When Star CEO Departs: Moderating Effects of Industry, Firm, and Departing CEO Characteristics*

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Since Hambrick and Mason's watershed essay on upper echelons, there has been much discussion concerning the performance effect during a CEO's tenure in office. In this research stream, the current study notes the limitation that there is a lack of understanding of a CEO's departure situation. Among various characteristics of CEOs, this study focuses on the CEO celebrity, because we believe that a star CEO's departure has a significant impact on firm performance. To explain the interrelationship between star CEO departure and firm performance, we adopt a resource-based view and human capital theory. Unlike prior research, we highlight a resource-loss situation rather than a resource acquisition. The current study posits that the star CEO's human capital is more valuable and non-substitutable for the firm; thus, resource loss resulting from the star CEO's departure leads to negative performance. Moreover, this study suggests that star CEO departure effects are context-specific and there are more negative performance consequences of star CEO departure when the firm highly depends on the CEO. We have four moderators in order to examine whether the effect of star CEO departure is contingent on certain situations. Using the data on CEO succession events during 2005-2012 in Korea, we find that star CEO departure has a detrimental effect on subsequent firm performance relative to the case of non-star CEO departure. Tests on moderating effects show that the effect of star CEO departure is more negative when the industry is highly dynamic, the firm has low level of slack, or the departing CEO has had long tenure as the CEO. Finally, we close the study with implications and future research directions.

Key words: Star CEO, CEO Departure, Human Capital Loss, Resource-based View, CEO Dependence

Ⅰ. Introduction

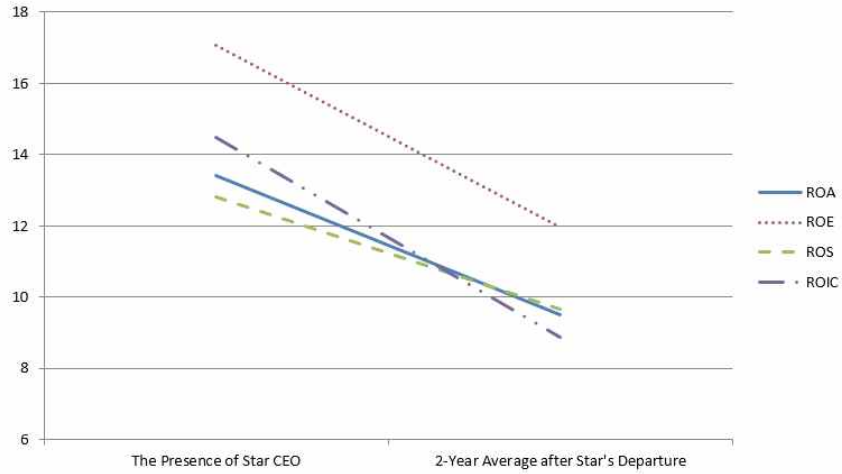
'The CEO's leave raises anew questions about the company's succession plans and product road map, since Mr. Jobs is so closely identified with Apple's gadgets and strategy. . . It (Jobs' leave) does leave a lot for investors to worry about.' [Wall Street Journal, 17 Jan 2011]

최초투고일: 2014. 10. 14 수정일: (1차: 2014. 4. 2) 게재확정일: 2015. 5. 11
* The Research is Partially Supported by the Research Fund at Korea University Business School

When legendary "rock star" CEO Steve Jobs declared that he was planning to step aside and focus on his health, share values of Apple Inc. dropped sharply. It was a common result when famous CEOs quit their jobs. Beyond share price reaction, many firms experienced performance deterioration after the star CEO's departure. This result can be supported, even though firms prepared their succession in advance. For example, in the case of General Electric (GE), although Jack Welch spent years planning his succession, the successor, Immelt, experienced decreasing profits (CNN Money, 2008).

Similar cases occurred in different cultural contexts. Samsung Electronics' Yun Jong-Yong, who held office during 1996-2007, is one of the most famous CEOs in South Korea. In 2013, he was ranked as the world's third best-performing CEO by the Harvard Business Review because he recorded solid results over the long run during his tenure (Hansen, Ibarra, and Peyer, 2013). Even after he left the firm, Samsung Electronics' sales grew steadily. However, Samsung's profit history tells a different story. All four performance measurements of profit—return on assets, return on equity, return on sales, and return on invested capital—dropped after Yun Jong-Yong stepped aside (Figure 1).

Impacts of previous star CEOs' departures on firm performance, needless to say, exist. However, the literature on CEOs and CEO succession has not yet focused on the departure of CEOs. Extant studies have largely relied on new CEO arrivals. With the new CEO as the center, antecedents of new CEO hiring and expected consequences of a new



〈Figure 1〉 Samsung Electronics' Profit Pattern During and After Yun Jong-Yong

CEO have been the main issues for the last thirty years (Giambatista, Rowe, and Riaz, 2005). It seems that past researchers have implicitly assumed that the influence of a former CEO immediately ends when he or she leaves the firm. In other words, researchers have presumed that the pure effect of a newly appointed CEO alone affects firm strategy or performance after a change to a new CEO. This study challenges this long-standing assumption and argues that remaining effects from departed CEOs may continue to exist after they leave their firms.

On the theoretical side, the majority of research oriented toward a resource-based view (RBV) and human capital theory has paid attention to the resource acquisition aspect. However, we believe that the loss side is also significant. This study therefore examines the human resource loss situation rather than the accumulation or acquisition of human resource. Through the lens of human capital loss, we explain the relationship between star CEO departure and firm performance. Loss of a CEO's human capital causes the firm to suffer from the remaining effects of an outgoing CEO.

Furthermore, we examine whether the star CEO departure effect exists in every situation. We argue that there are many situations where the value of the human capital of a star CEO is significant. Therefore, the effect of star CEO departure may vary depending on the circumstances. This study introduces resource-abundant versus resource-constrained environments and high managerial discretion versus low managerial discretion situations in order to compare star CEO departure effects. Because this study is initially trying to address star CEO departure, it is necessary to test hypotheses in a variety of contexts rather than depending merely on the general context.

This study adopts the concept of star CEO to measure the departed CEO's remaining impact. Because related concepts such as high status, best-performing, reputable, celebrity, and certified ability CEO consistently represent a CEO's huge influence, development of an explanation of the a star CEO's remaining effect is suitable to this research. Among various proxies for a high profile CEO, we use the measurement of award-winning CEO, because it better reflects a CEO's "star-ness."

In order to test the hypotheses, this study uses 255 CEO succession cases in Korea during 2005-2012 and compare the effect of star CEO departure with the effect of non-star CEO departure. The analysis of the main argument shows that a star CEO's departure negatively affects subsequent firm performance. Regarding the moderating effects, we find that a high level of industry dynamism, a low level of firm slack, and a departing CEO's longer tenure strengthen the negative relationship between star CEO departure and firm performance. In contrast, the effect of a star

CEO's departure does not vary with industry munificence level.

This study makes several contributions. First, we generally adopt a resource-based view and human capital theory. However, instead of human capital acquisition, the topics generally discussed in the existing literature, we highlight human capital loss. In line with Shaw, Park, and Kim's suggestion (2013), a "loss" situation draws as much attention as does acquisition. Thus, we focus on human capital loss when considering the relationship between human capital and firm performance. This focus can help rectify the asymmetric consideration in the CEO literature. We attempt to turn research attention from new CEO arrivals to departing CEOs. By tracing the remaining effect of a departed CEO, we shed some light on an implicitly ignored area and establish a balance between extant studies and a new study area. Second, we try to identify contexts where the dependence on a CEO is higher at the industry, firm, and the CEO level. Because we assume that the effect of star CEO departure is contingent on the situation, we run the regression with interaction terms between star CEO departure and various moderators.

The study sends a practical message: the loss of high-quality human capital should be cautiously managed. Because the departure of a star CEO leaves long-lasting effects after he or she leaves, firms should carefully prepare for the loss situation to maintain organizational continuity. In addition, we offer practical implications for individual firms by showing the seriousness of star CEO departure in various situations. A firm should prepare follow-up steps appropriate to the firm's situation to address human capital loss.

This study is organized as follows. We begin by noting that the human capital of CEOs, especially star CEOs, is more valuable than others', based on a resource-based perspective and human capital theory. Then, we set forth hypotheses. In the methods and results sections, we describe data and variables and summarize the statistical results, respectively. We close the paper by discussing implications of the research.

II. Theoretical Background

2.1 CEO Significance

Impetus for this study was given by the seminal paper on upper echelons(Hambrick and Mason, 1984), which argued that people belonging to the dominant coalition should be more prominently considered in theories of organizations(Stinchcombe, 1997). The argument is that organizations are, to some extent, a reflection of the characteristics of upper echelons' and/or the distribution of their

members' traits(Boone and van Witteloostuijn, 2007). The following research has been inspired by this theory and has deliberately investigated the impact of CEO characteristics and top management team composition with regard to aspects such as personality, tenure, educational background, and age on a myriad of organizational outcomes. Especially for the CEO research, links have been traced between, for example, CEO tenure, age, and origin and innovation, strategy, and organizational performance(Boone et al., 1996; Miller, 1991).

Likewise, one of the central debates among strategic management and organizational theory scholars is on how much influence executives, particularly chief executive officers, have on firm performance. By the 1990s and beyond, CEOs were imbued with appreciably more importance—or at least a perception of importance(Quigley and Hambrick, 2014). According to Giambatista, Rowe, and Riaz (2005), leader succession can significantly influence performance and strategy. As well as in the context of professional sports teams (McTeer, White, and Persad, 1995), it is an inevitable fact that leader succession has a great impact on subsequent firm performance or strategic change in the context of a business organization. A recent study by Quigley and Hambrick(2014) reveals that America's CEOs became, in fact, increasingly significant during the 60-year period studied(1950-2009). Then, whose impacts are greater than others among CEOs? In order to answer this question, we highlight some CEOs have been featured in the press as celebrities(Hayward, Rindova, and Pollock, 2004).

In summary, the CEO has been considered the most important person in the organization of those who are influential in firm performance and strategic decision making. Researchers have long been interested in whether CEOs matter. In line with this research stream, we focus on the most valuable human capital of the organization, the CEO, and investigate the impact of his or her departure. In this study, we identify award-winning CEOs, because we assume that they are more valuable than are others.

2.2 Human Capital of CEOs

Strategic management scholars have long adopted a resource-based perspective(Barney, 1991; Mahoney and Pandian, 1992; Wernerfelt, 1984) and human capital theory(Becker, 1964) to explain that people(i.e., employees) play strong roles in acquisition and maintenance of a firm's sustainable competitive advantages(Castanias and Helfat, 1991; Combs and Skill, 2003; Delery and Shaw, 2001). The valuable human capital of an organization has been regarded as a source of better organizational performance(Takeuchi, Lepak, Wang, and Takeuchi, 2007). Human resources can be viewed as potentially valuable, rare, and

non-substitutable relative to other forms of resources because they are scarce, specialized, and hold tacit knowledge (Coff, 1997).

In order to ascertain key determinants of organizational performance(Rumelt, Schendel, and Teece, 1994; Summer, Bettis, Duhaime, Grant, Hambrick, Snow, and Zeithaml, 1990), strategic management scholars have considered human capital a source of value, particularly at the managerial level(Andrews, 1987; Chandler, 1962). A top management team may comprise such human resources. This fact has long been identified in the traditional concept of strategy(Andrews, 1987), which emphasizes the key role of executives in effectively using firms' resources.

As the uppermost level of human capital within the organization, one can expect that a CEO—the top ranker in the organizational hierarchy—has the most significant individual stock of skills, knowledge, and resources(Combs and Skill, 2003). Interestingly, according to Castanias and Helfat(1991), the possession of an above-average CEO is rare indeed. Thus, copying and/or acquiring a CEO with high-quality human capital, at least at an acceptable cost, is quite difficult for competitors. This fact makes firms with a superior CEO more valuable than average(e.g., Coff, 2002). Accordingly, one can predict that firms possessing excellent CEOs will outperform others(Castanias and Helfat, 1991; Crook, Todd, Combs, Woehr, and Ketchen, 2011).

Ⅲ. Hypotheses Development

3.1 Human Capital Loss - Star CEOs Departure - and Firm Performance

Based on a resource-based view, heterogeneous resource explains performance differences among firms. In particular, resources that are rare, valuable, not easy to duplicate and not easily substitutable drive firms to outperform competitors lacking similar or identical resources(Barney, 1991; Peteraf, 1993). Researchers who advocate a resource-based view of sustainable competitive advantage have underlined the role of human capital as a key performance factor(Acedo, Barroso, and Galan, 2006; Barney, Wright, and Ketchen, 2001; Combs and Skill, 2003). Knowledge embedded in human capital is perhaps the most valuable and imperfectly imitable resource(Coff, 1997; Kogut and Zander, 1992).

Among human capital existing in the organization, the CEO (and other executives) directly formulates and implements strategic decisions that may create values that are not competed away by other firms. The CEO also organizes and directs all the activities of the firm(Castanias and Helfat, 1991). Hence, much of the extant research on the nature of top management has sought to identify the traits and skills of top managers and to un-

derstand the determinants of effective leadership(e.g., Hampton, Summer, and Weber, 1987; Katz, 1974), because a CEO's roles and responsibilities are critical. Because the CEO's primary responsibilities are associated with conceptual skills relative to technical or human skills, most CEO human capital may be held in the form of tacit knowledge(Katz, 1974). Accordingly, it is not easy to transfer. Both providers and receivers may have difficulty delivering and sharing this type of knowledge.

Likewise, the quality of CEO human capital is much more important than that of other employees, and it is not easily substitutable. Both acquisition and loss of human capital must be managed with caution. However, with a long research tradition of employing a resource-based view and human capital theory, "presence/acquisition/accumulation" of human capital has been considered as being worthy of notice, rather than the loss side. However, we argue that theoretical and practical considerations about human capital loss are equally important to the acquisition aspect. Because the purpose of firms is pursuing continuity, firms must cope with the loss of resources in an effective way. In the present situation, the impact of loss may be different depending on the human capital's value. While in a recent study, Shaw, Park, and Kim(2013) observe full-time employees' voluntary turnover(quit rate), we focus particularly on the departure of the highest-ranked person in the organization.

Traditionally, a celebrity is a social actor whose name is well known, who garners large-scale, public attention, and has profit-generating value(Gamson, 1994; Treadway et al., 2009). Common wisdom suggests that having a highly celebrated CEO produces a number of tangible performance benefits for a firm. In other words, the presence of a star CEO who has significant accomplishments and renown is the most predictable factor of firm future performance. A star CEO usually carries valuable knowledge and resources. CEOs develop expertise during their tenure that is only valuable within the specific firm boundary(Coffee, 1988). Thus, a CEO's human capital becomes more precious over time. Additionally, a star CEO presence can signal to key stakeholders that the CEO is of high quality and likely to add economic value to the company. This is referred to as a benefit of a star CEO(Wade, Porac, Pollock, and Graffin, 2008). Thus, companies struggle to hire/retain star CEOs to increase the value of the firms. Making the best use of CEO's human capital is one of the cornerstones of firm success.

We believe that the CEO is a part of a firm's resources and perceive that the CEO is valuable (Jemison and Sitkin, 1986; Walsh and Ellwood, 1991). Conversely, the loss of an existing CEO, particularly one with high-quality human capital, has a negative impact on firm

performance. Several prior studies support this argument. For instance, Cannella and Hambrick(1993) suggest that the loss of established leaders is expected to be harmful: the costs outweigh the benefits. The loss of executives means the loss of those executives' knowledge of and plans for the organization (Kotter, 1982). Furthermore, the loss of the substantive knowledge and experience of departed executives may not be easily recouped or replicated by others because knowledge that resides within CEOs is mostly tacit and socially complex. With the exit of a CEO, there is a loss of organizational continuity reflected in an increased potential for the loss of critical corporate memory, explicit and tacit knowledge and decreased competency levels(Lahaie, 2005).

Furthermore, the symbolic effect of an established leader's loss can be the source of severe unsettlement to organization members as well as external stakeholders(Cannella and Hambrick, 1993; Pfeffer, 1981; Schleifer and Summers, 1988; Virany, Tushman, and Romanelli, 1992). The negative symbolic effect may be amplified when a CEO with a high level of star quality departs the firm, because the firm has been riding a wave of the symbolic effect of the star CEO. Because firms often hire a prestigious CEO to show their unobservable qualities and gain legitimacy to survive, the loss of an influential CEO may have a greater negative impact. As such, a star CEO's departure may be viewed with suspicion or alarm by employees and external stakeholders(Buono, Bowditch, and Lewis, 1985; Costello, Kubis, and Shaffer, 1963; Siehl, Smith, and Omura, 1990). It ultimately affects firm performance negatively.

Based on the above reasoning, we suggest that the departure of star CEOs deteriorates firm performance compared to the departure of non-star CEOs due to substantial and symbolic loss. We document *Hypothesis 1* as the baseline hypothesis.

Hypothesis 1: Star CEO departure will have a negative impact on subsequent firm performance compared to non-star CEO departure

3.2 When is the Star CEO Departure Effect Stronger? CEO Dependence Perspective

This study is an initial work for considering the star CEO departure situation. Thus, we believe that it is necessary and important to show the effect of star CEO departure in a variety of contexts. The assumption for such variety is that the star CEO's effect will be contingent on the situations. As is well known, the "CEO effect" can explain firm performance to some extent(Blettner, Chaddad, and Bettis, 2012; Quigley and Hambrick, 2014). However, the significance of and dependence on the CEO, especially the star CEO, may vary depending on the circumstances.

To do this, we assume that there are contrasting situations which each firm is facing. One represents a resource-abundant environment; the other is a resource-constrained environment. We argue that the effect of star CEO departure will be greater in the latter situation. Under a resource-constrained environment, a CEO's decision-making ability is more salient because there are insufficient resources to cover inappropriate decisions. Therefore, dependence on CEO ability is greater in the resource-poor situation. Additionally, an overall explanation can be considered within the managerial discretion framework. We argue that a high level of managerial discretion increases dependence on the CEO. Thus, if the departing CEO is a star CEO and the managerial discretion level is higher, the firm experiences a greater loss. In summary, "resource-rich vs. resource-scarce environment" and "high vs. low managerial discretion" arguments are integrated with the level of CEO dependence(refer to Table 1). We predict that star CEO departure has more negative performance effects when the CEO dependence level is relatively greater.

We take into account five contrasting situations at the industry and firm levels. Additionally, we consider the departing CEO's tenure length to examine whether there are differences in star CEO departure effects depending on CEO tenure. First, we contemplate the level of industry munificence and dynamism. Industry characteristics have been widely acknowledged as a key influence on managerial actions and business strategies of firms(Porter, 1980; Rajagopalan and Datta, 1996).

3.3 Industry Munificence

Industry munificence refers to the extent to which the environment supports sustained growth(Starbuck, 1976). The characteristic is summarized as "abundance of resources." Therefore, s high degree of munificence allows firms to create buffers from external threats and generate slack resources(Cyert and March, 1963; Finkelstein and Hambrick, 1996). Within a highly munificent environment, firms have available a wide range of strategies and other options(Castrogiovanni, 1991). Available abundant resources in a munificent industry facilitate experimentation with new strategies and more overall entrepreneurial-oriented thinking. Thus, the CEO can make decisions with fewer constraints

〈Table 1〉 CEO Dependence: Resource/Managerial Discretion Framework

CEO dependence ▲	Resource-constraint environment	High level of managerial discretion
CEO dependence ▼	Resource-abundant environment	Low level of managerial discretion
Accounted variables	*Industry munificence Slack*	*Industry dynamism CEO tenure*

and less pressure. Information processing demands of the CEO are naturally decreased. This means that the degree of dependence on the CEO might be lower in a more-munificent environment than in a less-munificent environment.

Furthermore, low munificence environments possess numerous challenges to the firm(Goll and Rasheed, 2005). Such environments are characterized by shortages of resources, stagnating or declining demand, and environmental threats. The CEO might be under pressure in a less-munificent situation. Decisions made by the CEO have far-reaching consequences, because there are insufficient resources to cover costs incurred by trial and error. Under conditions of constraining forces in less-munificent environments, the CEO must make decisions cautiously. Thus, the ability of the CEO is much more salient in this industry. Firms are more likely to depend on the CEO's ability.

Prior studies support this argument. The strategic choice perspective suggests that managers are crucial and will significantly affect firm performance in such an environment(Goll and Rasheed, 2005). Miller and Freisen(1983) suggest that firms should have greater devotion to analytical efforts to understand and master external threats in non-munificent environments. Resource scarcity makes firms pay greater attention to conservation of resources. The CEO shoulders greater responsibility.

In summary, resource scarcity in a less-munificent environment requires more-cautious decision-making. Firms tend to rely more on the CEO's decision-making ability. If a firm retains a star CEO, difficulties embedded in less munificence might be readily overcame. Conversely, the firm will suffer from a severe performance decline in the case of star CEO departure, relative to non-star CEO departure. Likewise, we expect that the effect of star CEO departure is more negative in a less-munificent environment.

Hypothesis 2a: In a less-munificent industry environment, star CEO departure will have a more negative impact on subsequent firm performance, relative to a more-munificent industry environment

3.4 Industry Dynamism

Industry dynamism refers to environmental instability or a high rate of change in environmental factors affecting an organization (Thompson, 1967). It increases uncertainty for individuals and firms operating within the industry(Dess and Beard, 1984). Uncertainty results from limited availability of information for decision making(Simon, 1955). Highly dynamic environments are those where rapid and discontinuous changes are common(Schilke, 2014). Thus, interpretation of information

from the environment becomes unpredictable and difficult, and previous frames of reference are more likely to be challenged(Schilke, 2014). In a more-dynamic industry, it is required to possess a wider range of competitive actions aimed at addressing multiple contingencies posed in that industry.

Different from highly dynamic environments, environments with little dynamism are characterized by infrequent change; thus, the CEO can easily anticipate changes that do occur. Environmental stability enables firms to manage and solve problems through established routines(Eisenhardt, 1989). When market information is reliable, the range of options CEOs face is significantly constrained (Hambrick and Finkelstein, 1987).

Going back to the discussion on dynamic industry, the CEO is usually under great pressure from increased information-processing demands with a high level of environmental uncertainty and turbulence(Galbraith, 1973). Moreover, the CEO must respond quickly to the environment because quick decision making is more effective in the dynamic environment, while comprehensive decision processes lead to superior economic performance in a stable environment(Fredrickson, 1984; Fredrickson and Mitchell, 1984). Likewise, the CEO working in a dynamic environment tends to suffer from greater information processing burdens(Tushman, 1979).

Moreover, CEOs in a dynamic industry have a high level of managerial discretion. The unstable nature of such an industry increases means-ends ambiguity. Means-ends ambiguity consequently enhances managerial discretion(Hambrick, 2007). Finally, the firm is more likely to rely on the CEO's managerial capability and decisions in dynamic environment. Firms in dynamic industries are more likely to rely on the CEO.

In summary, industry dynamism increases managerial discretion and CEO dependence. The importance and the roles of a CEO are much greater in such an industry. Thus, we predict that the effect of star CEO departure —valuable human capital loss—is more negative for firm performance in dynamic industries.

Hypothesis 2b: In a more-dynamic industry environment, star CEO departure will have a more negative impact on subsequent firm performance, relative to a more- stable industry environment

3.5 Organizational Slack

Cyert and March(1963) suggest that slack may buffer against fluctuation in different environments by mitigating environmental shocks. In addition, Bourgeois(1981) provides the following definition: "Organizational slack is that cushion of actual or potential resources which allows an organization to adapt successfully to internal pressures for adjustment

or to external pressures for change in policy, as well as to initiate changes in strategy with respect to the external environment" (p. 30). George(2005) specifies slack as "potentially utilizable resources that can be diverted or redeployed for the achievement of organizational goals" (p. 661). Traditionally, the organization theory stream posits that organizational slack has a positive effect on organizations(Lin, Cheng, and Liu, 2009). Although firms have different abilities in response to strategic opportunities or environmental threats based on specific resources each firm possesses(Barney, 1991; Wernerfelt, 1984), unused and residual resources are useful to run the business(Nohria and Gulati, 1996).

In the case of the star CEO's departure, the firm loses human capital and associated resources. In this situation, enough resource availability may work as a buffer or cushion for the next CEO. Substantially and psychologically, the existence of sufficient organizational resources eliminates suspicions of outsiders and appeases anxiety and fear of insiders, resulting from the empty seat of star CEO. Thus, we argue that the effect of star CEO departure may be more valid for firms with lower slack, while the effect of star CEO departure is very weak or not existent for firms with greater slack.

Hypothesis 2c: In the case of firms with less slack, star CEO departure will have a more negative impact on subsequent firm performance relative to firms with more slack

3.6 Departing CEO Tenure

The length of a departing CEO's tenure is an important component of the succession context(Shen and Cannella, 2002). Hambrick and Fukutomi(1991) mention that CEOs tend to increase commitment to their strategic paradigms over their tenure in office. The long-tenured CEO is more likely to increase strategic persistence(Grimm and Smith, 1991) and maintain the status quo(Hambrick, Geletkanycz, and Fredrickson, 1993).

Although such decision making may work for the long-tenured CEO when still at the firm, it can generate severe problems when the successor attempts to implement new strategies. While strategic persistence may give firms strategic continuity in a positive way, it also gives rise to organizational constraints(Hannan and Freeman, 1984). If the successor wants to initiate strategic change, existing strong organizational routines developed during the long-tenured departing CEO's time will increase the difficulty in carrying out new strategies. In other words, long-tenured CEOs generally leave indelible marks on their firms, while short-tenured departing CEOs usually leave little trace of their existence. Within the firm, a departing CEO with longer tenure experiences increased managerial

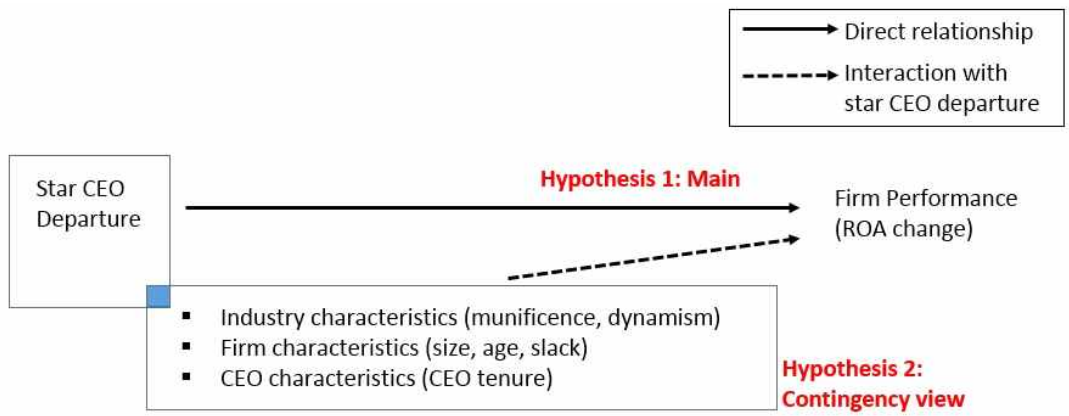
discretion. Additionally, the firm is more likely to depend on the CEO, because the CEO is more likely to be verified throughout his/her long history as a CEO.

In addition, more often than not, a CEO with long tenure implies that the firm's board has historically been inclined to retain the CEO(Milbourn, 2003). The CEO's longer tenure also makes CEO's human capital more valuable, especially for that firm. Generated and strengthened firm-specific knowledge and expertise that long-tenured CEOs possess naturally increase a firm's dependence on that CEO. Thus, a long-tenured star CEO's departure has a greater impact on subsequent firm performance.

In this study, we divide the full sample into two different samples based on CEO tenure length. We then compare the star CEO departure effect of relatively long-tenured CEOs with those of relatively short-tenured CEOs. We expect more negative performance consequences when the departing CEO's tenure is relatively longer.

Hypothesis 2d: In the case of a longer tenured departing CEO, star CEO departure will have a more negative impact on subsequent firm performance relative to a shorter tenured departing CEO

In sum, we have five hypotheses. Main hypothesis, *hypothesis 1* predicts negative performance consequences after the star CEO departs the firm. In addition, we argue that negative impact is more likely to be strengthened when the firm is facing less munificent industry environment(*hypothesis 2a*) and more dynamic industry environment(*hypothesis 2b*), and the firm has less slack(*hypothesis 2c*), and departing CEO has longer tenure(*hypothesis 2d*). Figure 2 summarizes our hypotheses.



〈Figure 2〉 Research Model

Ⅳ. Methods

4.1 Sample

First, we identify all CEO successions between 2005 and 2012 in South Korea. Then, we further constrain the sample in several ways. Rather than choosing all listed firms (as of 2012, the number of firms listed on the Korea Stock Exchange(KSE) was 672), we select the 200 largest listed firms(which are called KOSPI 200) and only companies that had been public at least for three years, because small and young companies may face distinctive conditions(Quigley and Hambrick, 2012). At the firm level, we exclude financial firms such as those in banking, insurance, and investment industries(One-digit Korea Standard Industrial Classification(KSIC) code =9). At the CEO(individual) level, we exclude interim CEOs who held a CEO position less than 12 months.

In the first stage, we observe 278 cases of CEO succession during 2005-2012. The CEO change rate during the study period is 20.03%, because we achieve 1,388 firm-year observations. This is largely consistent with prior CEO succession studies. We obtain the information about the departing CEO. Because of missing data, 22 observations are dropped. Therefore, the final sample includes 255 succession observations.

This study uses secondary data from the following sources. Primarily, we access Data Analysis, Retrieval and Transfer System(DART), offered by the Korea Financial Supervisory Service, to achieve firm's annual reports. Massive data about firm and industry is acquired from Korea Information Services(KIS: KISLINE and KISVALUE). In order to supplement lacking information from the KIS, we use people search and the Korean corporation encyclopedia of knowledge, provided by NAVER, the Korean number 1 portal service company. Additionally, we use Korea Integrated News Database System(KINDS) for supplemental information about firms and CEOs.

4.2 Dependent Variable

4.2.1 Corporate Performance Change (difference in ROA)

Datta and Rajagopalan(1998) and Tushman and Rosenkopf(1996) argue that "the change in performance can be more directly related to the succession event; in contrast, absolute measures of post-succession performance are more likely to reflect enduring performance effects carried over from the pre-succession period" (p. 843). Therefore, we use change in ROA rather than an absolute measure of post-succession firm performance as the dependent variable. Treating the year of star CEO departure as Year t(thus, the new CEO ar-

rival after the former star CEO leaves is treated Year t + 1), we measure performance difference between Years t + 1 and t. In doing so, we use change in return on asset(ROA) as an indicator of firm performance.

The main reason why we pick this variable as a primary dependent variable is that it can signal immediate performance decline or increase after the CEO departure(Karaevli, 2007; Nakawuchi and Wiersema, 2015). In the CEO succession literature, ROA is one of the well-established accounting-based indicators for firm performance and is commonly used to assess top executive impact on firm performance(Cannella and Shen, 2001; Chung and Luo, 2013). It is calculated as net income divided by total assets and recorded for each fiscal year(Chattergee and Hambrick, 2007; Quigley and Hambrick, 2012).

4.3 Independent Variable

4.3.1 Star CEO vs. Non-star CEO Departure

In this study, the star CEO is defined as the CEO who won the "CEO of the Year" awards as documented by prior research(Graffin et al., 2008; Malmendier and Tate, 2009; Wade et al., 2006). These studies used the list of the winners of the CEO awards. We select the nationwide awards that target CEOs of all listed firms so that any CEO in listed firms can potentially win the awards; this award is prominent enough to measure plausibly the star CEO(Malmendier and Tate, 2009). In addition, it covers all the sample firms of this study—the 200 largest listed companies—because it targets all listed firms (i.e., over 600 firms). If the departing CEO has received this award during his or her tenure of office, it is coded 1 as star CEO departure; otherwise, it is coded 0 as non-star CEO departure.

We assess star CEO using data obtained from MK Economy's annual "CEO of the Year" awards.[1] MK Economy began this annual contest in 2005 and each year surveys a large group of banks and security firms' CEOs, rating CEOs on four criteria(financial performance, economic development, transparency, and innovation). MK Economy establishes a strict standard for the "CEO of the Year," using both financial and non-financial standards and providing rankings for the "CEO of the Year" among listed firms. The portions of financial and non-financial performance indicators are 50:50. Thus, it is a reasonably balanced measure for assessing the best CEO. The result includes fifty CEOs as star CEOs. We match the CEO award data with additional data on CEO characteristics, firm characteristics, and performance. From the KISLINE and

1) MK Economy is published weekly and belongs to Maeil Business Media Group in Korea. Maeil Business Media Group was established in 1965 and is one of the most professional business and economy news providers

KISVALUE database, we obtain information on other demographic characteristics.

4.4 Moderating Variables[2)]

4.4.1 Industry-, Firm-, and Departing CEO level Characteristics.

In this study, we use four moderators - *industry munificence, industry dynamism, slack, and CEO tenure* - to examine whether the effect of star CEO departure is contingent on different contexts. First, we measure industry munificence by industry sales growth(Nakauchi and Wiersema, 2015). Industry dynamism means volatility of industry sales growth (Nakauchi and Wiersema, 2015), thus we measure the coefficient of variation(i.e., standard deviation divided by mean) of industry sales as a proxy for industry dynamism. In order to measure industry environments, we take the logarithm to correct for positive skewness of those variables and use the 5-year time window as in previous research(e.g., Keats and Hitt, 1988; Goll and Rasheed, 2005; Sahaym, Steensma, and Barden, 2010). We measure organizational slack as the ratio of current assets divided by current liabilities(Hayward and Hambrick, 1997; Lin and Liu, 2012; Quigley and Hambrick, 2012) to examine the organization's readily available resources(current asset ratio). Finally, we measure CEO tenure by counting the number of years the CEO has held office(Chattergee and Hambrick, 2007).

Basically, we check the moderating effects of those variables with the traditional way using interaction terms between independent variable and moderating variables. In addition to this way, we divide the full sample into two different subgroups using the median value of each variable and then compare the results of two subgroups in order to check the robustness of the results.

4.5 Control Variables

We control for general economic conditions and industry tendencies by incorporating dummy variables for calendar year and one-digit KSIC code(Quigley and Hambrick, 2012; Richard et al., 2007). Next, we control for several firm-level variables. First, we control for the firm age. It is measured by number of years since the incorporation of the firm(Manikandan and Ramakandran, 2015). Firm size is measured as the logarithm of total employees(Carpenter, 2002; Nakauchi and Wiersema, 2015). We also try to replace the number of employees with annual sales and annual assets as measures of firm size. Other measures of size such as total sales and total assets yield substantively

2) Context variables are coded as one if the value is above the median, and zero if the value is below the median

identical results. Previous firm performance is included in the model. It is measured as the average industry-adjusted ROA over the last three years prior to the year of CEO succession. A firm's prior performance is possibly related to both leadership change and future performance change(Lubatkin, Chung, Rogers, and Owers, 1989). Pre-succession firm ROA can control the potential threat of 'regression to the mean'(Brown, 1982; Shen and Cannella, 2002).

We control for firms' resources through debt-to-equity ratio. We measure this variable by calculating the values of long term plus short term debt divided by the market value of common equity(Miller, Le Breton-Miller, Lester, and Cannella, 2007). Also, advertising intensity and foreign ownership are incorporated as control variables. Advertising intensity is expressed as expenditures on advertising to total sales(Hart and Ahuja, 1996). It is the representative measure of intangible asset of the firm, which influences on firm performance(Lu and Beamish, 2004). We measure foreign ownership as the percentage of shares owned by foreign institutional investors(Chung and Luo, 2013). It is expected to control for ownership and governance.

At the successor-level control variables, we include the successor's age and origin(Chattergee and Hambrick, 2007; Henderson, Miller, and Hambrick, 2006). This study controls successor's characteristics to avoid new CEO's effect, because there is one-year overlap(Year t + 1: second year of star CEO departure and first year of new CEO arrival) between outgoing CEO and newly appointed CEO when we measure firm performance. Consistent with prior research, we code a dummy variable as one if the new CEO had less than two years' firm tenure(Chen and Hambrick, 2012).

4.6 Analytic Approach

Since CEO succession is more likely to occur in more poorly performance firms, it is necessary to correct for selection bias in analyzing the change in firm performance between (t+1) and (t). Therefore we use the Heckman selection model(Heckman, 1979), which is a two-staged procedure that corrects for selection bias in regression analysis(Karaevli, 2007; Zajac and Westphal, 1996). Specifically, we first estimate the likelihood of star CEO departure(succession) using a Probit model. In doing so, we consider various factors which can influence on star CEO departure. We then incorporate the parameter(inverse Mill's ratio) for the likelihood of star CEO departure to a second-stage ordinary least squares(OLS) hierarchical regression model to predict the performance change for those firms experiencing succession events. Although the coefficients from Probit model are not displayed, it takes the following form(independent variables are lagged 1 year):

Star CEO departure $_t$ = a + $b_1$firm age
+ b_2 log (the number of employees)
+ b_3 prior ROA + b_4 debt-to-equity ratio
+ b_5 advertising intensity
+ b_6 foreign ownership
+ b_7 incoming CEO's age
+ b_8 incoming CEO's origin
+ [b_9 industry dummies]
+ [b_{10} year dummies] + e

V. RESULTS

Table 2 reports the means, standard deviations, and correlations of variables in this study. The percentage of star CEO departure is 29.8%. Out of 255 succession observations, 76 cases are star CEO departures and 179 cases are non-star departures.

Table 3 shows estimates of firm performance models. We explore the possibility of multicollinearity by computing variance inflation factors(VIFs) for individual variables in the model. For the full model incorporating all interaction terms, the maximum VIF is 4.739, which is substantially lower than the rule-of-thumb cut-off point of 10(Kennedy, 2002). Therefore, we conclude that multicollinearity is not a serious threat in my regression models. In Model 1 of Table 3, we first enter ten control variables. Year and industry dummies are incorporated, but not shown in the model. Model 2 adds the effect of star CEO departure in order to test Hypothesis 1. The result is that the effect of star CEO departure is negative and significant(b = -4.506, p < 0.001). This result strongly supports Hypothesis 1, which expects a negative effect of star CEO departure on subsequent firm performance. To graphically show the result, we plot Figures 3. After predicting ROA change based on the regression result, we draw Figures 3. As shown in Figure 3, the performance change is more negative in the case of star CEO departure.

Hypotheses 2a-2d predict that the negative effect of star CEO departure will be greater in certain situations. For testing the industry munificence effect, we add interaction term to the model and rerun Model 2 of Table 3 for each of the two subgroups in order to test whether the industry munificence effect is valid or not. The results are reported in Models 1 in Table 4. In Model 1 of Table 4, interaction of star CEO departure and industry munificence is not significant(b = 0.012, n.s.). Thus, the effect of star CEO departure is not varied by industry munificence levels. Hypothesis 2a is not supported. Hypothesis 2b argues that there is a moderating effect of industry dynamism on the relationship between star CEO departure and firm performance, such that in a more dynamic industry environment, star CEO departure will have a more negative impact on firm performance, relative to

〈Table 2〉 Means, Standard Deviations, and Correlations Coefficients

Variable	Mean	S.D.	1	2	3	4	5	6
1. Performance change	-.825	7.642						
2. Star CEO departure	.294	.457	-.222**					
3. Industry munificence	16.127	53.812	-.028	.046				
4. Industry dynamism	.184	.185	.038	.129	.130			
5. Slack	1.593	1.171	.113	-.151*	-.038	-.002		
6. Departing CEO tenure	5.349	3.289	.017	.055	-.019	.014	.161*	
7. Firm age	37.110	18.493	.018	-.052	.063	-.048	.054	-.060
8. Firm size (log)	7.616	1.416	-.050	.430**	.053	-.035	-.246**	-.064
9. Prior firm performance	-.102	6.159	-.293**	.148*	.018	.106	.208**	.078
10. Debt-to-equity ratio	1.379	4.379	-.259**	-.027	.057	.052	-.121	-.081*
11. Advertising intensity	2.951	16.845	.066	-.064	-.013	-.065	-.039	.020
12. Foreign ownership	21.276	16.083	-.128*	.264**	.066	-.021	.062**	.118
13. Incoming CEO; age	55.616	5.474	.008	.154*	-.061	-.017	-.094*	-.133*
14. Incoming CEO; origin	.424	.495	.087	-.083	.039	-.007	-.075	-.106

Variable	7	8	9	10	11	12	13
1. Performance change							
2. Star CEO departure							
3. Industry munificence							
4. Industry dynamism							
5. Slack							
6. Departing CEO tenure							
7. Firm age							
8. Firm size (log)	.056						
9. Prior firm performance	-.066	.077					
10. Debt-to-equity ratio	-.076	-.031	-.041				
11. Advertising intensity	.152*	-.100	-.089	-.019			
12. Foreign ownership	-.063	.378**	.397**	-.120	.033		
13. Incoming CEO; age	.046	.134*	-.000	-.021	.084	-.021	
14. Incoming CEO; origin	-.183**	-.001	-.171**	-.048	-.094	.110	.140*

Year and Industry dummy variables are not shown. *p 〈 .05; **p 〈 .01; N = 255

a more stable industry environment. We find that the interaction between star CEO departure and industry dynamism is negative and significant(b = -5.445, p 〈 0.1), as expected (Model 4 of Table 4). This implies that the negative relationship between star CEO

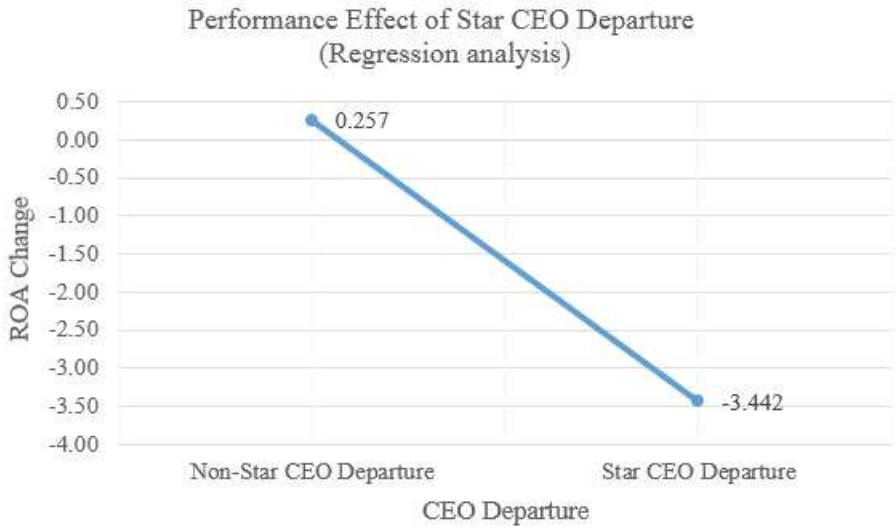
〈Table 3〉 Results of OLS for Subsequent Firm Performance

Variables	Model 1	Model 2
Inverse Mill's ratio (λ)	-4.053 (3.289)	-2.700 (3.223)
Firm age	.019 (.042)	-.006 (.041)
Firm size [a]	-1.260 (1.264)	-.235 (1.262)
Prior performance	-.408** (.148)	-.333* (.145)
Debt-to-equity ratio	-.004*** (.001)	-.005*** (.001)
Advertising intensity	.278 (.265)	.140 (.261)
Foreign ownership	-.082† (.042)	-.061 (.041)
Incoming CEO age	-.145 (.121)	-.077 (.119)
Incoming CEO origin	1.542 (1.670)	.459 (1.652)
Independent variables		
Star CEO departure		-4.394*** (1.201)
F-statistics	3.26***	3.86***
R^2	.251	.293
Adjusted R^2	.174	.217

Notes: Industry and year dummy are included in the model but are not shown in Table 3. Significance levels are the results of one-tailed tests for hypothesized effects, two-tailed for control variables. Unstandardized coefficients are reported and standard errors appear in parentheses.
N = 255. Significance levels: † $p < .10$; * $p < .05$; ** $p < .01$; *** $p < .001$
[a] Firm size is measured by the logarithm.

departure and firm performance is strengthened when industry is more dynamic. Therefore, Hypothesis 2b is supported.

In Models 7 of Table 4, this study shows that the effect of star CEO departure varies with slack levels. The interaction term between star CEO departure and slack is positive and significant in Model 7(b = 3.447, p 〈 0.01). This means that more slack weakens the negative effect of star CEO departure,



〈Figure 3〉 Star CEO Departure and Firm Performance

while less slack strengthens the negative effect of star CEO departure on firm performance. This is consistent with Hypothesis 2c. Hypothesis 2d predicts that the effect of star CEO departure on firm performance is likely to be contingent on tenure of the departing CEO. In Model 10 of Table 4, the interaction between star CEO departure and departing CEO tenure is negative and significant(b = -4.455, $p < 0.05$), in accordance with Hypothesis 2d. To further probe the findings about interaction of star CEO departure and various contexts (Hypothesis 2b, Hypothesis 2c, and Hypothesis 2d), we plot the results in Figures 4, 5 and 6.[3)]

3) For the robustness check, we refer to subsample analyses in Table 4. In Models 2 and 3 of Table 4, we find that star CEO departure is more negative on firm performance in the case of more munificence industry characteristics. It is not consistent with hypothesis 2a. In Models 5 and 6 of Table 4, we show that the effect of star CEO departure exists both in more- and less-dynamic industries(b = -4.884, $p < 0.01$, b = -2.569, $p < 0.05$, respectively). In more dynamic environment, negative performance consequence of star CEO departure is stronger. This result supports hypothesis 2b. In Model 8 of Table 4, we observe that there is no significant result of star CEO departure when the firm possesses more slack(b = -1.120, n.s.). In contrast, star CEO departure has a negative performance impact in firms with less slack in Model 9 of Table 4(b = -5.661, $p < 0.01$). It also supports hypothesis 2c. We find that there is a negative performance impact when departing CEO has longer tenure(b = 4.472, $p < 0.01$), while there is no significant effect of star CEO departure if the departing CEO has shorter tenure in the firm. Thus we find additional evidence to support hypothesis 2d.

〈Table 4〉 Results of OLS for Subsequent Firm Performance (1): Moderating effects of Industry Munificence / Dynamism

	Industry Munificence			Industry Dynamism		
	Full sample	More munificent	Less munificent	Full sample	More dynamic	Less dynamic
Variables	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Inverse Mill's ratio (λ)	-3.247 (3.336)	-.214 (3.439)	-8.042 (6.663)	-2.471 (2.280)	-3.502 (4.682)	-0.385 (3.163)
Firm age	.004 (.044)	-.018 (.043)	.037 (.081)	.016 (.029)	-.045 (.064)	-.014 (.039)
Firm size [a]	-.363 (1.298)	.156 (1.369)	-1.556* (2.554)	-.414 (.876)	-.389 (1.831)	.875 (1.245)
Prior performance	-.386* (.153)	-.138 (.163)	-.609* (.290)	-.144 (.105)	-.754** (.246)	.029 (.136)
Debt-to-equity ratio	-.013* (.005)	-.005*** (.001)	-.025* (.012)	-.007* (.004)	-.005*** (.001)	-.011** (.004)
Advertising intensity	.185 (.271)	.114 (.025)	.331 (.628)	.159 (.183)	.284 (.385)	-.013 (.258)
Foreign ownership	-.075† (.043)	-.018 (.041)	-.140 (.085)	-.041 (.030)	-.072 (.072)	-.019 (.036)
Incoming CEO age	-.079 (.123)	.017 (.121)	-.230 (.243)	-.079 (.083)	-.122 (.181)	-.053 (.114)
Incoming CEO origin	.941 (1.733)	-.571 (1.645)	3.174 (3.423)	1.129 (1.171)	.044 (2.484)	.994 (1.543)
Independent variables						
Star CEO departure	-4.411** (1.294)	-3.648** (1.282)	-4.209* (2.159)	-2.332* (1.111)	-4.883** (1.941)	-2.569* (1.080)
Industry munificence or Industry dynamism	-.006 (.014)			6.395* (2.900)		
Star CEO departure * Industry munificence or dynamism	.012 (.018)			-5.445† (3.684)		
F-statistics	2.80***	3.57***	1.99*	1.92**	4.11***	1.97*
R^2	.259	.454	.334	.209	.466	.358
Adjusted R^2	.167	.327	.166	.100	.352	.176

Notes: Industry and year dummy are included in the model but are not shown in Table 4. Significance levels are the results of one-tailed tests for hypothesized effects, two-tailed for control variables. Unstandardized coefficients are reported and standard errors appear in parentheses. Significance levels; † $p < .10$; * $p < .05$; ** $p < .01$; *** $p < .001$

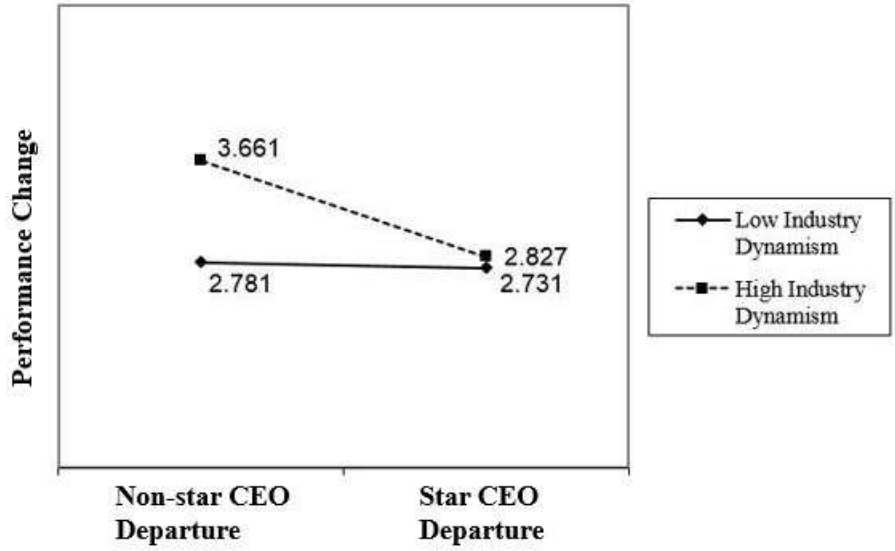
[a] Firm size is measured by the logarithm.

〈Table 4〉 Results of OLS for Subsequent Firm Performance (2): Moderating effects of Slack and Departing CEO tenure

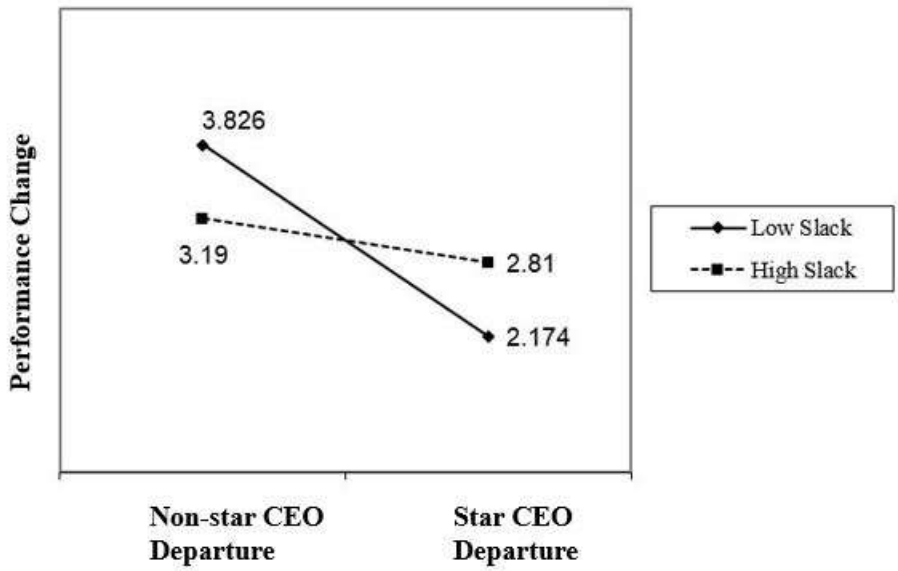
	Slack			Departing CEO tenure		
	Full sample	More slack	Less slack	Full sample	Long-tenured	Short-tenured
Variables	Model 7	Model 8	Model 9	Model 10	Model 11	Model 12
Inverse Mill's ratio (λ)	-4.199 (3.183)	.572 (3.721)	.572 (3.721)	-2.900 (3.239)	-2.572 (4.463)	-1.857 (4.252)
Firm age	.004 (.040)	-.007 (.045)	.011 (.052)	-.006 (.041)	-.020 (.054)	-.008 (.061)
Firm size [a]	-.636 (1.241)	.213 (1.357)	-1.197 (.803)	-.321 (1.268)	-.623 (1.742)	.458 (1.675)
Prior performance	-.402** (.144)	-.237 (.189)	-.560* (.133)	-.343* (.145)	-.806*** (.201)	-.015 (.189)
Debt-to-equity ratio	-.004*** (.001)	-.010 (.014)	-.004* (.001)	-.005*** (.001)	-.017* (.007)	-.004*** (.001)
Advertising intensity	.258 (.259)	.015 (.318)	.451 (.048)	.128 (.260)	.149 (.351)	-.050 (.373)
Foreign ownership	-.085* (.041)	-.006 (.047)	-.187* (.081)	-.064 (.041)	.000 (.055)	-.094 (.070)
Incoming CEO age	-.147 (.118)	-.063 (.141)	-.121 (.182)	-.094 (.119)	-.022 (.163)	-.151 (.169)
Incoming CEO origin	1.348 (1.641)	.122 (1.777)	1.920 (1.954)	.649 (1.649)	.136 (2.195)	1.295 (2.362)
Independent variables						
Star CEO departure	-8.581*** (1.566)	-1.120 (1.444)	-5.661** (2.004)	-.893 (2.178)	-4.742** (1.434)	-1.740 (2.249)
Slack or CEO tenure	.468 (1.144)			1.493 (1.180)		
Star CEO departure * Slack or CEO tenure	3.447** (1.997)			-4.455* (2.312)		
F-statistics	4.19***	1.10	2.87***	3.74***	3.82***	2.04*
R^2	.330	.216	.390	.305	.381	.500
Adjusted R^2	.251	.020	.254	.224	.281	.254

Notes: Industry and year dummy are included in the model but are not shown in Table 4. Significance levels are the results of one-tailed tests for hypothesized effects, two-tailed for control variables. Unstandardized coefficients are reported and standard errors appear in parentheses. Significance levels; † $p < .10$; * $p < .05$; ** $p < .01$; *** $p < .001$

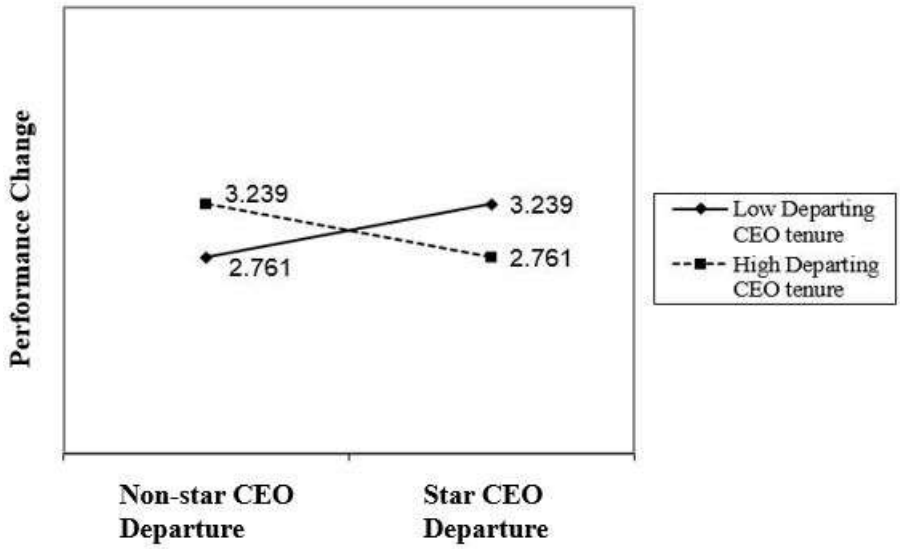
[a] Firm size is measured by the logarithm.



〈Figure 4〉 Star CEO Departure and Firm Performance: The Difference between High and Low Industry Dynamism



〈Figure 5〉 Star CEO Departure and Firm Performance: The Difference between High and Low Slack Level



〈Figure 6〉 Star CEO Departure and Firm Performance:
The Difference between Long and Short Tenure of Departing CEO

Ⅵ. Discussion and Conclusion

'Due the fact that Michelin awards his stars to the head chef, a restaurant normally loses its stars when a head chef leaves.'[4)]

Like famous chefs in restaurants, the presence of a star CEO with a high level of human capital is the primary source of firms' competitive advantage(Combs and Skill, 2003). Firms are naturally more interested in recruiting and maintaining the star CEO. However, we call attention to the loss of star CEO, because the remaining effect is certainly expected after the star CEO leaves the firm. To ensure organizational continuity, we argue that the response to star CEO departure should be highlighted as well as star CEO hiring and retaining. We also conduct interaction analyses to diagnose whether the effect of star CEO departure is context-specific or not. In other words, we anticipate that the effect of star CEO departure will be greater when the firm has a high level of CEO dependence. Specifically, we expect that the star CEO departure effect will be more negative, when either the environment is resource-constrained or managerial discretion is higher. In order to test these arguments, we consider an award-winning CEO a star CEO. Using

4) http://en.wikipedia.org/wiki/Restaurant_Vermeer

CEO succession data of 200 listed Korean firms during 2005-2012, we implement a corresponding analysis.

The results indicate that a star CEO's departure has negative performance consequences for the firm(Hypothesis 1). Based on this result, we prove that there is a significantly negative relationship between star CEO departure and firm performance. Next, we check that the effect of star CEO departure is contingent on industry dynamism, slack, and departing CEO tenure. In a dynamic industry, the CEO experiences a high level of managerial discretion. The CEO can consider many strategic options because market information is unstable and unreliable. Thus, the most valuable human capital departure, star CEO departure, has more negative performance consequences when industry dynamism is sufficiently high(Hypothesis 2b). In contrast, if the firm has sufficient slack, the negative effect of star CEO departure is mitigated, because slack itself can be a buffer for resource losses arising from star CEO departure (Hypothesis 2c). The star CEO departure effect also depends on the departing CEO's length of tenure. If the departing CEO has a long history with that firm, the negative effect of star CEO departure is exacerbated. Throughout the long tenure, the CEO may experience a high discretion level. The firm naturally depends more on the CEO. This consequently strengthens the negative effect of star CEO departure. Additionally, the accumulated knowledge, knowhow, and networks of a long-tenured CEO may strengthen the negative performance consequences of star CEO departure (Hypothesis 2d).

This study has several implications for management research. First, this study attempts to provide a more balanced view of CEO succession by examining the CEO departure situation, which is a still-unexplored research area. The arrivals of executives have been consistently studied since Hambrick and Mason's (1984) seminal research. Existing literature has considered the "new CEO effect," as if the influence of the departing CEO ended with their retirement. We challenge this long-standing assumption. That is, we argue that there would be remaining effects of a departing CEO, even after the new CEO is hired. Then, we propose that not all CEOs' effects are the same. Among various types of CEO characteristics, we focus on the celebrity of the CEO, hypothesize the effect of star CEO departure, and then empirically test a new theoretical argument. By doing so, we help advance research on CEO succession and CEO celebrity.

Second, theoretically, this study extends the upper echelon perspective and resource-based view by considering the loss of the CEO. Competitive advantage often rests on the skills and expertise of individuals(Barney, 1991; Ganco, Ziedonis, and Agarwal, 2014). However, advantages derived from human capital can

be fleeting; unlike tangible resources such as plants and equipment, human resources may walk out the door(Castanias and Helfat, 2001; Coff, 1997). To address this situation, we contribute to the literature by highlighting human capital loss, instead of human capital acquisition(accumulation), which has been mostly discussed in the existing literature. The attempt to study human capital loss offers a novel perspective and thus contributes to the literature.

Third, this study adopts a contingency view and demonstrates that the effect of star CEO departure is contingent on situations. At the industry, firm, and CEO tenure level, this study attempts to specify contrasting situations that vary the effect of star CEO departure. In doing so, this study shows a variety of situations where the effect of star CEO departure is valid.

The results of this study also have several practical implications for managers. This study alerts the firm to the risks of having a star CEO. It is another "burden of celebrity." The "original" burden of celebrity explains that firms with star CEOs generally experience lower stock market returns over the longer term(Wade et al., 2008). In this study, we argue that "burden of celebrity" can come into sight after the star CEO departs the firm. Thus, managers should seriously evaluate the benefits or burdens of star CEO with a long-term perspective. Similarly, this study delivers a significant message: the firm should cautiously manage human capital loss. Because the loss of human capital can affect firm performance in a negative way, the firm should deal with valuable human capital attentively. Most firm's human resource practices are recruitment-oriented. Hiring high-quality new people is usually prioritized above retaining people. In addition, firms do not develop guidelines for human resource departures. However, according to this research, a manual for star CEO or star employee departures is required to avoid performance decline.

With the aspect of corporate governance, CEO leadership continuity is quite significant in order to maintain stability in corporate governance(Cutting and Kouzmin, 2000; Fizel and Louie, 1990; Ocasio, 1999). Thus, anticipatory plan for the loss of valuable human capital - especially the case for the star CEO - should be developed to avoid negative performance consequence after the star CEO departure. We suggest that the plan for the CEO departure/change has to be prepared in advance by the board of directors. In addition to the primary role of board of director - CEO appointment, board of directors must help smoother leadership change between the predecessor and the successor in order to achieve stable corporate governance. According to our statistical results, it is strongly required especially when the firm currently has a star CEO rather than non-star CEO.

Second, this study has an implication for

firms in Korea. Practically, we provide an opportunity for Korean firms to consider the presence and/or the loss of high performing CEOs. We examine all CEO succession cases(KOSPI 200) during 2005-2012 and use the sample of Korean firms and their CEOs to test hypotheses. Also, this study is an 'initial attempt' to identify star CEO effect by using the data of Korean firms. Based on our results, CEOs of Korean firms do matter, especially when the CEO is the star. This result is in line with prior CEO-related research using the U.S. data, such that America's CEOs have become increasingly significant since 1950s(Quigley and Hambrick, 2014). Particularly *Chaebol* fims are more likely to possess star CEOs rather than independent firms(among 75 star CEOs in our data, 66 CEOs(88%) belong to business groups, while only 9 CEOs(12%) belong to the independent firms). Although they may have weakening mechanisms for detrimental effects of star CEO departure(e.g., power of family CEO, prominent CEO successor), they should more consider about star CEOs.

This study has several limitations. Therefore, future studies should account for these issues. First, the measurement of star CEO is restrictive. We use the "CEO of the Year" awards published by MK Economy. To enhance validity, it would be useful to refer to other awards sources from other publications. Another way to measure a star CEO is to combine other proxies for star CEO such as media attention(measured by the number of news articles with the CEO and the company name) (Francis et al., 2008). Media exposure has been used as a proxy for star CEO(e.g., Lee, 2006; Milbourn, 2003). Developing fine-grained measurement of star CEO can help the literature be more worthwhile.

Second, complementary mechanisms for overcoming poor performance after star CEO departure should be investigated. For instance, it is possible to think about family-member successor or top management team member retention. Family CEOs often associate with their businesses closely, intimately, and for a long time(Miller, Minichilli, and Corbetta, 2012). They consequently possess necessary firm-specific knowledge and information, and construct relationships with other firm members. Additionally, family member are shown as powerful because of their ability to "speak for the firm" toward outside constituents(Miller, Lee, Chang, and Le Breton-Miller, 2009). That is, family CEOs can provide more reliability. In summary, a family-member successor can complement a departing star CEO's remaining effect on firm performance using their unique and valuable resources. Furthermore, it is possible to account for top management team member retention as a complementary mechanism of poor performance. After Steve Jobs left Apple Inc., the media focused on "how deep *Apple*'s

bench is"(Washington Post, 2009). Top management team members, as the dominant coalition of individuals responsible for setting firm direction(Cyert and March, 1963), work with the CEO to formulate and implement overall strategy. They directly or indirectly acquired necessary knowledge during the star CEO period. Such experience can attenuate the negative remaining effect of star CEO departure. Thus, the more the top management team members working during the star CEO period remain with the firm, the weaker the negative performance consequence.

Third, we only consider ROA change between (t+1) and (t) as a proxy for firm performance after the CEO departure. We additionally run the same regression with 2-year time window performance (measured by performance gap between (t+2) and (t)), but it is partially supporting the Hypothesis 2b and 2d(results of Hypothesis 1, 2a, and 2c are substantively unchanged). In the case of moderating effects of industry dynamism and departing CEO tenure, those are only supported by sub-grouping tests. Meanwhile, interaction terms between star CEO departure and industry dynamism and departing CEO tenure are not significant in the models, respectively. In the future research, it would be better to achieve robustness with various performance variables such as stock market reaction and market-based performance indicator(e.g., Tobin's q, TSR…).

Fourth, as we mentioned before, we do not separate out reasons for CEO change. It is possible that the results of CEO change vary with the reasons for the change; this study does not consider this issue. Thus, in future research, it would be interesting if researchers reveal the different performance consequences of voluntarily retired and dismissed CEOs' departures. Finally, it is necessary to trace a CEO's career path with a long-range perspective in a future study. If researchers identify the whole career path of the CEO and integrate it with various research questions, the researchers could offer a great contribution to the CEO literature. Related to this study, the examination of the next position of a star CEO would be helpful to extend the existing argument; doing so could explain the reasons for departure to some extent.

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스타 CEO 퇴임이 기업성과에 미치는 영향:
산업, 기업, 퇴임 CEO 특성의 조절효과

백유진* · 김언수** · 성연달***

요 약

최고경영자에 관한 연구는 Hambrick과 Mason의 1984년 연구 이후 지난 30년간 다방면의 논의가 이루어져왔다. 특히 최고경영자의 특성이 기업 성과나 전략변화에 미치는 영향은 이 분야에서 가장 활발히 연구가 이루어진 영역이기도 하다. 본 논문은 지난 연구들이 최고경영자의 재직기간 중에만 초점을 맞추어 재직 중 최고경영자의 특성이 성과에 미치는 영향에 대한 편향된 연구를 한 것을 한계점으로 지적한다. 다시 말해서 이전 연구들은 최고경영자가 기업을 떠나는 상황 자체에 대한 고려를 거의 하지 않았고, 마치 최고경영자가 기업을 떠나면 그들의 영향력은 단절적으로 끝난다고 가정하여 연구를 해 왔던 것이다. 이러한 한계점을 보완하기 위해 본 논문은 최고경영자의 여러 가지 특성 중 최고경영자의 스타성(celebrity; star-ness)에 초점을 맞추어 스타성이 큰 최고경영자의 퇴임이 이후 기업 성과에 어떠한 영향을 주는 지를 밝혀보고자 하였다. 자원기반이론과 인적자본이론을 바탕으로 스타 최고경영자의 경우, 평균적인 최고경영자보다 실질적, 상징적으로 더 가치 있는 인적자원이라는 가정하에 스타 최고경영자의 퇴임은 비(非)스타 최고경영자의 퇴임에 비해 향후 기업 성과에 좋지 않은 영향을 끼칠 것으로 예상해 볼 수 있다. 이전 연구들이 자원의 획득에만 초점을 맞춘 반면 본 연구는 자원의 상실에 초점을 맞추어 아직 발전되지 않은 연구분야에 기여를 하고자 한 것이다.

이에 덧붙여 스타 최고경영자의 퇴임이 성과에 미치는 연구는 본 연구가 새롭게 시도하는 주제이므로 여러 가지 맥락의 효과를 보는 것이 의의가 있다고 생각하였다. 산업, 기업, 최고경영자 수준에서 기업을 둘러싸고 있는 환경적 요인을 4가지(산업 성장성, 산업 역동성, 잉여자원, 퇴임 최고경영자의 재직기간)로 나누어 스타 최고경영자 퇴임의 효과가 환경적 요인에 관계없이 일반적으로 나타나는 현상인지 혹은 환경에 따라 그 영향력이 달라지는지를 살펴보았다. 본 연구는 자원이 부족한 환경이나, 최고경영자의 재량권이 높은 환경처럼 최고경영자에 대한 의존도가 높은 상황에서 스타 최고경영자 퇴임의 부정적 영향이 더욱 강화될 것으로 예측해 보았다.

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2005년에서 2012년에 KOSPI 200기업들이 겪은 최고경영자 교체 사례를 기반으로 본 연구는 가설 검증을 실시해보았다. 그 결과 스타 최고경영자의 퇴임은 비스타 최고경영자 퇴임과 비교했을 때 향후 기업 성과에 안 좋은 영향을 끼침을 확인하였다. 이 때 스타 최고경영자 퇴임이 기업성과에 미치는 부정적 영향은 최고경영자 의존도가 비교적 높은 역동적 산업 하에서 크게 나타났다. 뿐만 아니라 기업의 잉여자원이 부족할 경우, 퇴임 최고경영자의 재직기간이 길 경우 스타 최고경영자 퇴임-기업성과 간의 부정적 효과가 강화되었다. 반면 산업 성장성 정도에 따라서는 스타 최고경영자 퇴임이 성과에 미치는 영향이 달라지지 않았다.

본 논문은 많은 논의가 이루어져 온 자원의 획득 상황이 아닌 자원의 상실 상황을 가정하여 자원의 중요성을 살펴봄으로써 이론적인 기여를 도출하였다. 또한 최고경영자 교체 이후에도 이전 최고경영자의 영향력이 여전히 존재할 수 있다는 사실을 보여주었다. 기존의 문헌이 새로운 최고경영자에만 초점을 맞춘 반면, 떠나간 최고경영자의 효과도 존재할 수 있다는 사실을 보여 준 것이다. 특히 높은 가치를 지닌 지식 및 자원을 보유하고 있으며, 기업 대내외적으로 상징성을 가지고 있는 스타 최고경영자 퇴임의 영향력을 비스타 최고경영자 퇴임의 효과와 비교해봄으로써, 최고경영자의 스타성의 중요성을 살펴본 것이 본 연구가 가지는 기여점이다. 또한 스타 최고경영자 퇴임의 효과가 구체적으로 어떤 상황에서 더 부정적으로 나타나는 지 보여줌으로써 스타 최고경영자 퇴임이 맥락에 따라 달라질 수 있음을 구체적으로 보여준 데서 또 하나의 기여점을 찾아볼 수 있다.

주제어: 스타 최고경영자, 최고경영자 퇴임, 인적자원상실, 자원기반관점, CEO의존도