THE ROBERT BERTRAM

DOCTORAL RESEARCH AWARDS

Learning during the Transition Period: How Identifying Executives as Designate CEOs Affects their Learning

Rida Elias, PhD Candidate in Strategy
Western University

Acknowledgements

Though this work has my name on it, it would not have been accomplished without the help, feedback, assistance, and encouragement of more people than I can list here below. I would like to thank my supervisor, Rod White, for his feedbacks that improved continuously improved this work. I would also like to thank the many members of ICD and the administrators and directors of the Robert Bertram Award for their psychological and financial assistance throughout this project, including (in alphabetical order) but not limited to:

1. David Beatty, my mentor: Your practical experience, intelligence and wisdom made this project valuable.
2. Robert Bertram: Your positive attitude, willingness to invest time and effort, and encouraging feedback on the findings were priceless.
3. Christian Buhagiar: Your continuous feedback on the work from inception to submission, your timely response to my numerous requests, and your tirelessness in handling all the administrative issues were immensely appreciated.
4. Maureen Finlan: Your forever positive voice whenever I called to ask about the smallest detail and your encouraging e-mail response where very helpful especially during the stressful periods of the project.
5. Stan Magidson: Your help to reach out to CEOs in Alberta despite your very busy schedule will always be a favour I will never forget.
6. Eileen Mercier: Your willingness to invest time and help me reach out to some of my participants, your positive attitude, and your commitment to improving practice in businesses were very inspiring and for them I will forever be grateful to you.
7. Other board members: given my confidentiality agreement with board members, I prefer to not reveal their names. Your willingness to invest your valuable time in this research was what made this project possible.

CHAPTER 1. INTRODUCTION

First listed reason to sell

The remarkable success of Berkshire Hathaway is nearly wholly attributable to Warren Buffett and Charles Munger. Though Buffett has put in place a succession plan and has chosen a successor, the names of the to-be CEO remain under a veil. However, there remains an air of uncertainty regarding the performance of the company under a new CEO. In our view, it is unlikely that any new management of this conglomerate will be able to continue Buffett and Munger's long-term market out-performance. ("Berkshire Hathaway", Zacks Equity Research, August 22, 2013, available through Lexis Nexis)

First listed reason to buy

Prior to market open on 3 April TD announced its succession plan for President and CEO Ed Clark, a process that will play out in steps over the next 19 months and will culminate with current U.S. banking chief Bharat Masrani assuming the top spot at TD to begin November 2014. We believe that no bank we cover has been as closely linked with the strategic vision of its leader as has been the case with TD and CEO Clark, and as such the news of the elongated transfer provides answers to the important questions of "who?" and "when?" that have been an ongoing point of discussion for TD investors in the past few years. ("TD Bank Financial Group", Macquarie Equities Research, April 4, 2013, available through Thompson One)

CEO succession is an inevitable event every organization has to face (Giambatista, Rowe, & Riaz, 2005; Grusky, 1960; Kesner & Sebora, 1994). A change in any senior managerial position affects a firm's political, financial, and social climate, as well as its morale (Friedman & Saul, 1991). Thus, the turnover in the firm's CEO position is believed to have a significant impact on the firm's performance (Alexander, Fennell, & Halpern, 1993; Helmich & Brown, 1972). The above statements regarding Berkshire Hathaway and TD Bank show the impact of CEO succession planning on analysts' valuation of companies. Both reports use succession as the primary reason for their recommendation to shareholders on whether to buy or sell the stock under consideration, which explains why CEO succession is one of the critical responsibilities of boards of directors – second only to the financial performance of organizations (Biggs, 2004).

Given its importance, many researchers have studied the event of CEO succession. Most studies have investigated the succession event itself or the passing of the CEO title, emphasizing

the impact of the characteristics of the incoming CEO or the different types of succession on post-CEO-succession organizational performance (Giambatista et al., 2005; Kesner & Sebora, 1994). However, the recent examples provided below from *The Wall Street Journal* and *The Globe and Mail* indicate the process of transferring the CEO title often starts with the identification of an heir apparent long before the actual succession event.

> *Helping assess that strategy is the company's new president and chief operating officer Keith Creel, a long-time protegé of Mr. Harrison from their days together at Illinois Central Railroad and then at Canadian National Railways Co. Mr. Harrison described Mr. Creel as his clear heir apparent (Dixon, 2013).*

> *... Bank of Nova Scotia became the first of the major banks to strongly signal its next CEO. Brian Porter, a 31-year veteran of Canada's third-largest bank, was named president of the bank on Wednesday, assuming that role from current chief executive officer Rick Waugh. Though Scotiabank executives did not elaborate on their reasons for the move, it is widely seen as setting the stage for Mr. Waugh's eventual departure after nearly 10 years at the helm (Robertson, 2012).*

Relay succession refers to the process where a successor, usually referred to as the heir apparent, is identified a significant period of time before the actual succession event (Rowe, 1996; Vancil, 1987). The majority of the research conducted on heirs apparent attributes the success of relay succession to the learning heirs apparent acquire during the transition period (Vancil, 1987; Zhang & Rajagopalan, 2004), but little evidence has been provided to support this argument. Consistent with Hall's (1986) predictions, heir apparent research assumes learning happens during the transition period. However, to my knowledge, how the designation of executives as heirs apparent affects their learning has not yet been studied. In this paper, I explore the impact of the designation of executives as heirs apparent on their learning during the transition period to becoming CEO. I focus on the impact of designation on triggering a change in identity and in the social environment for the executive affecting their learning.

CHAPTER 2. LITERATURE REVIEW

CEO succession events are unavoidable and disruptive for organizations. Rowe (1996) argued relay successions are the least disruptive, horse races are more disruptive, and CEO dismissals are the most disruptive. When an incumbent CEO is associated with the good performance of an organization, the high expectations from this CEO may lead stakeholders, especially shareholders, to believe the heir apparent may not achieve the same level of performance. Thus, the disruption may occur because the stakeholders question the capabilities of the incoming CEO. Will the incoming CEO develop the necessary skills and knowledge to sustain the good performance of the organization? To answer this question, I used two complementary lenses: sensemaking and learning. In this chapter, I review briefly the relevant literature on CEO succession, namely heir apparent, learning, and sensemaking and proceed to integrate these theories, as represented in Figure 2.1.

Figure 2.1: From the Heir Apparent to the CEO: The Theoretical Context
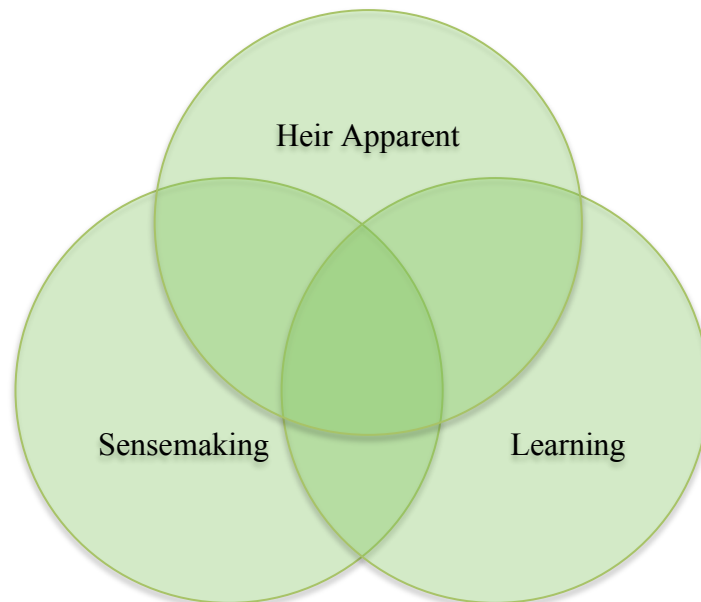
2.1. CEO Succession

> *What a firm becomes can be significantly influenced by how and to whom this [CEO's] power and authority are passed ... This makes CEO succession a defining event for virtually every organization (Kesner & Sebora, 1994, p. 352. Brackets are added.).*

There are mainly three processes for CEO successions: outside succession, relay succession and horse race succession (Vancil, 1987). Relay succession is considered the least disruptive form of all succession processes (Vancil, 1987), both internally and externally. Internally, employees' morale and confidence are maintained by the smooth transition of leadership (Zajac, 1990). Externally, companies with heirs apparent suffer fewer negative market reactions (Davidson III, Nemec, & Worrell, 2001) and more positive shareholders reactions (Behn, Riley, & Yang, 2005; Shen & Cannella, 2003) to their CEO succession events than companies who select CEOs following a public horse race or hire outside CEOs.

This research focuses on understanding the heir apparent transition period for the following two reasons. First, despite the mixed findings on the consequences of CEO succession, relay succession is still the most common form of succession (Finkelstein & Hambrick, 1996) representing more than 75% of all succession procedures (Allgood & Farrell, 2003; Carey, Phelan, & Useem, 2009; Moriarty, 2009; Rowe, 1996; Zhang & Rajagopalan, 2004). Second, relay succession is assumed to be the least disruptive form of succession for post-succession organizational performance (Helfat & Bailey, 2005; Vancil, 1987).

Relay succession involves identifying a CEO successor, whom Vancil (1987) referred to as the heir apparent, a few years before the actual succession event takes place. The main purpose of identifying the heir apparent is speculated to be allowing the successor and incumbent CEOs enough time to work together before the actual passing of the baton (Hambrick & Cannella, 2004;

Zhang & Rajagopalan, 2004). Cannella and Shen (2001), among the first researchers to explore the position of heirs apparent (Giambatista et al., 2005), defined an heir apparent as "any officer who was the only person in a firm holding the title of president or of COO or both and who was at least five years younger than the incumbent CEO" (p. 259).

Drawing on Vancil's (1987) description of an heir apparent and Cannella and Shen's (2001) definition and later related adjustments, this study adopts the following definition of an heir apparent: *any manager in the company who was a senior executive, including being the COO and/or president, before assuming the CEO role*. In a relay succession, the heir apparent is selected a few years before the actual succession event takes place (Vancil, 1987). This key feature of the relay succession process has led many researchers to conjecture that heirs apparent have the time to learn from incumbent CEOs. The following anecdotal stories told by retired CEOs, incumbent CEOs, and heirs apparent also provide insight into the dynamic between outgoing and incoming CEOs and support the assumptions made by CEO succession researchers:

> *I learned [from Jobs] that focus is key. You can only do so many things well, and you should cast aside everything else. I think he taught all of us that life is fragile, and we're not guaranteed anything tomorrow, so give it all you've got…. It was a gift. It was an art… I saw it daily (Tweney, 2012).* Tim Cook during his first year as Apple's CEO.

> *There's a lot I can learn from Jack. I think the transition is going to be natural. Both of us are always guided by doing what's best for the company (CNNfn, 2000).* Jeff Immelt when he was declared GE's heir apparent and Welch's successor.

However, while learning is assumed to be an essential component of the development of heirs apparent, little is known both theoretically and empirically about this phenomenon. Aside from a few anecdotal stories, previous research (cf. Bigley & Wiersema, 2002; Harris & Helfat, 1997; Shen & Cannella, 2003; Zhang & Rajagopalan, 2004) only conjectures that given the time overlap between incoming and outgoing CEOs, heirs apparent learn from incumbent CEOs.

Along with the advantages attached to learning from predecessors come the disadvantages. Some researchers believe the ability of heirs apparent to induce strategic change after they become CEOs is limited because they are trained by the previous CEOs (Bigley & Wiersema, 2002). Many CEOs are suspected of selecting successors who are similar to them and will carry on their vision for the company (Devries, 1988; Zajac & Westphal, 1996). The cognitive independence of some heirs apparent is hence believed to be compromised by the intense influence of and socialization by their predecessors (Charan, 2005; Fondas & Wiersema, 1997).

Other streams of executive turnover research show CEOs are not always eager to educate heirs apparent and give up their positions even when they are performing poorly (Boeker, 1992; Fredrickson, Hambrick, & Baumrin, 1988; Sonnenfeld, 1988). Some CEOs do not like to pass the baton for fear of losing their source of power and realizing they are dispensable (Devries, 1988; Goh, 2002) and/or mortal (Levinson, 1974; Sonnenfeld, 1988). Steve Jobs, for example, was disappointed when Apple's share price increased under the management of Tim Cook during his medical leave: "*He (Steve Jobs) was coming to grips with the thought that he might not be indispensable to the company. Apple stock had fared well while he was away, going from $82 when he announced his leave in January 2009 to $140 when he returned at the end of May*" (Isaacson, 2011, p. 272). Whether the incumbent CEO chooses the heir apparent or not, it is believed some incumbent CEOs will want to hold onto the power and prestige of the position for as long as they can.

2.2. Learning

The earliest research in the area links learning to behaviour while later studies link it to cognition, and the most recent views connect learning to a change in both behaviour and

cognition (Inkpen & Crossan, 1995; Ormrod, 2012). However, these definitions apply to all living organisms, not only human beings (cf. Tolman & Honzik, 1930). The most recent developments in the learning perspective emphasize the human learner in order to provide a richer understanding of the learning process (Jarvis, 2006, 2010). By acknowledging the impact on and change in individual cognitive assets, cognitive theorists highlight the importance of the learner in the learning process. Within this perspective, the individual's internal processes largely shapes the learning (Burke & Stets, 2009). Building on the role individuals' mental models play in understanding the world around them, Mezirow (1997) developed transformational learning theory, which explains how human beings learn to think like adults (Mezirow, 2012). The main focus of Mezirow's transformation theory is how individuals learn using their own purposes, values, emotions, and beliefs. Mezirow explained how the change in individuals' social status may lead the individuals to evolve a new set of standards and upgrade their frame of reference. Bandura (2001) explained how the social environment influences the human learning and hence helps in the development of their new set of standards. He argued human beings may imitate the behaviour of other beings in their social context if they believe these individuals and/or their behaviours are important to their well-being.

Building on cognitive, behavioural, and adult learning theories, this work adopts a customized definition to reflect human learning and acknowledges the importance of the learner's mental models in linking the antecedents, process, and outcomes of learning as follows:

Learning is a continuous process where the learner experiences equivocality or disharmony in a situation, which he/she then processes in his/her own mind (i.e. existing mental models) or body (i.e. reproduces physically), resulting in a long-term change in the mental models, behaviour, or identity of the learner.

2.3. Sensemaking

Sensemaking predominately describes how people construct meaning of their social world and the resulting consequences. The main focus of sensemaking is to provide an explanation for the behaviour of actors, practitioners, and individuals as they experience equivocality in their world (Smerek, 2011). Weick (1979, 1995) used sensemaking to understand how people think and act in social contexts. Sensemaking helps explain how executives make meaning of their designation as heirs apparent and the impact of this designation on their ongoing flow of experience. Weick (2008) described sensemaking as the process through which human beings deal with equivocality, look for meaning, accept plausible explanations, and "move on".

Weick (2008) defined sensemaking as "the ongoing retrospective development of plausible images that rationalize what people are doing" to reduce equivocality. Sensemaking explains how individuals learn every day in a social context. According to Weick (2012), learning is a social, collective phenomenon between people - not a detached phenomenon inside of a single mind. Sensemaking aims to explain how people learn new behaviours and beliefs to reduce the equivocality resulting from disharmonies they face. The process of sensemaking starts with an enactment, followed by the selection of explanations, and finishes with the retention of the most plausible explanation for the situation. To help us better understand sensemaking, Weick (1995) described seven properties affecting how individuals select cues to understand an event and change their understanding of the situation to fit a specific context. Below is a brief description of these properties.

Individual identity. Identity refers to "parts of a self composed of the meanings that persons attach to the multiple roles they typically play" (Stryker & Burke, 2000, p. 284). How individuals think and act is highly connected to who they are (Burke & Stets, 2009). Identities

influence the cues we select from the environment in order to interpret our surroundings. Our interpretation of our environment accordingly influences the sensemaking process (Weick, 1995). Actual and perceived threats or enablers to one's sense of current and desired self provide a framework to understand one's sensemaking process.

Social context. Social context means the implied or even imagined physical and psychological influence of others on a person. An individual's meaning-making process is highly influenced by the social context in which it occurs. Although sensemaking is done by the individual, ignoring the impact of the social context creates blind spots in understanding the sensemaking process (Blumer, 1969). Face-to-face interactions with other members of the social context improve the efficiency and effectiveness of action and reduce the likelihood of contaminating the sensemaking process (Weick, 1993).

Retrospect. Retrospect means reflecting on past events. Our ability to make sense of the present is limited by our past experiences (Mezirow, 1991, 1997). Sensemaking of current events depends on the strength of our memory in terms of time period, quality, and quantity (Weick, 2012; Weick, Sutcliffe, & Obstfeld, 2005).

Salient cues. Individuals notice select information from the environment, called a 'cue' (Starbuck & Milliken, 1988). The cue becomes an input and influences the meaning one retains about a certain event in a specific situation (Weick, 1993, 1995).

Ongoing events. Individuals experience a continuous flow of events (Mintzberg, 1973; Weick, 1995). Making sense of any event does not start or end with the specific event. Individuals evolve their mindsets and thought processes continuously. Some interpretations become out-of-date based on new forms of evidence and lead to newly constructed interpretations and worlds.

Plausibility. Plausibility refers to a solution being socially acceptable within a certain context. Rather than looking for accuracy, individuals often search for an acceptable answer to an ambiguous situation and move on. Building on Simon's (1991) concept of bounded rationality, Kahneman (2003, p. 699) stated: "People are not accustomed to thinking hard and are often content to trust a plausible judgment that quickly comes to mind".

Enactment. Within the sensemaking perspective, environments are invented rather than discovered. One criticism of Weick's conceptualization of enacted environments is they are geared toward idealism, where the outside environment is created by what individuals think and do rather than by external factors. (Taylor & Van Every, 2000). Accordingly, in his recent work on sensemaking, Weick re-articulated enactment as the created environment within the conditions set by externalities (Weick, 2012; Weick et al., 2005).

The research question of this study is "how the designation of executives as heirs apparent affects their learning during the transition period". The purpose is not simply to describe how heirs apparent learn; it is to describe how the designation as heirs apparent affects executives' learning. The sensemaking perspective provides a lens allowing us to understand how executives make sense of their environment in order to reduce equivocality. It explains how the seven properties affect people's thoughts and actions. This perspective helps us understand how the heir apparent designation affects executives' learning process. It also examines how the designation impacts six of seven properties, directly and indirectly, that executives use to make meaning of their new experience. The next chapter explains these mechanisms.

CHAPTER 3. THEORETICAL FRAMEWORK

The previous chapter presented seven properties which may influence how people formulate their initial sense of a situation and the potential for *developing* that sense (Weick, 1995) and *guiding* the learning process in any situation. While these properties apply to all sensemaking activities during the transition period, the following theoretical framework explains how the designation of executives as heirs apparent directly changes their (1) *identity*, (2) *social context*, and (3) *co-enactment*. The expected change in these three properties upon the executives' designation renders them the major building blocks of the theoretical framework. It affects the cues they pick up on, their interpretations (on-going events), and selection criteria (plausibility), and impacts their sensemaking and learning process during the transition period.

3.1. Identity

"Sensemaking unfolds from some standpoint, some frame of reference, some identity" (Weick, 2012, p.57). The learners start with who they are – their own identities as individuals and/or members in organizations (Gioia, Patvardhan, Hamilton, & Corley, 2013). Human beings see, understand, and interpret a situation they are experiencing according to who they believe themselves to be at the time (Mezirow, 1991, 1997). An identity is a part of the mental model of an individual (Ring & Van de Ven, 1994; Weick, 1979). Mental models represent individuals' perceptions of how the world operates (Craik, 1943) and their place within it, guiding their thought processes, decisions, and behaviours (Feynman, Leighton, & Hutchings, 1985).

Individuals continuously attempt to verify/validate their identities. They behave in a manner allowing them to establish harmony between the perceived stimuli or cues from the environment and their identity standards. Individuals use sensemaking to align perceived input from the environment with established identity standards (Burke & Stets, 2009; Gioia et al.,

2013). The designation of heir apparent presents the potential for the executive to develop a new identity – one of a future CEO (Bennett & Miles, 2006a). The designation also alters how the designated heir apparent interprets novel situations as well as situations which he/she has dealt with based upon his/her previous identity. The announcement of the designation provides the executive with a sense of affirmed identity vis-à-vis others and requires the executive to build new standards or a set of meanings aligning with the new identity. As much as our identity lies within us and in who we think we are, it also lies in the hands of others and who they think we are and how they relate to us. The public perception component of identities can strengthen or weaken our identity (Weick et al., 2005). Ralph Ellison said, "By and large, the critics and readers gave me an affirmed sense of my identity as a writer. You might know this within yourself, but to have it affirmed by others is of utmost importance" (Chester & Howard, 1955).

The new identity will require the creation of a new set of meanings to include in the identity standards or mental models of the heir apparent (Burke, 2006). Following the designation as heir apparent, the executive identity verification process necessitates the alignment of the executive's behaviour and thought processes with the new set of identity standards related to the prospective role of CEO. Hence, my following premise:

P_1: *The designation of an executive as an heir apparent evolves a new identity along with a new set of identity standards for this executive affecting the way he/she interprets the cues in a situation and shaping his/her cognitive schemas and behaviour so they align with the new identity standards.*

Along with the designation as an heir apparent comes the prospect for a new role: CEO. Individuals usually learn from others, whom they think are similar to them in some meaningful ways (Braaksma, Rijlaarsdam, & van den Bergh, 2002; Zimmerman, 2004). They also model behaviours they believe have pertinent value to their situation (Bandura, 2001; Burke & Stets, 2009; Rosenthal & Bandura, 1978). I propose the incumbent CEO as the point of reference

available to the heirs apparent to build standards for the future identity. In order to understand the standards of the new identity, I expect the heir apparent to closely emulate/imitate the behaviour and thought processes of the incumbent CEO.

Prior literature highlights major differences between the CEO and other executive positions. These differences include, but are not limited to, the external focus of the CEO's job, overarching strategic matters, operational concerns of the firm, and the more internal focus of other executives' jobs (Bennett & Miles, 2006a; Ciampa, 2005; Hambrick & Cannella, 2004; Krause, Semadeni, & Cannella, 2013; Vancil, 1987). If the heir apparent is incapable of evolving the previous identity into the new one, then little new learning will occur without corresponding change in cognition, behaviour, or identity taking place (Jarvis, 2006). The heir apparent will likely continue to apply the operational identity standards (e.g. those of the COO) to the expected CEO identity. Other stakeholders will have different expectations from the heir apparent based on their expectations of what the CEO's behaviour should look like (Ciampa, 2005). However, to achieve this level of learning, an heir apparent may need to reach more than a change in behaviour or cognition. This may lead him/her to challenge their assumptions of the experience, question the foundations of their mental models, and change their internal perspectives (Mezirow, 1991) or identity standards. Therefore, I proceed on the following premise:

P₂: The designation of an executive as heir apparent activates a potential identity and leads the heir apparent to reflect on the assumptions on which his/her mental models are built vs. those of the representative of the future identity or the incumbent CEO, and hence build his/her own role identity standards, rather than simply adjusting current behaviour or cognition to resolve equivocality.

3.2. Social Context

The presence of other people – whether actual, implicit, or presumed – affects the meaning individuals make of a certain situation (Weick, 1995). The designation of executives as

heirs apparent changes their social context and their position within the established social context. These changes may be accompanied by a physical relocation which often brings the heir apparent into closer and/or more frequent contact with the incumbent CEO. An example of this situation is illustrated below with respect to the appointment of TD Canada Trust bank's heir apparent.

> *Masrani will move back to Canada to become TD's chief operating officer starting July 1 and then become CEO when Clark retires (Friend & Paddon, 2013).*

Before executives are designated as heirs apparent the CEO monitors their performance (Bennett & Miles, 2006b; Ciampa, 2005; Citrin, 2005; Citrin & Ogden, 2010). However, once executives are designated as heirs apparent, their performance becomes the centre of attention of the shareholders, board of directors, the media, other executives at the organization, and may extend to other stakeholders of the organization (Bennett & Miles, 2006a; Ciampa, 2005). The presence of these people, whether physical, implied, or perceived, influences the thought process of the heir apparent (Allport, 1985).

Maitlis and Sonenshein (2010) suggested "for a learning experience to be successful and complete it needs to have commitment, capacity, and positive expectations" (p. 553). One can argue commitment and capacity may primarily reside at the individual level of the heir apparent; however, positive expectations of members of the new social context need to be satisfied. Heirs apparent will attempt to align their behaviours and cognition in a manner which will gain the endorsement of the newly created social context. If heirs apparent do not think or act according to the expectations of the new players in the social context, they may risk losing the CEO position (Hall, 1986). Hence, I proceed on the following premise:

> *P3: The designation of an executive as an heir apparent changes his/her social context, and leads the heir apparent to heed and behave in ways that meet the endorsement or perceived expectations of the members of the newly created social context.*

3.3. Co-Enactment

Weick (2012) argued human beings make sense of and shape their world through enacting. Specifically, we shape our world through meanings we attribute to situations which help us build our mental models (Johnson-Laird, 1989). The meaning an individual attributes to any situation is partly constructed by the actions the individual takes in a specific situation (Weick et al., 2005). Actions do not need to be only responses to stimuli or observable, measurable behaviours (Blumer, 1969). Actions may also include inquiring about a certain event or even making statements to see reactions and then adjusting one's cognition and behaviour in a way which lends itself to the anticipated reaction (Weick, 1995). In other words, how and what an heir apparent learns depends on how the heir apparent enacts his/her environment.

According to Weick (1979), in a social environment such as an organization, there are acts, interacts, and double interacts. An act represents any form of behaviour by "Individual A". An interact represents the reaction of "Individual B" to the act of "Individual A". A double interact represents the response of "Individual A" to the reaction of "Individual B" to the act of "Individual A". Among the different types of interaction, double interacts are the most likely to reduce ambiguity or equivocality and create a collective understanding in a specific situation (Weick, 1995, 2012; Weick & Roberts, 1993). The nature of interaction individuals undertake affects how and what they learn from a situation because it explains how they change their behaviours, mental models, and identity standards.

The designation as heir apparent creates a new social environment for co-enactment for the executive. If, for example, we take the interaction between the heir apparent and the incumbent CEO, we can see how the actions taken by the heir apparent affect the learning outcome from this co-enactment. The co-enactment between the heir apparent and the incumbent

CEO is considered to be important for three reasons. First, prior research has assumed the heir apparency period provides an heir apparent with time to work with and therefore learn from the incumbent CEO (Vancil, 1987; Zhang & Rajagopalan, 2004). Second, research on the second-in-command position emphasizes the importance of the quality of the relationship between the CEO and the heir apparent as a condition for a successful transition (Bennett & Miles, 2006a). Third, human beings learn from others who present a functional value related to their situations (Bandura, 2001). Since the incumbent CEO is the "observable" representative of the future identity of the heir apparent, the nature of the co-enactment between the two becomes important.

The heir apparent is not an official title. The heir apparent designation is a promise to promote the designated executive to the position of CEO assuming no unforeseen events. The agency of heirs apparent – in other words, the way heirs apparent enact their environment during the transition period – transforms the learning process, its antecedents, and outcomes. Below I explain how the different acts, interacts, and double interacts undertaken by the heir apparent result in different learning outcomes. These possible actions range from mere observation (acts) to conversation (interacts) to co-enactment (double interacts) with the incumbent CEO.

Observational learning researchers suggest individuals learn other actors' skills and are capable of inferring their thought processes by observing them at work (Nicolle, Symmonds, & Dolan, 2011; Torriero, Oliveri, Koch, Caltagirone, & Petrosini, 2007). Hence, an heir's apparent observations of the incumbent CEO at work and/or imitation of an observed behaviour may allow the heir apparent to infer the CEO's mental models. The heir apparent may then adjust his/her cognitive schemas and future behaviours accordingly.

When heirs apparent resolve equivocality by observing and/or emulating CEOs' behaviours, they make judgments about CEOs' mental processes (Gallese, Keysers, & Rizzolatti,

2004). The resultant learning may or may not accurately represent the outgoing CEOs' mental models. Heirs apparent may resort to conversations as a useful mechanism to bring divergent viewpoints closer amongst executives (Isaacs, 1999). In doing so, heirs apparent enhance the learning experience they receive from observing outgoing CEOs and close the gap between the inferred and actual mental models of CEOs.

The two different actions described above (i.e. act and interact) enact different environments leading to different learning outcomes. By simply acting, heirs apparent infer CEOs' mental models. By interacting, heirs apparent better understand CEOs' mental models and test their own theories-in-use with CEOs. However, if the heir apparent is reluctant about questioning what is being enacted or reluctant about double interacting, the collective sense made of the situation will be less robust and the learning of all involved decreases. If building integrated mental models with the CEO is the desired outcome, then observation and conversation alone, while necessary, are insufficient (Jeong & Chi, 2007). Double interacting presents the opportunity for the heirs apparent to learn and to create shared mental models with the outgoing CEO.

In summary, different actions lead to different enacted environments and different learning outcomes for the heir apparent. I proceed on the following premise and related sub-premises:

P$_4$: The designation of executives as heirs apparent creates a new environment for **enactment**; *however, it is the subsequent actions taken by the heirs apparent, and the incumbent CEOs, that affect their learning outcomes.*

P$_{4a}$: Heirs apparent who **double interact** *with incumbent CEOs are more likely to have the opportunity to induce change in their mental models, behaviours, and identity standards to prepare for the CEO position.*

P$_{4b}$: Heirs apparent who are limited to **act** *and/or* **interact** *with the incumbent CEOs are more likely to miss the opportunities to induce change in their mental models, behaviours, and identity standards to prepare for the CEO position.*

CHAPTER 4. RESEARCH METHODS

To explore heir apparent learning during the transition period, I used an interview-based approach to understand the implicit structure of this learning experience (Sanders, 1982). I used a qualitative approach – phenomenology – as the research method to help accomplish the objective of this study. The study's research question is "how the designation of executives as heirs apparent affects their learning and prepares them to become CEOs". The study aims at exploring and explaining the heirs' apparent learning process during the transition period and hence has two components better served by a qualitative approach (Yin, 2009, 2011).

Sanders (1982) identified three essential components in phenomenological research design: (1) sample selection, (2) data collection, and (3) phenomenological data analysis.

4.1. Sample Selection

The most important criterion for building a "participant pool" is to locate potential participants who have experienced or lived the phenomenon (Moustakas, 1994; Polkinghorne, 1989). For this study, potential participants were individuals who were heirs apparent before becoming CEOs. The purpose of this study was to understand the heir's apparent experience independent of age difference. I therefore adopted the definition of an heir apparent previously discussed in Chapter 2 – that is, any manager in a company who was a senior executive, including the COO and/or president, before becoming the CEO. This design allowed me to understand how the designation of executives as heirs apparent affected their learning journey from designation to assuming the CEO role. I continued recruiting participants until I reached sufficient variance in the degree of change in the suggested properties of sensemaking among participating heirs apparent and namely in the three hypothesized enactment forms. The design helped understand the impact of change in these properties on executives' learning outcomes. It also allowed me to

document how closely each participant's experience conformed to the sensemaking process and to associate the degree of conformity with the degree of "success" of the heir apparent after assuming the CEO role. While this sampling strategy allows me to comment on the learning of heirs apparent, it does not allow me to explain the link between designation and actual company performance. The interviews I conducted were all in large successful organizations.

In order to build my participants' pool, I downloaded the names of all of the companies headquartered in Ontario, Quebec, and Alberta from the Lexis Nexis Corporate Affiliations database. Individual information on each company included (1) company name, (2) complete address, (3) phone and fax numbers, (4) website address and e-mail, (5) number of employees, (6) sales turnover, (7) industry, and (8) current CEO name and e-mail address. To identify whether the current CEO had an heir apparent experience, additional information on whether the current CEO was a senior executive in the company before becoming the CEO was gathered from other databases, namely (1) Mergent Online – Executive Search, (2) Thomson ONE Banker – Director Search, and (3) the Lexis Nexis people directory and subdirectories such as Marquis Who's Who and the Dun and Bradstreet guide. The resulting names constituted my potential participants' pool.

Canada is an important country for research in this area because it is the ninth largest economy in the world based on its gross domestic product (GDP) (EconomyWatch, 2010). Following the 2008 crisis, the Canadian economy proved to be one of the strongest advanced economies worldwide. I selected the provinces of Ontario, Quebec, and Alberta for several reasons, most importantly their economic and financial importance in North America and worldwide. Together, these provinces constitute around 75% of the GDP of Canada, with Ontario contributing around 40%, Quebec 20%, and Alberta 15% (Statistics Canada, 2012). Ontario's GDP alone is higher than the GDPs of many major countries such as Belgium, Sweden,
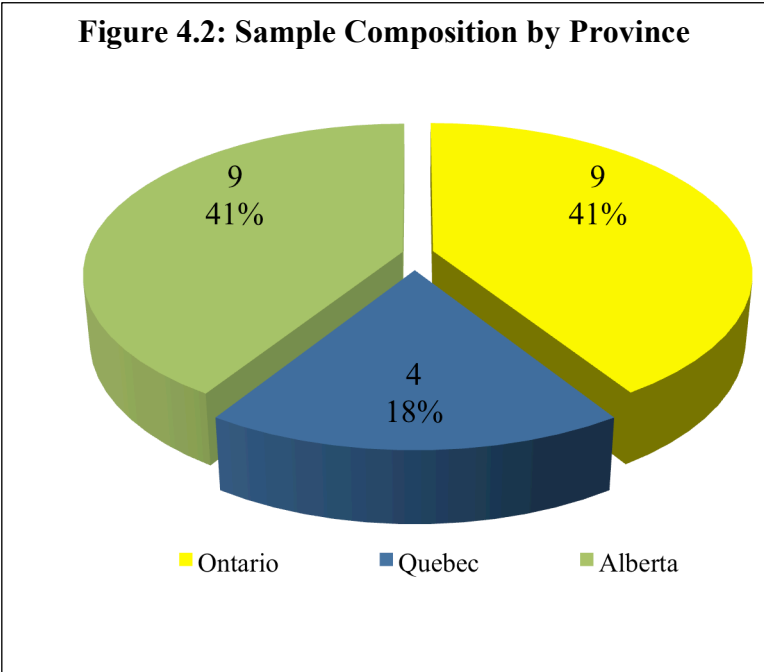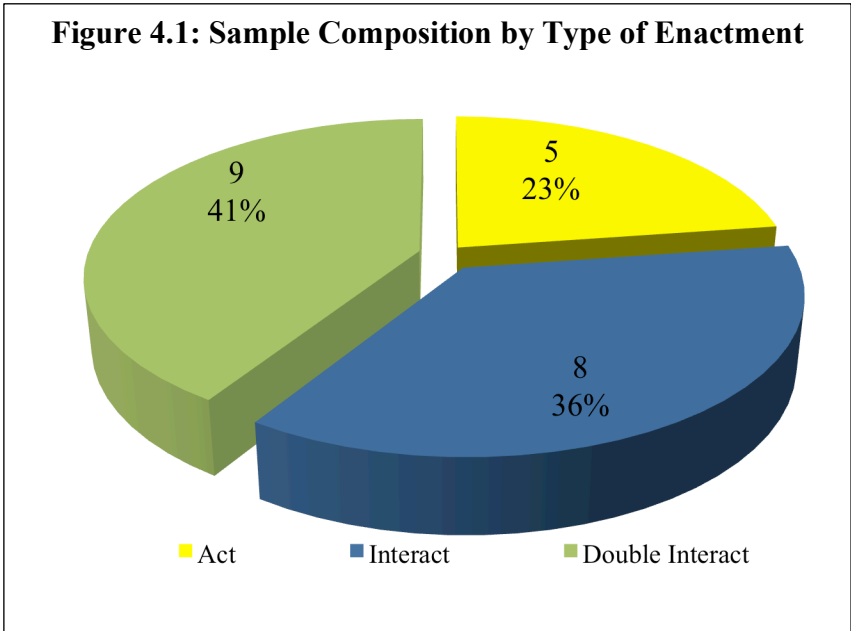
Switzerland and Ireland (Ontario Government, 2012). Furthermore, Ontario, Quebec, and Alberta host more than 80% of the companies headquartered in Canada.

Though very rare in large organizations, some of the organizations in the sample were family run businesses. Family members were appointed heirs apparent and became the CEOs such as in the case of Linamar Corporation where Ms. Linda Hasenfratz succeeded her father, Mr. Frank Hasenfratz, as the CEO. These cases were excluded from my sample as they may constitute a confounding factor to my ability to generalize back to the theoretical framework.
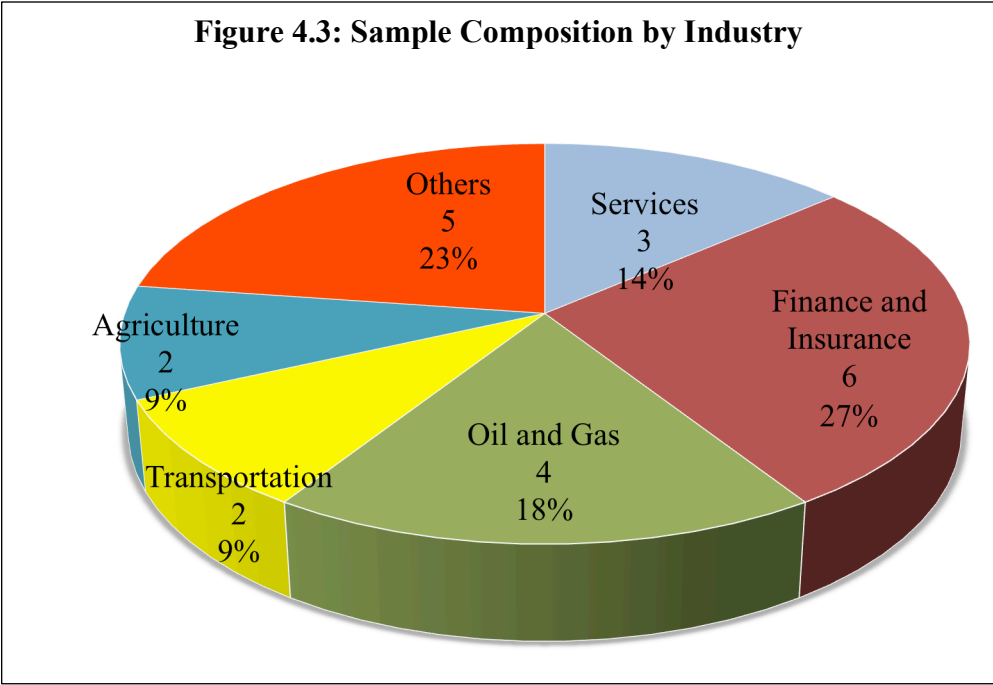
Sample size is a similarly important issue (Creswell, 2013). The aim of phenomenology is to inform the research question and the phenomenon, rather than to generalize the findings to the population (Moustakas, 1994). I was able to access and interview 22 participants. Two of my interviewees were female constituting 9% of my sample size. While the number is low, the number of female CEOs for large organizations is less than 5% in the top 1000 public companies in Canada (Eisenschmid, 2010). The female representation in the sample is therefore approximately representative of the national representation in Canadian public companies.

The sample size of 22 was high compared to the sample sizes in similar previous research, which range from 10 to 20 elite participants (Gabarro, 1987; Smerek, 2011; Welch, Marschan-Piekkari, Penttinen, & Tahvanainen, 2002). The large size of my sample provided me with theoretical saturation and enough variation based on the enactment argument (see Figure 4.1) (Creswell, 2013). The sample size also provided an acceptable representation from the three provinces (see Figure 4.2). Almost half of the respondents were from the finance and insurance or the oil and gas industries (see Figure 4.3). All the findings and discussions provided in chapter 5 should be interpreted given the characteristics of this sample especially given that the respondents

are currently CEOs of large organizations and 21 of the 22 respondents followed successful incumbent CEOs.

Figure 4.1: Sample Composition by Type of Enactment

Act	Interact	Double Interact
5 — 23%	8 — 36%	9 — 41%

Figure 4.2: Sample Composition by Province

Ontario	Quebec	Alberta
9 — 41%	4 — 18%	9 — 41%

Figure 4.3: Sample Composition by Industry

## 4.2. Data Collection

Consistent with similar previous research I used semi-structured interviews as my primary data collection method for this study. Semi-structured interviews allowed me to conduct an open enquiry to understand participants meaning and motives for action and self-interpretations of their everyday theories. Adopting interviews as the main source of data raised two types of challenges: (1) access to elites, in this case the CEOs, and (2) access to adequate data.

Some of the participants were approached directly; others were approached using the help of a sponsor. My sponsors helped me reach out to 10 participants, six from Ontario, two from Quebec, and one from Alberta. However, previous research suggested that 12 participants were usually needed to reach theoretical saturation (Creswell, 2013). To reach my initially proposed sample size of 12 to 15 participants, I sent letters of invitation to participants from Quebec (8 invitations) and Alberta (16 invitations). I did not search for more participants in Ontario given that I already had secured 9 participants from the province (6 with the help of a sponsor, 3

directly). Figure 4.4 presents the distribution of participants per province based on whether they were approached through a sponsor or directly.

Figure 4.4: Type of Approach

Province	Sponsored	Approached Directly
Ontario	6	3
Alberta	1	8
Quebec	2	2
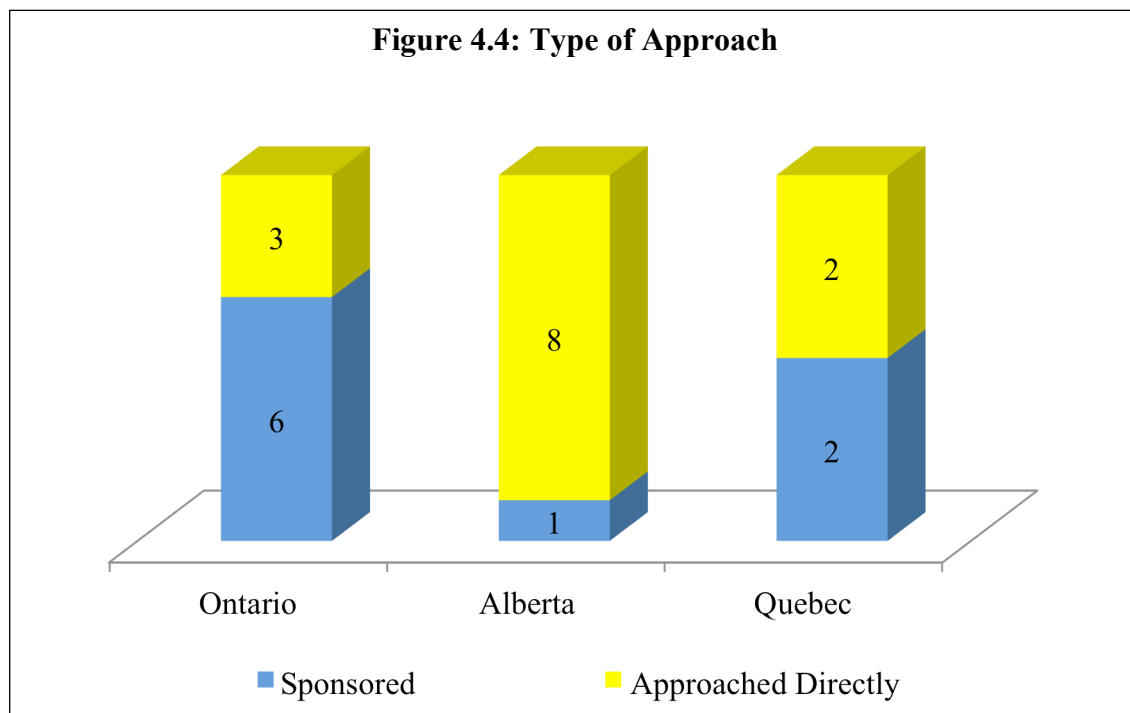
It was not easy for CEOs at first to admit to struggling during the transition period, especially at the beginning of the interview. To encourage CEOs to speak openly, at the beginning of the interview I explained to all participants the measures I was taking to ensure their confidentiality and informed them about the procedure I would undertake to disguise their and their institutions' identities in the write-up. My participants were generally open and honest about their experience and recounted stories to which neither the journalist nor the newspapers had access. All interviews were audio taped with the participants' permission.

In addition to the 22 interviews I conducted with CEOs who went through the experience of designation and a transition period, I interviewed 3 outgoing CEOs, 3 ex-CEOs, 3 board chairs, 2 board members, and 2 senior executives. These interviews were also audiotaped with the permission of interviewees. The purpose of these interviews was twofold. First, I intended to

understand the context of my phenomenon, or the succession process, from the perspective of main players in the process rather than just the designated executives. Second, since the change in social context was a major construct in the theoretical model; I wanted to validate the designate CEOs' interpretation of the expectations from their social context with members of this social context. These interviews gave me insights into the board's and incumbent CEOs' role in the process and their contribution or lack of it to the learning process of the designate executives. They corroborated and contradicted some of the interpretations made by the designate CEOs about the expectations of their social context. I also interviewed one consultant who specializes in assisting organizations with the succession process, and one journalist who reports frequently on CEO succession events in Canada. The purpose of these interviews was gaining knowledge about the succession process in contexts external to the organizations I am studying as well as validating my findings.

CHAPTER 5. FINDINGS & DISCUSSION

The aim of this research is to understand the impact of the heir apparent designation on the learning experience of the participants. Hence, the heir apparent designation by itself becomes a critical element in interpreting the findings. The theoretical model developed an explanation of the impact of the heir apparent designation on the learning experience of the participants. The theoretical model was built based on the way heir apparent designation was presented and defined in the CEO succession literature, with some adjustments to fit the nature of this work.

This research provided four main findings. First, while trying to establish the impact of the heir apparent designation on the executives' learning, I discovered the prevailing understanding of relay succession and the associated heir apparent definition may not hold true in the situations I studied. The appointment of executives as COOs was not enough to signal their designation as heirs apparent. The explicit designation was what triggered the new identity for the executives and enabled them to start preparing themselves for the next step more than the implicit designation.

Second, I found the impact of the social change remained a major surprise to designated CEOs despite their anticipation of the change. Some executives read several practice oriented publications discussing the change in the social context for the executive between being a senior executive and becoming THE CEO; however, they felt the change was more intense. Their designation changed how their peers, stakeholders external to the organization and the board of directors treated them. The power their opinions and behaviours acquired alerted most of the designated CEOs to think before they spoke, to posture a special attitude, and/or to behave according to certain expectations in a social gathering.

Third, relay succession research assumed the longer the heir apparent period, the longer the incoming and outgoing CEOs worked together, therefore the more likely they were to build similar cognitive maps (Bigley & Wiersema, 2002). This research showed this was not necessarily the case. While some of the designated CEOs had the opportunity to work more closely with the incumbent CEOs, others did not have this opportunity for multiple reasons. In all of these cases, the designated CEOs developed complex cognitive schemas different from their previous ones and those of the incumbent CEOs. This research showed, irrespective of their enactment styles, all designated CEOs were able to build preserving and prospecting abilities. The major difference in their learning was the time line. Designated CEOs who double interacted with incumbent CEOs during the transition period learned faster, while those who acted/interacted with incumbent CEOs took more time.

Four, previous research on heirs apparent based on quantitative databases proclaims heirs apparent are the least likely among their counterparts to induce strategic change once attaining the CEO position (Shen & Cannella, 2002). This research showed there might be an alternative explanation to the premises used to build the argument for this hypothesis. When boards of directors selected designated CEOs from within, the new CEOs may have avoided advertising the changes they made to the media to prevent negative impact on their organization's stock price, or they might have postponed the change for a while after the succession.

5.1. The Impact of the "Designated CEO" Identity on Learning

Identity affects the way people interpret their circumstances and changes their cognitive maps and behaviours (Burke & Stets, 2009; Jarvis, 2010; Mezirow, 2012). I found the designation of executives as designated CEO triggered the creation of a new identity and pushed them to understand cues in their environment from a different perspective. However, since the designation

itself was of importance in this research, first, I discuss below the process of designation as I uncovered it during the fieldwork. Second, I explain the impact of this designation on the executives' learning during the transition period.

The prevailing definition of an heir apparent in the CEO succession literature is based on Vancil (1987)'s description of an heir apparent. Vancil described the heir apparent as an officer in the organization designated as the sole successor to the CEO position a few years before the transition event. I found that in most of the organizations I studied, the designation of the executive as the designated CEO occurred a few months before the actual transition event. I also discovered that this designation happened, in most cases, after a non-publicized competition for the role of CEO. Some of the candidates were known to the organization internally and some were kept confidential. Some of the candidates were already COOs when they participated in the competition and others ran against the COOs – who ultimately lost the competition. In one of the cases I encountered, the CEO told me that he was covertly told by the incumbent CEO several years ahead of time that he was her choice for the job and that she would groom him to be ready when the time comes. Two years before the transition, this designated CEO found out the board of directors would like to have options in choosing the next CEO. He also had to compete against another candidate for two years before he was selected the designated CEO eight weeks prior to the actual transition.

While the literature's definition of the heir apparent might have been relevant in the past, I found that this definition needs to be revisited to reflect current practices. I believe the increased board of directors' activism in the CEO succession process in the recent years might have led to spanning the boundaries between the two types of inside succession: horse race versus relay succession. The chair of a board told me the board members prefer to take some measures to avoid being limited to choose the candidate nominated by the incumbent CEO. While the board

values the CEO's input, they prefer to have more than one candidate and they insist on being involved in the selection process. They consider the opinion of the incumbent CEO regarding the candidates, but they also hire an external organization to carry out the assessment of the potential candidates. Boards prefer not to involve the incumbent CEO in the final decision regarding the announcement of the successor.

While the recent board activism regarding CEO succession might have blurred boundaries between relay succession and horse race, there is also the possibility previous research was biased by defining the heir apparent as the COO and/or president of the organization. As good/practical a proxy as that might be, this research provided reasonable doubt to question the established practice. It is important to note that this research sample size was small compared to previous quantitative studies. Four of the interviewed CEOs were COOs of their companies before they participated in the competition for the job, and three competed against the COOs of their companies. While some COOs won the competition and some lost, their previous appointment as COOs did not automatically make them heirs apparent.

The designation of the executive as the designated CEO triggered many immediate changes in the cognition and behaviour of the executive. I found the executives had mixed feelings upon discovering they were chosen to be designated CEO. A common reaction was: "it is over – a relief the competition had ended" and "oh my god, I am the designated CEO – the realization their life would change from that moment on". The designation changed the way they looked at the organization. They were no longer focused on their own department; they found themselves focusing on the organization as a whole. Most of them found themselves suddenly having to learn significantly about the organization. Designated CEO Frank expressed this overwhelming period in terms of the amount of knowledge to learn with vivid description:

In fact, you spend your six months of transition getting to know the rest of the organization that you don't know. You spend so much time thinking, watching, observing, and then there is this groundswell of information that comes bubbling up from the organization to tell you what's wrong with it, what's right about it, much of it self-serving, some of it genuine. So you are just absorbing terabits of data every week through the transition period about what's right, what's wrong, what's happening, what you should think about. You don't take out Porter's strategic formula and the SWOT analysis, and sit down and somehow orchestrate all this in your own little head.

In addition to the immediate change in cognition and behaviour, the designation triggered the need to think about their future identity. It forced them to think about who they would be as leaders and how they would behave. Would or could they have the same leadership style as the incumbent CEO? Would or could they treat their "now subordinates" the way the incumbent CEO did? They had to find ways to resolve these questions. Most of the CEOs went through a self/soul searching journey to know who they were and what would be their future identity. They also used a sounding board to help them discover their future CEO identity. The sounding board, in few cases was the incumbent CEO, in others was a family member who was or had been a CEO, a board member, or an outside consultant.

5.2. The Impact of the Change in Social Context on Learning

The designation of the executives as the designated CEO changed their social context. For most of the participants, the actors in their social contexts remained the same, however, the other actors' expectations and perceptions of the designated executives changed. The nature of the relationship with the actors of their social context changed. Their peers became their subordinates, the board of director – once their boss's boss – became their boss, and the outside stakeholders – once distant acquaintances – became direct partners.

The designated CEOs believed their words and behaviours gained power upon designation and were interpreted to reflect the organization's position rather than the executives' own cognitive understanding, emotions, and personality. After their designations, the executives were

mindful as to which emotions they showed, words they used, how they dressed, and how they treated their people. The transition period gave them the opportunity to experience the change in the people's perceptions and expectations. Designated CEOs also tried to convince the board of directors that they chose the right candidate. Designated CEOs met with the board members to understand their expectations. They acted confidently in order to gain the trust of their executive team. Some designated CEOs kept their professional distance from their subordinates in order to be able to make tough decisions later. More than one executive mentioned that they were not at the organization to be loved or even liked; they were there to be respected. Most designated CEOs remained mindful of their interaction with the outside partners because their promises were commitments for the organization.

I found the designated executives appreciated the involvement of the incumbent CEOs in introducing the designated CEOs to their new social context. Designated CEOs who were introduced to their environment by the incumbent CEOs appreciated the insight provided to them and saved them from many mistakes. These CEOs knew if they faced any problems they had the incumbent CEO to ask for help as noted by designated CEO Robert:

> *When you think about your responsibilities and relationship with the investors, the board, managing rumors with your employees, improving client and broker experience, it was a pretty big challenge, in a part of, in a traumatic period, really, for financial institutions globally. But, I had the opportunity-- I jumped in the role with a lot of confidence because James (incumbent CEO) was the CEO and would become chairman of the board once I become CEO, so I knew if I needed help or advice I could rely on him.*

The lack of involvement of the incumbent CEOs had a negative impact on the designated CEOs. Though the executives I interviewed did not explicitly mention the impact of the lack of involvement on their learning during this period, they did express how it hurt them, it delayed their ability to assume their new identity and act accordingly. "*Not in one of those meetings (meetings with the investors) did he introduce me as the CEO coming in*" Bill, designated CEO,

said. Allen, designated CEO, said: *"I don't think I ever saw him say, "Here is Allen; my successor." He never said that other than in front of the cameras and it was carefully scripted and quick"*. Both these executives agreed that while the investors or the public knew they were the designated CEOs and treated them accordingly, they would have appreciated the outgoing CEO introducing them as such. The introduction by the incumbent CEO of the designated CEO as the next leader of the organization would have helped the designated CEOs start building the necessary status for their new identity.

5.3. Types of Enactment and Learning Outcomes

Bigley and Wiersema (2002) referenced managerial cognitive orientation literature to argue the longer executives had been designated as heirs apparent; the more likely they acquired the same cognitive orientation as the incumbent CEOs. In this way they used heir apparent tenure (independent variable) as the proxy for the similarity between the incoming and outgoing CEOs cognitive schemas. Bigley and Wiersema (2002) failed to account for the quality of interaction between the heir apparent and the CEO; they simply assumed the longer the interaction between the two executives the more similar their cognitive maps. Bigley and Wiersema (2002) also argued although heirs apparent had the opportunity to "learn the ropes" of the job from outgoing CEOs, the nature and the length of their work with incumbent CEOs may limit their abilities to develop their own mindsets.

In the previous section, I discussed in detail how the length of heir apparent tenure changed and in most succession events was shorter than one year. The mean heir apparent tenure was 2.5 years in Bigley and Wiersema (2002)'s study and 4.5 years in Cannella and Shen (2001)'s study. Using their logic, and given shorter heir apparent tenures, one can argue that the incoming and outgoing CEOs cognitive schemas are increasingly becoming less similar.

Moreover, there is doubt around what more or less similar cognitive maps infer. If more similar cognitive maps mean the heir apparent and the CEO were on the same wave length and agreed on many decisions, this would also be in contradiction with my findings. This fieldwork showed the stronger the relationship between the designated CEO and the incumbent CEO, that is they worked together closely and well, the shorter and the smoother the transition period. Therefore, my findings dismissed the impact of the length of the heir apparent tenure on the "similarities" in the cognitive maps of the two CEOs and emphasised the importance of the quality of the interaction during the transition period.

I developed three categories to classify the quality of interaction between the designated CEO and the incumbent CEO in fieldwork. At one extreme, I found the minimal amount of interaction which was represented in the findings as the "act" enactment mode. At the other extreme, I found the maximal amount of interaction which was described under "double interact" enactment mode. In between the minimal and maximal, there was the medium amount of interaction and this one was described under "interact" enactment mode.

Act defined situations where the interaction between the designated CEO and the incumbent CEO was minimal or even adversarial. While hard to imagine this kind of relationship at such a level of the organization, five of the 22 transition cases fell under this category. In all of these cases, the incumbent CEOs were unwilling to leave, they did not want to give up the power, and purposely did not involve the designated CEOs in any of the strategic meetings inside or outside the organization. This finding is partially in line with Cannella and Shen (2001)'s finding that powerful CEOs of successful organization dislike supporting the ascension of the successor. Cannella and Shen (2001) argue CEOs entrenchment and refusal to relinquish power may force the heirs apparent out or at least frustrate them but they only include power in their operationalization of this construct. My findings showed some of the powerful CEOs managed

their emotions well with respect to giving up the power and were able to pass the baton as planned. However, powerful incumbent CEOs who refused to relinquish power created problems for their successors. The designated CEOs in these cases had to act by themselves and took time to learn about the organization, assemble their teams, and attempted to diminish the power of the incumbent CEOs as much as possible during the transition period. Two of these executives unravelled some of the strategic commitments the ex-CEO undertook before transition. All three had to fire some executives who felt comfortable under previous leadership governance and could not operate within the new leadership regime.

Double interact defines situations where the interaction between the designated CEO and the incumbent CEO was positive. Nine of the 22 cases fell under this category. In these cases, the incumbent CEOs were able to accept the succession of title to the designated CEOs. In a few of these cases, the incumbent CEOs planned their retirement and informed the board a year or more before to give the board time to start the process. Under double interact, the incumbent CEOs played a major role in facilitating the transition to the designated CEOs. They took time to meet with the designated CEOs and discuss the handing over process. Incumbent CEOs involved designated CEOs in all the strategy formulation meetings, introduced them to their social context and let them take control. For example, the incumbent CEOs would briefly speak in town hall meetings, introduce the designated CEOs and then let the designated CEOs handle the rest of the meeting. However, the incumbent CEOs would not let this happen without preparation, so both CEOs would plan how to handle meetings whether town halls, with suppliers, government officials, the media, and so on so forth. Designated CEOs who benefited from this type of interaction during the transition period felt prepared to assume the job when the time came to take the reins of the organization.

Interact defined situations where the interaction between the incumbent CEOs and the designated CEOs was not adversarial but also lacked lengthy discussion sessions regarding the strategy or other responsibilities. Eight of the 22 cases fell under this category. Normally the designated CEOs felt comfortable having a debate with the incumbent CEOs and challenging the incumbent CEOs practices and strategies. In these cases, the designated CEOs asked for advice from the incumbent CEOs on issues regarding the constitution of their executive teams, changing the communication channels with the employees, refocusing the strategy of the organization on different elements than the current ones. The designated CEOs considered the incumbent CEOs advice in their decision making process but judged its value using their own mental models rather than seeking clarification. Once the designated CEOs became CEOs, they implemented the changes they had planned rather than planting the seed for change during the transition much like the double interact.

5.4. Designated CEOs and the Implementation of Strategic Change

Previous research predominately concluded heirs apparent are the less likely than successors appointed from outside or following a public horse race to induce strategic change post succession. Many arguments supported this conclusion but they primarily relied upon the influence of the incumbent CEOs on the cognitive maps of the heirs apparent. Bigley and Wiersema (2002) argued heirs apparent built similar cognitive maps to the incumbent CEOs and hence were unable to induce change. Devries (1988) and Zajac and Westphal (1996) argued incumbent CEOs chose successors who were similar to themselves and hence would carry out their vision. Charan (2005) and Fondas and Wiersema (1997) believed the intense socialization by the incumbent CEOs compromised the ability of heirs apparent to induce change.

This research provided reason to challenge all three arguments. First, the heir apparent tenure might not be a good measure of the similarities in the cognitive maps between CEOs and designated CEOs. The quality of interaction between these two might be a more reliable indicator of whether the designated CEOs were able to create shared, rather than similar, mental models or not with the incumbent CEOs. Second, with the recent increase in board of directors' activism in the CEO succession process, the incumbent CEOs ability to choose their own successors has diminished. incumbent CEOs are still able to nominate and provide their opinions about the potential candidates for the CEO position, but in most cases the decision was made by the board in "in-camera sessions" without the presence of the incumbent CEO. Third, similar to the argument related to the creation of shared mental models, the argument for intense socialization needs revision in light of the quality of interaction between the incumbent and designated CEOs. Where act is the dominant form of behaviour in the relationship between the CEOs, the incumbent CEOs avoid willingly socializing the designated CEOs.

In addition to the doubts raised above, this research also showed some of the designated CEOs, namely those who had the opportunity to double interact with the incumbent CEOs, were actively involved in setting the future strategic direction of the organization during the transition period. Therefore, it is worth revisiting how researchers operationalized the strategic change post succession based on large data sets. Were they actually measuring the change in strategy between the predecessor and the successor? Were they measuring the continuity of the strategy as put on course by the successor during the transition period, especially in cases of double interact? designated CEOs who had less interaction with incumbent CEOs and implemented major change upon appointment as CEO. These designated CEOs were very careful in framing these changes as a continuation of the existing "successful" strategic vision of the organization in order not to upset

the market and negatively affect the company's stock price. This leads to the question: would quantitative measures be able to account for this smoothly communicated strategic change?

This research was conducted to address the research question around: "***How the designation of executives as heirs apparent affects their learning and prepares them to become CEOs***". The findings of the research provided evidence of the impact the identity and social context changes, triggered by the designation, on their learning. These changes combined with different enactment forms – act, interact, or double interact, explained the process and the outcome of learning for the designated executives during the transition period. I used a qualitative methodology to explore the research responding to a call from Giambatista et al. (2005) to use qualitative research in order to validate the conjectures of the CEO succession research heavily relying on quantitative studies. This research showed this call was absolutely necessary as the results of this qualitative research provided reasonable ground to rethink some of the main assumptions made in previous CEO succession research.

CHAPTER 6. IMPLICATIONS FOR PRACTICE

This work presents significant practical implications given the importance of CEO succession phenomenon in the life of organizations as an unavoidable event every organization experiences (Grusky, 1960). There is a recent increase in stakeholders' interest in understanding the CEO succession event. Shareholders more frequently ask organizations to publicly disclose their succession plans because they believe this affects corporate financial results. Banks are demanding organizations be more transparent about their succession plans. Board of directors are becoming more involved in the succession process in order to ensure a smooth transition of CEO position.

The major findings of this work are in describing the impact of designation on the executives' identity and social change and resulting learning outcomes. It also shows the impact of different interaction types on the executives' learning during the transition period. The act type of interaction between the designated CEOs and the incumbent CEOs led to the lowest learning outcomes during the transition period. The double interact between designated CEOs and incumbent CEOs on the other hand led to the best learning outcomes from the transition period and prepared the designated CEOs to be ready to assume their job on the event day. This does not mean that designated CEOs who act or interact with incumbent CEOs will fail, especially given the characteristics of this sample including only designated CEOs who were successful in assuming the CEO role. Rather, it means designated CEOs who double interact with incumbent CEOs may be able to assume the CEO responsibilities immediately and have less firefighting to do than designated CEOs who act/interact post CEO succession event. Designated CEO Douglas described this relationship as follows:

> *One of the things if you are going to be CEO, you got to have a degree of self-confidence. So you ask a question like that (how long do you need to be ready to take over?), I would tell you*

look, I would be fine on my own. I could have walked in here, he could have left six months beforehand and I would have figured it out. And, you have to have, if you are going to take these jobs, you have got to have that sense of self confidence. Like I could walk into any company anywhere at any time, within a very brief period of time, figure it out. Understand the economic dynamics, understand the environment it's in, get the respect of the people and be able to drive forward. So I don't think there is any minimum required amount of time that you couldn't go in, get rid of the existing CEO, plug in the new CEO and drive forward. However, if you are going to make it a true success, without firefighting like that, I think probably in the 9 months period of time. So the incoming CEO has the chance to come in, work with the outgoing CEO, see almost the full cycle of the year. After 9 months you have been through enough of it, you can see through until the year end and that is probably enough time for anybody to get the lay of the land. Enough to understand what needs to change and what does not and pursue the changes for the next couple years that you think you should.

It takes commitment from the two parties in a relationship, designated CEO and incumbent CEO, to engage in double interact. This research presents practical implications to assist the board of directors as the guardians of the process and the incoming and outgoing CEOs in improving the conditions leading to optimize the designated CEOs' learning outcomes during the transition period.

6.1. Board of Directors

Board of directors are becoming increasingly involved in the CEO succession process. In 21 of the 22 CEO succession events I studied, the board of directors was the main guardian of the process. They were involved in nominating and evaluating the candidates. They sought help from incumbent CEOs and executive search firms. However, the CEOs noticed the board's involvement decreased, and in certain cases even disappeared, after the announcement of the successor. One of the board members agreed: "*I believe our role ends at the announcement of the successor. I do not think we should be involved in how the incumbent and incoming CEOs manage the transition. They are professionally mature and should be able to do that. However, I guess if there are problems, they can always come to the board.*"

According to the findings there are three factors impacting the learning outcomes of designated CEOs during the transition period: (1) identity, (2) social context, and (3) type of enactment. While the appointment of the designated CEOs sets their learning journey in motion by evolving a new identity for them it does not guarantee the quality of the learning. The board's involvement to establish the expectations from and monitor behaviours of both designated CEOs and incumbent CEOs may improve the interaction between them, an important factor in achieving a smooth transition.

The designation itself is important in activating the identity of the executive and kick starting the transition process; however, if the timeline for the passing of the baton is unclear, the learning may be affected. The two designated CEOs who were privately told they were the heirs apparent a long time before the transition event lost confidence in the promise with the passage of time. designated CEOs appreciated having a clear timeline for the transition. The board may need to be cognizant of the impact of lacking a clear timeline on the motivation of designated CEOs. Both CEOs reported considering leaving should the board not act and specify a date for the transition.

The quality of interaction between the incumbent CEOs and designated CEOs was key in determining the learning outcomes during the transition period. Many designated CEOs found informal discussions with incumbent CEOs as helpful if not more helpful than the formal ones. The board of directors might consider taking actions to increase and facilitate the informal interactions between the CEOs. Some designated CEOs found being physically close to the incumbent CEOs during the transition period, for example, helpful in asking for ad-hoc advice.

The quality of interaction between the incumbent CEOs and designated CEOs impacted the timing of undertaking strategic change affecting the performance of the organization. Double

interact led to faster changes than act or interact. While the board of directors may be unable to enforce one enactment type over the other, they may be able to start implementing cultural values supporting double interact relationships as opposed to act or interact.

The board of directors may need to be involved in monitoring the behaviours of the designated CEOs and incumbent CEOs during the transition period, especially in cases where the incumbent CEOs are unwilling to let go of the position. Previous research showed that in cases of well performing firms, incumbent CEOs might jeopardize the ascension of the successor to the top job (Cannella & Shen, 2001). This situation was obvious in the cases of designated CEO Bill and designated CEO Allen. Both of these executives had a difficult time during the transition period. However, designated CEO Bill had a board that supported and helped him minimize the influence of the incumbent CEO during and immediately after the transition. On the other hand designated CEO Allen was disappointed by how the board reacted to the behaviour of the incumbent CEO instead of supporting the designated CEO. The board felt indebted to the incumbent CEO and signed off on his strategy to commit organizational resources well into designated CEO Allen's tenure without taking Allen's opinion into consideration. As a result, Allen lost trust in the board's ability to add value to the organization and replaced many of the board members with others who were more likely to challenge the incumbent CEO.

Given the importance of the impact of the changes in the social context on the designated CEO's learning during the transition, the board may also consider increasing its involvement in monitoring the incumbent CEOs' actions to introduce the designated CEOs to their new social context. Many designated CEOs mentioned the impact of the involvement of the incumbent CEOs in their introduction to their social environment on their learning process. Some designated CEOs found it helpful to meet with other stakeholders jointly with the incumbent CEOs and learned from the way the incumbent CEOs handled the conversations. Other designated CEOs preferred

to face their social context alone and establish the footprints as leaders. In all cases, the involvement of the board in creating the expectations with respect to these issues may help the designated CEOs prepare for their new position.

Many of the participants mentioned the support provided by the board of directors to the candidates during the competition such as assigning coaches and mentors. Most of the designated CEOs found mentors who had experience as CEOs or worked intensively with CEOs were very helpful whereas those who did not have such experience were less helpful. Some candidates had board members as mentors and found them to be helpful throughout the process. It might be worthwhile to discuss the identity of the mentor with the candidates before assigning someone. This suggestion stems from interviews with candidates who were designated. It might also be helpful to ask the candidates who were not designated about their experience with the mentors. Moreover, this psychological assistance ceased in most cases upon designation. Some designated CEOs felt that these mentors or sounding boards might have remained helpful during the transition, especially in cases where the relationship with the incumbent CEO was not at its best.

Some of the incumbent CEOs handled the passing of the "power" to the successor better than others. While this research was not directed at understanding this phenomenon, many outgoing CEOs as well as designated CEOs mentioned it. Five of the interviewees appreciated the attitude of the incumbent CEOs at handing over their "power" and explicitly suggested to me to study this phenomenon. While other designated CEOs suffered as a result of the incumbent CEOs' attitude. incumbent CEOs reluctant to relinquish power delayed the learning of designated CEOs during the transition period. These incumbent CEOs even impeded the designated CEOs' abilities to make changes or take actions to prepare for the job, such as selecting their executive teams and setting budgets. It is natural for humans to fear losing their power (Allee, 1997; Devries, 1988; Goh, 2002). Some CEOs were cognizant of this fact, for example, incumbent CEO

Howard said to help him manage these feelings of losing power he sought help from a professional consultant. The board of directors might want to consider providing assistance and recruiting professional consultants to incumbent CEOs to help them through the handing over of power, just as they recruit consultants for candidates to help them through the competition period. The board of directors may thereby help improve the transition process and enhance the learning of designated CEOs during this period.

6.2. CEOs: Designate and Incumbent

This research provided insights into the outcomes of learning during the transition period given the type of interaction between designate and incumbent CEOs. designated CEOs who double interacted with incumbent CEOs were the ones who learned the most during the transition period. They found the incumbent CEOs to be critical resources in helping them establish their identity as the future leaders. These designated CEOs found that being open and willing to test your theories with the incumbent CEOs was particularly helpful given these incumbent CEOs had been through this experience and had valuable insights to share. Some of the designated CEOs were very understanding of the feelings the incumbent CEOs might experience as they were losing power. It is important for the designated CEOs to be mindful of these feelings and to address and understand the behaviours of incumbent CEOs from this perspective.

Many designated CEOs felt lonely in this transitional position. They could not discuss delicate matters inside the organization fearing that it might be interpreted negatively. However, most of the designated CEOs found it helpful to have a mentor or a consultant or even a family member who had experience as a CEO who could serve as a sounding board and critical analyst of their thinking process rather than as an enforcer of a decision or a course of action.

Though this research was not directed toward outgoing CEOs it provided insights into their thought processes. Some outgoing CEOs were better at dealing with exiting the organization than others. Though all incumbent CEOs might have experienced a sense of loss upon passing the baton, those who had plans for post CEO life were better at dealing with their sense of loss. designated CEOs believed that incumbent CEOs who became board members or had future plans accepted the transfer of their "power" to them more willingly than the incumbent CEOs who lacked plans. One of the CEOs had recruited help from a consultant to help him manage the process.

REFERENCES

Alexander, J. A., Fennell, M. L., & Halpern, M. T. 1993. Leadership instability in hospitals: The influence of board-CEO relations and organizational growth and decline. *Administrative Science Quarterly*, 38(1): 74-99.

Allee, V. 1997. *The knowledge evolution: Expanding organizational intelligence*. Boston: Butterworth-Heinemann.

Allgood, S., & Farrell, K. A. 2003. The match between CEO and firm. *The Journal of Business*, 76(2): 317-341.

Allport, G. W. 1985. The historical background of social psychology. In G. Lindzey, & E. Aronson (Eds.), *Handbook of Social Psychology*, 3rd ed., Vol. 1: 1-46. Hillsdale, MI: Lawrence Erlbaum Associates.

Bandura, A. 2001. Social cognitive theory: An agentic perspective. *Annual Review of Psychology*, 52(1): 1-26.

Behn, B. K., Riley, R. A., & Yang, Y. W. 2005. The value of an heir apparent in succession planning. *Corporate Governance*, 13(2): 168-177.

Bennett, N., & Miles, S. A. 2006a. *Riding shotgun: The role of the COO*. Stanford: Stanford Business Books.

Bennett, N., & Miles, S. A. 2006b. Second in command. *Harvard Business Review*, 84(5): 71-78.

Biggs, E. L. 2004. CEO succession planning: An emerging challenge for boards of directors. *Academy of Management Executive*, 18(1): 105-107.

Bigley, G. A., & Wiersema, M. F. 2002. New CEOs and corporate strategic refocusing: How experience as heir apparent influences the use of power. *Administrative Science Quarterly*, 47(4): 707-727.

Blumer, H. 1969. *Symbolic interactionism: Perspective and method*. Englewood Cliffs, NJ: Prentice Hall.

Boeker, W. 1992. Power and managerial dismissal: Scapegoating at the top. *Administrative Science Quarterly*, 37(3): 400-421.

Braaksma, M. A. H., Rijlaarsdam, G., & van den Bergh, H. 2002. Observational learning and the effects of model-observer similarity. *Journal of Educational Psychology*, 94(2): 405-415.

Burke, P. J. 2006. Identity change. *Social Psychology Quarterly*, 69(1): 81-96.

Burke, P. J., & Stets, J. E. 2009. *Identity theory*. New York: Oxford University Press.

Cannella, A. A., & Shen, W. 2001. So close and yet so far: Promotion versus exit for CEO heirs apparent. *Academy of Management Journal*, 44(2): 252-270.

Carey, D., Phelan, D., & Useem, M. 2009. Picking the right insider for CEO succession. *Harvard Business Review*, 87(1): 24-26.

Charan, R. 2005. Ending the CEO succession crisis. *Harvard Business Review*, 83(2): 72-81.

Chester, A., & Howard, V. 1955. Ralph Ellison, the art of fiction, *The Paris Review*: n.a.

Ciampa, D. 2005. Almost ready: How leaders move up. *Harvard Business Review*, 83(1): 46-53.

Citrin, J. M. 2005. Ending the CEO succession crisis. *Harvard Business Review*, 83(5): 145-149.

Citrin, J. M., & Ogden, D. 2010. Succeeding at succession. *Harvard Business Review*, 88(11): 29-31.

CNNfn. 2000. Immelt to be next GE CEO, *CNN Money*: Accessed on: January 2, 2013. New York.

Craik, K. J. W. 1943. *The nature of explanation*. Cambridge: The University Press.

Creswell, J. W. 2013. *Qualitative inquiry & research design: Choosing among five approaches* (3rd ed.). Thousand Oaks, CA: Sage Publications.

Davidson III, W. N., Nemec, C., & Worrell, D. L. 2001. Succession planning vs. agency theory: A test of Harris and Helfat's interpretation of plurality announcement market returns. *Strategic Management Journal*, 22(2): 179-184.

Devries, M. F. R. K. 1988. The dark side of CEO succession. *Harvard Business Review*, 66(1): 56-60.

Dixon, G. 2013. 'It might be even larger.' Harrison talks CP head count, *The Globe and Mail (Online)*: Accessed on March 7, 2013. Toronto.

EconomyWatch. 2010. Canada economy, *Economy Watch*: Accessed: July 18, 2013.

Eisenschmid, P. 2010. CEO top challenges 2009: Canadian edition, *Organizational Excellence*: The Conference Board of Canada.

Feynman, R. P., Leighton, R., & Hutchings, E. 1985. *Surely you're joking, Mr. Feynman: Adventures of a curious character*. New York: W.W. Norton.

Finkelstein, S., & Hambrick, D. C. 1996. *Strategic leadership: Top executives and their effects on organizations*. Minneapolis, MN: South-Western College Publishing.

Fondas, N., & Wiersema, M. 1997. Changing of the guard: The influence of CEO socialization on strategic change. *Journal of Management Studies*, 34(4): 561-584.

Fredrickson, J. W., Hambrick, D. C., & Baumrin, S. 1988. A model of CEO dismissal. *Academy of Management Review*, 13(2): 255-270.

Friedman, S. D., & Saul, K. 1991. A leader's wake: Organization member reactions to CEO succession. *Journal of Management*, 17(3): 619-642.

Friend, D., & Paddon, D. 2013. TD Bank CEO Ed Clark to retire in November 2014, Bharat Masrani named successor *The Canadian Press - Online Edition*: Accessed on April 18, 2013.

Gabarro, J. J. 1987. *The dynamics of taking charge*. Boston: Harvard Business School Press.

Gallese, V., Keysers, C., & Rizzolatti, G. 2004. A unifying view of the basis of social cognition. *Trends in Cognitive Sciences*, 8(9): 396-403.

Giambatista, R. C., Rowe, W. G., & Riaz, S. 2005. Nothing succeeds like succession: A critical review of leader succession literature since 1994. *Leadership Quarterly*, 16(6): 963-991.

Gioia, D. A., Patvardhan, S. D., Hamilton, A. L., & Corley, K. G. 2013. Organizational identity formation and change. *Academy of Management Annals*, 7(1): 123-193.

Goh, S. C. 2002. Managing effective knowledge transfer: An integrative framework and some practice implications. *Journal of Knowledge Management*, 6(1): 23-30.

Grusky, O. 1960. Administrative succession in formal organizations. *Social Forces*, 39(2): 105-115.

Hall, D. T. 1986. Dilemmas in linking succession planning to individual executive learning. *Human Resource Management*, 25(2): 235-265.

Hambrick, D. C., & Cannella, A. A. 2004. CEOs who have COOs: Contingency analysis of an unexplored structural form. *Strategic Management Journal*, 25(10): 959-979.

Harris, D., & Helfat, C. E. 1997. Specificity of CEO human capital and compensation. *Strategic Management Journal*, 18(11): 895-920.

Helfat, C. E., & Bailey, E. E. 2005. External succession and disruptive change: Heirs-apparent, forced turnover and firm performance. *Strategic Organization*, 3(1): 47-83.

Helmich, D. L., & Brown, W. B. 1972. Successor type and organizational change in the corporate enterprise. *Administrative Science Quarterly*, 17(3): 371-381.

Inkpen, A. C., & Crossan, M. M. 1995. Believing is seeing: Joint ventures and organization learning. *Journal of Management Studies*, 32(5): 595-618.

Isaacs, W. 1999. *Dialogue and the art of thinking together: A pioneering approach to communicating in business and in life*. New York: Crown Business.

Isaacson, W. 2011. *Steve Jobs*. New York: Simon & Schuster.

Jarvis, P. 2006. *Towards a comprehensive theory of human learning*. New York: Routledge.

Jarvis, P. 2010. *Adult education and lifelong learning: Theory and practice*. New York: Routledge.

Jeong, H., & Chi, M. T. H. 2007. Knowledge convergence and collaborative learning. *Instructional Science*, 35(4): 287-315.

Johnson-Laird, P. N. 1989. Mental models. In M. I. Posner (Ed.), *Foundations of Cognitive Science*: 469-499. Cambridge: MIT Press.

Kahneman, D. 2003. A perspective on judgment and choice: Mapping bounded rationality. *American Psychologist*, 58(9): 697-720.

Kesner, I. F., & Sebora, T. C. 1994. Executive succession: Past, present & future. *Journal of Management*, 20(2): 327-372.

Krause, R., Semadeni, M., & Cannella, A. A. 2013. External COO/presidents as expert directors: A new look at the service role of boards. *Strategic Management Journal*: n.a.

Maitlis, S., & Sonenshein, S. 2010. Sensemaking in crisis and change: Inspiration and insights from Weick (1988). *Journal of Management Studies*, 47(3): 551-580.

Mezirow, J. 1991. *Transformative dimensions of adult learning*. San Francisco, CA: Jossey-Bass Publishers.

Mezirow, J. 1997. Transformative learning: Theory to practice. *New Directions for Adult and Continuing Education*, 1997(74): 5-12.

Mezirow, J. 2012. Learning to think like an adult: Core concepts of transformation theory. In E. W. Taylor, & P. Cranton (Eds.), *The Handbook of Transformative Learning: Theory, Research, and Practice*: 73-95. San Francisco, CA: Jossey-Bass Publishers.

Mintzberg, H. 1973. *The nature of managerial work*. New York: Harper & Row.

Moriarty, J. 2009. How much compensation can CEOs permissibly accept? *Business Ethics Quarterly*, 19(2): 235-250.

Moustakas, C. E. 1994. *Phenomenological research methods*. Thousand Oaks, CA: Sage Publications.

Nicolle, A., Symmonds, M., & Dolan, R. J. 2011. Optimistic biases in observational learning of value. *Cognition*, 119(3): 394-402.

Ontario Government. 2012. A stable, growing and diversified economy: Accessed: May 24, 2012.

Ormrod, J. E. 2012. *Human learning*. Boston: Pearson.

Polkinghorne, D. E. 1989. Phenomenological research methods. In R. S. Valle, & S. Halling (Eds.), *Existential-Phenomenological Perspectives in Psychology: Exploring the Breadth of Human Experience: With a Special Section on Transpersonal Psychology*. New York: Plenum Press.

Ring, P. S., & Van de Ven, A. H. 1994. Developmental processes of cooperative interorganizational relationships. *Academy of Management Review*, 19(1): 90-118.

Robertson, G. 2012. Succession in the spotlight as Scotiabank names heir apparent, *The Globe and Mail (Online)*: Accessed on March 7, 2013. Toronto.

Rosenthal, T. L., & Bandura, A. 1978. Psychological modeling: Theory and practice. In S. L. Garfield, & A. E. Bergin (Eds.), *Handbook of Psychotherapy and Behavior Change: An Empirical Analysis*. New York: Wiley.

Rowe, W. G. 1996. *Persistence and change in CEO succession processes*. Unpublished doctoral dissertation, Texas A&M University, Texas.

Sanders, P. 1982. Phenomenology: A new way of viewing organizational research. *Academy of Management Review*, 7(3): 353-360.

Shen, W., & Cannella, A. A. 2002. Revisiting the performance consequences of CEO succession: The impacts of successor type, postsuccession senior executive turnover, and departing CEO tenure. *Academy of Management Journal*, 45(4): 717-733.

Shen, W., & Cannella, A. A. 2003. Will succession planning increase shareholder wealth? Evidence from investor reactions to relay CEO successions. *Strategic Management Journal*, 24(2): 191-198.

Simon, H. A. 1991. Bounded rationality and organizational learning. *Organization Science*, 2(1): 125-134.

Smerek, R. E. 2011. Sensemaking and sensegiving: An exploratory study of the simultaneous "Being and Learning" of new college and university presidents. *Journal of Leadership & Organizational Studies*, 18(1): 80-94.

Sonnenfeld, J. 1988. *The hero's farewell: What happens when CEOs retire*. Oxford: Oxford University Press.

Starbuck, W. H., & Milliken, F. J. 1988. Executives' perceptual filters: What they notice and how they make sense. In D. C. Hambrick (Ed.), *The Executive Effect: Concepts and Methods for Studying Top Managers*: 35-65. Greenwich, CT: JAI Press.

Statistics Canada. 2012. Gross domestic product, expenditure-based, by province and territory: Accessed on May 30, 2013.

Stryker, S., & Burke, P. J. 2000. The past, present, and future of identity theory. *Social Psychology Quarterly*, 63(4): 284-297.

Taylor, J. R., & Van Every, E. J. 2000. *The emergent organization: Communication as its site and surface*. Mahwah, NJ: Lawrence Erlbaum Associates.

Tolman, E. C., & Honzik, C. H. 1930. Introduction and removal of reward and maze performance in rats. *University of California Publications in Psychology*, 4(17): 257-275.

Torriero, S., Oliveri, M., Koch, G., Caltagirone, C., & Petrosini, L. 2007. The what and how of observational learning. *Journal of Cognitive Neuroscience*, 19(10): 1656-1663.

Tweney, D. 2012. Tim Cook: What I learned from Steve Jobs, *Venture Beat*: Accessed on January 4, 2012.

Vancil, R. F. 1987. *Passing the baton: Managing the process of CEO succession*. Boston: Harvard Business School Press.

Weick, K. E. 1979. *The social psychology of organizing*. New York: McGraw-Hill.

Weick, K. E. 1993. The collapse of sensemaking in organizations: The Mann Gulch disaster. *Administrative Science Quarterly*, 38(4): 628-652.

Weick, K. E. 1995. *Sensemaking in organizations*. Thousand Oaks, CA: Sage Publications.

Weick, K. E. 2008. Sensemaking, *International Encyclopedia of Organization Studies*: 1404-1407. Thousand Oaks, CA: Sage Publications.

Weick, K. E. 2012. *Making sense of the organization: The impermanent organization*. West Sussex, United Kingdom: Wiley.

Weick, K. E., & Roberts, K. H. 1993. Collective mind in organizations: Heedful interrelating on flight decks. *Administrative Science Quarterly*, 38(3): 357-381.

Weick, K. E., Sutcliffe, K. M., & Obstfeld, D. 2005. Organizing and the process of sensemaking. *Organization Science*, 16(4): 409-421.

Welch, C., Marschan-Piekkari, R., Penttinen, H., & Tahvanainen, M. 2002. Corporate elites as informants in qualitative international business research. *International Business Review*, 11(5): 611-628.

Yin, R. K. 2009. *Case study research: Design and methods*. Los Angeles: Sage Publications.

Yin, R. K. 2011. *Qualitative research from start to finish*. New York: The Guilford Press.

Zajac, E. J. 1990. CEO selection, succession, compensation, And firm performance: A theoretical integration and empirical analysis. *Strategic Management Journal*, 11(3): 217-230.

Zajac, E. J., & Westphal, J. D. 1996. Who shall succeed? How CEO board preferences and power affect the choice of new CEOs. *Academy of Management Journal*, 39(1): 64-90.

Zhang, Y., & Rajagopalan, N. 2004. When the known devil is better than an unknown God: An empirical study of the antecedents and consequences of relay CEO succession. *Academy of Management Journal*, 47(4): 483-500.

Zimmerman, B. J. 2004. Sociocultural influence and students' development of academic self-regulation: A social-cognitive perspective. In D. M. McInerney, & S. V. Etten (Eds.), *Big Theories Revisited* Vol. 4. Greenwich, CT: Information Age Publishing.