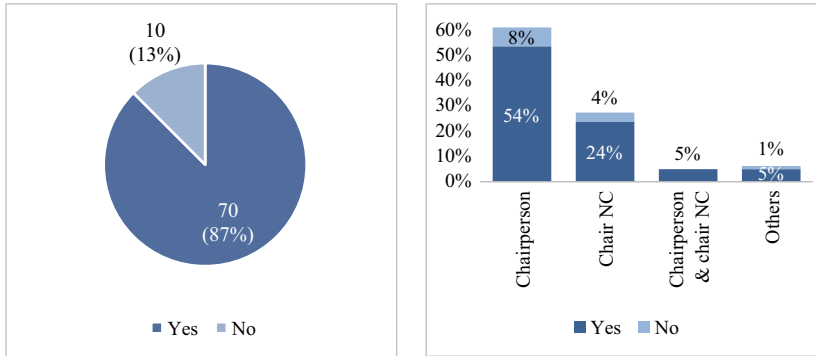


Figure 7.9 Survey – Introductory Results on Adequacy (left) / Distribution (right). (Source: own illustration)

When it comes to the question of who owns the succession process, opinions differ in theory and practice. Best practice principles call for a strict separation, i.e. that the chair should not lead his or her own succession. However, practice shows that the percentage of organisations where the chair still manages the succession process is quite high, at 30% (Section 2.1.3). A similar tenor confirms the survey result (Figure 7.10): Despite the fact that the majority (52%) voted for the head of the nomination committee, thus confirming the governance principles that the process owner should be unbiased, almost a third (32%) of all participants still favoured the chairperson as process leader. Although the election of the vice-chair is seen as an attractive option, especially when there is no formal nominating committee, only few voted for the vice-chair (4%). Other opinions on the choice of process owner included: all members of the nomination committee (6%), all members of the board (3%), and others (3%), with the latter referring to the senior independent director, the main shareholder, and the government council.

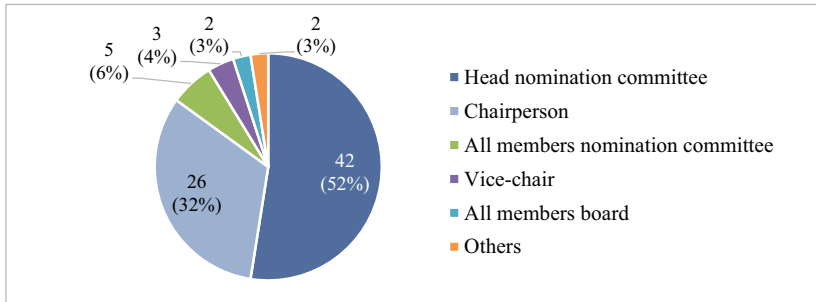


Figure 7.10 Survey – Introductory Results on Process Owners. (Source: own illustration)

Since the professionalism of chair succession depends on organisational integration, participants were asked to assess the institutionalisation of succession planning in their organisation. Although the formal establishment of a nomination committee is the main indicator for an adequate organisational integration (Section 2.1.3), agenda setting, strategic long-term planning, and systematic profiling play an equally significant role.

Overall, the descriptive results in Figure 7.11 show that the majority of organisations (+48%) strongly agree that succession planning is always included on the nomination committee agenda. First, confirming *modern team production theory*, organisations are aware that human resource planning at top board level is key and needs to be addressed primarily long-term, yet without neglecting short-term changes. As recent examples with Doris Russi (Helvetia), Gert de Winter (Baloise), and Patrick Frost (Swiss Life) have demonstrated (not necessarily just chair-related), it is also possible for top performers there to resign/take a break for private/health reasons on short notice (Gerber, 2022). Second, the importance of human resource planning is also supported by the fact that only organisations that do not have a nomination committee strongly disagree (4%) with the inclusion of the succession issue in the agenda (which is a logical conclusion as then, no planning can take place at committee level). The result thus underscores the need for accurate planning. Third, pointing towards *The Competing Value Framework*, survey participants confirmed that systematic profiling/calibration of competences is necessary to meet today's multidimensional demands (55% for 'strongly agree' and 26% for 'agree'). Organisations are thus eager to minimise subjective, network-driven processing.

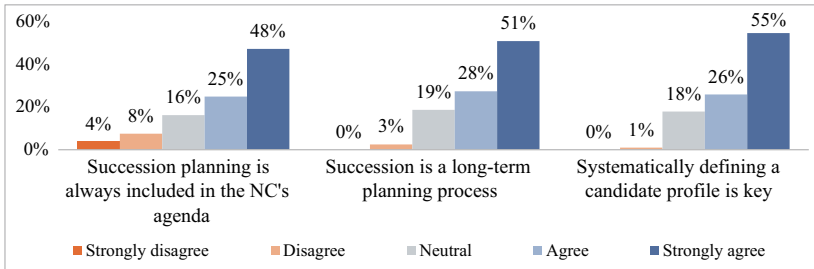


Figure 7.11 Survey – Introductory Results on Succession Planning. (Source: own illustration)

With respect to the scope of succession (Figure 7.12, first two questions) and the origin of the candidate (Figure 7.12, last two questions), the literature review and the interviews identified several different practices for chairperson succession. Referring to the comprehensiveness of the succession process based on survey responses, the majority of participants ‘strongly agree’ (64%) and ‘agree’ (25%) that chair succession is a comprehensive process. From the 89% of views, one can infer that chair succession requires a higher level of attention as opposed to ordinary member succession (Maitlis & Christianson, 2014, p. 80). Reasons for this are manifold, but the chair is assumed to have a high representative function, the duty to provide future strategic direction, and a key influence in determining overall board composition (Withers & Fitza, 2017, p. 1345). The second question is closely related to the first. In order to meet the multidimensional tasks (Sections 3.2 and 4.2.1), the chair must have a broader range of competences than ordinary board members (a total of 80% for ‘strongly agree’ and ‘agree’). It can thus be concluded that it is insufficient for the chair to be specialised in only one single competence dimension (e.g. the financial expertise of the chair of the audit committee). The role of the chair requires a variety of competences.

The last two questions in Figure 7.12 related to the origin of the chairperson. Under normal business conditions (no crisis but strategic continuity), participants slightly favour an internal board member as chair successor (a total of 52% ‘strongly agree’ and ‘agree’). The results with 26% ‘neutral’, 14% ‘disagree’, and 9% ‘strongly disagree’ show different opinions but are aligned with the qualitative findings (Section 6.3). Further, when organisations have decided against an internal candidate and thus favour an external candidate, the majority of participants first advocate a transition year as an ordinary board member before taking over the chair (36% ‘strongly agree’ and 31% ‘agree’). Only a few express a

different opinion with 1% ‘strongly disagree’ and 11% ‘disagree’, confirming the emerging trend towards a transition year, long-term planning, and best practices for succession.

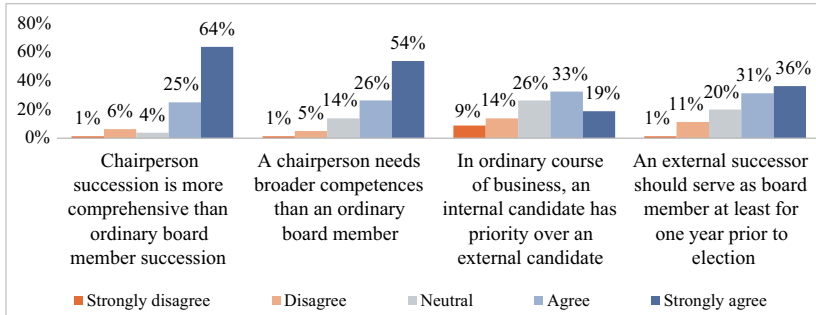


Figure 7.12 Survey – Introductory Results on Chairperson Succession and Origin. (Source: own illustration)

For substantiating the results, the answers on the origin of the candidacy were additionally checked for the influence of industry affiliation (Figure 7.13). For internal origin (left part of the graph), participants from the financial, health care, and industrial sectors agreed most strongly with an internal nomination (between 20 – 25% for ‘strongly agree’). For external origin/transition period (right part of the graph), the strongest support also stems from the same three industries, confirming the priority for internal origin (between 10 – 25% for ‘strongly agree’). From this point of view, in accordance with Hillman et al. (2000, p. 243) and Roberts (2002, p. 449), it seems that sensitive, complex, and more regulated industries are more likely to ensure that the person gets to know the organisation, the board, and the internal procedures thoroughly before taking full responsibility. However, results are not conclusive and should be interpreted with caution as the three industries also represent a majority in the sample (Section 7.2.2).

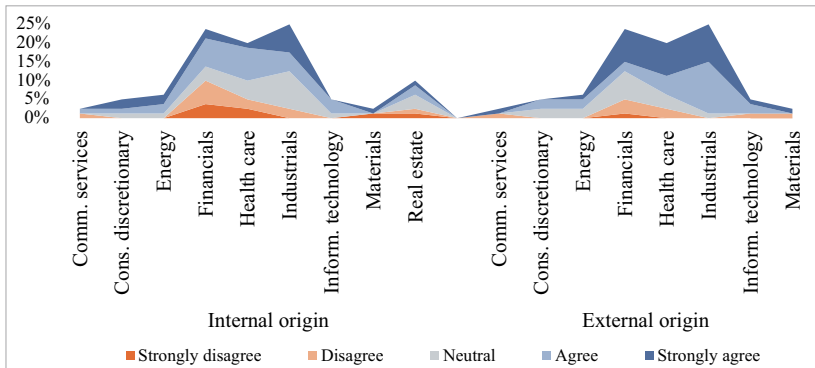


Figure 7.13 Survey – Introductory Results on Source of Origin by Industry. (Source: own illustration)

To deepen the understanding of the sample, participants were further asked to provide insights on the roles that the chairperson has to perform. Understanding the roles beyond those of the full board enhances the need to derive the board chair's competences and involvement in succession planning. The questions for the answers in Figure 7.14 were based on Sections 3.2 and 4.2.1. Validating the strategic visionary, coaching, and initiating roles from prior studies on Swiss chairs (e.g. Lorenz Koller, 2010; Wunderer, 1995), the survey participants prioritised (1) entrepreneurial, goal-oriented strategic tasks (compete), (2) coaching and peer exchange (collaborate), (3) supervision and information distribution (control/govern), and (4) organisational development (create).

7.3.2 Inferential Statistics

Beyond the descriptive statistics, there are likely to be benefits/disadvantages of the group sample that affect the responses differently (as highlighted in Figure 7.13, for example). Overall, the non-parametric results for Kruskal-Wallis (KW) and Dunn-Bonferroni (DB) in Table 7.2 show few statistical differences in the structure of group responses related to market capitalisation, shareholder structure, and board experience. On the positive side, there is little discrepancy between participants, indicating that succession planning is being approached professionally.

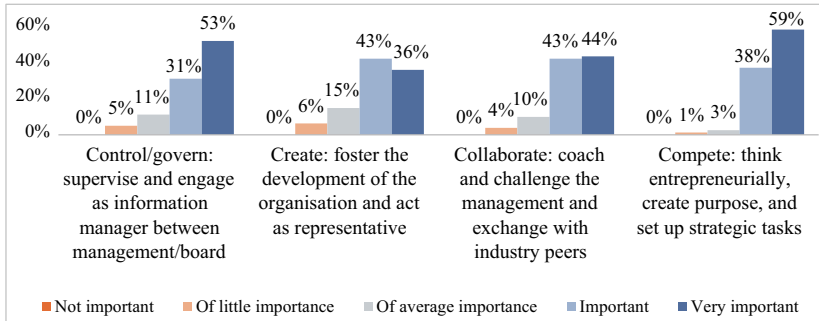


Figure 7.14 Survey – Introductory Results on Roles of a Chairperson. (Source: own illustration)

Reminder: group definitions for the Dunn-Bonferroni (DB) multiple comparison post hoc test

Market capitalisation	Shareholder structure	Board experience
<i>Gr1: < CHF 2,001m</i>	<i>Gr1: Individual(s)/family</i>	<i>Gr1: < 10 years</i>
<i>Gr2: CHF 2,001 – 10,000m</i>	<i>Gr2: Inst. Investor/activist</i>	<i>Gr2: 10 – 20 years</i>
<i>Gr3: > CHF 10,000m</i>	<i>Gr3: Government/(pension) fund</i>	<i>Gr3: > 20 years</i>

Table 7.2 Survey – Introductory Non-parametric Results

Variable	KW (H)	DB (p)	PE (r)	KW (H)	DB (p)	PE (r)	KW (H)	DB (p)	PE (r)
	Market capitalisation			Shareholder structure			Board experience		
Degrees of freedom = 2									
1. Succession is part of NC agenda	2.296 ^{ns}	–	–	0.936 ^{ns}	–	–	1.490 ^{ns}	–	–
2. Succession is planned long-term	2.919 ^{ns}	–	–	2.726 ^{ns}	–	–	3.285 ^{ns}	–	–
3. Candidate profiling is key	4.695*	1 vs. 2*	0.28	5.976**	2 vs. 3**	0.38	3.208 ^{ns}	–	–
4. Chair vs. ordinary board succession is more comprehensive	0.011 ^{ns}	–	–	0.398 ^{ns}	–	–	0.488 ^{ns}	–	–
5. Need for broader competences	0.685 ^{ns}	–	–	1.172 ^{ns}	–	–	11.584***	1 vs. 2***	0.43
6. Internal candidate has priority	0.680 ^{ns}	–	–	1.453 ^{ns}	–	–	2.269 ^{ns}	–	–
7. External candidate should serve at least for one year prior to election	1.274 ^{ns}	–	–	2.440 ^{ns}	–	–	1.457 ^{ns}	–	–
8. Control/govern	1.748 ^{ns}	–	–	0.004 ^{ns}	–	–	2.604 ^{ns}	–	–
9. Create	2.733 ^{ns}	–	–	0.975 ^{ns}	–	–	1.159 ^{ns}	–	–

(continued)

Table 7.2 (continued)

Variable	KW (H)	DB (p)	PE (r)	KW (H)	DB (p)	PE (r)	KW (H)	DB (p)	PE (r)
Degrees of freedom = 2									
Market capitalisation									
10. Collaborate	10.449***	1 vs. 2** 1 vs. 3**	0.36 0.34	2.236 ^{ns}	–	–	1.882 ^{ns}	–	–
11. Compete	2.000 ^{ns}	–	–	2.613 ^{ns}	–	–	0.209 ^{ns}	–	–

The inferential non-parametric statistics are analysed with the Kruskal-Wallis (KW) H test, the Dunn-Bonferroni (DB) multiple comparison post hoc test, and the Pearson (PE) correlation coefficient. Significance levels: 1% (***), 5% (**), 10% (*), and >10% (non-significant – ns).

Source: own illustration

Market Capitalisation

Market capitalisation shows significant group differences for candidate profiling (3) and role collaboration (10). First, small-cap organisations do not seem to consider the candidate profile as important as mid-cap organisations ($H = 4.695$, group 1 vs. 2, $p < 0.10$, $r = 0.28$), whereby the correlation between the two groups is small with a significance level of only 10%. One reason for this result could be the limited resources of small-caps to address the multidimensionality of the chair role adequately (Olson & Adams, 2004, p. 442). Compared to mid-caps, small-caps have only limited financial and human capacities to thoroughly set up a candidate profile (e.g. time and support). Second, assuming that small-caps are less in the spotlight (Gallego Alvarez et al., 2008, p. 606), they seem to perceive the role of challenging management and exchanging ideas with peers to be less important compared to mid- and large-caps ($H = 10.449$, group 1 vs. 2, $p < 0.05$, $r = 0.36$; $H = 10.449$, group 1 vs. 3, $p < 0.05$, $r = 0.34$). This implies that chairpersons of organisations with a market capitalisation of below CHF 2bn are less expected to engage with stakeholders and represent the organisation on key platforms (interviews, conference keynotes, etc.).

Shareholder Structure

With regard to *shareholder structure*, the only discrepancy between the groups was seen in candidacy profiling (3). There, assuming that usually more parties are involved and thus require more transparency and rigor (Schepker et al., 2018, p. 525), state-controlled organisations emphasised the need for systematic profiling more strongly ($H = 5.976$, group 2 vs. 3, $p < 0.05$, $r = 0.38$). Although it was expected that the demand for adequacy and professionalism would be intensified by activist tendencies of major shareholders (Huse, 2007, p. 72), institutional investors rated systematics in profiling and assessment lowest among the three groups under study.

Board Experience

In terms of *board experience*, the inferential statistics showed that participants with less than 10 years compared to participants with 10 – 20 of board experience were less likely to agree that a chairperson needs a wider range of competence categories ($H = 11.584$, group 1 vs. 2, $p < 0.01$, $r = 0.43$). Looking at the *role vs. group fit perspective*, which requires a chair having complementary experience to challenge board members (Section 4.1.2), the statistical discrepancy can be interpreted as an indicator that the less senior board members have not yet experienced all the cycles and dimensions of a board chair position (Helfat & Martin, 2015, p. 1286). This argumentation would emphasise the generally rather high

seniority of chairpersons, also reflected in the 39% of survey respondents who have more than 16 years of board experience in listed organisations (Figure 7.3, Section 7.2.1).

7.4 RQ1 Results

To answer RQ1 (*input-process-output*), survey participants were asked to either rank or (dis)agree with the underlying competence dimension. By pursuing the twofold approach, (positive) excess response biases should be intercepted and thus competence classifications made accordingly (see Section 7.7). In line with the methodological procedure (Section 7.1.4), first the descriptive statistics and then the inferential statistics will be highlighted.

7.4.1 Descriptive Statistics

To begin with, Figure 7.15 reflects the overall results of the *dyadic relationship* between the competences of a chairperson (Section 4.2.2). The first graph (above) shows the ranking of the five competence dimensions when participants were explicitly asked to rank/prioritise them (from highest to lowest).⁸ The second graph (below) reflects the aggregated responses regarding all individual competence items. As summarised in the following, the results for the ranking (graph above) partially contradict the theoretical hierarchical pyramid structure established by Garavan and McGuire (2001, pp. 151–152) and Spencer and Spencer (1993, p. 11):

(1) *Personal competence* has the highest priority among all aggregated individual aspects (98% ‘very important’ and ‘important’), but comes second when respondents were asked for a concrete ranking (rank #2); (2) *social competence* seems to be at the bottom of the pyramid rather than at the top, both in ranking (rank #4) and in aggregated dimensions (77% ‘very important’ and ‘important’); (3) *leadership competences* are ranked as the most important competence by 39 out of 80 participants (rank #1), but overall only as the third most important among the aggregated items (92% ‘very important’ and ‘important’); (4) *business competences* are the second most important in the aggregated dimensions

⁸ In contrast to the survey, the ranking was reversed/adjusted to the 5-Likert scale level with highest (5) and lowest priority (1). Initially, participants were asked to rank from 1 (highest priority) to 5 (lowest priority).

(95% ‘very important’ and ‘important’) and ranked #3 by the respondents when asked specifically; and (5) *technical competences* play the least important role (rank #5) and are the lowest aggregated dimension (45% ‘very important’ and ‘important’).

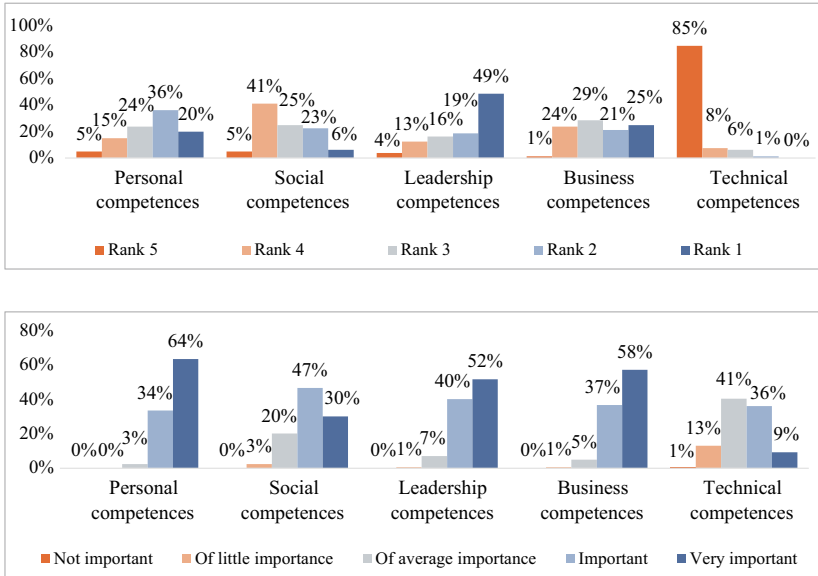


Figure 7.15 Survey – RQ1 Competence Category Ranking vs. Aggregated. (Source: own illustration)

A closer look at the components of the aggregated dimensions revealed that *personal competences* are deemed very important for the chair (Figure 7.16). This is shown by the meaningful result where only 3% of the participants chose ‘of average importance’ for personal competences (Figure 7.15, below). Strikingly important is integrity, which confirms societal discussions about the need for boards to behave with more integrity (Baches, 2021). Of all participants, 94% considered it ‘very important’. The second and third most important dimensions were authenticity (75% ‘very important’ and 24% ‘important’) and engagement (55% ‘very important’ and 45% ‘important’). For participants, as for others in this field, two important key competences for living up to the chair role are that the chairperson gives his or her best (authenticity) and goes the extra mile

(engagement). Of all four competences, curiosity is the least pronounced, with the majority identifying it as 'important' (60%).

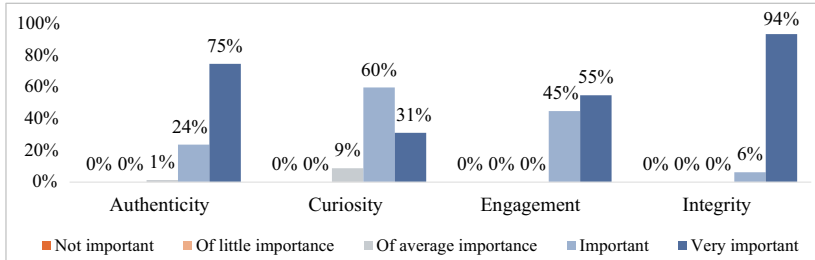


Figure 7.16 Survey – RQ1 Personal Competences. (Source: own illustration)

In terms of *social competences* (Figure 7.17), the overall low number of 'not important' answers illustrates the value of the chair's social skills for performing representative functions (Pasaribu, 2015, p. 32). First, cognitive empathy rated highest with 39% 'very important' and 49% 'important', confirming that it is an important factor for the quality of stakeholder exchange (Mahsud et al., 2010, p. 570). Second and third in social competences in terms of communication expertise and cultural affinity are verbal eloquence (82% 'very important' and 'important') and cultural awareness (79% 'very important' and 'important'). Network orientation as the fourth dimension, on the other hand, played a minor role despite its importance for access to resources (Section 4.2.1). Here, the majority of participants chose 'important' (45%) and 'of average importance' (35%).

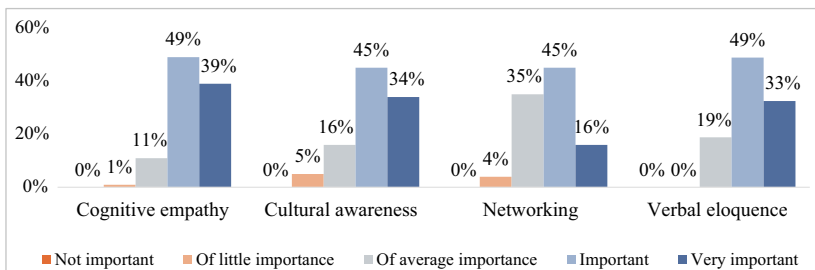


Figure 7.17 Survey – RQ1 Social Competences. (Source: own illustration)

When it comes to *leadership competences* (Figure 7.18), the results subject to the chairperson suggest that steering and controlling skills are a top priority for a chairperson. In accordance with Gabrielsson et al. (2007, p. 31), a look at the ranking of leadership competences highlights the critical questioning attitude (stamina, 59% ‘very important’) and the ability to collaborate, but to lead in an inclusive way (stewardship, 58% ‘very important’). With regard to collaboration and consensus building in teams and identifying and seizing visions for the organisation, team play (48% ‘very important’ and 46% ‘important’) and visionary thinking (44% ‘very important’ and 41% ‘important’) are ranked as the third and fourth leadership dimensions. The latter is the only variable that respondents rated as ‘not important’ (3%).

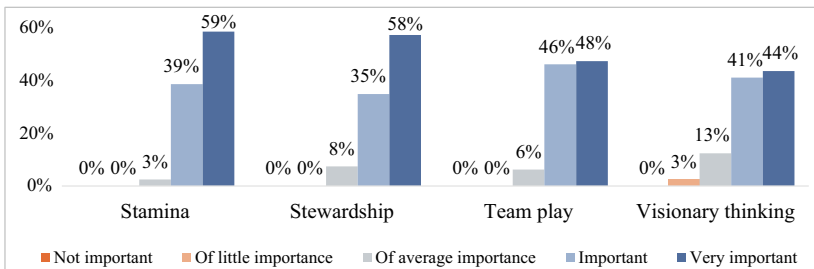


Figure 7.18 Survey – RQ1 Leadership Competences. (Source: own illustration)

In terms of *business competences* (Figure 7.19), survey partakers gave a high rating to strategic thinking (79% ‘very important’ and 21% ‘important’) and analytical thinking (46% ‘very important’ and 50% ‘important’). Both belong to the core tasks of the chair and the board (Section 2.1.2). As the 60% ‘very important’ and the 31% ‘important’ demonstrate, the chairperson’s crucial meta-cognitive skills for decision-making depend strongly on board literacy (Nordhaug, 1998, p. 11). The 3% ‘not important’ viewpoints symbolically indicate the crucial role board literacy plays for the chair. Somewhat less pronounced is disturbance handling, referred to as conflict and solution management skills, with 45% each for ‘very important’ and ‘important’.

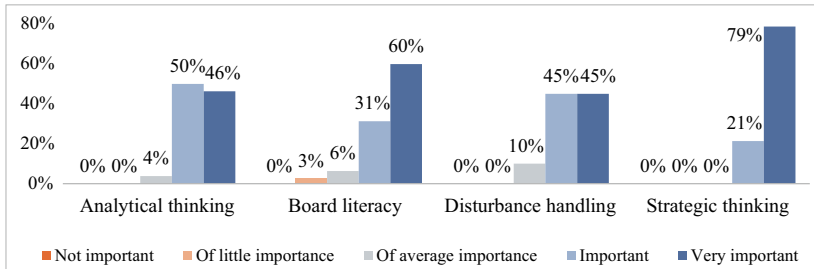


Figure 7.19 Survey – RQ1 Business Competences. (Source: own illustration)

For *technical competences* (Figure 7.20), the characteristics are more spread across the 5-point Likert scale and less pronounced overall. Here, human resources (63% ‘very important’ and ‘important’), audit and finance (62% ‘very important’ and ‘important’), and ESG (58% ‘very important’ and ‘important’) are the three top-rated functional skills of the chair. Less important are technology (39% ‘very important’ and ‘important’), legal (36% ‘very important’ and ‘important’), and marketing (18% ‘very important’ and ‘important’).

As the analysis indicates, respondents are somewhat critical in their assessment of legal competences (4% ‘not important’ and 25% ‘of little importance’). This is probably related to the fact that the nomination committee can count on the company secretary’s support in administrative and legal affairs for succession planning on the board (Section 4.3.2.2).

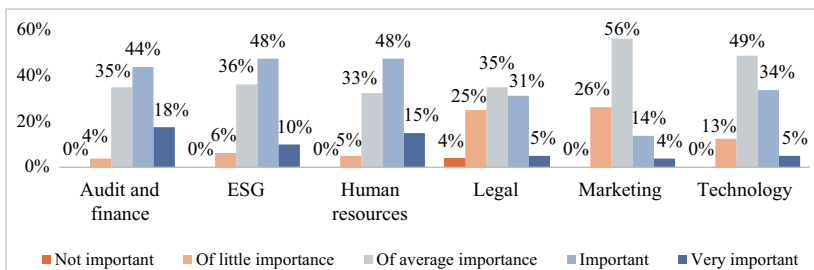


Figure 7.20 Survey – RQ1 Technical Competences. (Source: own illustration)

As the position of the chair is often occupied by senior individuals, the survey additionally assessed whether participants consider *previous experience* necessary

and if they do, what kind of experience (Figure 7.21). Confirming the view that experience in an organisation with multiple business units is valuable for qualifying as a chairperson and results in higher announcement returns (Meyerinck et al., 2016, pp. 209–210; Spencer Stuart, 2011, section 2), the survey participants ranked board experience first (87% ‘very important’ and ‘important’), management experience second (80% ‘very important’ and ‘important’), board committee experience third (73% ‘very important’ and ‘important’), chairperson experience fourth (65% ‘very important’ and ‘important’), and industry experience fifth (59% ‘very important’ and ‘important’).

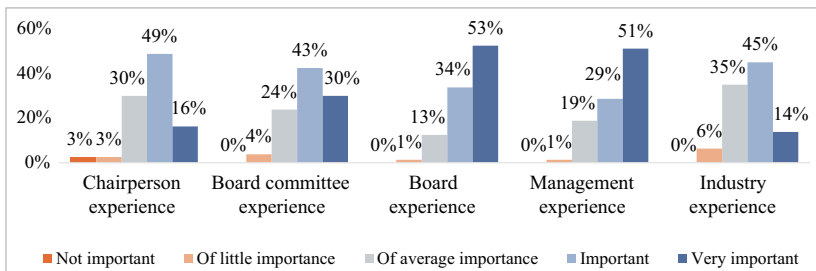


Figure 7.21 Survey – RQ1 Experience. (Source: own illustration)

Reflecting on the results, three points are striking. First, contrary to the results for the top two variables (board experience and management experience), the results showed that the majority of organisations in the sample refrained from insisting on previous experience as a chairperson (16% ‘very important’). It is said that overemphasis of previous experience would further reduce the limited number of available candidates (Brown, 2007, p. 304).⁹ Second, the strong preference for management experience for the chair function is also evident in Fortune 50 organisations where 90% of persons elected were previously CEO, CFO, or COO (Heidrick & Struggles, 2021, p. 3). However, the importance of prior management leadership experience for the chair position is likely to diminish over time as boards seek to diversify themselves. Third, consistent with insights reported by Frey’s (2019, p. 91) Swiss board study, participants disagree

⁹ According to Spencer Stuart (2020a, p. 5), for example, half of all FTSE100 chairpersons appointed between 2016 and 2019 were persons who had never chaired the board of a listed organisation before.

about the importance of industry expertise. Some consider it indispensable (14% ‘very important’), others ‘of little importance’ (6%) or ‘of average importance’ (35%).¹⁰

7.4.2 Inferential Statistics

Now that the descriptive findings for RQ1’s chairperson competences have been presented, it is time to check for statistical variation of the responses in a non-parametric analysis according to Kruskal-Wallis (KW) and Dunn-Bonferroni (DB). For market capitalisation, shareholder structure, and board experience, an overview of the statistical results in Table 7.3 shows that significant response discrepancies primarily occur for shareholder structure, but occasionally also for market capitalisation and board experience.

Reminder: group definitions for the Dunn-Bonferroni (DB) multiple comparison post hoc test

Market capitalisation	Shareholder structure	Board experience
<i>Gr1: < CHF 2,001m</i>	<i>Gr1: Individual(s)/family</i>	<i>Gr1: < 10 years</i>
<i>Gr2: CHF 2,001 – 10,000m</i>	<i>Gr2: Inst. Investor/activist</i>	<i>Gr2: 10 – 20 years</i>
<i>Gr3: > CHF 10,000m</i>	<i>Gr3: Government/(pension) fund</i>	<i>Gr3: > 20 years</i>

Market Capitalisation

For *market capitalisation*, statistically significant discrepancies occur for (17) visionary thinking and (21) strategic thinking. First, since a visionary personality can have a positive effect on the governance of the often cumbersome large(r) organisations (Den Hartog, 2004, p. 175), visionary thinking is less pronounced in small-caps than mid-caps ($H = 5.800$, group 1 vs. 2, $p < 0.05$, $r = 0.31$). While there are significant differences at the 5% level, it is important to remember that they occur at a moderate correlation level ($r = 0.31$) and therefore need to be put

¹⁰ According to Fitzsimmons and Callan (2016), specific industry and/or prior management experience can be “valued by firms only where they are accrued in specific industry or organizational contexts” (p. 778).

Table 7.3 Survey – RQ1 Non-parametric Results

Variable	KW (H)	DB (p)	PE (r)	KW (H)	DB (p)	PE (r)	KW (H)	DB (p)	PE (r)
Degrees of freedom = 2									
	Market capitalisation			Shareholder structure			Board experience		
1. Personal competences	0.89 ^{ns}	–	–	5.555*	2 vs. 3*	0.37	2.192 ^{ns}	–	–
2. Social competences	0.387 ^{ns}	–	–	2.623	–	–	0.019 ^{ns}	–	–
3. Leadership competences	1.967 ^{ns}	–	–	6.228**	1 vs. 2**	0.30	0.752 ^{ns}	–	–
4. Business competences	0.471 ^{ns}	–	–	3.471	–	–	4.172 ^{ns}	–	–
5. Technical competences	2.059 ^{ns}	–	–	1.353	–	–	1.414 ^{ns}	–	–
6. Authenticity	0.614 ^{ns}	–	–	2.157 ^{ns}	–	–	1.896 ^{ns}	–	–
7. Curiosity	1.582 ^{ns}	–	–	1.358 ^{ns}	–	–	5.527*	1 vs. 2*	0.28
8. Engagement	0.083 ^{ns}	–	–	1.088 ^{ns}	–	–	0.238 ^{ns}	–	–
9. Integrity	0.339 ^{ns}	–	–	0.350 ^{ns}	–	–	1.946 ^{ns}	–	–
10. Cognitive empathy	4.416 ^{ns}	–	–	0.234 ^{ns}	–	–	4.066 ^{ns}	–	–
11. Cultural awareness	5.426*	–	–	1.788 ^{ns}	–	–	1.873 ^{ns}	–	–
12. Networking	2.494 ^{ns}	–	–	12.566***	1 vs. 3*** 2 vs. 3*	0.48 0.37	1.976 ^{ns}	–	–

(continued)

Table 7.3 (continued)

Variable	KW (H)	DB (p)	PE (r)	KW (H)	DB (p)	PE (r)	KW (H)	DB (p)	PE (r)
Degrees of freedom = 2									
	Market capitalisation			Shareholder structure			Board experience		
13. Verbal eloquence	1.964 ^{ns}	-	-	2.988 ^{ns}	-	-	3.986 ^{ns}	-	-
14. Stamina	1.259 ^{ns}	-	-	3.603 ^{ns}	-	-	0.922 ^{ns}	-	-
15. Stewardship	3.913 ^{ns}	-	-	0.869 ^{ns}	-	-	10.289 ^{***}	1 vs. 2 ^{***}	0.39
16. Team play	0.091 ^{ns}	-	-	0.272 ^{ns}	-	-	5.573*	-	-
17. Visionary thinking	5.800*	1 vs. 2 ^{**}	0.31	1.876 ^{ns}	-	-	0.195 ^{ns}	-	-
18. Analytical thinking	3.117 ^{ns}	-	-	2.964 ^{ns}	-	-	0.849 ^{ns}	-	-
19. Board literacy	2.966 ^{ns}	-	-	2.342 ^{ns}	-	-	0.889 ^{ns}	-	-
20. Disturbance handling	3.678 ^{ns}	-	-	0.713 ^{ns}	-	-	1.090 ^{ns}	-	-
21. Strategic thinking	7.414 ^{**}	2 vs. 3 ^{**}	0.41	2.680 ^{ns}	-	-	0.431 ^{ns}	-	-
22. Audit and finance	2.662 ^{ns}	-	-	9.600 ^{***}	1 vs. 3 ^{**} 2 vs. 3 ^{**}	0.37 0.45	0.465 ^{ns}	-	-
23. ESG	0.441 ^{ns}	-	-	5.203*	1 vs. 3*	0.31	2.531 ^{ns}	-	-
24. Human resources	1.980 ^{ns}	-	-	4.205 ^{ns}	-	-	3.438 ^{ns}	-	-

(continued)

Table 7.3 (continued)

Variable	KW (H)	DB (p)	PE (r)	KW (H)	DB (p)	PE (r)	KW (H)	DB (p)	PE (r)
Degrees of freedom = 2									
	Market capitalisation			Shareholder structure			Board experience		
25. Legal	0.622 ^{ns}	–	–	9.749 ^{**}	1 vs. 3 ^{***} 2 vs. 3 ^{**}	0.41 0.39	0.371 ^{ns}	–	–
26. Marketing	0.149 ^{ns}	–	–	2.490 ^{ns}	–	–	0.957 ^{ns}	–	–
27. Technology	0.763 ^{ns}	–	–	2.687 ^{ns}	–	–	2.845 ^{ns}	–	–
28. Chairperson experience	8.922 ^{**}	–	–	8.408 ^{**}	1 vs. 3 ^{**}	0.39	1.326 ^{ns}	–	–
29. Board committee experience	0.320 ^{ns}	–	–	4.357 ^{ns}	–	–	0.084 ^{ns}	–	–
30. Board experience	0.762 ^{ns}	–	–	3.042 ^{ns}	–	–	2.489 ^{ns}	–	–
31. Management experience	0.229 ^{ns}	–	–	1.776 ^{ns}	–	–	5.839 [*]	2 vs. 3 [*]	0.35
32. Industry experience	1.370 ^{ns}	–	–	8.012 ^{**}	1 vs. 3 ^{**}	0.38	3.718 ^{ns}	–	–

The inferential non-parametric statistics are analysed with the Kruskal-Wallis (KW) H test, the Dunn-Bonferroni (DB) multiple comparison post hoc test, and the Pearson (PE) correlation coefficient. Significance levels: 1% (***), 5% (**), 10% (*), and >10% (non-significant – ns).

Source: own illustration

into context when interpreting them. Second, mid-caps emphasise the importance of strategic thinking skills more than large-caps ($H = 7.414$, group 2 vs. 3, $p < 0.05$, $r = 0.41$). Of all participants from mid-caps, only one chose 'important', all others 'very important'. Despite the 5% significance level, however, it should be mentioned here that large-caps also give high priority to strategic capabilities (median = 5.00).

Shareholder Structure

For *shareholder structure*, there are eight significant group comparison results for (1) personal competences, (3) leadership competences, (12) networking, (22) audit and finance, (23) ESG, (25) legal, (28) chair experience, and (32) industry experience. To start with, the analysis of the ranking of the five competence dimensions shows, on the one hand, that organisations with institutional ownership place a higher value on personal competences than organisations with government ownership ($H = 5.555$, group 2 vs. 3, $p < 0.10$, $r = 0.37$). On the other hand, family-owned organisations prioritise leadership competences significantly more when comparing the results with those of institutional investor/activist ownership ($H = 6.228$, group 1 vs. 2, $p < 0.05$, $r = 0.30$).¹¹ In more detail, the sample shows that family- and state-owned organisations clearly favour leadership skills over all other dimensions (median 5.00). This result is somewhat surprising, however, as it was expected that organisations owned by individuals or the government would rank personal competences higher due to family/political lobbying relationships than organisations owned by institutional block holders (Kim & Cannella, 2008, p. 288).

Second, even more significant among the three group variables is networking ($H = 12.566$, group 1 vs. 3, $p < 0.01$, $r = 0.48$; $H = 12.566$, group 2 vs. 3, $p < 0.10$, $r = 0.37$). The statistical differences for family- vs. state-owned (1% significance level) and institutional investor- vs. state-owned organisations (10% significance level) highlight the need for the chairperson to interact with key stakeholders. Thereby, the individual(s)/family dimension seems to play the least role (median = 3.00). One can infer that the 1% significance level for the group comparison between family- and state-owned organisations has to do with the fact that a large number of family-owned organisations have shareholder representatives on the board (31 out of 39). It can thus be assumed that representation on the board reduces the need for extensive ownership interactions for the participants in the underlying sample.

¹¹ This finding also applies to state-owned organisations, but the result was not statistically significant.

Third, there are discrepancies in technical competences between audit and finance ($H = 9.600$, group 1 vs. 3, $p < 0.05$, $r = 0.37$; $H = 9.600$, group 2 vs. 3, $p < 0.05$ and $r = 0.45$), ESG (5.203 , group 1 vs. 3, $p < 0.10$, $r = 0.31$), and legal ($H = 9.749$, group 1 vs. 3, $p < 0.01$, $r = 0.41$; $H = 9.749$, group 1 vs. 2, $p < 0.05$, $r = 0.39$). The results for the three technical components are driven by high conformity of state-owned organisations, while organisations owned by individuals/families and institutional investors/activists have lower relevance. As highlighted in the descriptive statistics of the introductory results (Section 7.3.1), this could be due to the fact that boards from organisations owned by individuals/families and institutional investors/activists are more diversified and that functional competences play a stronger role with regard to ordinary board members.

For the last block, which deals with candidates' track record, significant differences exist between family- and state-owned organisations in terms of chair experience ($H = 8.408$, group 1 vs. 3, $p < 0.05$, $r = 0.39$) and industry experience ($H = 8.012$, group 1 vs. 3, $p < 0.05$, $r = 0.38$). In this context, experience is understood as a tool for coping with complexity (Helfat & Martin, 2015, p. 1286). To counteract organisational complexity, as one of many reasons, state-owned organisations therefore value practical experience for the chair position even more than technical competences (Aberg & Shen, 2020, p. 177; Owen & Kirchmaier, 2008, p. 205).

Board Experience

Regarding *board experience*, different statistical results are examined for (7) curiosity, (15) stewardship, and (31) management experience. First, survey participants with 10 – 20 years of experience are more likely to favour the curiosity components than participants with less than 10 years of experience ($H = 5.527$, group 1 vs. 2, $p < 0.10$, $r = 0.28$). Although at the 10% significance level, the results underline that it is more important for board members with intermediate experience to vote for a chairperson who keeps pace with economic and technological developments while fostering a collective learning and development process in the board (Morais & Kakabadse, 2013, pp. 82–83). As expected and illustrated by the weak Pearson coefficient ($r = 0.28$), curiosity is also not unimportant for less experienced participants, but is less emphasised in the underlying data structure.

Second, people with 10 – 20 years of experience consider the stewardship and facilitation competence to be crucial ($H = 10.289$, group 1 vs. 2, $p < 0.01$, $r = 0.39$). By contrast, people with less than 10 years of board experience see less benefit in the steering and goal-orientation skills of the chair. Given the results, it appears that board members with less than 10 years of experience recognise the joint and several liability (in German: *Solidarhaftung*) of the board of directors more strongly with respect to Article 716a revCO.

Third, another statistical difference relates to management experience ($H = 5.839$, group 2 vs. 3, $p < 0.10$, $r = 0.35$). In the group of individuals with 10 – 20 years and the group with more than 20 years of experience, the participants with medium experience most strongly prefer people at the top who have already held one or more senior management positions. Considering that the manager is a vital organisational resource and that it has been common in the past to move from CEO to chairperson (Buchholtz et al., 2003, p. 506; Spencer Stuart, 2014, p. 5), it was to be anticipated that the more experienced participants would emphasise management experience the most at the top (median 4.00). However, this phenomenon could not be confirmed in the underlying sample.

7.5 RQ2 Results

In examining RQ2 (input-*process*-output), survey participants were initially asked to what extent the key contingencies influence the search process. Also, they were asked to what extent they are willing to involve the key stakeholders in the succession of the chairperson. Again, in accordance with the methodological procedure described (Section 7.1.4), the results are first presented using descriptive statistics and then using inferential statistics.

7.5.1 Descriptive Statistics

To start with, Figure 7.22 looks at the aggregated responses of all contingency dimensions (business, environmental, governance, political). In line with societal discussions (e.g. Hill, 2021), the strongest effects come from governance- (65% ‘very important’ and ‘important’) and business-related factors (63% ‘very important’ and ‘important’). Somewhat less important or positive are environmental (33% ‘very important’ and ‘important’) and political contingencies (40% ‘very important’ and ‘important’). When looking at all four dimensions, it is

remarkable that all ‘very low/negative’ and ‘low/negative’ combined are below 30%. This can be interpreted in such a way that there is a great opportunity to influence the process structure.¹²

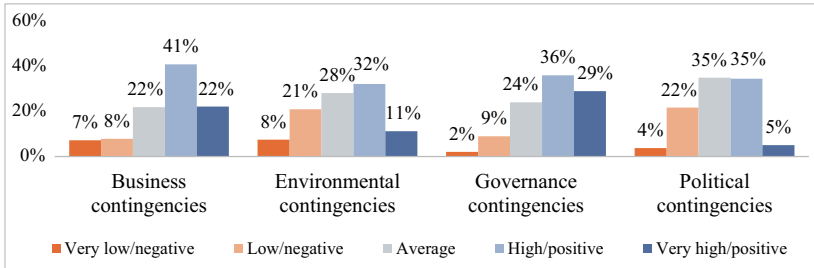


Figure 7.22 Survey – RQ2 Contingencies Category Ranking. (Source: own illustration)

In terms of *business contingencies* (Figure 7.23), which now specify the individual variables in each dimension, board structure and strategy appeared to be the two most important influencing factors. Overall, 81% of the participants voted ‘high’ and ‘very high’ for board structure and 74% for strategy. Life cycle ranked third with slightly more ‘average’ (31%) and fewer ‘very high’ (11%) responses. In contrast to the qualitative statements in the interviews (Section 6.5), respondents seem to attach less importance to the life cycle thematic (11% ‘very high’ and 49% ‘high’).

When applying a *contingency perspective* to the life cycle, as proposed by Gabrielsson and Huse (2004, p. 20), it is worth noting that the results should be interpreted with caution, as the advanced maturity stage of the underlying organisations influences the outcome (the more mature, the lower the importance of the life cycle). The high maturity of the chairpersons and head of nomination committees in the survey sample (Section 7.2.1) is the reason why the life cycle is probably given too little importance. Last but not least, the almost even distribution from ‘very low’ (23%) to ‘very high’ (19%) shows that the participants have divergent views on the influence of the owner in chair succession.¹³

Among *environmental contingencies* (Figure 7.24), industry (26% ‘very high’ and 48% ‘high’) and market dynamics (6% ‘very high’ and 40% ‘high’) have the strongest effect on chairperson succession. The influence of hard and soft

¹² This is confirmed by Barth (2013, p. 40), who speaks of comprehensive process characteristics in this context (in German: übergreifende Prozessmerkmale).

¹³ The discrepancy is most likely related to the structure of block holdings (individual/family vs. institutional investor/activist vs. state/(pension) fund) affecting the sample (Chapter 7.2.2).

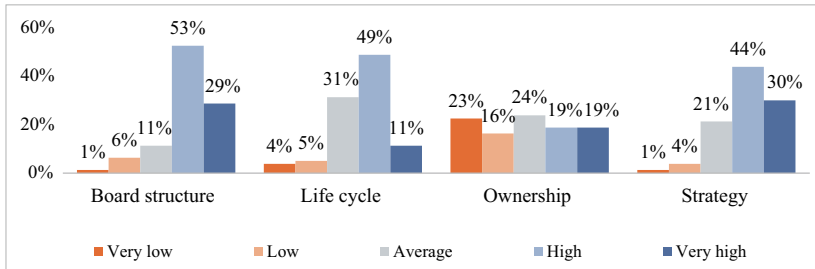


Figure 7.23 Survey – RQ2 Business Contingencies. (Source: own illustration)

legal regulation is slightly above average and third strongest (median 3.00). Approximately 36% of all participants see a ‘very low’ to ‘low’ influence on process planning. Interestingly, cross-checking regulation by sector distribution shows that regulatory influence primarily affects organisations in the financial, healthcare, and real estate sectors. Although anticipated to have a strong impact on the succession of the chair due to increasing activism in recent years (Section 4.3.3.2), the proxy advisor is the environmental dimension with the lowest impact with 20% ‘very low’ and 36% ‘low’ responses.

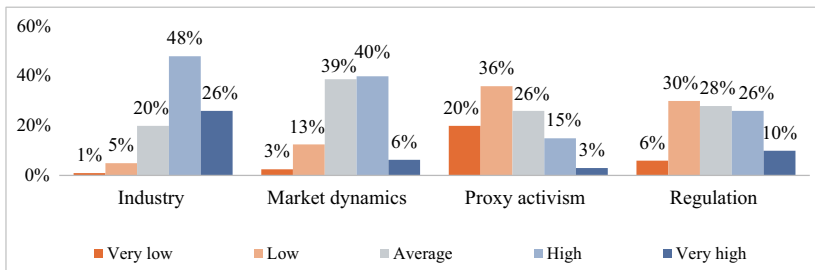


Figure 7.24 Survey – RQ2 Environmental Contingencies. (Source: own illustration)

For *governance contingencies* (Figure 7.25), the items confirm the expected high scores. In particular, the three established factors of independence (51% ‘very high’), confidentiality (43% ‘very high’), and overboarding (35% ‘very high’) have an effect on the selection process of the board chair. With lower

scores than the three most important governance variables, the influence of diversity (11% ‘very high’ and 39% ‘high’) and Swissness (5% ‘very high’ and 30% ‘high’) is moderate compared to expectations.

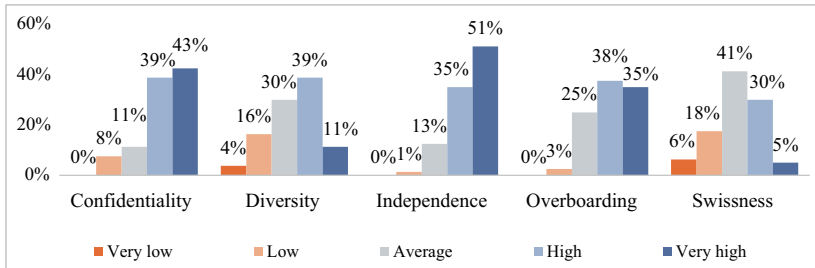


Figure 7.25 Survey – RQ2 Governance Contingencies. (Source: own illustration)

For *political contingencies* (Figure 7.26), as political games tend to be disadvantageous (Walther, Calabrò, & Morner, 2017, p. 353), it was assumed in the theory (Section 4.1.2) and the interviews (Section 6.2) that the nomination process follows objective rather than subjective criteria. It was therefore predicted that the political dimensions would be rather ‘(very) negative’ than ‘(very) positive’. However, the overall positive results of the underlying sample speak a different language. While network effects have the advantage of making contacts and gaining prior knowledge about the candidate (4% ‘very positive’ and 44% ‘positive’), there is also a slightly above-average positive attitude towards board chair influence (9% ‘very positive’ and 38% ‘positive’). In contrast, power, with a median of 3.00 and a mode of 2, appears slightly below ‘average’ (34%) and more in line with the literature review and qualitative insights (9% ‘very negative’ and 35% ‘negative’).

After dealing with the key contingencies, the descriptive results of the key stakeholders with respect to the succession process of the chairperson are analysed. Beginning with *board involvement* (Figure 7.27), survey participants overall agree that full board participation in succession is important. Of the four questions asked, the one question whether the board members must express an opinion on the candidate profile was most clearly answered with a total of 65% ‘strongly agree’, 24% ‘agree’, 5% ‘neutral’, and only 5% ‘disagree’. Less important and slightly controversial among survey participants are participation in board interviews (18% ‘strongly disagree’ and ‘disagree’) and approval of candidacy for the entire board (16% ‘strongly disagree’ and ‘disagree’). To further explore the

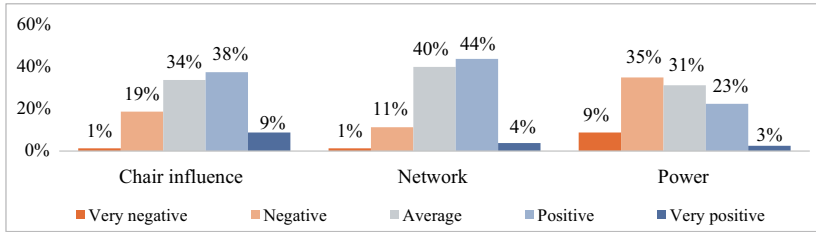


Figure 7.26 Survey – RQ2 Political Contingencies. (Source: own illustration)

question of whether the current or the departing chairperson should be involved, participants were specifically asked about their opinion on the active engagement of the chair and his or her involvement in the search for a successor. Following Owen and Kirchmaier (2008, p. 203), who see in a strong involvement a knowledge and advisory advantage for the nomination committee, the findings indicate that the majority of participants were also in favour of a strong involvement of the board chair (68% ‘strongly agree’ and ‘agree’).

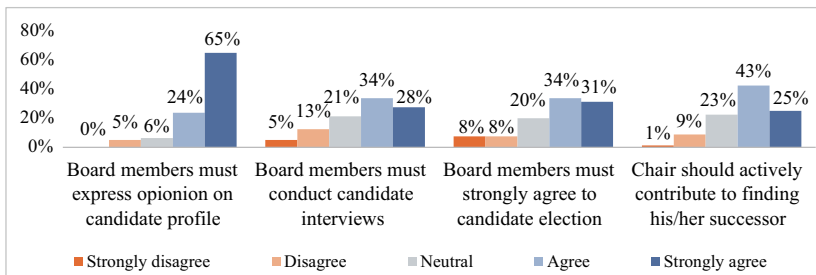


Figure 7.27 Survey – RQ2 Board Involvement. (Source: own illustration)

For *company secretary involvement* (Figure 7.28), the overall results are critical. Participants see the company secretary’s role primarily as a process facilitator (31% ‘strongly agree’ and 18% ‘agree’). However, they see no influence on the distribution of information (76% ‘strongly disagree’ and ‘disagree’) or the need to conduct interviews (87% ‘strongly disagree’ and ‘disagree’). As there are assumingly differences in the role of the company secretary depending on the organisations one is talking to, some of the respondents give less importance to the supporting function (16% ‘strongly disagree’ and 20% ‘disagree’).

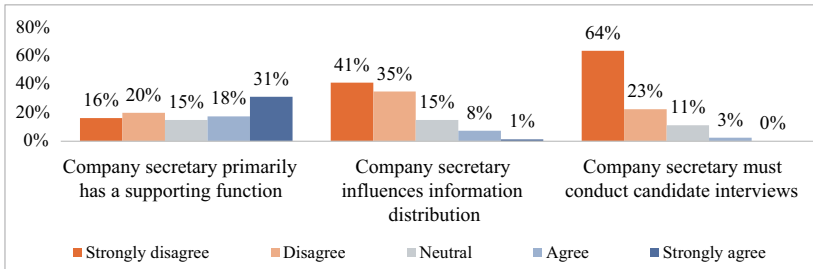


Figure 7.28 Survey – RQ2 Company Secretary Involvement. (Source: own illustration)

For *CEO involvement* (Figure 7.29), participation was rated positively overall. Analogous to Olson and Adam (2004, p. 449), the participants recognised the expression of opinion on the candidate’s profile, the alignment with strategic entrepreneurial philosophy, and the interview participation as insightful. However, as the values in Figure 7.29 show, interview participation (18% ‘strongly disagree’) and expressing an opinion on the profile of the chair profile (5% ‘strongly disagree’) are not considered uncritical. Following the results and theories (Sections 1.4.1 and 4.3.2.3), it can be concluded that in the Swiss governance environment, the CEO tends to have little influence on the choice of the chair.

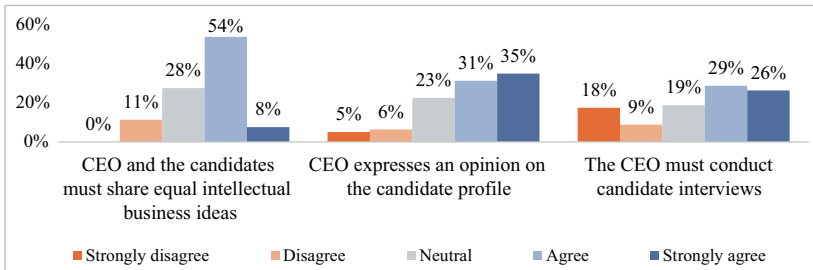


Figure 7.29 Survey – RQ2 CEO Involvement. (Source: own illustration)

With respect to *board advisory involvement* (Figure 7.30), the answers are distributed on average around the median value of the 5-Likert scale (3.00 = ‘neutral’). Following the median, the participants prioritise the gatekeeper function (49% ‘strongly agree’ and ‘agree’), the objectivity provided (37% ‘strongly agree’ and ‘agree’), and the need for process support (26% ‘strongly agree’ and

‘agree’) in the ranking order presented. As can be seen in the overall distribution in Figure 7.30, there are participants who are very positive about the support of a board advisor in chair succession, while others are rather sceptical. The tension described in the theory in Section 4.3.2.1 between the expansion of the candidate pool (positive) and the different strategically limited concept of fit approaches with which various board advisors work (negative) are each a reason for the partly positive, partly negative attitude (Doldor et al., 2012, p. 29).

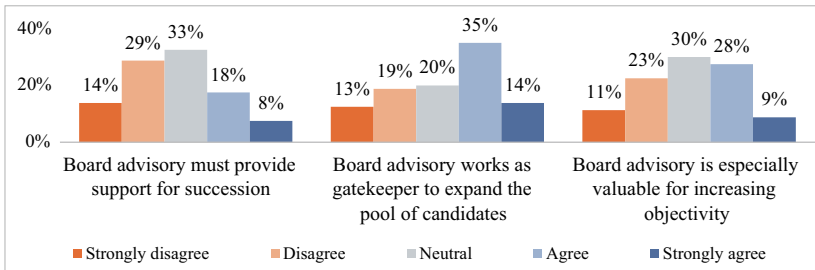


Figure 7.30 Survey – RQ2 Board Advisory Involvement. (Source: own illustration)

For *shareholder involvement* (Figure 7.31), the results indicated that shareholders demand rigorous succession planning (10% ‘strongly agree’ and 40% ‘agree’) and an understanding of its process (4% ‘strongly agree’ and 31% ‘agree’). According to the results, organisations should therefore be concerned about providing appropriate information to meet shareholders’ expectations regarding the chairperson succession process. However, with 39% ‘disagree’ and 31% indicating ‘neutral’, participants see neither a strong positive nor a strong negative desire among shareholders to express expectations and opinions. Given the outcome, it seems that shareholders trust the nomination committee to conduct an objective and competent succession process.

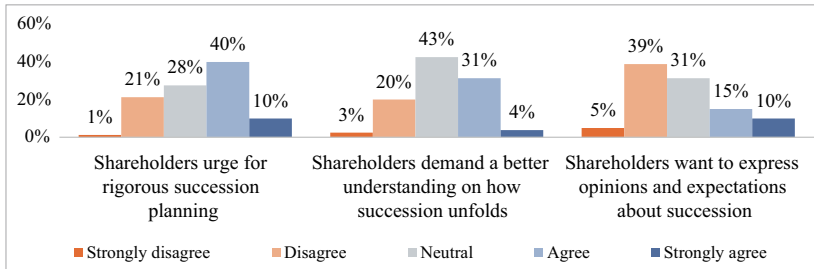


Figure 7.31 Survey – RQ2 Shareholder Involvement. (Source: own illustration)

7.5.2 Inferential Statistics

Section 7.5.2 focuses on the non-parametric statistics for RQ2 and highlights the results of the Kruskal-Wallis (KW) and Dunn-Bonferroni (DB) tests (Table 7.4). By outlining the inferential statistics, yet without intending to neglect the statistics for market capitalisation and board experience, particularly the strong response variations in terms of shareholder structure are highlighted. In accordance with Banerjee et al. (2020), the large discrepancy with respect to shareholder structure illustrates that the succession processes for board chairs in organisations that are owned by individuals/families or institutional investors/activists or governments/(pension) funds have unique dynamics and consequently differ.

Reminder: group definitions for the Dunn-Bonferroni (DB) multiple comparison post hoc test

Market capitalisation	Shareholder structure	Board experience
<i>Gr1: < CHF 2,001m</i>	<i>Gr1: Individual(s)/family</i>	<i>Gr1: < 10 years</i>
<i>Gr2: CHF 2,001 – 10,000m</i>	<i>Gr2: Inst. Investor/activist</i>	<i>Gr2: 10 – 20 years</i>
<i>Gr3: > CHF 10,000m</i>	<i>Gr3: Government/(pension) fund</i>	<i>Gr3: > 20 years</i>

Table 7.4 Survey – RQ2 Non-parametric Results

Variable	KW (H)	DB (p)	PE (r)	KW (H)	DB (p)	PE (r)	KW (H)	DB (p)	PE (r)
	Market capitalisation			Shareholder structure			Board experience		
Degrees of freedom = 2									
1. Board structure	4.332 ^{ns}	–	–	1.253 ^{ns}	–	–	0.983 ^{ns}	–	–
2. Life cycle	0.413 ^{ns}	–	–	1.898 ^{ns}	–	–	4.822*	–	–
3. Ownership	7.085**	1 vs. 3**	0.35	7.333**	1 vs. 2** 2 vs. 3*	0.31 0.35	0.329 ^{ns}	–	–
4. Strategy	4.628 ^{ns}	–	–	3.914 ^{ns}	–	–	6.242**	2 vs. 3**	0.36
5. Industry	4.646*	1 vs. 2*	0.28	0.470 ^{ns}	–	–	3.897 ^{ns}	–	–
6. Market dynamics	1.716 ^{ns}	–	–	2.662 ^{ns}	–	–	0.157 ^{ns}	–	–
7. Proxy activism	1.423 ^{ns}	–	–	8.309**	1 vs. 2**	0.32	0.014 ^{ns}	–	–
8. Regulation	0.632 ^{ns}	–	–	9.146**	1 vs. 3*** 2 vs. 3*	0.41 0.34	1.880 ^{ns}	–	–
9. Confidentiality	1.220 ^{ns}	–	–	8.696**	2 vs. 3**	0.46	1.305 ^{ns}	–	–
10. Diversity	0.463 ^{ns}	–	–	10.371***	1 vs. 3*** 2 vs. 3**	0.42 0.42	11.248***	1 vs. 3** 2 vs. 3***	0.39 0.47
11. Independence	8.598**	1 vs. 2**	0.37	3.452 ^{ns}	–	–	7.452**	2 vs. 3**	0.36
12. Overboarding	3.816 ^{ns}	–	–	3.191 ^{ns}	–	–	0.640 ^{ns}	–	–
13. Swissness	0.344 ^{ns}	–	–	3.350 ^{ns}	–	–	0.948 ^{ns}	–	–
14. Chairperson influence	1.204 ^{ns}	–	–	5.368*	2 vs. 3*	0.36	3.360 ^{ns}	–	–

(continued)

Table 7.4 (continued)

Variable	KW (H)	DB (p)	PE (r)	KW (H)	DB (p)	PE (r)	KW (H)	DB (p)	PE (r)
	Market capitalisation			Shareholder structure			Board experience		
Degrees of freedom = 2									
15. Network	1.838 ^{ns}	-	-	12.619***	1 vs. 3** 2 vs. 3***	0.40 0.54	2.775 ^{ns}	-	-
16. Power	0.340 ^{ns}	-	-	6.344**	2 vs. 3**	0.39	6.256**	1 vs. 2**	0.34
17. Board members must express opinion on candidate profile	0.056 ^{ns}	-	-	2.071 ^{ns}	-	-	0.886 ^{ns}	-	-
18. Board members must conduct candidate interviews	0.778 ^{ns}	-	-	6.986**	2 vs. 3**	0.38	0.053 ^{ns}	-	-
19. Board members must strongly agree to candidate election	2.226 ^{ns}	-	-	3.705 ^{ns}	-	-	2.100 ^{ns}	-	-
20. Chair should actively contribute to finding his/her successor	6.457**	1 vs. 2**	0.33	0.347 ^{ns}	-	-	0.806 ^{ns}	-	-

(continued)

Table 7.4 (continued)

Variable	KW (H)	DB (p)	PE (r)	KW (H)	DB (p)	PE (r)	KW (H)	DB (p)	PE (r)
	Market capitalisation			Shareholder structure			Board experience		
Degrees of freedom = 2									
21. Company secretary primarily has a supporting function	2.042 ^{ns}	-	-	0.235 ^{ns}	-	-	5.079*	2 vs. 3*	0.33
22. Company secretary influences information distribution	2.041 ^{ns}	-	-	6.013**	1 vs. 3*	0.32	8.313**	1 vs. 2* 1 vs. 3**	0.28 0.36
23. Company secretary must conduct candidate interviews	0.421 ^{ns}	-	-	5.066*	1 vs. 3*	0.29	3.928 ^{ns}	-	-
24. CEO and candidates must share equal intellectual business ideas	0.489 ^{ns}	-	-	0.386 ^{ns}	-	-	0.509 ^{ns}	-	-
25. CEO expresses an opinion on the candidate profile	0.389 ^{ns}	-	-	1.100 ^{ns}	-	-	0.800 ^{ns}	-	-

(continued)

Table 7.4 (continued)

Variable	KW (H)	DB (p)	PE (r)	KW (H)	DB (p)	PE (r)	KW (H)	DB (p)	PE (r)
	Market capitalisation			Shareholder structure			Board experience		
Degrees of freedom = 2									
26. CEO must conduct candidate interviews	1.836 ^{ns}	-	-	1.646 ^{ns}	-	-	1.945 ^{ns}	-	-
27. Board advisory must provide support for succession	2.576 ^{ns}	-	-	0.318 ^{ns}	-	-	0.101 ^{ns}	-	-
28. Board advisory works as gatekeeper to expand the pool of candidates	0.847 ^{ns}	-	-	0.532 ^{ns}	-	-	0.952 ^{ns}	-	-
29. Board advisory is especially valuable for increasing objectivity	0.469 ^{ns}	-	-	1.222 ^{ns}	-	-	0.719 ^{ns}	-	-
30. Shareholders urge for rigorous succession planning	0.247 ^{ns}	-	-	1.443 ^{ns}	-	-	2.547 ^{ns}	-	-

(continued)

Table 7.4 (continued)

Variable	KW (H)	DB (p)	PE (r)	KW (H)	DB (p)	PE (r)	KW (H)	DB (p)	PE (r)
	Market capitalisation			Shareholder structure			Board experience		
Degrees of freedom = 2									
31. Shareholders demand a better understanding on how succession unfolds	3.098 ^{ns}	–	–	2.047 ^{ns}	–	–	1.011 ^{ns}	–	–
32. Shareholders want to express opinions and expectations about succession	3.484 ^{ns}	–	–	0.616 ^{ns}	–	–	5.008*	2 vs. 3*	0.33

The inferential non-parametric statistics are analysed with the Kruskal-Wallis (KW) H test, the Dunn-Bonferroni (DB) multiple comparison post hoc test, and the Pearson (PE) correlation coefficient. Significance levels: 1% (***), 5% (**), 10% (*), and >10% (non-significant – ns).

Source: own illustration

Market Capitalisation

For *market capitalisation*, the statistically significant results for small- vs. large-caps relate to (3) ownership and for small- vs. mid- caps to (5) industry, (11) independence, and (20) active chairperson contribution. When looking at small- vs. large-caps variations, the first finding is that small-caps rate the influence of ownership structure more highly ($H = 7.085$, group 1 vs. 3, $p < 0.05$, $r = 0.35$). This relates to the fact that organisations with smaller market capitalisation have more substantial block holdings and consequently pay more attention to ownership (Credit Suisse Research Institute, 2017, p. 6). Based on this specific insight, small-caps in particular should seek to engage in proactive chair succession dialogue with their owners.

For mid-sized compared to smaller organisations, responses are stronger for industry ($H = 4.646$, group 1 vs. 2, $p < 0.10$, $r = 0.28$) and independence ($H = 8.598$, group 1 vs. 2, $p < 0.05$, $r = 0.37$), but weaker for active chair contribution ($H = 6.457$, group 1 vs. 2, $p < 0.05$, $r = 0.33$). Since larger organisations tend to be more in the focus of stakeholders (Deegan et al., 2002, p. 321), the examination of the results suggests that large-caps are more likely to implement processes according to best practice or regulatory criteria.

Shareholder Structure

For *shareholder structure*, statistically relevant group response variances arise for (3) ownership, (7) proxy activism, (8) regulation, (9) confidentiality, (10) diversity, (14) chairperson influence, (15) network, (16) power, (18) board interviews, (22) company secretary influence, and (23) company secretary interviews. Looking at the discrepancies by group, most of them relate to individual/family vs. government/(pension) fund (group 1 vs. 3) and institutional investor/activist vs. government/(pension) fund (group 2 vs. 3). They are the following:

With respect to business contingencies, ownership-related influences for organisations with predominantly institutional anchor shareholders are less important ($H = 7.333$, group 1 vs. 2, $p < 0.05$, $r = 0.31$; $H = 7.333$, group 2 vs. 3, $p < 0.10$, $r = 0.35$). As organisations owned by institutional investors often have a more diversified shareholder structure, greater personal anonymity, and consequently less voting power, participants opined that block holders from organisations owned by individuals/families and governments have more influence on the succession process (Molitor, 2010, p. 105).

In terms of environmental contingencies, due to the logical profit argumentations, the influence of proxy activism occurs more in organisations owned by institutional block holders but less in family-owned organisations ($H = 8.309$, group 1 vs. 2, $p < 0.05$, $r = 0.32$), with the effect of the Pearson correlation

coefficient still moderate. Following the public-social legitimacy of *stakeholder theory*, compliance with regulations for chair succession as second environmental dimension is more crucial for government-owned in contrast to organisations owned by individuals/families and institutional investors/activists ($H = 9.146$, group 1 vs. 3, $p < 0.01$, $r = 0.41$; $H = 9.146$, group 2 vs. 3, $p < 0.10$, $r = 0.34$).

For governance-associated contingencies, statistically high discrepancies can be identified for confidentiality ($H = 8.696$, group 2 vs. 3, $p < 0.05$, $r = 0.46$) and diversity ($H = 10.371$, group 1 vs. 3, $p < 0.01$, $r = 0.42$; $H = 10.371$, group 2 vs. 3, $p < 0.05$, $r = 0.42$). Although legally the same for all organisations, state-led organisations show greater awareness for best practice activities than organisations owned by families and institutional investors (indicated by the Pearson coefficient). Thus, it can be concluded that state-owned organisations particularly adhere to (non-)mandatory governance regulations and go beyond mere minimum standards.

With regard to political contingencies, there are mainly significant group differences between institutional investor vs. state ownership. In contrast to the representatives of organisations owned by institutional investors/activists, the representatives of state-owned organisations acknowledge a stronger positive influence of chairperson influence ($H = 5.368$, group 2 vs. 3, $p < 0.10$, $r = 0.36$), networking effects ($H = 12.619$, group 2 vs. 3, $p < 0.01$, $r = 0.54$), and power relations ($H = 6.344$, group 2 vs. 3, $p < 0.05$, $r = 0.39$). Likely due to the multi-level context of social, political, and economic factors, as highlighted by Kozlowski and Ilgen (2006, p. 78), network effects seem to be a decisive factor in attracting candidates for state-owned organisations. This is also underlined by the discrepancy to the results for family-owned organisations ($H = 12.619$, group 1 vs. 3, $p < 0.05$, $r = 0.40$).

With respect to stakeholders, there is a statistical group difference between organisations with institutional investor- vs. state block holdings in terms of participation in board interviews ($H = 6.986$, group 2 vs. 3, $p < 0.05$, $r = 0.38$). Due to the tendency towards board interviews, organisations owned by institutional investors pay more attention to strategic board consensus (Mathieu et al., 2008, p. 430). On the other hand, government-owned organisations agree more with family-owned organisations on the influence of the company secretary ($H = 6.013$, group 1 vs. 3, $p < 0.10$, $r = 0.32$) and company secretary interview participation ($H = 5.066$, group 1 vs. 3, $p < 0.10$, $r = 0.29$). By involving the company secretary more, state-owned organisations assumingly use legal adequacy as a countermeasure to the rather strong influence of politics.

Board Experience

For *board experience*, the seven statistical results refer to (4) strategy, (10) diversity, (11) independence, (16) power, (21) company secretary support, (22) company secretary influence, and (32) shareholder expression. Despite a generally high rate of agreement for the underlying moderators of the succession process, participants with 10 – 20 years of board experience overall express certain contingencies stronger than those with over 20 years. Among them are strategy ($H = 6.242$, group 2 vs. 3, $p < 0.05$, $r = 0.36$), diversity ($H = 11.248$, group 2 vs. 3, $p < 0.01$, $r = 0.47$), independence ($H = 7.452$, group 2 vs. 3, $p < 0.05$, $r = 0.36$), and company secretary support ($H = 5.079$, group 2 vs. 3, $p < 0.10$, $r = 0.33$). Most of them relate to best practice attributes. The only exception was shareholder expression ($H = 5.008$, group 2 vs. 3, $p < 0.10$, $r = 0.33$) which was prioritised more by experienced participants.

Other statistical differences related to diversity ($H = 11.248$, group 1 vs. 3, $p < 0.05$, $r = 0.39$), power ($H = 6.256$, group 1 vs. 2, $p < 0.05$, $r = 0.34$), and company secretary influence ($H = 8.313$, group 1 vs. 2, $p < 0.10$, $r = 0.28$; $H = 8.313$, group 1 vs. 3, $p < 0.05$, $r = 0.36$). In contrast to members with low board experience (less than 10 years), the latter two were less emphasised by members with medium (10 – 20 years) and senior experience (more than 20 years). Especially the stronger integration of the company secretary is a possible consequence of the stricter regulation and legitimacy concerns in recent years, which is why it was emphasised by the younger generations (Luoma & Goodstein, 1999, p. 555).

7.6 RQ3 Results

To address RQ3 (*input-process-output*), survey participants were asked to state their reasons for (dis)agreement with the principles of voluntary disclosure in chair succession. Following the theoretical concepts (Section 4.4), questions were asked about the dissemination principles (why), scope and content (what), channel (where and by which means), and time/timing (when). In line with the previous systematics, the results were provided using descriptive and inferential statistical methods.

7.6.1 Descriptive Statistics

Based on the *economic governance motives* (Figure 7.32), respondents recognised the value that transparency has for decision-making. The 15% ‘strongly agree’

and 49% ‘agree’ indicate that organisations are aware that an adequate level of information is important for the nomination of the chairperson. In this sense, the organisations participating in the sample indirectly agree that it is also their point of view to provide an adequate level of information to shareholders (ICGN, 2018, p. 3). Given the organisation’s sense of accountability, survey respondents are confident that the organisations are achieving the disclosure targets they have set themselves (78% ‘strongly agree’ and ‘agree’). As a consequence, 60% of respondents (‘strongly agree’ and ‘agree’) see no further need to drastically expand the information level for chairperson succession. The few participants who disagree (15% ‘strongly disagree’ and ‘disagree’) emphasise the result.

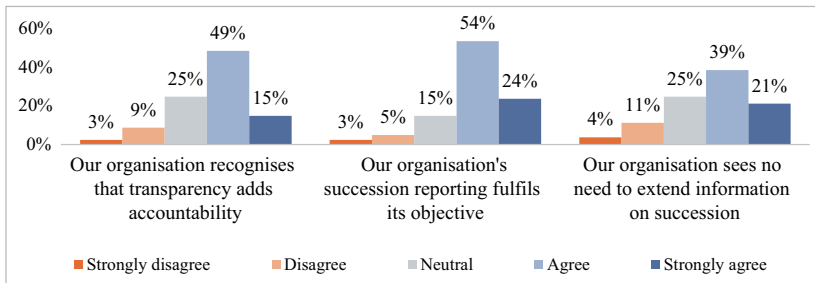


Figure 7.32 Survey – RQ3 Economic Governance Motives. (Source: own illustration)

Understanding in more detail how organisations deal with *social governance motives* (Figure 7.33), the partaking SPI organisations confirmed that they are eager and confident to meet shareholder and stakeholder expectations (10% ‘strongly agree’ and 51% ‘agree’). However, they are aware that uncertainty exists about the consequences the sensitive nature of disclosure may have. In line with the cautious attitude (Section 4.4.1.1), the majority of participants are hesitant about disclosing succession planning (14% ‘strongly agree’ and 43% ‘agree’). In addition, as 43% of the respondents with ‘disagree’ clarify, organisations rarely compare their concepts for succession reporting with those of their industry competitors. Rather, it seems that organisations set their strategy for voluntary disclosure after having fulfilled the mandatory obligations. The concept of *mimetic isomorphism* (Section 4.4.1.1) seems to have minimal effect in the underlying sample.



Figure 7.33 Survey – RQ3 Social Governance Motives. (Source: own illustration)

In terms of *scope and content* (Figure 7.34 and Figure 7.35), the participants continue to follow a rather passive tenor. Exceptions apply to person-related variables (‘strongly agree’ and ‘agree’): experience and knowledge (80%), role and time commitment (56%), reason/rationale for nomination (49%), and candidate profile (35%). As background information on the nominated personalities is somewhat standardised in voluntary disclosure, however, it was expected that the four variables would reach the highest agreement.

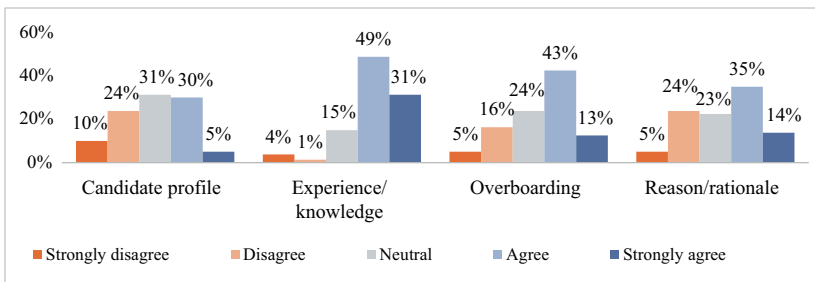


Figure 7.34 Survey – RQ3 Scope and Content (Person-related). (Source: own illustration)

By contrast, participants are far more critical of the disclosure of information relating to the structure of the process (total for ‘strongly agree’ and ‘agree’): process owners (30%), process steps (23%), nomination committee succession and strategic planning (19%), assessment centre performance (16%), and board advisory involvement (12%). As the overall disagreement rates of 69% and 64%

show ('strongly disagree' and 'disagree'), the information on the board advisor and the assessment centre were particularly controversial.

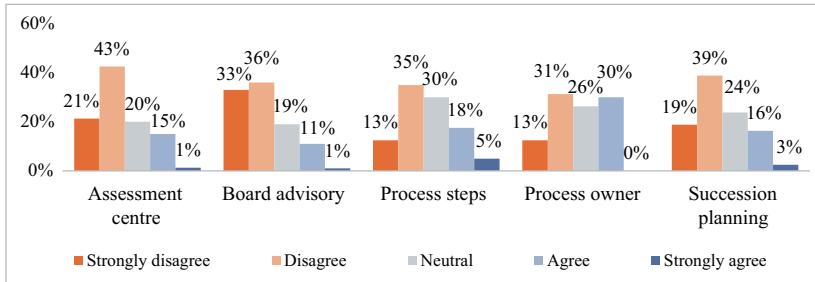


Figure 7.35 Survey – RQ3 Scope and Content (Structure-related). (Source: own illustration)

Figure 7.36 addresses questions on *channel and time/timing* of voluntary disclosure. In terms of channel (left side of the graph), respondents favour the press release (48%) over the AGM (19%) or the annual report (15%). Below the 10% threshold are roadshows (9%), shareholder letters (6%), and other (4%). Investor days and social media do not seem to be a choice at all, as not one single participant selected them (although also offered as response option). In principle, the survey results confirm that traditional channels are favoured. Yet differences to theory exist (Section 4.4.1.3), with the annual report having the highest priority and roadshow and letter to shareholders the lowest.

As far as *time/timing* is concerned (right side of the graph), participants selected ad hoc publication (48%) as the most appropriate point in time as a consequence of the press release being the favoured channel. Although in principle, voluntary disclosure is addressed (beyond the mandatory scheme), the priority for ad hoc publication is strongly related to the existing stock exchange rules that require immediate disclosure shortly after the official vote on board nomination (Section 2.2). The temporal congruence between mandatory and voluntary disclosure can be justified by the fact that organisations try to publish the official nomination and background information on the election simultaneously. Beyond the ad hoc announcement, other participants specify the required period as 3 months (28%), 6 months (21%), and 12 months (4%) before the respective AGM. However, participants agreed that it should not be earlier than 12 months (although also offered as response option).

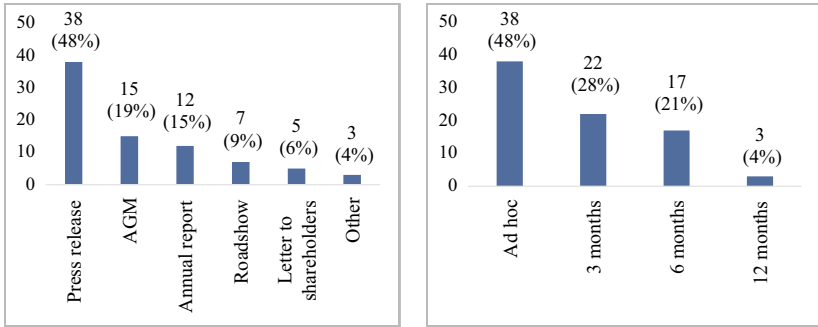


Figure 7.36 Survey – RQ3 Channel (left) / Time/Timing (right). (Source: own illustration)

7.6.2 Inferential Statistics

Again, the inferential statistics of RQ3 are provided by Kruskal-Wallis (KW) and Dunn-Bonferroni (DB) tests. Checking the sample variations related to market capitalisation, shareholder structure, and board experience, as highlighted in Table 7.5, reveals that there is only a small number of statistically significant discrepancies between the groups’ answers. Basically, the low discrepancy confirms the rather hesitant and/or barely noticeable openness towards substantial disclosure with regard to board chair nomination (Parum, 2005, p. 704).

Reminder: group definitions for the Dunn-Bonferroni (DB) multiple comparison post hoc test

Market capitalisation

- Gr1: < CHF 2,001m
- Gr2: CHF 2,001 – 10,000m
- Gr3: > CHF 10,000m

Shareholder structure

- Gr1: Individual(s)/family
- Gr2: Inst. Investor/activist
- Gr3: Government/(pension) fund

Board experience

- Gr1: < 10 years
- Gr2: 10 – 20 years
- Gr3: > 20 years

Table 7.5 Survey – RQ3 Non-parametric Results

Variable	KW (H)	DB (p)	PE (r)	KW (H)	DB (p)	PE (r)	KW (H)	DB (p)	PE (r)
	Market capitalisation			Shareholder structure			Board experience		
Degrees of freedom = 2									
1. Our organisation recognises that transparency adds accountability	3.831 ^{ns}	–	–	0.431 ^{ns}	–	–	5.441*	–	–
2. Our organisation's succession reporting fulfils its objective	4.773*	–	–	3.911 ^{ns}	–	–	3.778 ^{ns}	–	–
3. Our organisation sees no need to extend information on succession	0.125 ^{ns}	–	–	6.231 ^{**}	1 vs. 3 ^{**}	0.33	5.716*	1 vs. 2*	0.27
4. Our organisation addresses reporting expectations	0.114 ^{ns}	–	–	1.154 ^{ns}	–	–	1.751 ^{ns}	–	–
5. Our organisation benchmarks succession reporting strategies	0.715 ^{ns}	–	–	1.199 ^{ns}	–	–	0.297 ^{ns}	–	–
6. Our organisation is cautious with disclosing as consequences are uncertain	3.489 ^{ns}	–	–	2.714 ^{ns}	–	–	1.810 ^{ns}	–	–

(continued)

Table 7.5 (continued)

Variable	KW (H)	DB (p)	PE (r)	KW (H)	DB (p)	PE (r)	KW (H)	DB (p)	PE (r)
Degrees of freedom = 2									
Market capitalisation									
7. Candidate profile	0.247 ^{ns}	–	–	0.237 ^{ns}	–	–	0.445 ^{ns}	–	–
8. Experience and knowledge	3.217 ^{ns}	–	–	0.837 ^{ns}	–	–	0.600 ^{ns}	–	–
9. Overboarding	0.537 ^{ns}	–	–	5.640 [*]	2 vs. 3 [*]	0.34	0.923 ^{ns}	–	–
10. Reason/rationale	0.652 ^{ns}	–	–	0.254 ^{ns}	–	–	2.105 ^{ns}	–	–
11. Assessment centre	4.346 ^{ns}	–	–	3.613 ^{ns}	–	–	4.148 ^{ns}	–	–
12. Board advisory	1.410 ^{ns}	–	–	0.897 ^{ns}	–	–	4.192 ^{ns}	–	–
13. Process owner	1.247 ^{ns}	–	–	0.346 ^{ns}	–	–	0.513 ^{ns}	–	–
14. Process steps	6.314 ^{***}	1 vs. 2 ^{**}	0.32	1.070 ^{ns}	–	–	3.108 ^{ns}	–	–
15. Succession planning	3.182 ^{ns}	–	–	0.115 ^{ns}	–	–	1.127 ^{ns}	–	–

The inferential non-parametric statistics are analysed with the Kruskal-Wallis (KW) H test, the Dunn-Bonferroni (DB) multiple comparison post hoc test, and the Pearson (PE) correlation coefficient. Significance levels: 1% (***), 5% (**), 10% (*), and >10% (non-significant – ns).

Source: own illustration

Market Capitalisation

For *market capitalisation*, the only statistically significant variation concerns (14) process steps. This shows that small-caps, in contrast to mid-caps, are less willing to report process steps publicly ($H = 6.314$, group 1 vs. 2, $p < 0.05$, $r = 0.32$). The fact that fewer small-caps have a formal nomination committee does not mean that there is no adequate process. However, the results emphasise that in organisations with a market capitalisation of less than CHF 2bn, the process is more likely to take place as a collaborative approach by the board (Walther, Calabrò, & Morner, 2017, p. 2201).

Shareholder Structure

For *shareholder structure*, significant discrepancies appear for (3) need for reporting and (9) overboarding. First, participants in government-owned organisations oppose expanding the level of information on succession more than family-owned organisations ($H = 6.231$, group 1 vs. 3, $p < 0.05$, $r = 0.33$). Board representatives from state-owned organisations are already strongly involved in social and political exchanges. It looks as if this limits the support for more extensive succession disclosure. Second, overboarding in voluntary disclosure seems to be rather a concern for institutional investor/activist- than for state-owned organisations ($H = 5.640$, group 2 vs. 3, $p < 0.10$, $r = 0.34$). There is a logical explanation for this. Although statistically at the 10% level, organisations owned by institutional block holders are more focused on time resources and independence than organisations owned by the government. As lack of time can be a decisive factor (Harris & Shimizu, 2004, p. 777), representatives of institutional block holders pay more attention to governance alignment.

Board Experience

With regard to *board experience*, a statistical discrepancy occurs for (3) the need for reporting. At the 10% level, members with less than 10 years of experience are more critical of disclosing information than members with 10 – 20 years of board experience ($H = 5.716$, group 1 vs. 2, $p < 0.10$, $r = 0.27$).¹⁴ The increased attention from more 'inexperienced' board members is related to regulatory concerns that have emerged in the last few years (see also Section 7.5.2). In contrast

¹⁴ In principle, for (3) the need for reporting, the values between group 1 (individual/family) and group 3 (state/(pension) fund) differ more. Since the results of the comparison between group 1 (individual/family) and group 3 (state/(pension) fund) are adjusted for type I error by the Dunn-Bonferroni correction ($p = 0.068$, adjusted $p = 0.204$), only the comparison between group 1 (individual/family) and group 2 (institutional investor/activist) is shown ($p = 0.033$, adjusted $p = 0.098$).

to the two other groups (10 – 20 years and more than 20 years of experience), concerns about over-reporting are more pronounced among board members with less than 10 years of experience.

7.7 Limitations

Despite its great benefits, board survey data collection also faces limitations. *Methodologically*, as the online survey is self-administered, the researcher has no control over how the participants complete the survey and how they interpret the questions (Bernard, 2017, p. 258). Thus, the chairperson may have delegated the survey to the company secretary and/or the questions may not have been answered in a purposeful manner. Moreover, since chairperson succession is strongly oriented towards societal norms, there is a risk that participants may have avoided culturally unacceptable responses and thus circumvented conventional practices (Bernard, 2017, p. 260). As the survey also inquired about one's own tasks (chairperson) and process responsibilities (head nomination committee), which requires a strong ability to self-reflect, there is a potential self-assessment bias in the results (Campbell & Lee, 1988, p. 308). In this respect, the latter two aspects suggest that, the results may contain best practice tendencies but distort practical realities. It is one reason, among others, why there is a gap between theory and practice (Section 8.1.1).

Moreover, *conceptually*, the results of the chair survey are subject to the specific underlying sample (Huse et al., 2011, p. 21). Therefore, it cannot be ruled out that the answers may diverge if other participants from the target group who did not participate were to present their opinions (e.g. influence of organisations, the majority of which do not have a nomination committee). This also concerns other types of stakeholders, for example, the inclusion of non-governmental organisations, media, and proxy advisors (beyond pure activism). Not to lose focus, however, the main attention was on the key stakeholders previously confirmed in theory and interviews. Likewise, there is a high temporal relevance. The survey was conducted in Q4 2021. If the survey results were to be repeated numerous times (multiple points in time) or postponed to a different point in time (single point in time), the response structure might rightly look different (Huse, 2009b, p. 380). Also, some organisations refused to participate as the election of the board chair was imminent and they did not want to make any prior statements. Apparently, despite personal assurances, confidentiality and anonymity were two other obstacles to a higher response rate (Bednar & Westphal, p. 38). From a

corporate sociological point of view, chair succession appears to be a highly sensitive topic. Given the partial reluctance to engage in public dialogue, there may be other, as yet unknown, factors driving chairperson succession. However, since a thorough literature review and mixed-methods research were used, the probability that missing factors exist or have not been adequately considered is unlikely. To conclude, the descriptive statistics showed little response variance. With a few exceptions, survey participants often agreed on the relevant topics. However, since the inferential statistical analysis is based on the former, it consequently led to minor group-specific discrepancies.

Lastly, *theoretically*, the focus on the research questions indicates that there are also question-specific limitations: The non-homogeneous results of *RQ1* show that chair competences are subject to unique dynamics. This is reflected in the only partially confirmed dyadic relationships and structural overlaps between the competence categories. According to Carter and Lorsch (2003, p. 115), one reason for this could be that competences are perceived differently depending on the functional positions that the persons occupy (e.g. chairperson vs. board member vs. senior management). Therefore, to counter functional despotism, the head nomination committee was involved. Furthermore, many competences seem to be important, as indicated by the strong emphasis on ‘strongly agree’ and ‘agree’. This could be related to the over-profiling effect (Section 8.1.1) or a methodological pitfall (e.g. ceiling effect).¹⁵ The latter can be ruled out, however, as the dual approach with the ranking of categories and assessment of single variables attempted to take adequate measures to deal with such methodological effects.

For the process moderators of *RQ2*, governance plays a leading role and reflects its strong momentum in society/economy. However, despite widespread application, there is no uniform definition (Section 1.4.1). Participants may thus understand factors differently. To counter response bias, keywords for each variable were added in the survey (e.g. for independence: independence in thought and independence in appearance). In addition, participants in the succession process had a slightly positive relationship to political contingencies. While questions on business, governance, and environmental contingencies focused on their importance, questions on political contingencies inquired about positive/negative impacts. If participants completed the survey with too little attention, the results may have been misinterpreted due to the altered measurement scale, resulting in a potential over-preference (Collins, 2003, p. 230). To avoid response bias in the survey, however, the scale was explicitly repeated before each dimension.

¹⁵ See Simkovic and Träuble (2019) for more specific information on the ceiling effect.

Compared to the first two research questions, the results of *RQ3* are less prominent overall (literature review, interviews, and survey). This is due to the intermediate research (academia) and the lack of organisational recognition (practice). Considering the input-process-output scheme (output building on input and process insights) and the sound survey methodology (10 – 15 minutes response time), the focus was placed on *RQ1* and *RQ2* questions. Otherwise, artificially expanding the survey with *RQ3* questions would have increased the risk of a lower response rate (Bell et al., 2019, p. 234).

7.8 Review

The results of the quantitative survey revealed that chairperson succession planning is a multidimensional topic. Along the defined input-process-output approach, descriptive and inferential statistics provided insights on how SPI board chairs and SPI nomination committee heads identify competences, process moderators, and voluntary disclosure. In this context, in-depth descriptions not only linked the results to the theoretical background and exploratory findings, but also specifically addressed the defined research questions under study. By addressing *RQ1*, *RQ2*, and *RQ3*, it was possible to show which dynamics are at play and which organisation representatives, according to the three group sub-samples market capitalisation, shareholder structure, and board experience, perceive certain aspects differently. The following overview summarises the underlying findings:

- The *introductory results* for board chair succession highlighted that this is a longer-term issue, that candidate profiling is crucial, and that overall planning is more profound than for ordinary board member succession. Despite the high complexity and multidimensionality, only 13% of sample participants felt dissatisfied with the quality of the last succession process.
- *For competences (RQ1)*, participants ranked leadership competences above personal, business, social, and technical competences. When the opinions on the individual competence items are aggregated, however, personal competences are ranked higher than business, leadership, social, and technical competences. It can thus be concluded that boardroom behaviour (personal, leadership, business competences) is of greater importance than network (social competences) or function-specific skills (technical competences), albeit with slight statistical differences between mid-caps and large-caps (personal competences) as well as small-caps and mid-caps (leadership competences).

- Among *process moderators (RQ2)*, governance contingencies have the greatest influence, followed by business, environmental, and political contingencies. However, statistically significant differences emerged in the responses of small-caps vs. large-caps (independence), institutional investor- vs. state-owned organisations (confidentiality), and members with less than 10 vs. 10 – 20 years of board experience (diversity, independence). When stakeholders are involved, process owners prioritise dialogue with board members and the CEO, with less preference for the company secretary, shareholders, and the board advisor.
- With regard to *voluntary disclosure (RQ3)*, the sample participants saw the advantage of an adequate disclosure mechanism, but were rather hesitant as they wanted to minimise risks and not restrict the freedom to act. More precisely, analogous to the qualitative findings (Section 6.6), survey respondents also saw clear limits to what organisations are able and willing to provide. Hesitation was particularly evident in the low approval rate for new, non-standardised disclosure proposals (e.g. board advisory and assessment centres), with no discrepancies between the group variables under study.

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Research Contribution and Conclusion

8

Chapter 8 is the last of this study and concludes the findings of the *input-process-output* research by summarising and discussing the overall results, highlighting their contribution to academia and practice, and providing an outlook for future research. The primary focus is on the discussion of the findings in order to justify the results achieved.

8.1 Overall Summary and Discussion

The following chapter summarises and discusses the qualitative and quantitative findings by applying the sequential mixed-methods design (*qual* → *QUAN*).¹ Within the *qualitative paradigm*, a theory elaboration approach enabled an extension of the intermediate research level of the topic under study (Section 5.3.2). By applying open coding, axial coding, and selective coding, the exploratory interview approach permitted the identification of the multidimensionality of topics/contexts in which chairperson succession planning is embedded. Within the *qualitative paradigm*, a web-based survey among SPI chairpersons and nomination committee chairs examined the previously elaborated theoretical and qualitative principles.

In the following, first, the survey results under study are recapitulated according to the three research dimensions of *chairperson competences* (RQ1), *process moderators* (RQ2), and *voluntary disclosure* (RQ3), and second, the results are

¹ An important note at this point: In the summary and discussion, the results of the survey analysis are supported with interview quotes. The use of that format is not intended to eliminate the strict separation between the qualitative (Chapter 6) and quantitative (Chapter 7) dimensions. On the contrary, it serves to broaden the understanding and interpretation of the survey results, as the 40 interviews conducted were rich in insights.

discussed. In principle, the overall results corroborate that chairperson competences are broad, process moderators are manifold, and voluntary disclosure of succession is approached passively.

8.1.1 RQ1 Summary and Discussion

Table 8.1 at the end of this chapter provides a summary of the underlying quantitative findings in relation to the competences of chairs of RQ1 (*input-process-output*). As a recap of the empirical part, the following results were obtained (review highlighted in grey):

RQ1-1: Person- and Work-related Competences

First, organisations generally prioritise person- over work-related competences, which is particularly emphasised by the fact that technical competences are ranked as the least important dimension. With respect to the hierarchical constellation of competences (Section 4.2.2), there are exceptions, as business competences are prioritised over social competences and as family-/state-owned organisations clearly place leadership above all other dimensions compared to organisations owned by institutional block holders.

Within the quantitative paradigm, it was recognised that personal, leadership, and business competences are the *three fundamental pillars* that determine a chairperson's competence profile. For the three pillars illustrated by the quote "the chairperson is morally the last line of defense" (PI 27), the interview and survey participants confirmed that the chairperson needs to fulfil a variety of competences that go beyond the requirements of an ordinary board member. "For a board to ensure the organisation's continuing prosperity, the chairman needs a broad range of skills, competencies and particularly capabilities" as also emphasised by Jackson et al. (2003, p. 197). The broad range relates to multidimensional roles and scope of responsibility (e.g. visionary thinking skills appear to be more required in mid-sized organisations). The multidimensionality has to do with sociological and psychological perceptions that go beyond the *principal-agency* paradigm to which organisations adapt (Maitlis, 2004, p. 1280). As emphasised by the theoretical concept of the *Organisational Role Analysis*, the function of the chair is determined by internal/external normative expectations and thus highly contextual.

Due to the *multiple responsibilities* of the chair (Section 4.2.1), the quantitative results infer that it was probably challenging for survey participants to prioritise one competence dimension over the others.² From the majority of ‘strongly agree’ and ‘agree’ responses (Figure 30, Section 7.4.1), excluding potential methodological pitfalls (e.g. ceiling effect, Section 7.7), it therefore seems likely that organisations over-profile in this immensely important position. As the goal of any organisation is to find the most suitable person for the chair position, the demands on the person are high and so are the competences required. Analogous to the *utility maximisation ideal* (Section 3.1), however, the candidate pool is limited (supply/demand) and trade-offs/compromises are necessary (Baumann, 2021; Withers et al., 2012, p. 244). One such trade-off is *competence downsizing*. It usually takes place after the personal interview rounds and is determined by complementarity criteria derived from the standpoint of *rational economic vs. social embeddedness* (Section 4.1.2).

The comparison of the empirical findings for the top-three dimensions, albeit with limitations due to the intermediate research stage, shows that the thesis met its objective and expectation. The Dulewicz et al. (2007) study “What Makes an Outstanding Chairman?” also highlighted that listed organisations consider investor confidence (leadership competence), integrity and ethical behaviour (personal competence), and strategic review and attitude towards change (business competence) as the most important factors for a chairperson. Putting that into perspective, following Parker (1990), this gives the impression all the more that “every successful chairman is by definition a leader” (p. 42). A successful chairperson is not so much a functional expert (technical competence), but rather someone who simultaneously values and strengthens human interactions (personal and social competence) to guide and develop the board and the organisation (leadership and business competence).

Social competence is the fourth most important dimension for the position of chairperson. Since the chairperson acts as an interface between the organisation and the environment, the rather undervalued social competences and the ability to build and maintain relationships through verbal eloquence or cognitive empathy is *at odds* with theory (Hogan & Warrenfeltz, 2003, p. 79). Prior to the empirical analysis, it was expected that attributes such as ‘cultural fit’, ‘emotional capacity’, ‘social interaction’, and ‘facilitator’ would relate more to the board chair (Section 6.4). However, the findings of the survey have shown that

² This is reflected in the fact that competence modelling is a fuzzy concept (van der Klink et al., 2007, p. 224) and that the ranking between personal, leadership, and business competences differs only slightly (Section 7.4.1).

for the chairperson, the quality criteria of economic performance, focusing on the *control, monitoring, and strategy functions* rather than the *service, coordination, and linking functions*, are still the main focus of interest (Section 4.2.1). From that perspective, board chairs are either not fully aware of their multiple roles or (too) little attention is paid to human/social competences. While one can only speculate about the former, the reason for the latter is a consequence of the low use of assessment centres at board level to systematically approach a person's profile (Section 6.3). The question of whether assessment centres or awareness-raising measures strengthen the social skills of chairpersons cannot be answered conclusively either, as there are no concrete research results in that direction. In this context, the circumstances are particularly exemplary of the *intermediate stage of research* (Section 5.3.2).

Notwithstanding the fact that technical competences are the least prioritised competence dimension, it becomes clear that current (*mega*)trends also change a competence profile. Competences are by no means static, but dynamic and can therefore change over time (Werder & Wiczorek, 2007, p. 298). In view of the COVID19 pandemic and the societal debate, topics such as digitalisation (technology) and sustainability (ESG) are in the foreground (besides specific industry knowledge), also for the chairperson (Korn Ferry, 2020, p. 11). If one expands the perspective to the effect that curiosity about (mega)trends is part of the personal dimension, it becomes evident how much the various competence fields are inter-linked. This also indirectly confirms the *dyadic relationship* in which competence categories are embedded (Section 4.2.2).

The comparison of the empirical results with the theoretically established competence framework shows that there is a *hierarchical discrepancy*. The gap between hierarchical theory (Section 4.2.2) and practice (Sections 6.4 and 7.4) refers to the fact that the position of the board chair cannot be compared to an ordinary board or top senior management position on which the theory is partly based.³ The very fact that there are inconsistencies and dissimilarities in the results confirms the general expectation that the chairperson needs a broader *range of competences* than ordinary board members. This view was confirmed by the total of 89% of survey participants who (strongly) agreed that chair succession is more comprehensive, or the 80% who (strongly) agreed that a chair needs broader competences than an ordinary board member (Section 7.3.1). Therefore, this also indirectly confirms the existing over-profiling effect.

³ Prior research focuses on top management/board members and not specifically on the chair (Section 1.2).

RQ1-2: Integrity (Personal Competences)

Second, besides authenticity, curiosity, and engagement, the respondents emphasised integrity as the most essential element of the personal competence dimension. Consequently, a chairperson of good moral character and low ego is crucial for critical discussion to flourish within the board, senior management, and the organisation (Leube, 2012, p. 213).

The strongest results for integrity are the chairperson's *attitude* towards duty of care and diligence, duty of good faith, and duty of loyalty (Section 2.1.2). It turns out that 'personality', 'low ego', and 'character' are key attributes for a prospective chairperson (Section 6.4). Particularly a well-developed 'personality' that is strongly based on values and ethics allows critical matters to be addressed with a sense of the situation and context. This is an aspect that is becoming increasingly important, especially in stakeholder relations (keyword stakeholder value creation; Yar Hamidi, 2019, p. 425).

One interview participant gave the example of a simple 'thank you' to the person who serves coffee during the board meeting, implying behaviour with integrity towards that person. "I just feel that it is important to have great respect for the people", the person justified the example (PI 27). "In order to mitigate that challenge [of who leads the organisation, the chairperson or the CEO], I think, it is wise for the chairman to basically withdraw himself, particularly when it comes to internal communication where the CEO always is in a clear leadership role and not the chairman" (PI 18), another interviewee remarked in that context.

By addressing the hierarchical relationship between personal and social dimensions (Section 4.2.2), the illustrative examples thereby described precisely why integrity for a chair is key: for dealing with people, be it in private or business conversations as a representative of an organisation. However, living integrity also entails being mindful of the organisation's purpose, mission, and culture (Johnson et al., 2018, p. 27). If the person "is driving around with the most expensive cars and sits on a company board with high sustainability as purpose, it will not work" (PI 6). This in turn also links the issue of *role or group fit* (Section 4.1.2) and thus represents not only a personal but also an organisational dimension.

RQ1-2: Stewardship (Leadership Competences)

Third, when searching for a leadership personality, survey participants favour chairpersons with stamina and stewardship skills, with a stronger

tendency towards stamina. The second ranking for stewardship, among other reasons, is due to the fact that respondents with less than 10 years of board experience prioritise stewardship less (1% significance level).

The lower level of support for stewardship competences by those with less than 10 years of experience can be associated to *generational disparities* due to the changing perception of the board chair's function (*primus inter pares*, Section 1.4.3). Whilst in the past, the board chair was considered 'untouchable', today he or she has to face personal assessments tests and a vote of no confidence (in German: *Misstrauensvotum*) from the nomination committee (Schürpf, 2022). Therefore, in this respect, there is no longer a strict separation between the chair as steward and the ordinary board members as followers. Following the values of *team production theory*, it is rather the case that ordinary board members must also engage actively to create added value in the board.

"It is the board as a whole, but he [or she] is the chairperson, that is why he [or she] is named as a chairperson" (PI 37). However, the "lazy chairman" (PI 11, Table 6.4, Section 6.4), implies that in practice, it is still the chair who is *responsible* for implementing board rules and who needs stewardship skills the most of all board members (Spencer Stuart, 2020a, p. 20). But why, contrary to theoretical expectations, do survey participants place more emphasis on stamina? The role and position of the chair is essentially to be the internal and external representative. There, first, "it is not about pleasing everyone" (PI 15), and second, "I think that the chairperson also needs to feel uncomfortable if everything is decided quickly" (PI 33). With the nomination approval comes the responsibility to act in the best interest of the organisation. This includes being critical and generous at the same time, all without losing faith in one's own view (Gabrielsson et al., 2007, p. 27). Even though it seems logical at first glance and is reinforced by the example illustrated, stamina goes beyond the personal dimension. As "steward of boardroom affairs" (Cadbury, 1992, p. 21), the chair ensures that the strategy adopted is pursued accordingly despite (to some extent) resistance from anchor shareholders and proxy advisors (Berns & Williams, 2022, p. 43). In this potential area of conflict, therefore, the chair must be prepared to lead outside his or her "core domain of expertise" (Spencer Stuart, 2020a, p. 7). Looking at the Cadbury quote, it thus also becomes clear that stewardship and stamina are both closely intertwined and essential for the board chair.

RQ1-2: Board Literacy (Business Competences)

Lastly, in the business realm, the survey results stressed that board literacy is key for the chairperson, yet with greater preference for strategic thinking. It is indisputable that chair personalities with vast transactional know-how offer advice that stakeholders value (Lee & Phan, 2000, p. 207), but participants rank the ability to adapt the organisation's strategic raison d'être as more important.

When it comes to board literacy, *expertise and knowledge of running* an organisation are necessary to adequately challenge the board and the senior management (Higgs, 2003, p. 24). As “keeper of the board” and “minder of the CEO” (Kakabadse & Kakabadse, 2007, p. 171), the use of expertise (challenge) and wisdom (mentor) is necessary, but also very difficult to keep in a healthy balance. To successfully steer a board, it is thus a question of trustful and constructive feedback rather than just “applying command and control mechanisms or schemes” (PI 19).

The fact that board literacy was not strongly acknowledged by all participants is due to the controversial discussion about whether/which experience is necessary (thus one reason why it was integrated into the survey). By that, prior experience should be understood as a driver for board literacy. As (re-)emerging business and decision-making cycles require transactional experience, having prior situational context or know-how enables appropriate board engagement. Together with the full board, chairpersons with prior experience can then draw on their wealth of knowledge to adequately address the situation and context (Helfat & Martin, 2015, p. 1286).

In this respect, thus, experience was indispensable for some respondents, as otherwise “the balance would be too much in favour of the CEO” (PI 33). In contrast, others felt that experience has a rather negative impact on innovation in strategic board roles, as it “limits your thinking and your ability to create a bold vision” (PI 7). Spencer Stuart (2020a) therefore argued that “the arrival of a new generation of chairs, usually former executives, with fresh ideas and fresh approaches should be celebrated” (p. 5). The interpretation of the survey and the interview results show that participants favour strategic thinking over board literacy, as the loss of conceptual flexibility, ability, and capacity for seizing organisational opportunities would have a greater negative impact on chair effectiveness (Langan et al., 2022, pp. 7, 32; Maitlis & Christianson, 2014, p. 58).

Table 8.1 Survey – RQ1 Summary of Results

RQ1-#	Summary
RQ1-1 Competences	Organisations overall prioritise <i>person- over work-related competences</i> , with the exception of social and business competences. Group discrepancies relate to institutional investor- vs. state-owned organisations (personal competences, $p < 0.10$, $r = 0.37$) and family- vs. institutional investor-owned organisations (leadership competences, $p < 0.05$, $r = 0.30$).
RQ1-2 Integrity	Organisations prioritise <i>integrity</i> in terms of personal competences. Group discrepancies for personal competences relate to less than 10 or 10 - 20 years of board experience (curiosity, $p < 0.10$, $r = 0.28$).
RQ1-2 Stewardship	Organisations prioritise <i>stewardship</i> in leadership competences, yet with a higher preference for <i>stamina</i> . Group discrepancies for leadership competences exist between small- and mid-caps (visionary thinking, $p < 0.05$, $r = 0.31$) and between board chairs with less than 10 and 10 - 20 years of board experience (stewardship, $p < 0.01$, $r = 0.39$).
RQ1-2 Board literacy	Organisations prioritise <i>board literacy</i> in business competences, yet with a higher preference for <i>strategic thinking</i> . Group discrepancies for business competences relate to mid- vs. large-caps (strategic thinking, $p < 0.05$, $r = 0.41$).

Source: own illustration

8.1.2 RQ2 Summary and Discussion

For the process moderators of RQ2 (input-*process*-output), Table 8.2 highlights the results in relation to the research subtopics approached. Following Section 7.5, the analysis produced the following insights (survey results recap highlighted in grey):

RQ2-1: Business Contingencies

To begin with, *business contingencies* have a major impact on succession planning for the chairperson. Particularly the board structure (e.g. composition, culture, dynamics) and strategy (e.g. organisational challenges, transformation needs) can hinder/support the search for a chairperson. With regard to board structure and strategy, the succession process is more influenced by future than present business conditions.

Board structure is the driving variable within the business contingency dimension. Here, it became clear very early on that specifically the *board atmosphere* is crucial to how the process works. Basically, the first thing is to “continue to have proper board dynamics” (PI 15)—also towards the CEO. Since the process takes place in a group (either in the nomination committee or in the board as a group), the atmosphere in the board and the way information is shared, conflicts are discussed, and compromises are found, is crucial for the search process (Winter & van de Loo, 2012, p. 236). Second, the decision for/against a candidate lies in the question of whether to “have a candidate that is a cultural add versus a cultural fit” (PI 7). The goal is to find a person who strengthens the culture of the board with regard to both factors. Achieving this, however, requires a seamless transfer of power (Weisblat, 2018, p. 18). Finally, it also depends on how the process owner, preferably the chair of the nomination committee (Section 7.2.2), interprets, addresses, and prioritises the dynamics in processing and planning.⁴ It is therefore essential to address succession planning early and openly in order not to have “totally misunderstood the dynamic of the board and [not to have] totally misunderstood my colleagues” (PI 2). Accordingly, as all three statements emphasised, it is crucial to acknowledge the expectations of all members to nominate the most suitable person (Elms et al., 2015, p. 1315).

With respect to strategy, the process owner should exercise caution in *fortifying* strategic capacities (Banerjee et al., 2020, p. 384). Therefore, to prevent a “brain drain” (Wilson, 2018, p. 200), organisations use strategy as “a north star when defining the profile, that should then also guide the entire process” (PI 7). Despite the value of strategy in planning the process, however, it was at odds with certain practices. “I sometimes miss that the succession is really related to the strategy of the firm” (PI 6), remarked a board advisor. Particularly during the board assessment and profiling phase (Section 4.3.1.1), attention should be paid to linking succession to the company’s value creation in order to move the company forward (Wendee et al., 2018, p. 224). Presuming that strategy is used as a compass, organisations prioritise a candidate who either maintains continuity or advocates fundamental change, depending on the strategic context in which they find themselves (Fernandez-Araoz et al., 2021, p. 10). For one of the interviewed chairpersons, who is an expert in transformation/restructuring, it was therefore clear early in the search process that he/she has good chances to be appointed as the next chair, as the organisation needed to be turned around quite

⁴ For Spencer Stuart (2020a), the succession process “is likely to be initiated—but crucially not to led—by the chair” (p. 12).

drastically – according to the maxims: “Start, run, change, and get it done” (PI 24).

Addressing the life cycle, it became clear during the qualitative and quantitative analysis that the process generally follows a *problemistic search* rather than a *slack search* (Section 4.3.3.1). This has to do with the fact that the organisations in the survey sample are among the largest and often oldest organisations in the Swiss economy and are therefore mostly long-term oriented (Section 7.3.1). Short-term, ill-considered decisions would lead to strong market reactions (Gangloff et al., 2016), which must be avoided. For them, the process therefore had to follow a certain structure. Otherwise, the “lack of clarity over the authorizing structure will cause conflict and tension” (Osnes & Wilhelmsen, 2021, p. 40). A systematic approach provides planning security and also makes it possible to keep a record of the relevant meetings/steps. The latter is especially necessary to prove decision-making to regulatory authorities and serves as a control mechanism to discipline and “safeguard the interest of the shareholders of the enterprise” (Kakabadse & Kakabadse, 2007, p. 170).

Lastly, the fact that unexpected, underestimated results on ownership structure occurred is mainly related to the specific strong *block holding structure* affecting the underlying survey sample (Section 7.2.2).⁵ Assuming that long-standing partnerships exist and there is no activism, there should be no unpleasant surprises following a planned succession. However, a prerequisite for this is that a value-oriented owner strategy is in place for the mostly individual/family, state, and institutional shareholders and that expectations are met (Baron, 2019, p. 5). In this context, it is vital to link succession to the *equity story*. For one interview participant, “investors always invest in people” (PI 27). Succession is therefore about presenting the candidate convincingly and linking his/her nomination to the purpose of the organisation. If interpersonal and interorganisational relationships can first be improved and then stabilised, confidence in the chair’s actions and the board’s management will be strengthened (Vergauwen et al., 2007, p. 1165).

To summarise, succession processes are planned differently depending on board structure, strategy, ownership, and life cycle, as certain business-related factors are more or less prominent. That is perhaps one of the reasons why there

⁵ In this context, one important remark: With regard to the strong block holding structure in the sample, the doctoral study’s outcome must be interpreted with caution. Implying that unique business practices in block holding structures according to INSEAD (2016) occur, results are specific to the Swiss market and can thus potentially deviate from the results of foreign scholars (Section 4.3.2.4).

is no such thing as *one process*. Therefore, it is important to analyse and adequately consider them in the planning phase. This way, they can be duly taken into account upfront.

RQ2-2: Environmental Contingencies

Second, notwithstanding the fact that external influences and changes affect board composition (Section 4.3.3.2), *environmental contingencies* have a medium influence on the processing of succession. Even though there are differences between different block holding structures in terms of regulatory aspects (institutional investor- vs. state-owned) or proxy activism (family- vs. institutional investor-owned), participants felt that these influences did not have too much impact on the process. One exception was the financial services sector, where FINMA exerts a major influence on the search for the chairperson.

Among the environmental contingencies, industry affiliation has the strongest influence on the process for three main reasons. First, “depending on the market or segment, clearly, you find a different *breed of chairpeople*” and thus a different dynamic in the boards (PI 27). As participants with cross-sector mandates in particular noted, the process can differ in terms of how information is shared and how stakeholders are engaged (Walther, Morner, & Calabrò, 2017, p. 360). Second, industries such as real estate and health care are particularly characterised by *long-term* projects. In terms of succession, the planning cycle in those industries – assuming a normal course of business – “is not driven by short-term actions or short-term changes” (PI 28). The person nominated for the chair is thus expected to preside over the board in the long term. Third, and this also refers to the “regulatory mountain” for the next bullet point (Shekshnia, 2021, p. 54), financial service providers in particular will *check in advance* with FINMA whether the regulator (dis)agrees with the candidate being considered. To keep the circle of persons/institutions in the succession process as small as possible (keyword confidentiality), the organisations nevertheless strive to involve the supervisory authority at the earliest in the phase of the evaluation process due to the FINMA regulation (evaluation process is step 3 within the framework of the succession process, Section 4.3.1). Presuming the market regulator is involved, this delays and professionalises the process, as further clarifications may be necessary (disadvantage), but also forces organisations to plan

and protocol systematically (advantage). The latter results in financial organisations focusing more on candidates who match the search profile, have a financial background, and a clean track record. Multiple screening makes bank chairs less likely to sit on other external boards on the one hand, but more likely to have strong banking experience on the other (Nestor & Tsilipira, 2019, p. 16; Rajgopal et al., 2019, p. 15).

Another effect of process adaptation refers to market dynamics with “crisis, market turbulences, or even market changes” as particular potential *change drivers* (PI 28). However, interview participants considered it to be particularly important to differentiate between short- and long-term changes. When unexpected changes occur, the board needs to adapt quickly. Such “short-term interferences [...] might produce other needs, might need other capabilities” (PI 28), which can completely change a succession process. One example is the COVID19 pandemic, which probably led to a change in the process from physical attendance to virtual discussions without any advance planning (Nyberg et al., 2021, p. 191). In the long run, this effect seems to be losing relevance as it can be better planned (preparation) and thus appropriately managed (implementation). A pertinent example is the financial crisis, which in retrospect led to multiple disruptions in board processes with transparency, among other things, being greatly strengthened afterwards (Gul & Leung, 2004, p. 352). In the normal course of business, which is less related to specific events (e.g. COVID19, financial crisis), the market dynamics that mainly changed the succession or board composition are likely to be due to new market trends (Kakabadse & Kakabadse, 2007, p. 178) and market complexity (Markarian & Parbonetti, 2007, p. 1239). This led to the profile containing more specific expert knowledge.

Despite proxy activism being considered a ‘tick-the-box’ approach with ‘excessive influence’ (Section 6.5), the *presence* and influence of proxy advisors clearly increased in recent years. Recent studies have shown that proxy pressure leads to shifts in shareholder votes (Choi et al., 2010; Choi et al., 2011), to board settlement agreements (Bebchuk et al., 2020), greater boardroom diversity (Berns & Williams, 2022), and increased nominee credibility (Brav et al., 2021). Although boards have recognised that they need to address these issues proactively (Cappucci, 2019, p. 621), the generally high influence could not be confirmed in the sample. According to survey participants, the influence of proxy activism on succession is subsequently low, which was not expected given the studies mentioned above. However, there is one limiting effect. Taking into account the critical opinions from the interviews and assuming that this is likely to affect the outcome of the survey, the actual proxy effect could potentially be

higher given the organisations' compliance efforts and the influence of proxy advisors on AGM votes (Section 4.3.3.2).

In summary, environmental contingencies have the third strongest influence of all four dimensions. Environmental embeddedness influences succession planning through its incentives and sanctions. The dimensions of regulation, proxy activism, market dynamics, and industry thereby determine the strength of the *public echo* and/or *the external number of actors* involved in the process. Particularly with regard to the echo, it is important to meet market expectations in order to avoid unexpected surprises and disruptions in the succession process (Banerjee et al., 2020, p. 389).

RQ2-3: Governance Contingencies

Third, *governance contingencies* have the greatest influence on succession processing. With independence, confidentiality, and overboarding being the three most crucial factors, organisations should be mindful of integrating governance practices in their processing. These factors, although not specifically asked in the survey but used to derive the underlying theory/research question, include accountability, information exchange, and fairness (Eminet & Guedri, 2010, p. 560; Leube, 2012, pp. 210–211).

The governance findings support the *institutional theory* perspective and reinforce the efforts of the organisations to comply with applicable governance codes and best practice patterns (Chapter 2). The recent examples of Credit Suisse/Helvetia and UBS have shown how strongly governance factors influence board chair succession. At Credit Suisse, the newly appointed Axel Lehmann did not stand for election as chairperson of Helvetia, as this would otherwise have led to an overboarding conflict (Schürpf, 2022). In turn, his successor at Helvetia, Thomas Schmuckli, also relinquished his board mandate at the subsidiary Credit Suisse Funds in line with independence expectations. It is argued that overburdened and/or biased directors often fail to exercise control and monitoring functions adequately (Fich & Shivdasani, 2006, p. 692). The examples of Axel Lehmann and Thomas Schmuckli therefore perfectly illustrate why time and independence constraints were the main reasons why candidates turned down offers (Jong et al., 2014, p. 270).

At UBS, Lukas Gähwiler was appointed vice-chair to counter criticism of the lack of Swissness of chairperson Colm Kelleher (Irish) and CEO Ralph Hammers (Dutch) (Baumann, 2021). The appointment follows the reasoning of Ruigrok

et al. (2007, pp. 555–556), who specifically pointed out that, first, local directors are more likely to interact with the senior management and, second, foreigners with a strong domestic network can bring creative ideas, but bear the risk of a minority trap in board voting. Swissness can therefore be expected to be associated with a positive bridging function (Frey, 2021, p. 89). Thus, the example of national anchoring indirectly proves that there is a need for active *chair engagement* in socio-political debates (e.g. Swiss company law reform, Responsible Business Initiative) (Schütz, 2020, p. 35).⁶ Pursuant to one interview participant (PI 31), the request for active engagement is an indicator of why there is a so-called roundtable of chairpersons that meets twice a year to discuss and coordinate their positions on specific Swiss policy/governance issues.

After independence, which “occasionally creates friction particularly with major shareholders, but I do not care” (PI 31), and overboarding, “when trouble hits the company, you better be there” (PI 24), the third most influencing factor related to confidentiality. The participants considered the timing and level of information sharing to be critical to a successful appointment. From the short-list, one chairperson in particular did understand that he or she disappointed candidates in the process, but for the person, it was key to have “people who understand the process [...] (and not) people who will make a big story out of the fact of not having been appointed” (PI 31). The example demonstrates that the right balance between transparency and confidentiality allows for strengthening “central selection criteria” (Walther, Morner, & Calabrò, 2017, p. 358), accountability (Eminet & Guedri, 2010, p. 560), and fairness (Leube, 2012, p. 211). However, sharing of information always comes with a risk. One interviewee remarked in that context: “You hope that the person will respect this confidentiality. But you have no guarantee. Never.” (PI 34).

In terms of governance, diversity was also expected to have a strong influence. Gender diversity clearly dominates the nomination process (Johnson et al., 2013, p. 238).⁷ There are other diversity aspects that are assumed to have an influence: age (Platt & Platt, 2012), education (Kim & Lim, 2010), and ethnicity (Singh, 2007). However, the expectations could not be confirmed in the underlying sample. Although the tenor towards the application of diversity at the level of the chair was considered positive (Section 6.5), probably following the opinion that diversity is beneficial for the fulfilment of the chair’s tasks (Kanadli et al.,

⁶ The Responsible Business Initiative (RBI) was rejected by the Swiss voting population in November 2020 (in German: Konzernverantwortungsinitiative).

⁷ Gender-influence studies, for example, were performed on board dynamics by Terjesen et al. (2009), board culture by Nielsen and Huse (2010), board meeting attendance by Adams and Ferreira (2009), and nominations by Wang and Kelan (2013).

2020, p. 592), the survey showed that it is not the most important factor for SPI organisations when it comes to succession. Yet here, too, one has to make an important distinction. On the one hand, the low influence of diversity in the *run-up* to the election, to which the survey specifically referred, may have to do with the sometimes still limited pool of suitable candidates (e.g. women with relevant board experience). In this context, one board advisor noted that the search for a board chair also involves compromises, although some organisations are willing to address this topic. Since “we all know that the talent pool looks different than our ideal imaginations” (PI 7), it is important to establish non-negotiable (must have) and negotiable (nice to have) criteria. As the current societal focus is strongly on (gender) diversity, diversity is likely to shift from ‘nice to have’ to ‘must have’ in the future, and with it possibly the influence on succession. On the other hand, *post nomination* diversity influence can have quite a powerful effect. With greater diversity at the chair level (board and nomination committee), the *language* of the *board* may change due to nationality, ethnicity, and culture, as well as the next *process planned and followed* due to age and gender (Kaczmarek et al., 2012, p. 475). It is thus likely that succession will transform in the future with the new generation of leaders at the top.

As the manifold examples showed, governance contingencies limit the number of suitable candidates on the one hand, but positively influence board work and board dynamics on the other. It is therefore essential to keep the big picture in mind and to approach succession in a *context-oriented* and *step-by-step* manner (input-process-output). In principle, not as a linear process, but with recurring cycles (reflecting the choice for a particular chair with board composition/board mandates). To conclude, the strict application of governance contingencies in succession enables decision-making (diversity), engagement (independence), monitoring (overboarding), trust (confidentiality), and cultural linkages (Swissness) to be addressed.

RQ2-4: Political Contingencies

Fourth, *political contingencies* have a (slightly) positive influence. In theory, power, network, and chair influence were expected to impede a professional process (Section 4.3.3.4). By contrast, survey participants believed that the chair’s input and network effects contribute positively to the process, although the answers of the individual groups varied (e.g. networking is emphasised more by state-owned organisations).

Bearing in mind the unexpected results, what are the possible motives for survey respondents' positive evaluation of the power, networking, and influence of the former chair in the search for a new chairperson? First, referring to *political rationality* (Zajac & Westphal, 1996a, p. 511), it seems that the chairperson plays a significant steering role in the search for a successor. A particularly strong position for chair involvement seems to exist in state-owned organisations (Section 7.5.2). Contrary to the understanding of merely accompanying the process in order to find someone with “a similar mindset [...] (that) helps the company to follow the succession path” (PI 17), the chair often has experience that no one else has. From the perspective of the nomination committee, the chair's involvement in defining the profile and reflecting together on the interviews can therefore be essential. From the candidate's perspective, the chair also acts as an information point to clarify first-hand questions about the position, the board dynamics, and the future direction of the organisation. This allows the candidate to get a better picture of what the function entails. As a limiting factor, the positive opinion in the survey could also be related to the high number of participating chairpersons in the sample (Section 7.2.1). As board chairs in particular are believed to be strong personalities unwilling to lose control (Kakabadse & Kakabadse, 2007, p. 176), they make careful decisions about their own succession. This may be the reason why “selections rarely reflect on rational assessments, but are the result of complex and interwoven behavioural processes at the interface of nominating committees, CEO's, [board members,] and board chairs” (Walther, Morner, & Calabrò, 2017, p. 352). Thus, it is said that the chair, in order to ensure his or her own legacy, wishes to influence the choice of his or her successor to find “the solution that is best, better than yourself” (PI 17). Since the successor usually tends to continue the strategic path of the predecessor (e.g. not to sell the organisation to the main competitor), referencing interpersonal influence (Stern & Westphal, 2010), ‘similar type’, ‘emotions’, and ‘mindset’ are to some extent the consequence (Section 6.5).

Second, following the *team production theory* (board perspective) and the *teleological theory* (process perspective), analysing succession requires context. This is likely due to the social-political-economic embeddedness of the stakeholders in the multilevel system (Kozlowski & Ilgen, 2006, p. 80). To be successful in that triangular relationship in the sense of a strategic calculus for the good of the organisation, a chairperson and/or a chair nomination committee must be to some extent conscious of political power. In this context, Banerjee et al. (2020, p. 378) and Johnson et al. (2013, p. 245) refer to the stigma of social status/social standing that matters. For them, it can be difficult to make radical changes when the person at the top has a weak social standing. This is also probably one of the

reasons why government-owned organisations see power most positively among the three groups under study (Section 7.5.2).

Third, to illustrate the rather positive network paradigm effect, the example of Johnson et al. (2013, pp. 244–245), who highlighted the difference between affiliated directors (appointed through business ties), appointed directors (asked to join the board and thus owe the proposing person a favour), and personal directors (friends or family members), serves as a good example. Obviously, the appointed director and personal director clearly violate professionalism, systematics, and transparency. In contrast, a director appointed through a ‘business network’ or promoted through a ‘club of friends’ (Section 6.5), with no intention of gaining personal benefits, has the advantage that either a member of the nomination committee has worked with that person or who knows a person who can be consulted for a reference check (Walther, Morner, & Calabrò, 2017, p. 356). Interview participants thus emphasised that using the *network as a resource* has the quality of providing advance information about “how this person is acting in ambiguous situations and how this person is acting if he or she doesn’t get what the person proposes” (PI 11). Nevertheless, reference checking is a ‘sensitive topic’ where it is essential to ‘avoid leaks’ and ‘rumours’ (Section 6.5). Leaving aside the famous Swiss compromise for a moment, maintaining the *legitimacy* of the process is important. Assuming positive intentions, nomination committees use networking as door opener because it allows them to assess the strength of the candidate’s contribution (Stenling et al., 2020, p. 638).

To summarise, despite a multitude of political influencing factors, the thesis interview and survey results concur that the nomination of a chairperson primarily follows a *mechanistic search* with a systematic and transparent process. The findings thus follow the general belief that planning increases the likelihood of a *smooth and positive succession process* (Sharma et al., 2003, p. 3; Shen & Cannella, 2003, p. 196). By creating a candidate profile that primarily meets the need of the organisation, the participants emphasised their intention to overcome the former network paradigm through a process characterised by principles and objectivity (keyword the role of the old boys’ network; Allemand et al., 2022, p. 786). The diverging result for political contingencies in contrast to the expectations can thus clearly be attributed to the gap between *theory and practice*. This is also evidenced by the response of one interviewee to the question of whether it would make sense to ask the chair for an opinion in its own succession (PI 25): “In theory, the answer is clear: no. In practice, the answer is as clear: yes.” Following the above arguments and at the same time the theoretical critique, organisations are forced to find an appropriate balance between *rational economic and social embeddedness* standpoints (Withers et al., 2012, p. 244). In

addition to the normative commitment arising from *institutional theory*, applying a sound balance between both aspects allows combining the best of both worlds.

RQ2-5: Internal and External Key Stakeholders

Lastly, to meet *stakeholder expectations*, organisations are likely to involve the board, company secretary, and CEO (internal) rather than the shareholders or the board advisory (external). In principle, internal members are prioritised as there should be consensus on the candidate (board and CEO) and appropriate support (legal secretary). On the contrary, if necessary, this can increase the candidate pool (board advisory) and strengthen the understanding of the succession process (shareholders).

For *insiders*, as “well placed trust’ [...] grows out of active enquiry rather than blind acceptance” (O’Neill, 2002, as cited in Roberts et al., 2005, p. 11), there was *little controversy* about board involvement in the process overall. The primary reason for that was that the AGM proposal is subject to the voting rights of all members (Section 4.3.1.4) and that insider involvement is positively associated with higher post-election performance (Callahan et al., 2003, p. 180). In addition, the chair naturally has a strong influence on the board culture (Gabrielsson et al., 2007, p. 26). Therefore, for the board to be cohesive, the approval of all its members is crucial. Since the chair is part of the board, his or her participation in the process is also encouraged (see political contingencies above). However, with regard to the chair of the nomination committee leading the process, the board chair should only play the role of a sparring partner (Section 6.5).⁸

Besides full board conformance on the profile, following the argumentation of Kakabadse et al. (2006, pp. 144–145), it is also key that the CEO and the candidate are a *good fit* personally and in terms of business strategy. The primary goal is to overcome paradoxical tensions (Morais et al., 2018, p. 153). As “the worst thing that can happen is when the CEO and chairman start fighting and there is no trust between the two people” (PI 4), a well-thought-out succession process requires strong coordination and collaboration with the CEO and the entire senior management (Shekshnia & Zagieva, 2021, pp. 18–19).⁹ Coordination also includes agreeing on whether the chair should be filled with an internal/external

⁸ Spencer Stuart (2010) uses the term “of counsel” (Chapter 2).

⁹ For Korn Ferry (2020) the time gap between the succession of the chair and the CEO is a crucial process factor as the aim is “to ensure there is, ideally, at least twelve months buffer between both roles being vacant, but preferably two, or even three years” (p. 25).

candidate. Specifically related to the chair, this depends primarily on the CEO (Stiles & Taylor, 2002, p. 107). “You need a clear understanding of how you act together” to call it a success (PI 17), another participant mentioned. The consensus here is that incongruence between the nomination committee/board and the CEO in selecting an appropriate successor “is a recipe for failure sooner or later” (PI 23). As a consequence, a CEO dissatisfied with the choice of the new chair could potentially leave the organisation, and the loss of organisation-specific know-how could create a conundrum (Johnson et al., 2018, p. 30; Nyberg et al., 2021, p. 185). Subsequently, it is important not only for the CEO and the rest of the board, but also for the incoming person to feel that joining the organisation as chair is the right decision. “I think, a happy marriage is created when both partners select each other mutually [...]. You also have to fully embrace this role. You have to live and love it” (PI 18), as one chairperson summed it up.

Therefore, to summarise the insights provided, both the board and the CEO should interview the candidate(s). To be in line with the inalienable duties of the board of directors (Section 2.1.2) and not to undermine the role of the nomination committee (Pirzada et al., 2017, p. 104), it is recommended to involve the CEO at a later stage in the process and that he or she does not take a (voting) position to influence the process or election (Spencer Stuart, 2020a, p. 15).¹⁰ Yet, since the board has delegated the operational business tasks but remains responsible for all its activities (Section 2.1.2) and the CEO often does not even sit on the board (e.g. financial services), CEO influence is less likely in Switzerland’s hybrid governance system. This reinforces its distinction from the unitary governance system.

The company secretary, by contrast, tends to be excluded from the (interview) process. From one perspective, the partial lack of approval could be related to the fact that in certain organisations, for resource reasons, the chief legal officer often assumes the role of general counsel and company secretary at the same time (e.g. SIKA, Lindt & Sprüngli). From another perspective, the company secretary’s role varies. One interviewee highlighted that the involvement “depends very much on people and in a way the trust the chairman has in a secretary” (PI 32). Whilst some have a very limited role, others are more fully involved in the board and its committees (McNulty & Stewart, 2015, p. 521).

For *outsiders*, there was greater disagreement on whether to involve the board advisor. Their added value was clearly that they acted as gatekeepers and brought transparency to the process (Schepker et al., 2018, p. 529). For other participants, however, board advisories often provided the same lists of people. “There is

¹⁰ With the exception of cases where the CEO also sits on the board.

very little innovative or courageous thinking, in my view, in the rooms of the traditional search consultants” (PI 31), as one person noted. When comparing the qualitative and quantitative results, it became apparent that participation is best practice for some and less relevant for others. Often, it was a matter of principle whether the consultants were integrated/not integrated. More important in terms of an objective chair search process is “to undergo a proper assessment of the candidates. That is a minimal standard” (PI 16).

With respect to shareholders, participants overall saw little desire to have them actively participate in the process. It must be admitted, however, that opinions varied greatly—often due to the shareholder structure (family, institutional investor, government) and the ownership level (%). Confirming *teleological theory*, the qualitative and quantitative descriptions showed that it is an integral part of purposeful succession planning to clarify shareholder expectations early on. As the role of the board chair has a (partly) societal focus, it includes constraints that continuously force the organisation to exchange and adapt their practices (Adner & Helfat, 2003, p. 1014).¹¹ However, there are clear boundaries, as the following quote emphasises: “In that sense, as a board, you want to fulfil the expectations of the market and support it in an adequate way. But, I mean, I am not here to tell you that a board should slavishly follow what they hear from investors. Otherwise, the company will be at risk, sooner or later” (PI 16). So the degree of shareholder involvement is a question of how it is deemed appropriate for the specific group at a given point in time (Section 6.5). For them, chairperson succession is clearly a board task to which outsiders have no access.

To summarise, succession affects shareholders and stakeholders differently. For Farah et al. (2020), specifically referring to CEO succession but also to the chair, it is therefore vital to “pay attention to different stakeholders rather than all stakeholders together” (p. 9). As it seems clear that bondholders and shareholders have different interests in the organisation’s operations, or that an insider and outsider successor access different resources in the way they operate, it is also important to *prioritise* the way in which third parties are involved or their expectations are taken into account. Again, however, there is *no unique* solution, as it is strongly bound to the context and the organisation.

¹¹ The example of Swiss Steel with its chairperson Jens Alder has shown exactly why coordination/communication between owners is crucial. After disagreements between the board and the major shareholder Martin Haefner (51.3%), Jens Alder was dismissed. However, due to incidents with the former employee, his successor Heinrich Christen resigned, and Jens Alder was reappointed to chairperson of the board.

Table 8.2 Survey – RQ2 Summary of Results

RQ2-#	Summary
RQ2-1 Business contingencies	Business contingencies have a <i>high influence</i> on chairperson succession. Group discrepancies relate to small- vs. large-caps (ownership, $p < 0.05$, $r = 0.35$), family- vs. institutional investor-owned organisations (ownership, $p < 0.05$ and $r = 0.31$), institutional investor- vs. state-owned organisations (ownership, $p < 0.10$ and $r = 0.35$), and 10–20 vs. more than 20 years of board experience (strategy, $p < 0.05$, $r = 0.36$).
RQ2-2 Environmental contingencies	Environmental contingencies have a <i>medium influence</i> on chairperson succession. Group discrepancies relate to small- vs. mid-caps (industry, $p < 0.10$, $r = 0.28$), family- vs. institutional investor-owned organisations (proxy activism, $p < 0.05$, $r = 0.32$), family- vs. state-owned organisations (regulation, $p < 0.01$ and $r = 0.41$), and institutional investor- vs. state-owned organisations (regulation, $p < 0.10$ and $r = 0.34$).
RQ2-3 Governance contingencies	Governance contingencies have a <i>high influence</i> on chairperson succession. Group discrepancies relate to small- vs. mid-caps (independence, $p < 0.05$, $r = 0.36$), family- vs. state-owned organisations (diversity, $p < 0.01$, $r = 0.42$), institutional investor- vs. state-owned organisations (diversity, $p < 0.05$ and $r = 0.42$; confidentiality, $p < 0.05$, $r = 0.46$), less than 10 vs. more than 20 years of board experience (diversity, $p < 0.05$, $r = 0.39$), and 10–20 vs. more than 20 years of board experience (diversity, $p < 0.01$, $r = 0.47$; independence, $p < 0.05$, $r = 0.36$).
RQ2-4 Political contingencies	Political contingencies have a (<i>slightly</i>) <i>positive influence</i> on chairperson succession. Group discrepancies relate to family- vs. state-owned (network, $p < 0.05$, $r = 0.40$), institutional investor- vs. state-owned organisations (power, $p < 0.05$, $r = 0.39$; network, $p < 0.01$, $r = 0.54$), and less than 10 vs. more than 20 years of board experience (power, $p < 0.05$, $r = 0.34$).
RQ2-5 Stakeholder	Organisations are likely to integrate <i>internal</i> (board, company secretary, CEO) <i>rather than external</i> stakeholders (board advisory, shareholder) in chairperson succession to meet their expectations. Group discrepancies relate to small- vs. mid-caps (chair contribution, $p < 0.05$, $r = 0.33$), family- vs. state-owned organisations (secretary influence, $p < 0.10$, $r = 0.32$; secretary interview, $p < 0.10$, $r = 0.29$), less than 10 vs. 10–20 years of board experience (secretary influence, $p < 0.10$, $r = 0.28$), less than 10 vs. more than 20 years of board experience (secretary influence, $p < 0.05$, $r = 0.36$), and 10–20 vs. more than 20 years of board experience (secretary support, $p < 0.10$, $r = 0.33$).

Source: own illustration

8.1.3 RQ3 Summary and Discussion

Reviewing voluntary disclosure (input-process-output), Table 8.3 at the end of the chapter addresses the results established for the underlying RQ3. The empirical analysis led to the following findings (results review highlighted in grey):

RQ3-1: Economic and Social Governance Motives

To start with, *economic governance motives* have a high influence on voluntary disclosure. For chairperson succession, survey respondents consider transparency to be an important accountability mechanism (Roberts et al., 2005, p. 18). Therefore, organisations set a specific strategy to meet certain disclosure objectives—which they say they are achieving (78% ‘strongly agree’ and ‘agree’). Beyond that, there is no further need to strengthen current disclosure mechanisms. On the contrary, the *social governance motives* have a medium effect. Although organisations know that they are in the focus of the public eye and thus strive to meet stakeholders’ disclosure expectations, survey sample organisations pay only medium attention to benchmarking and are cautious about disclosure.

In principle, the two methodological approaches in this thesis show that there is *scepticism* towards (expanding) voluntary information subject to chairperson succession. The scepticism is due to concerns about added value—an area of general concern in voluntary disclosure (Lim et al., 2007, p. 559). “I think this whole public governance correctness, it is totally going the wrong way because it does not actually create value” (PI 15), one interview participant noted. Another doubted its relevance (PI 25): “I am not sure whether big words in big publicity would really add something. Because in the end, it is the choice of those who have to make it.” Following that, organisations are keen on meeting the *dichotomy* between stakeholders and competitors but don’t see the need for a reporting-related transformational redesign. If anything, they tend to share the view that minor adjustments to current disclosure mechanisms are sufficient to improve the information base for the shareholders and stakeholders involved. This is another reason why organisations want to avoid potential legal implications (the example

of the competence matrix, Section 6.6). To not ‘put in jeopardy’ and/or to create ‘misunderstanding in market’, organisations exercise ‘hesitancy’ and ‘caution’ (Section 6.6; see appendix A6 in the electronic supplementary material). Therefore, in order not to face major risks and external control disadvantages (Ghio & Verona, 2020, p. 59), organisations are rather reactive than active and restrain themselves from responding to shareholder and stakeholder information-related demands. “When we see the roadshow, and they present their slide desk, often you see some information on why the board member was chosen. But usually, they do it when they are attacked by an activist fund. Then the board shows why they are the best board” (PI 36), one proxy advisor commented.

In view of *resource dependency theory* and *disclosure theory*, exchange-listed organisations are aware that stakeholders have a right to internal information. To meet evolving expectations of the public (Deegan et al., 2002, p. 319), the primary objective is to link corporate goals (input) and methods (process) with adequate disclosure mechanisms (output). You should “have a five-liner explaining what this person is all about and why it is good for a strategic reason to bring this person on board” (PI 27), agreed another interviewee. In this manner, by indirectly admitting that the quality of information about the board members is low (PI 32, Table 6.8, Section 6.7), interview participants legitimised that current practices are deficient and no longer adequate: “I think we lack transparency in this plan. We clearly lack transparency about the reason why a board member is on the board” (PI 36), as one interviewee put it in a nutshell.

Although organisations want to disclose voluntary information to attract shareholders (investment) and stakeholders (public image), there are clear *limits*. Against *coercive isomorphism* (Section 4.4.1), stating that outside pressure forces organisations to adapt their reporting schemes, it can be said that at some point, disclosure costs exceed its benefits (Grossman & Hart, 1980, p. 333). For the chair, reasons include ‘strategic positioning’, ‘discretion’, ‘private information’, and ‘reputation damage’, according to the interview participants (Section 6.6). “It is the famous game of disclosure. Everybody requests you to say everything. At the end you ask yourself: Who is leading? Who is managing this company?” (PI 33), critically reflected one interview participant. Another mentioned that there is a point where “you give and give and give, and it is never enough” (PI 25). Then, at the latest, you have to stop. Stakeholders and shareholders should therefore understand that not everything can be made public.

In disclosure, there is also *uncertainty* about why the topic of succession and disclosing is important and which sub-items should be addressed in detail (Verrecchia, 2001, p. 142). Uncertainty is also a cause for the fact that succession disclosure has not really been developed. As a result, none of the organisations want to take the lead. This can be briefly illustrated by the conversations (interview), in which participants often referenced to mandatory reporting schemes, and by content proposals (survey), in which they tended to deny specific proposals related to scope and content.

In summary, there seems to be little or no *awareness* for expanding voluntary disclosure practices. Deloitte's (2017, p. 43) market survey that analysed changes in disclosure on succession of two consecutive periods confirmed that 69% of large-caps, 62% mid-caps, and 35% of small-caps did not make any changes. When developing information on board chair succession, it must be noted that it is necessary to put more focus on creating awareness to strengthen voluntary disclosure on succession. Promoting independence in boards could be one approach, as it is said to have a positive influence on the transparency level in disclosing (Ghio & Verona, 2020, p. 74). Pressure/demands from the regulator (SIX), from soft law principles (economiesuisse), or from stakeholders (proxy advisor) could be another tactic. However, it should also be made clear that this is not just an issue that concerns the chairperson. Raising awareness would also lead to disclosure implications for the board and the members of the senior management.

RQ3-2: Scope and Content (Person- and Structure-related Information)

Second, by proposing specific scope and content for disclosing information on succession, survey participants clearly prioritised *person- over structure-related information*. Besides already established factors relating to the person (such as former experience and overboarding), organisations are reluctant to report on specifics about the structural process (such as succession planning and board advisory). For the latter, the majority of participants ticked 'strongly disagree' and 'disagree' on the 5-point Likert scale.

For *person-related information*, a clear preference for experience/knowledge and overboarding means that the chairperson's strengths/advantages and available time frame are highlighted. Considered as a *basic premise*, the two hard facts are the easiest to handle and therefore the most accepted/prioritised. In addition

to a career history, only the number of board memberships need to be reported to meet the (minimum) requirements. However, as one interviewee remarked, “I personally believe that in the outside world, and therefore also at the internal world, companies are focusing too much on the so-called hard facts [...]. But those skills and tasks which are more on a soft, on a relational level, they are hard to communicate. Therefore, I think that we quite often have a wrong focus on how chairs are elected” (PI 10). Following the opinion of a chairperson, the focus in reporting should be more on soft skills, not expecting to “have a psychoanalytical description of the individual” (PI 12). However, it is indispensable to know the reasons why and the extent to which the candidate fits the underlying profile for the nomination. A small majority of survey participants confirmed that the extent of voluntariness should be such that the choice can be rationally explained to third parties.

To counter that, another participant noted (PI 24): “Normally you describe, why this person is going to be the best person for the job [...]. But for the rest, nobody cares how many people are on the long-list. In the end, people care who is the one who becomes it.” As the exemplary quote regarding the rationale and the profile shows, even if it is the organisations’ intention to provide more background, interview participants rarely referred to in-depth examples that would add *crucial value* to decision-making. Related to awareness-raising (see RQ3-1), disclosing information should continue to meet the criteria of qualitative utility. In that context, one can refer to Subbarao and Zeghal (1997, p. 62) who, in reviewing annual reports, showed that the word count of items found in staff reports had a high diversity (importance), but a low frequency (incidence). This fact makes it clear that points are being addressed, but with too little depth in terms of content that would allow external stakeholders to make an adequate voting decision. Also, exemplified by the quote in the beginning of this paragraph, it is unclear what is meant by the ‘why’ and the ‘best’ as it can be interpreted in many ways.

All the more, the findings for the structural information level illustrate the inaction towards disclosure *novelty* perfectly (Section 6.6). Beyond the sphere of naming (Section 4.4.1.2), the reason why the more critical and passive views dominated might have to do with the theoretically justified *chilling effect* (SEC, 2003, cipher 64). Concrete and detailed disclosure on assessment centres and board advisory or succession planning and process owner could have a disadvantageous effect on collaborations (partners) and/or organisational attractiveness (candidates) (Withers et al., 2012, pp. 251, 269). As a reaction, either the partners

refuse to work with the organisation, or the candidates refrain from participating in the process. If this were to happen, it would of course be an advantage for the competing organisations that refuse to do so. Moreover, a second possibility is that it depends on how standardised processes are or how much the process owner/the board wants to rely on them (organic vs. mechanistic search) (Clune et al., 2014, p. 750). If the board wants to maintain flexibility in this respect, it reports the structures used less in order to have more leeway for context orientation/adaptation, which affects succession. Another indicator for this is also that one makes more changes in personnel (board members, chairperson) than in organisational aspects (processes, strategy), since the latter requires stability for sustainable development.

Nonetheless, it seems too easy to attribute all this to one effect. The increasingly negative attitude is more due to the fact that, on the one hand, few organisations are prepared to implement assessment centres. However, for this to be implemented at the chair level, some hurdles must first be overcome. “It also depends on the maturity of the board. To have even a board assessment done is already a big step in certain companies” (PI 19), is one such example. If the nomination committee is not able to implement this first, then, of course, it cannot be reported on. On the other hand, there is no standardised framework for dealing with process communication (Section 5.1). There are organisations that already report on the process steps (e.g. UBS and Credit Suisse), and others could follow in their footsteps. However, this requires the organisations to benchmark, which almost half of the organisations surveyed do not do (see social governance motives, RQ3-1). If there is a systematic process that is proven by the results (Section 8.1.2), this should also be communicated. As it is also about showcasing the organisation and making it more attractive to investors/candidates, the advantages should be emphasised. When organisations refuse to report even though they claim to have a sound procedure in place, this of course may also indicate that succession planning and its procedures are not yet as developed as it has been presented. With respect to that, however, there is no evidence in the survey results that confirm/refute this.

In a nutshell, it can be deduced from the results that it is important to first promote and implement the person-specific level before communicating organisation-specific criteria. However, it needs to be specifically clarified what information is expected and to what extent it should be reported.

RQ3-3: Channel and Time/Timing

Third, as organisations are likely to favour *traditional investor-specific channels*, *ad hoc* is also their priority when it comes to time/timing. In terms of channel, the press release, AGM, and annual report were the top three named (in ranking order). For time/timing (second rank), there are no due dates for voluntary disclosure (Ferramosca & Ghio, 2018, p. 196), whereby the point in time strongly depended to the choice of channel. For the survey participants, *ad hoc*, 3 months, and 6 months were thus the three best points in time to name the new chair publicly (again in the ranking order mentioned).

For both dimensions, as previously remarked in Section 7.6.1, it was obvious that the results were influenced by obligatory reporting principles. Therefore, it should be noted that these results were expected. To interpret the findings regarding the channel, there is one important remark to be made. While it is evident that organisations are strongly oriented towards formal criteria (press release and annual report), the AGM and roadshows in particular offer the opportunity to address the shareholders *verbally* to explain why the proposed candidate is suitable for chairing the board of directors. Beyond the written content, the resigning chair or the chair of the nomination committee then can explain in person “why, in the current strategy and upcoming strategic movements, it is a good proposition for this person to come on board” (PI 27). For one interviewee it was thus clear that “you will have an important part every time in the speech of the outgoing chairman where he or she talks about his or her successor” (PI 12).

Interestingly, as the examples demonstrated, the organisations are much more *forthcoming* when it comes to addressing the ‘why’ verbally. While written explanations are met with hesitation (see above), participants see the advantage of a face-to-face exchange in being able to provide more detailed background and relate to the context. However, referring particularly to the AGM, the ultimate benefit is questionable. Since the majority have chosen an independent proxy, physically represented shareholders often only account for a fraction of the total voting rights (around 1%) (Inrate, 2020, p. 2). Thus, through the low physical presence at the AGM and the preliminary discussions with the anchor shareholders, the channel is not important for the interviewees. “What is also true, and you may not like it, the very moment the new candidate is published, it is closed. The decision has already been made anyway” (PI 12), as one person reasoned.

Despite studies examining the use of web interactivity and modern platforms for information services in (human) capital reporting (e.g. Heinze & Hu, 2006; Striukova et al., 2008), the survey's emphasis on traditional, investor-specific channels demonstrated that mechanisms for reporting on chairperson succession tend to be *conservative* and that technological adjustments depend on *regulation*. Few opinions were positively directed towards modern alternatives such as the web/internet (Xiao et al., 2004) or social media (Leitch & Sherif, 2017). "Social media has the power to kill people for no reason. [...] This is creating more disinformation and fake news than providing solid support to decision-makers" (PI 27), was one opinion why modern channels found little support among participants.

In terms of timing/scheduling, it is important to catch the *right moment*. On the one hand, a decision communicated in advance shows that the succession is being approached systematically. In that case "everybody can be prepared and informed. Then you have time for the roadshow" (PI 34). Being prepared and looking ahead is important because "there are two things that the market does not like: one is surprises, and the other is insecurity" (PI 24). On the other hand, an early announcement, of course, also means that the process of finding a successor is initiated. Such an announcement can lead to a dynamic in the board that is not conducive to cooperation (e.g. lame duck, Section 6.5). One participant thus clearly emphasised keeping the time horizon as short as possible. "Once the new chairman was nominated, the old chair had already mentally disengaged" (PI 32), as one person reported from his/her own experience.

Principally, time/timing is closely linked to the choice of channel (Section 4.4.1.3). With respect to that, scholars have claimed that the delay of disclosure creates a greater positive market effect (Guttman et al., 2014, p. 2416) or that more complex businesses have longer reporting lags (Sengupta, 2004, p. 475). In the underlying survey sample, which was specifically related to the chairperson, the findings of the two prior studies related to senior management could not be confirmed. For the participants, the closer the time/timing of the AGM, the less 'noise' it creates, "because what you do not want most of the time as a chairman, is for it to get noisy around the chair position. That is what most chairman try to avoid at all costs" (PI 24). However, from a strategic point of view, the time/timing should be as close as possible to the AGM in order to still have enough time to talk to the relevant stakeholders and introduce the candidate.

To summarise, as one factor conditions the other (and vice versa), channel and time/timing are closely linked. Organisations motivated by a *regulatory and conservative mindset* are less likely to adopt innovative/alternative concepts, but instead rely heavily on historically established practices. Here, it is not only important to address stakeholders appropriately, but also to tackle internal organisational practices in the best feasible way (e.g. board policies).

Table 8.3 Survey – RQ3 Summary of Results

RQ3-#	Summary
RQ3-1 Motives	Economic governance motives (accountability, reporting strategy, reporting need) are likely to have a <i>high influence</i> on voluntary disclosure on chairperson succession. Discrepancies between groups relate to family- vs. state-owned organisations (reporting need, $p < 0.05$, $r = 0.33$) and to less than 10 vs. 10–20 years of board experience (reporting need, $p < 0.10$, $r = 0.27$).
	Social governance motives (stakeholder expectation, benchmarking, cautiousness) are likely to have a <i>medium impact</i> on voluntary disclosure on chairperson succession.
RQ3-2 Scope and content	Organisations are likely to prioritise <i>person-related</i> (candidate profile, experience/knowledge, overboarding, reason/rationale) over <i>structure-related information</i> (assessment centre, board advisory, process owner, process steps, succession planning) in voluntary disclosure on chairperson succession. Discrepancies between groups relate to small- vs. mid-caps (process steps, $p < 0.05$, $r = 0.32$) and institutional investor- vs. state-owned organisations (overboarding, $p < 0.10$, $r = 0.34$).
RQ3-3 Channel and time/timing	Organisations are likely to prioritise <i>traditional investor-specific</i> channels (press release, AGM, annual report) and <i>ad hoc time/timing</i> in voluntary disclosure on chairperson succession.

Source: own illustration

8.2 Implications for Academia

The doctoral study contributed to *board theory*, *role theory*, *process theory*, and *disclosure theory*, outlined in Chapter 3.

In relation to *board theory*, the dissertation primarily aimed to make a further contribution to dismantling the fortress of board governance research: the black box of board succession planning. This study integrated a multi-theoretical approach that goes beyond a pure agency problem. For the purpose of broadening the view and implementing further perspectives, the following theories were applied to the structure of the research questions: stewardship theory (RQ1), resource dependency theory (RQ2), and stakeholder theory (RQ3). Moreover, social integrative methods such as behavioural theory and team production theory were also incorporated to explain the essential connections and link relational dynamics—something that prior research failed to do (Walther, Calabrò, &

Morner, 2017, pp. 2212–2213). In addition, the pursuit of a multi-theoretical approach allowed answering research questions on the integration of social factors into the realm of governance concerning the board chair (van Ees et al., 2009, p. 307).

Second, the conceptualisation of *role theory* enabled an understanding of the roles, tasks, and respective competences required of the chairperson. The thesis showed that the chairperson fulfils multiple roles. By applying the concepts of the *Organisational Role Analysis* and *The Competing Values Framework*, the thesis reflected the normative expectations and internal socio-technical and external environmental systems within the multidimensionality of competences. Beyond that, the concepts of *Board GPS* and the *Competence Model* enabled an in-depth definition and delineation of role, tasks, and competences. Interlinking all the theoretical role concepts, it was possible to identify the unique set of chair competences and compare them with those of an ordinary board member. All of this contributes to finding answers to the why, what, and how of the actual behaviour of the board or board committee (Leblanc & Schwartz, 2007, p. 845).

Third, “great inferential leaps are made from input variables such as board composition, to output variables, such as board performance, with no direct evidence on the processes and mechanisms which presumably link the inputs to the output” (Pettigrew, 1992b, p. 171). As called for in the quote, *process theory* enabled interlinking the succession paths of chairpersons conceptionally (input-process-output) and chronologically (catalyst to AGM). By integrating the related *teleological theory*, the thesis demonstrated that process moderators exist. Consequently, organisations are required to adapt their practices to meet constraints and expectations. The example of adaption demonstrated that succession processing is cyclical rather than linear. As there is no such thing as *the* process, it requires context to justify the embedding of personal, group, and organisational activities (Minichilli et al., 2014, pp. 1153–1154; Walther, Calabrò, & Morner, 2017, p. 2208). Since the board is seen as an open system with human interactions, the work followed Pettigrew’s (1992b) call to integrate internal and external perspectives into process thinking. Knowing the expectations of key stakeholders enables to improve the decision-making basis for the process owner (chair nomination committee) and the ultimate voting parties for the AGM proposal (board of directors) (Huse, 2009a, p. 3). In summary, by including process theory, the thesis has made a valuable contribution that goes beyond the academic “publish or perish” syndrome with a pure input/output focus (Huse, 2005, p. 66).

Fourth, *disclosure theory* practices enabled to extend the liaison- and co-opting function of a chair's role, where, according to Huse (2018, p. 31), a value-creating board approach is necessary to connect to ethical- and stakeholder engagement. By explaining the conundrum of chairperson succession to outsiders through outbound communication, organisations actively contribute to legitimising their (board) activities. After confirming the underlying assumptions (e.g. recognition of accountability) and delving into prospective implications (e.g. litigation claims), the dissertation also described how the theory is interlinked with the organisational reaction.

Fifth, beyond applied theories, the dissertation also aimed at contributing to the emerging literature on boundary conditions of succession (e.g. Giambattista et al., 2005; Minichilli et al., 2014). Anticipating that this could lead to a new stream *in contingency theory*, the micro- and macro-level determinants specific to succession are difficult to handle (Olson & Adams, 2004, p. 426). The more knowledge that is gained about whether and how strongly such contingencies operate, the better they can be understood. The doctoral thesis therefore attempted to provide further insights into this promising field of research.

Lastly, the thesis in general contributed to *broadening the landscape* (demographically and in terms of content). Since boardrooms deal with private information, the use of primary data via exploratory interviews and a confirmatory survey uncovers inner working processes and extends the majority of secondary, publicly available data studies (Adams et al., 2010, p. 31). Using the chosen theoretical approach, the dissertation primarily followed three board governance trends (Huse, 2018, pp. 19–20): (1) to focus on board responsibility, value creation, and strategic planning; (2) to emphasise board work beyond a pure shareholder perspective such as ethics, accountability, and responsibility; and (3) to rethink board evaluation and board performance activities.

8.3 Implications for Practice

The empirical part of the dissertation allowed deriving several insights for *chairpersons*, *head of nomination committees*, and *governance experts*.

Overall, the interview and the survey exchange with Swiss business personalities achieved two things in particular. On the one hand, it encouraged the participants to analyse the subject in detail and to keep succession at the *top of the agenda*. On the other hand, it *transmitted impulses* to reflect on process habits and to adjust them to the changing governance landscape—not just once or twice, but on an ongoing basis. An indicator that the topic of board chair succession was

met with interest by the participants is the behaviour of one interview participant (mid-cap) who postponed the subsequent appointment to be able to answer all questions of the questionnaire adequately.

Second, the outside world still perceives chair election as a “strange little dance” that is strongly influenced by personal networks and social dynamics (Clune et al., 2014, p. 777). According to the French proverb *c’est le ton qui fait la musique*, the doctoral study showed that it requires active engagement to prove that succession planning is formalised, rigorous, and rational (Schepker et al., 2018, p. 546). By that, as Weisblat (2018) perfectly put it, “changing goals, including succession plans, must be regularly disclosed to all stakeholders in order to minimize uncertainty about the future of the organization. While the number of disclosed details is open to debate, one thing is clear: transparency is key” (p. 20). There, as the insights showed, providing a static checklist is no longer sufficient (Pye, 2002, p. 9). To address the “impatient and faceless owners” (Huse, 2005, p. 70), it is necessary for organisations to support the view of “the enemy of my enemy is my friend” (Campbell et al., 2012, p. 1447) and ultimately to provide “lived experience” (Roberts et al., 2005, p. 23). By following transparency concerns, the work of succession makes more sense, is more understandable, and is positively acknowledged by the market. But above all that, shareholders know and believe that the nomination committee takes its responsibility seriously (Molitor, 2010, p. 164).

Third, “there is an abundance of literature describing the best practices that companies and boards should adopt [...]. However, we still know little about how companies are *reacting* to these recommendations” (Roy, 2008, p. 39). In particular, the suggestions on voluntary disclosure provided practitioners with ideas on how to communicate rule-based process structures and competences. In this sense, the dissertation produced (contemporary) best practice inputs on behavioural board governance and thereby followed the research call by showing how organisations responded to such proposals. It thus went beyond the simple description of best practice principles, as criticised by Roy (2008). More than that, with specific focus on the quantitative analysis, the inferential statistics results also differentiated between different types of organisations (market capitalisation, shareholder structure, and board experience).

Fourth, by adopting a mixed-methods design, the study followed the *unconventional, non-mainstream body of research* that draws on both *practice and theory* (e.g. Machold & Farquhar, 2013; Maitlis, 2004). Through the envisaged methodology and the intention to gain in-depth insights, the quantitative findings of the

work and the qualitative discussion are expected to offer *guidance for Swiss policy makers* to further deal with succession planning regulation.¹² Thus, the study enabled SIX, FINMA, and *economiesuisse* to reflect on what kind of policies might be acceptable from an organisational perspective in light of potential new regulation. In this sense, it provides initial ideas for the direction that upcoming regulations may take. With reference to the specific regulators, to summarise, it should also be emphasised that the study was one of the few to provide insights into succession planning for Swiss exchange-listed organisations (hybrid board governance structure).

Fifth, it was also demonstrated that in succession planning, *forward-thinking* and *long-term planning* is crucial. Especially in view of the prominent position of the chair. For practitioners, thus, it is important to keep an eye on the timing and time horizon. However, as there are many stakeholders with different (conflicting) interests, it is also key to pay attention to third-party influences. If the process owner is able to oversee the multidimensionality that corresponds to governance practices, shareholder and stakeholder expectations, and regulatory requirements, the succession process will be recognised as professional and objective.

Lastly, by addressing specifically in- and outsiders, the doctoral research highlighted the following implications/recommendations for actions for the stakeholders and shareholders under study:

- The *chairperson* can participate in the process, meet candidates, and contribute essential input to the nomination of the candidate. When it comes to process responsibility, profile description, and long-/short-list decision-making, due to independency and personal biases, the board chair should not take the lead. Even if the chairperson is willing to make the ‘best possible’ handover, the person should have confidence in the chair nomination committee/board to have the competence to ‘choose right’.
- If a *nomination committee* has been formally established, its chair heads the process planning. The committee should manage the timeline, establish a candidate profile, contact advisors (if appropriate), explore and determine a candidate long-list, and coordinate the results with the full board of directors. With regard to succession planning, the chair of the nomination committee is the primary person to contact. Given his or her role, the chair should act as a strong personality and consciously take on the responsibility that has been

¹² For example, see Dedman (2016) for CEO-chair move or Campbell et al. (2012) for proxy access.

- assigned. If the process deviates from best practice due to influencing factors, it is up to this person to show strength and restore transparency/objectivity.
- The *company secretary* shall primarily have a supporting role for the chair nomination committee and/or the chairperson. The supporting function relates, on the one hand, to the process structure and, on the other hand, to the rigorous reporting of planning, strategy, and process execution. If there is an enforcement (FINMA) or a complaint (shareholders), the company secretary is responsible for ensuring that the process is fully protocolled and that all files are substantial and complete. Participation in an interview is rather not required.
 - The *CEO* should be integrated into the succession process. At planning level, the origin (internal vs. external) and timing of the process (point in time for succession) for the search of a new chairperson should be coordinated with the CEO. At process level, the CEO should comment on the profile and interview the candidate, but without assuming any decision-making influence. Since a complementary constellation between the CEO and the chairperson is crucial for the success of the organisation, the CEO should have the courage to openly share the criteria for a good partnership. This allows to build the essential relationship structure necessary for the organisation to continue thriving.
 - *Board advisory consultants* can be part of the process. If engaged, by acting as a gatekeeper, it is the advisor's responsibility to provide process input, to enlarge the field of candidates, and to promote transparency and fairness. The long-list candidate proposal can be out of the box, without losing sight of the predefined profile, and its focus should be on person- and not only on work-related competences. Beyond the usual industry suspects, personalities without a 'top-tier' position but with profound knowledge can also be candidates.
 - *Shareholders* should be able to express their expectations. To strengthen understanding, organisations should strive for transparency by providing adequate succession-related information. However, shareholders need to understand that there are clear limits to what information can be shared externally (thresholds) or that non-disclosure agreements need to be signed (NDA). Though, to emphasise the importance of succession, shareholders must more rigorously demand profile- and process-related information.

8.4 Research Outlook

Since still “little research is available to inform succession planning practice” (Garman & Glawe, 2004, p. 123), the doctoral study intended to provide initial insights into the realm of board chair search. Through the in-depth analysis, several (future) research avenues could be identified:

To begin with, in order to address and understand current practices, the thesis focused particularly on the opinions of the chairperson and the nomination committee chairs. Although other stakeholders were included for interview purposes, the results are based on the board’s perspective. However, it would be interesting to consider the *multiple perspectives* of key stakeholders referred to in this thesis. For example, what family and institutional/activist shareholders specifically expect in succession (Hillman et al., 2011, p. 675). In that field, apart from composition, little research is known about key stakeholders’ expectations of the process (Nicholson et al., 2000, p. 14). Further research could thus analyse what specific attributes and at what stage of the process stakeholders should best be addressed.

In addition, current insights into what is ‘good/bad’ are related to the persons who plan the process themselves (e.g. chair nomination committee). Evaluating one’s own area of responsibility often results in *biases* (e.g. in the search for the ‘easiest’ or ‘best’ candidate; Walther et al., 2015, p. 23). A second research focus would therefore be to look at the opinion of the board advisor, consulting the manifold organisations. By doing so, current planning pitfalls could be detected by a broad market review and instructions for actions could be derived accordingly. The results could be implemented by the advisors and thus support the organisations as a whole in the question of how to approach succession planning.

Moreover, as shown in the non-parametric quantitative analysis, there are discrepancies between *size* and *block holding structures*. The thesis’ intention to address this as a prospective (new) field in research—do discrepancies even exist? – may serve other research fellows to investigate the phenomenon in detail. This would allow, from a theoretical point of view, to close the knowledge gap(s) and, from a practical point of view, to provide recommendations on how to best address the two contexts in chairperson succession (Ho, 2005, p. 218). For block holding structure, Switzerland is a prime example for research as individuals/families often hold substantial stakes. Extending the research to various *governance systems*, such as those of the USA and the UK (unitary) and those of Germany and Austria (two-tier), and to specify *process drivers*, such as the famous lead independent director in the UK, may be another stream to focus on (Pye & Pettigrew, 2005, p. 31).

In fact, this thesis has shown that the succession process is more rigorous and systematic than it was a few years ago, since organisations are increasingly concerned with integrating key stakeholder demands and implementing best practices (e.g. Clune et al., 2014; Conger & Lawler, 2001; Korn Ferry, 2009). However, the survey sample described in Section 7.2 showed that the results in this doctoral study are specifically determined by the cited organisations *with a nomination committee* that are keen on implementing systematic structures (assuming that the formality of the committee has an impact on the systematic nature of the processes, Section 4.1.2). Since only a few organisations without a nomination committee took part in the survey and 30% of all market organisations do not have one in place yet (Sections 2.1.3 and 7.2.2), this suggests that the current tendencies to speak of a mature and well-established process is not yet sufficient in all SPI organisations. If this assumption is correct, it would also significantly limit the result of the survey in which participants were asked to state how adequately they experienced their last chairperson succession process (Figure 7.9, Section 7.3.1). The same applies to the background that the study focused on listed organisations, which are usually subject to strong *political correctness*.¹³ As venture capital or private equity-driven organisations are much more performance-oriented, it would be interesting to investigate how this affects board chair succession. Addressing one of the limitations of the doctoral thesis by conducting a second study, namely including SPI organisations in a larger sample or extending the focus to all Swiss organisations (stock-listed and family owned), would allow for more statistically sound results.

In addition, public expectations have increased *ESG* in organisations. With the assumption that governance ('G') sets the tone, the emergence of *ESG* as a corporate guiding factor will continue to gain momentum in board research. New fields of research will open up and academics from different disciplines will join forces. By the context of its wider audience, e.g. greater stakeholder and shareholder demand, Eminent and Guedri (2010) emphasised that it is "necessary to reform the way in which directors are appointed" (p. 558). For the chair specifically, new ways will be explored to determine whether and to what extent a chair can add value and how it affects the board as a whole. Further opportunities in this respect may relate to the question of how modern technology, data analytics, specific applications, personality checks, and planning factors may improve the succession process and thus strengthen its transparency and objectivity.

¹³ See Stein (2007) and Ely et al. (2006) on political correctness.

Despite the reliability and validity of the doctoral study, the research results are *snapshots* (Section 7.7). As the market is dynamic, the “corporate governance system continuously adjusts and improves in response to failures” (Olson & Adams, 2004, p. 424). Highlighted by the Swiss corporate law reform (revCO), the possibly upcoming revisions of the Stock Exchange Rules (DCG), and the Best Practice Code (SCBP), it is necessary to conduct another research study at a later point in time. Having the opportunity to address related questions, as this doctoral study has done, it is possible to compare the results over a certain time horizon and check whether and how quickly progress has been made.

To sum up, overall, the dissertation has provided a first *impulse* for further research on chairperson succession. As additional research in the field of the chairperson is needed to fully explain its dimensions/dynamics and, even more importantly, to put the results obtained into perspective, it sought to encourage other researchers and Ph.D. fellows to overcome the challenging barriers for access to boards and confidential data.

8.5 Concluding Remarks

“A good or bad Chairman can make all the difference. The rule of the game is that you have to add value.”

(The Change Partnership, 2016, p. 6)

To conclude the doctoral thesis, implied by the empirical results, there is *no such thing as a world-class chairperson*. There is, however, in the words of Atwood (2020), the need of “having the right people in the right place at the right time” (p. 2). In principle, the one person who is best suited to add value in this function. To make such a nomination, though, it is important to link succession planning to the specific situation and context in which an organisation is embedded. As it is sometimes the irrational that drives a process (Section 6.7), it has been demonstrated from an academic and practice-related point of view that it is essential to understand, manage, and address such traits if they occur. In terms of chair succession, the doctoral study has thereby accentuated the relevance of defining *competences*, mastering *key process contingencies and key stakeholders*, and providing *voluntary disclosure*.

While introducing the topic (Chapter 1), the focus was on the question of what the driving factors are “to chase that phantom” of chair selection (Olson & Adams, 2004, p. 422). Although academics and experts with practical experience agree that the position should be held by a person with decent rational economic- and socio-emotional skills (Withers et al., 2012, p. 244), it was mentioned that apart from the information about which person holds the position, there is little awareness of the dynamics that occur around the election. In the absence of clear regulatory guidance (Chapter 2), organisations thus used their leeway to structure their own work processes. This corporate freedom of action led to a mismatch between shareholder/stakeholder expectations and organisational performance/ results.

Considering board theories, role theory, process theory, and disclosure theory (Chapter 3), the thesis showed how the chair is embedded in the diverse shareholder/stakeholder environment and what it takes for the person to perform the function. In delving into the topic of chair succession planning (Chapter 4), the study demonstrated that there is agreement on the essentiality of the succession process. Nevertheless, in practice, too little attention has been paid so far to due diligence and, too much attention has been paid in academia to the outcome (output) instead of the context (input) or the decision-making structures (process). As a consequence, eight research gaps were identified and these were summarised in three research questions (Chapter 5).

By using a mixed-methods design to address the question of how exchange-listed organisations master and accomplish chair succession, the empirical approach of the doctoral study with interviews (Chapter 6) and a survey (Chapter 7) provided insights into how to deal with the process systematically, transparently, and in the spirit of good governance/ best practice. The results achieved were then discussed and put into perspective from an academic and initiatory viewpoint (Chapter 8). All chapters thereby followed the three-pronged *input-process-output* design.

In summary, with respect to (1) competences, (2) moderators, and (3) disclosure, readers can take away the following insights from the doctoral thesis and the RQ under study:

- (1) – The variety of roles and tasks of a chairperson is significantly driven by theory, personal perception, and organisational context.
 - The competence profile for a chair is broader and more diverse than that of an ordinary board member.
 - To meet roles, tasks, and profile expectations adequately, the board chair should have strong personal (integrity and authenticity), leadership

- (stamina and stewardship), and business competences (strategic thinking and board literacy).
- (2) – A succession process is complex, should be planned long-term and systematically, and follows transparency and fairness.
 - For the planning and processing, governance (independence and confidentiality), business (board structure and strategy), environmental (industry and market dynamics), and political contingencies (networks and chair influence) are the driving dimensions. To address them specifically, they should be considered.
 - Stakeholders should be involved/their expectations addressed in a way that is appropriate for the specific group and the point in time/step in the process, with preference for internal (board, senior management/CEO, company secretary) over external stakeholders (board advisory, shareholders).
 - (3) – Current disclosure regarding the succession/candidacy nomination is vague. Shareholders often do not know specifically why the person proposed to the AGM is the most suitable.
 - Tough organisations agree that it is not enough to provide a CV, they are sceptical and clearly see limits to what they are willing or able to report.
 - If organisations agree to disclose, they clearly prioritise person-related (candidate profile, experience/knowledge, overboarding, reason/rationale) over structure-related information (assessment centre, board advisory, process owner, process steps, succession planning).
 - As the topic of succession disclosure is a novelty, raising awareness by hard law/regulators, soft law, or stakeholders is needed first.

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