

The relationship between CEO succession and ESG performance: an empirical analysis on European listed companies

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CEO succession has been a subject of particular interest in the literature since the mid-20th century. After all, given the pivotal role of the CEO, the succession event has always represented a delicate moment capable of influencing a company's present and future. Specifically, among various aspects, CEO succession has often been investigated concerning its mutual relationship with performance. In fact, performance results affect the chances of CEO change, and CEO succession, in turn, can influence organisational outcomes. In this regard, several studies have focused on the impact of succession on financial and operational company performance. Nevertheless, in recent years, the increasing attention towards ESG issues has led companies to revise their strategic objectives, and the introduction of ESG measures has contributed to broadening the concept of performance, which nowadays encompasses more seriously the assessment of non-financial aspects compared to the past. Therefore, this thesis aims to extend the field of CEO succession by exploring its relationship with ESG performance. In this regard, a regression analysis based on a panel dataset of 359 European listed companies observed in the period 2010-2021 is conducted to investigate whether CEO succession can influence the company's ESG score. Furthermore, adopting an upper echelons theory perspective, the research also looks at the potential moderating effect of some observable incoming CEO characteristics. The results show a positive significant relationship between CEO succession and ESG performance. Moreover, regarding individual characteristics, incoming CEOs who are either young, female or hold an MBA degree seem to adopt ESG policies more successfully and increase the intensity of the succession effect on ESG scores.