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The Process of CEO Dismissal: An Exploratory study

Satu Koskinen

Abstract

The decision to change the CEO is one of the most important decisions of the Board of Directors in a company. This study increases understanding of the process that leads to a Board's decision to dismiss the CEO under conditions of poor performance, and of the meaning of attributions in CEO dismissal. The role of the Chair of the Board in this process is also explored. An exploratory, empirical study concerning nine CEO dismissal processes is conducted based on open-ended interviews with seven Chairpersons of the Board. The findings shed light on the issues that impact the relationship between poor company performance and CEO dismissal. In particular, the results increase understanding of the influential role of the Chair in the governance context of CEO non-duality, i.e., separated roles of CEO and Chair. It is proposed that social forces and changing dynamics in the social relationships between the Chair, the CEO and other Board Directors are likely to have an impact on the Board's attribution process and CEO dismissal.

Key Words: CEO dismissal, Chairperson of the Board (Chair), Board of Directors, Leadership, Attribution process, Qualitative research

Introduction

The decision to change the CEO is one of the most important decisions made by the Board of Directors in a company, and it has long-term implications for the company's operating, financing and investment decisions (Huson et al., 2001). CEO dismissal, i.e. the forced departure of the CEO from her/his position (Fredrickson et al., 1988), has been described as the Board's ultimate tool for exercising control over management (Mizruchi, 1983), or shaping the 'context, content and conduct' of strategy (McNulty & Pettigrew, 1999, p. 66). From the perspective of the Board, the dismissal of the CEO is likely to be among one of the most difficult situations (e.g. Frisch & Huppenbauer, 2014). The dismissal decision and process involve various emotions, such as guiltiness, empathy and care as well as tensions between ethical and economic objectives (Lämsä & Takala, 2000; Martelius-Louniala, 2017).

The topic of CEO succession, i.e., either voluntary or non-voluntary CEO turnover, has been the object of a lot of research interest for several decades (Cragun et al., 2016). The vast majority of previous CEO turnover studies have drawn on quantitative data on large, listed US companies; qualitative studies and studies conducted in non-US contexts and in smaller companies are scarce (Eriksson et al., 2001; Brickley, 2003; Hilger et al., 2013; Cragun et al., 2016). As regards specifically CEO dismissal studies, the main focus has been on the possible antecedents of CEO dismissal, such as company performance and CEO power, and the studies have largely been based on publicly available data (e.g. Huson et al., 2001; Hilger et al., 2013). However, the full reasons for CEO turnover are rarely made public (e.g. Fredrickson et al., 1988; Denis & Denis, 1995; Pitcher et al., 2000; Florou, 2005; Schwartz-Ziv & Weisbach, 2013). Additionally, previous studies have seldom had access to the detailed story of a turnover process (Pitcher et al., 2000; Finkelstein et al., 2009), so the actual process leading to dismissal has largely remained unexplored (Pettigrew & McNulty, 1998; Cragun et al., 2016).

In most cases, CEO dismissal is initiated and decided by the Board of Directors (e.g. Huson et al., 2001; Hilger et al., 2013) and, in the governance structure of CEO non-duality (i.e., where the roles of the CEO and Chair are separate), which is a common governance model in Europe (Huse, 2007), it has been argued that CEO dismissal is the task of the Chair of the Board (Roberts, 2002). Nevertheless, although the Chair is argued to have an influential position in Board decision-making in practice (e.g. Gabrielsson et al., 2007; Bailey & Peck, 2013), the role and leadership of the Chair in the process of CEO dismissal has received very little research attention. In addition to access difficulties (Pettigrew, 1992), one reason may be the heavy emphasis on US samples and the dominant governance model there of CEO duality (i.e., the combined role of CEO and Chair) (e.g. Krause et al., 2014).

Poor company performance, for example in terms of profitability, sales growth, or stock returns, has been found in numerous studies to increase the likelihood of CEO dismissal, but performance has been found to explain dismissal only partially (see e.g. Finkelstein et al., 2009; Hilger et al., 2013; Cragun et al., 2016). It has been suggested that attributions made by the Board have an impact on the CEO dismissal decision and mediate the relationship between performance and dismissal (e.g. Fredrickson et al., 1988; Haleblian & Rajagopalan, 2006; He & Fang, 2016). The Board may be constrained in a variety of ways in its decision-making concerning CEO dismissal, and understanding these constraints is pivotal (Schaffer, 2002).

The aim of this research is to increase understanding of the process which leads to a Board's decision to dismiss the CEO under conditions of poor company performance. Additionally, the role of the Chair in this process on account of her/his central role in Board work will be explored (e.g. Roberts, 2002; Gabrielsson et al., 2007; Bailey & Peck, 2013). As it has been proposed that attributions, i.e. causal ascriptions applied to a positive or negative outcome (Martinko et al., 2007), play an important role in understanding a leader's responses to poor performance, the study draws on the literature on attributional processes (e.g. Green & Mitchell, 1979; Martinko et al., 2007) to examine the CEO dismissal process. The study also contributes to the literature by adding to the limited amount of empirical research on the role of the Chair of the Board (e.g. Roberts, 2002; Gabrielsson et al., 2007; McNulty et al., 2011), particularly in the CEO dismissal process, and by pointing out fruitful avenues for further research on the topic. By focusing on Finnish companies of various sizes and types of ownership, the study addresses the shortage of studies of CEO dismissal in contexts other than major, listed, US companies (Cragun et al., 2016).

The context of the current empirical study is Finland. According to the Limited Liability Companies Act of Finland (Osakeyhtiölaki 624/2006), the appointment and dismissal of the CEO are among the responsibilities of the Board, which is appointed by the General Meeting. The Chair of the Board is elected by the Board, unless decided otherwise when the Board is appointed or the Articles of Association provide otherwise. Under the Companies Act, the powers of the Chair do not differ from those of other Board Directors, although she/he is responsible for seeing that the Board meets when necessary and has a casting vote in the event of a tie. It is the CEO's duty to manage the company as instructed by the Board, and to provide the Board with the information it needs to carry out its responsibilities.

Theoretical framework

Attributional processes in the context of leadership

Attributional processes have been argued to play an important role in understanding the dynamics of leadership processes and leader-subordinate interactions (Green & Mitchell, 1979). It has been argued too that attributions account for a significant amount of the variance in leadership behaviours, particularly as regards the evaluation of performance made by leaders, and the outcomes of this evaluation (e.g. Green & Mitchell, 1979; Martinko et al., 2007). When viewed from the perspective of leadership, the CEO-Board and CEO-Chair relationships can be argued to have some extraordinary characteristics. These include the Board's diverse tasks of control, service and strategy (e.g. Zahra & Pearce, 1989), as well as the Board's dependence on the information provided by the CEO when carrying out its duties (e.g. Hooghiemstra & Van Manen, 2004; Bailey & Peck, 2013). Even if responsibility for supervising and dismissing the CEO lies with the Board as a collective, in the governance structure of CEO non-duality the Chair typically works more closely with the CEO than do the rest of the Board (e.g. Roberts, 2002; Kakabadse et al., 2006; Koskinen & Lämsä, 2016). Moreover, prior research has suggested a strong interdependency between the roles of CEO and Chair (Stewart, 1991).

The current study draws upon a model of the attributional process of leaders in leader-subordinate interactions proposed by Green & Mitchell (1979). According to this model, the reaction of a leader to poor performance is a two-stage process. First, a leader, such as the Chair (with the whole Board), aims to understand the reasons for the performance and to make attributions primarily to either internal (e.g. the ability or effort of the CEO) or external (e.g. market situation) causes. It has been argued that in this process, what is most important is information concerning the distinctiveness and consistency of the poor performance as well as how far there is consensus on the subject (Kelley, 1973). Second, an appropriate response, e.g. CEO dismissal or some other corrective measure, is selected to address the issue. It has been suggested that the leader's response to poor performance is affected by her/his attributions: for example, when failure is attributed to the subordinate's lack of effort, the response of the leader may be more negative than in the case of an attribution of lack of ability (Weiner & Kukla, 1970; Green & Mitchell, 1979).

According to the model of Green and Mitchell (1979), certain moderators, such as empathy and the closeness of the leader's relationship with the subordinate, influence the attribution process, and contextual constraints or organisational policies may further influence the responses of the leader. Attributional biases, such as self-serving bias and actor-observer bias, have also been argued to affect the leader's evaluations of performance (e.g. Green & Mitchell, 1979; Martinko et al., 2007). Self-serving bias refers to individuals' tendency to take credit for success but blame others for failure. In the context of leadership, actor-observer bias refers to the tendency of leaders to explain the failure of their subordinate, in this study, the CEO, by reference to internal causes when they interpret their own role as that of observer, but when they are in a psychologically close relationship with their subordinate and interpret their own role as an actor, they may be more likely to attribute failure to external causes (Green & Mitchell, 1979). Schaffer (2002) suggested that when assessing CEO performance, inside Directors in particular may be constrained by their stronger connection to the CEO and self-serving biases, whereas outside Directors are likely to have constraints of time and of the scope, detail and accuracy of the information available to them, and may have lower levels of commitment to the organisation. A study that examined dyads working on tasks with interdependent outcomes found a self-serving bias in dyads that were relationally distant: the dyadic partners in distant relationships took credit for success for themselves but blamed the other partner for failure (Sedikides et al., 1998).

Research on CEO dismissal and the role of the Chair

It has been argued that CEO dismissal is particularly challenging for the Board for at least three reasons: a lack of independence, unclear performance evaluation standards, and pressures attached to the dismissal decision process (Hilger et al., 2013). It has been proposed that particularly the information asymmetry that works in the CEO's favour complicates the task (e.g. Boivie et al., 2016).

Pettigrew and McNulty (1998, p. 206) note that in the literature, poor performance is assumed to be 'a necessary, if not a sufficient, condition for CEO dismissal'. In addition to poor performance, several other factors, particularly related to CEO or Board power, have been proposed to either increase the possibility of CEO dismissal or to help the CEO remain in position despite poor performance (e.g. Fredrickson et al., 1988; Huson et al., 2001; Brickley, 2003; Hilger et al., 2013). Poor industry performance has been argued to significantly increase the likelihood of CEO dismissal, but peer performance has only minor effects on CEOs who perform well (Jenter & Kanaan, 2015). In a survey conducted among venture capitalists, CEO failure in the area of strategic leadership was found to lead to dismissal (Bruton et al., 1997).

Attributions, expectations, interpretation and deviations from forecasts have been argued to impact CEO dismissal (e.g. Fredrickson et al., 1988; Puffer & Weintrop, 1991; Farrel & Whidbee, 2003; Haleblian & Rajagopalan, 2006; Lee et al., 2012; He & Fang, 2016). Fredrickson et al. (1988) present a model of CEO dismissal that does not assume that the Board's decision is totally rational, even if the Board may view it as such, but is also influenced by political and social forces. They suggest that the link between CEO dismissal and company performance is not direct but is mediated by the Board's expectations and attributions, allegiances and values, the availability of alternative CEOs, and the power of the incumbent CEO. Haleblian and Rajagopalan (2006) developed a cognitive model of CEO dismissal, proposing that the Board's composition, perception and attribution of performance, and efficacy assessment of the CEO all impact on the CEO dismissal decision. It has also been proposed that the Board's process of attribution may be influenced by contextual factors, such as market conditions and industry performance (Sun & Shin, 2014).

In terms of power and influence, the replacement of the CEO has been argued to be one of the key tasks of a non-CEO Chair of the Board (McNulty et al., 2011), and the Chairperson's ultimate responsibility (Roberts, 2002). Forced CEO and Chair changes may be intertwined (e.g. Eriksson et al., 2001; Florou, 2005), and prior research has reported higher Chair turnover following a company's operating loss (Firth et al., 2006; Maury, 2006). It has also been suggested that the failure of the CEO is seen as a sign that the Board, including the Chair, has also failed (Eriksson et al., 2001; Wiersema, 2002), and the likelihood of the Chairperson's being replaced has been proposed to be particularly high when the Chair has been involved in the appointment of the dismissed CEO (Florou, 2005).

Method

The empirical data of the study consist of narrative, open-ended interviews with seven Finnish (non-CEO) Chairpersons who retrospectively describe the process that led to the dismissal of a CEO. A narrative interview refers here to a contextual, sequential account of events and of people acting in a certain setting, told by the respondent as she/he has experienced them (e.g. Bruner, 1991; Søderberg, 2003).

Chairpersons who were assumed or known to have personal experience of CEO dismissal in their role as Chair were contacted personally by the author via e-mail, phone or face-to-face, to ask for permission to interview them. All the Chairpersons who were contacted agreed to join the study. The respondents were guaranteed full anonymity, and to ensure this it was agreed that the interview data would not be presented as separate cases. The respondents were also allowed to refrain from using company or CEO names in the interview if they preferred this.

All the Chairpersons interviewed were aged between 53 and 69, held an academic degree, and had extensive experience in senior executive positions and Board work. One of them was female, the others were male. The sample included Chairpersons from both small and large companies, and in terms of ownership included family-owned, listed, state-owned and private equity companies. All respondents were outside Directors, and none of them worked full-time, was a previous CEO, or a majority shareholder in the company in which the dismissal occurred.

A week before the scheduled interview an e-mail was sent to the respondents explaining the purpose of the interview and its narrative, open-ended nature. The interviewees were told that they would be expected to describe the whole process leading to a CEO dismissal in their own words: the first signs of problems, how the process developed, what kind of issues contributed to the dismissal decision, and how long the process lasted. The respondents were reminded of the anonymity of the interview and informed that, unless they disapproved, the interview would be audio-recorded. All the interviews, which were between 40 and 85 minutes in length, were in fact audio-recorded and transcribed verbatim for analysis. The respondents were encouraged to describe events as they had experienced them, and extra questions were asked during the interview to get more detailed information. In four interviews, one process was covered in great detail, and in three interviews, a total of seven dismissals were covered on a slightly less detailed level. As most respondents had a lot of experience of CEO dismissals, many of them referred to or briefly described a number of other CEO dismissals they had participated in. In what follows, we focus on processes in which poor performance, e.g. in terms of company profitability or the level of return on investment, was described as playing a crucial role in the Board's decision to dismiss the CEO. Six respondents narrated one, and one respondent three such processes in her/his interview.

During the iterative analysis process, the theoretical literature and empirical data were continuously linked together. First, the transcriptions of the interviews were read through many times and then the data were coded in order to extract phrases, sentences and sections in which the respondents described how the situation and the CEO were evaluated, and how they, together with the whole Board, responded to the poor performance. These extracts were then further analysed in order to understand their significance in the dismissal process. Typically, the respondents did not distinguish between the CEO's results and the company's results but the financial performance of the company served as a key measure and basis for evaluating the CEO.

In what follows, we start with the reasons why poor performance was attributed mainly to the CEO rather than, for example, to external factors. After this, we present the responses of the Chair and the Board to the poor performance of the CEO, as described by the Chairpersons in the interviews. We also describe the kinds of problems or constraints mentioned by the Chairpersons as having to be overcome by them or the whole Board in the course of the CEO dismissal process.

Findings

Understanding the reasons for poor performance

In six, i.e. the majority, of our nine dismissal processes, the dismissal had been preceded by recent Chair turnover. In other words, the Chair had taken up their position less than a year before the Board made the decision to dismiss the CEO and had been aware beforehand of the poor company performance. In one case, when recruiting the Chair, the owners had been very open about their desire to change the CEO, but said they had not managed to do this because of the CEO's substantial share in the ownership of the company. One Chair commented that the CEO had been her/his subordinate several years earlier in another organisation and in his opinion was 'not a CEO type-of-person at all', and another CEO was said to have a poor reputation.

Typically, the Chairpersons who had recently taken up the position described their first impressions of the CEO as being rather negative and critical, saying, for example, '…in my opinion, the numbers were totally out of control, the CEO would prattle on about trivial matters, and rapid change was needed.' Another Chair spoke about her/his initial feelings after the first Board meetings she/he had chaired: 'From the very beginning it felt as if there were other forces guiding the CEO rather than the man himself. I mean, he didn't have his own vision of what the firm was about to become, maybe it wasn't thought through thoroughly enough.'

The new Chairpersons attributed poor performance very largely to a combination of many different internal, CEO-related reasons rather than to external causes or particular, isolated, events. These included, for example, not working closely enough with customers, failing to meet her/his own forecasts, having nominated the wrong people to join her/his team, being a weak leader, and lacking leadership, organising and strategic skills. Poor performance was also said to have continued for 'too long', as for example 'Five years of continual losses', and in most of our cases the new Chairpersons indicated that in their view, their predecessor had failed to address the issue. Even if external causes, such as a drastic change in the market or the collapse of the tech bubble, were also mentioned as reasons for poor performance, the fact that they had such negative consequences for the company was largely attributed to the failure of the CEO to lead the company to adapt to the changes rapidly and decisively enough. In addition, new Board Directors were described as seeing the situation in the same way as the recently started Chair and supporting her/him.

In one case in which the CEO was newly appointed, the Chair said that the Board and she/he had worked particularly closely together with the CEO, and that the CEO's failure to act as agreed with the Chair in weekly discussions led to her/his dismissal well before the end of the CEO's first year of tenure. In this very small company the Chair had soon found it necessary to give detailed instructions to the CEO but was met with a total lack of response: 'Nothing ever happened!'

In the two processes in which both the CEO and the Chair had been in their positions for several years before the dismissal, the Chairpersons said that they and the rest of the Board had reacted to the deteriorating situation much too slowly, only after a drastic fall in financial results. In both these processes the respondents referred to environmental conditions as a major reason for the Board's late reaction. In retrospect, one Chair admitted that in her/his opinion the Board had missed the signs of a radically changing market and the inadequate response of the company to these changes: 'We were so late reacting, I mean, when the results plummeted, then we changed the CEO.' In this case, poor company performance resulted in very strong pressure from the shareholders to dismiss the CEO. The Chair still expressed appreciation of the CEO, but admitted that he was just not the right man for the job in the current situation: 'I mean, even if the guy was really good, the CEO, but he was born for rapid growth, marketing, brave moves, when he should have started streamlining and cutting costs here and there. So, then, it was just that a different kind of guy was needed.'

In the other process, despite growing concerns about the CEO's strategic and leadership skills, as well as her/his lack of response and openness with the Board and the Chair, the Board had not taken action to dismiss the CEO on account of her/his long history of satisfactory financial performance. What makes this process particularly interesting is that, looking back on it, the Chair said that she/he realised that a major reason for the good financial performance during the last year before the dismissal had been very exceptional weather. Although this was obviously more a matter of chance than of CEO performance, it led the Board to dismiss their concerns and persist in believing that the CEO was still performing well and would continue to do so in the future. The resulting good financial performance saved the CEO that year, but his dismissal happened a year later when there was a drastic fall in financial performance. In retrospect, the Chair said that she/he thought the Board should have taken action more quickly: 'But his track record was good, and the results were… I, too, thought that we wouldn't right away change a guy who has delivered good results every year. Achieved by whatever means. That was the sort of idea, but it was wrong. In retrospect. Should've acted sooner.'

This last case also shows how important company financial performance can be in 'saving' a CEO from dismissal. Its dominance over other issues is also highlighted in a more general comment from another, very senior Chair: 'I'll put up with a lot from a CEO who's getting results.' And she/he later continued: 'But then, of course, if the results don't come, all these other things come to matter hugely'. 'The 'other things' the Chair was referring to were, for example, the CEO's arrogance, lack of openness, and reluctance to listen to the Board's advice.

Responding to poor performance

Chairpersons described how, as a response to poor performance, the Board had made initiatives to improve performance but the CEO had not followed them up as firmly or as quickly as the Board had expected. This lack of response and sense of urgency on the part of the CEO was narrated as having contributed to the dismissal decision. For example, one Chair commented on a Board's dissatisfaction with its CEO's lack of response when called upon to put forward proposals to revise company strategy: 'He didn't seem to understand that this is, then, really, really important, this strategic work.' Moreover, the CEO's failure to change the top managers in the company, particularly the CFO, as proposed and required by the Board, was mentioned by several respondents as having contributed to the CEO's own dismissal. One Chair said that the Board had made a decision to downsize the personnel but realised later that the CEO had taken no action on it. The Chair said this was 'the last straw': 'that even when the results are bad, instructions are still not followed.' In another case the Board was described as having initiated action that they considered very important, for example for improving health and safety issues in the company, although it would not have directly enhanced performance, and the CEO's lack of action on the issue was described as having greatly annoyed the Board and as contributing to the dismissal decision.

Additionally, Chairpersons reported that the CEO's failure to propose measures to improve performance had been criticised by the Board. As described by one Chair: '…a CEO cannot come and ask the Board what we should do next. It has to be the other way round: that he has his own, clear views to defend when presenting them to the Board'. Chairpersons also said that they had tried to give feedback to the CEO in dyadic discussions to better align her/his action with the Board's expectations, but to little effect. One Chair, for example, said: 'We had that discussion going on for a full six months, I mean, I really tried there, I tried hard to get the message across.'

In many cases, this lack of initiative and effort on the part of the CEO to proactively lead changes was described as a misfit between her/him and what the Board perceived as necessary to improve performance. The need for a different kind of leadership and the consequent misfit was explained as arising, for example, from a steep fall in the market, desired strategic change, or the stage of development in the life cycle of the company.

Overcoming constraints

According to the respondents, in order to understand the reasons for poor performance and decide upon appropriate responses, more information was needed than was received through regular Board meetings and reports. Chairpersons described their dyadic practices with the CEO as an important source of additional information. Some respondents said that as part of their routine when starting as Chair in a company they formally interviewed all the members of the top management team to find out about the company and to get a sense of the views, atmosphere, quality and unity of perspectives of the team. Others said that they simply talked to top management team members when the opportunity arose. A management review conducted by an outside consultancy had in some cases been a valuable source of information on the CEO and her/his team. Some respondents admitted that as they were not specialists in the industry in which the company operated, evaluating the situation and the CEO was difficult for them.

As the CEO is normally present at Board meetings, Chairpersons said that they arranged one or more Board meetings or discussions without the CEO present to enable the Board Directors to discuss the matter and come to their decision. Our respondents said that they had either concluded that there was such dissatisfaction among the Board Directors or shareholders that it needed to be addressed or they wanted to discuss with other Directors their own view of the matter. Chairpersons underlined that it is the duty of the Chair to organise this kind of Board discussion, regardless of their own views on the CEO, if they discern any signs of dissatisfaction among Board Directors. Sometimes a Board meeting was preceded by discussions between the Chair and individual Board Directors, or a written questionnaire was sent by the Chair to the Board Directors to ask for their views on the CEO and the situation. In addition, some respondents said that they had discussed the situation and the possibility of the CEO's dismissal with major shareholders.

Even if the decision to dismiss the CEO was made by the Board as a collective, rather than the Chair, some respondents said that they had been the driving force behind the dismissal decision. For example, one Chair noted that even if the dismissal was 'a joint conclusion' of the Board, she/he had been the one who had pushed for it most. Another Chair, while emphasising the collective nature of the Board's decision-making, at the same time admitted that 'but obviously, as the Chair, you always lead in one way or another'. One Chair also said that when she/he had organised a Board meeting without the CEO present to discuss the Board's views of the CEO, this had clearly been a strong signal to the rest of the Board that they should take action, and the dismissal decision had been taken right away, although the Chair her/himself had at first held and presented a diverging view.

One Chair explained that emotions and a close relationship with the CEO may make the dismissal difficult for Board Directors: 'Well, it is a difficult decision from a human perspective. I mean, the Board and the CEO have an aim, they aim to build a kind of trusting, close relationship. That has high level dialogue and in a way there's a good atmosphere between the members of the group. And then, when this kind of difficult situation emerges, then… then the emotions are very much involved.' The Chair also emphasised that in order not to risk the future success of the company, it is necessary to put the emotions aside, and to be pragmatic and analytical in these situations.

Obviously, a key issue that has to be addressed somehow before finally deciding upon the Board's response is the CEO's replacement. In some cases, uncertainty about the quality of possible successors was a major impediment to the process of dismissal, and the final decision was only made after the Chair had been able to find out something about the pool of alternative CEO candidates, for example through personal networks or head hunters. In some other cases, an interim CEO was appointed and the search for new candidates only started after the dismissal had already taken place.

Discussion

The findings of this study suggest that when faced with poor company performance, the CEO is put under closer scrutiny, while when the company is performing more strongly the CEO may not be as closely monitored by the Board (Pettigrew & McNulty 1995; Tuggle et al., 2010). This result is in line with the proposition of Jenter and Kanaan (2015), that under times of strong industry performance the Board may mistakenly attribute strong company performance to the CEO and that poor industry performance is likely to increase the chances of dismissal of an underperforming CEO.

The results of this study shed light on the importance of the Board's expectations (Green & Mitchell, 1979; Fredrickson et al., 1988; Puffer & Weintrop, 1991; Haleblian & Rajagopalan, 2006) concerning the CEO's actions, as well as its role and relationship with the CEO, which may all be subject to change when company performance turns out to be poor. More specifically, the results indicate that when company performance is poor, the CEO's ability and effort to initiate and execute the necessary company transformation is important, and that the CEO's failure to convince the Board of her/his fit (e.g. Finkelstein et al., 2009; Chen & Hambrick, 2012; cf. Cragun et al., 2016) as leader of this change is likely to contribute to dismissal (Bruton et al., 1997; Haleblian & Rajagopalan, 2006). Also, it is proposed that even if poor performance is originally perceived by the Board as resulting from external causes, such as a market crash, a resulting perception of a poor CEO fit with the changes needed for performance improvement may still lead to CEO dismissal (Jenter & Kanaan, 2015; cf. Green & Mitchell, 1979; cf. Sun & Shin, 2014; cf. He & Fang, 2016). The Board might take a more active role in initiating changes to improve performance, and rather than its being merely a matter of ability, a failure of the CEO to show that she/he is making an effort to respond to both the external changes and the Board's initiatives may have a significant impact on her/his dismissal (Weiner & Kukla, 1970; Green & Mitchell, 1979). Additionally, this study implies that the non-CEO executive turnover that often takes place before or at the same time as CEO dismissal may not be scapegoating by the CEO (cf. Boeker, 1992) but initiated and strongly encouraged by the Board to facilitate better top management fit, strategic change and company performance (Barker et al., 2001; cf. Wiersema & Bantel, 1993; cf. Fee & Hadlock, 2004).

As mentioned above, in the majority of the dismissal processes examined in this study, the Chairperson had taken up their post less than a year before the dismissal. It is likely that in part, the changing expectations, closer monitoring, and more active role of the Board discussed above resulted from Chair turnover, as the new Chair had been critical of the CEO right from the start (Stewart, 1991). It appears that in some cases the Chairperson's critical attitude had already been formed before starting in the position, either in discussions with shareholders or the nomination committee about the Chairmanship or based on other prior knowledge of the CEO and/or company performance. Also, it is likely that the new Chairpersons' attributions of performance differed from those of their predecessors who, apparently, had not (at least successfully) made any moves to dismiss the CEO (Pettigrew & McNulty, 1995). One reason may be that having been recently appointed and not yet having formed a close relationship with the CEO (Sedikides et al., 1998), the new Chair or Board Director may feel more allegiance to the company's shareholders than to the CEO (Fredrickson et al., 1988) and consequently will be more likely than a Chair or Board Director with a longer tenure to attribute poor company performance to the CEO (Green & Mitchell, 1979; Martinko et al., 2007).

In contrast, it seemed that Chairpersons with a long common tenure with the CEO had, together with the rest of the Board, reacted very late to an unsatisfactory situation, only after a significant drop in company profits. It may be that particularly long-tenured Chairpersons are subject to actor-observer bias and self-serving attributions (Green & Mitchell, 1979; Sedikides et al., 1998) despite their non-executive role (cf. Schaffer, 2002; cf. Haleblian & Rajagopalan, 2006). This may be influenced by the strong interdependency (Sedikides et al., 1998) between the CEO and Chair (Stewart, 1991), as well as their key role in the collective, co-constructed processes of corporate directing (Pye, 2002). Also, the role of emotions, such as empathy and care, in the dismissal process may be stronger when the CEO and Chair have a long common tenure and consequently, possibly a closer interpersonal relationship (Green & Mitchell, 1979; Lämsä & Takala, 2000; Martelius-Louniala, 2017). Prior research has proposed that long-tenured, outside Directors who strongly identify socially with the organisation may be less likely to offer alternative views and to independently assess senior management (Veltrop et al., 2015) and that trust in and familiarity with the CEO may lead to complacency and cognitive blindness on the part of the Board (Van Ees et al., 2008). It has also been proposed that strong ties and mutual trust built in intensive collaboration between directors and executives, such as the Chair and the CEO, may contribute to faulty attributions and strategic persistence (Sundaramurthy & Lewis, 2003).

Finally, the team leadership skills of the Chairperson (Gabrielsson et al., 2007) as well as the 'will and skill' and dynamics of relationships among the Board Directors have been argued to affect their influence (Pettigrew & McNulty, 1995). Our results throw light on the key role of the Chair in the dismissal process (Roberts, 2002; McNulty et al., 2011) in terms of overcoming the constraints identified in prior studies (e.g. Schaffer, 2002; Hilger et al., 2013; Boivie et al., 2016; cf. Pettigrew & McNulty, 1998). The actions of the Chairpersons in this study appeared to be driven by utilitarianism, their identity as professionals, as well as their sense of duty (Lämsä & Takala, 2000; Martelius-Louniala, 2017) and strong commitment to acting according to what they perceived to be in the best interests of the company and its shareholders (Fredrickson et al., 1988; Roberts, 2002). Our results indicate that due in part to the information asymmetry between the Board and the management (e.g. Bailey & Peck, 2013; Boivie et al., 2016), the Chairperson's role in generating information for the Board may be significant in the CEO dismissal process. Additionally, the results suggest that because of the closer working relationship that the Chair has with the CEO compared to that of the rest of the Board (e.g. Roberts, 2002; Kakabadse et al., 2006; Koskinen & Lämsä, 2016), as well as her/his control over the Board's agenda (Tuggle et al., 2010), the Chair may be in a position to strongly affect the Board's attributional process. It is also proposed that the Chair has a pivotal role in creating the conditions for the Board as a collective to discuss and to make the dismissal decision without the CEO present.

Limitations and suggestions for further studies

A limitation of this study is its attempt to study the dismissal process based on the perceptions of only one actor, namely the Chair. Due to the simultaneously collective and individual aspects of corporate directing (Pye, 2002), studying the perceptions and attributional processes of other key actors, such as the CEO and Board Directors, would be fruitful in the future, particularly with regard to the same CEO dismissal process. For example, it is possible that the CEO's lack of effort described by our respondents would, from the CEO's point of view, be the result of diverging views on priorities or solutions for performance improvement.

CEO dismissal can be argued to have several characteristics, such as importance, accountability and lack of clarity, that might encourage managerial political behaviour (Ferris et al., 1994) on the part of the Chair in the interview situation. It can also be suggested that senior Directors, like the respondents in this study, might well be particularly good at influencing others and justifying their own actions (Mills, 1940; Scott & Lyman, 1968; Ferris et al., 1994). When reporting their experiences of the dismissal process retrospectively, the Chairpersons had the opportunity to construct and edit the story to justify the outcome (Scott & Lyman, 1968; Gergen & Gergen, 1988; Bruner, 1991), i.e. the dismissal decision. In retrospect, the respondents said that in their opinion the decision was right, even if made too late, and many of them commented that company performance had improved as a result of the CEO turnover (Denis & Denis, 1995; Bruton et al., 1997; cf. Wiersema, 2002; cf. Hilger et al., 2013).

Owing to the approach chosen and the relatively small sample of empirical data generated from different companies in one country, the generalisability of the results of the study is limited. Still, we consider that our explorative approach has been valuable in increasing understanding of the process of CEO dismissal on account of the rich nature of the data obtained directly from key actors in the process. An additional strength of our sample in comparison to studies using publicly available data, which is a common way to study CEO dismissal, is that all the processes were certainly dismissals (see e.g. Finkelstein et al., 2009; Schwartz-Ziv & Weisbach, 2013). Moreover, while most dismissal studies have been conducted in the context of CEO duality, our results shed light on the influential role of the Chair in the context of CEO non-duality.

Despite their origin as outsiders and their part-time role (McNulty et al., 2011), the Chairpersons we interviewed can be assumed to have a lot of influence because of their extensive experience of Board work (e.g. Pettigrew & McNulty, 1995; 1998), of the role of the Chair and, for most of them, also of CEO dismissals, and exploring the role adopted by less experienced Chairpersons in the CEO dismissal process would be fruitful. It is also worth pointing out that owing to the seniority of the respondents, the sample processes may be biased towards unusually complex situations, as these senior Chairpersons may be the people who are called for when strong and skilled Chair leadership is particularly required.

The process of and reasons for Chair turnover and dismissal (Pettigrew & McNulty, 1998) would also merit research. Also, studying the impact on CEO dismissal of the tenure (e.g. Hamrick & Fukutomi, 1991; Shen, 2003; Dikolli et al., 2014) of the CEO, Board Directors and particularly of the Chair would be of interest, as would studying the influence of Chair and Board Director turnover on the dynamics and attributional processes of the Board. It is also important to bear in mind that our data only consist of cases that led to dismissal; it would be interesting to explore the attributional process of the Chair and the Board in situations in which poor company performance did not lead to CEO dismissal. Examining the role of emotions in CEO dismissal would be another important topic of further study.

Practical implications

We propose that it is important to pay attention to the influence of social dynamics and possible biases in the Board's decision-making and to give Directors some training in this area. It might also be useful to try to ensure a sufficient degree of Board Director and Chair turnover to promote a variety of perspectives in the boardroom (Fredrickson et al., 1988; Veltrop et al., 2015).

Even if the Chair does not have decision-making authority on her/his own, it can be argued that she/he is in a key position in the CEO dismissal process. It is proposed that the Chairperson's 'will and skill' (Pettigrew & McNulty, 1995) and her/his interaction both outside and inside the boardroom are crucial in creating the conditions needed for the Board to address the issue. Therefore especially Chairpersons with less experience of CEO dismissal might benefit from training and an increased awareness of the role, leadership and practices of the Chair in the CEO dismissal process.

Conclusion

The findings of this study increase understanding of the process that leads to a Board's decision to dismiss the CEO under conditions of poor performance, and shed light on the issues which impact the relationship between poor performance and CEO dismissal. Even if prior research has suggested that the Board's decision to dismiss the CEO is not totally rational, but is influenced by, for example, Directors' expectations and attributions (e.g. Fredrickson et al., 1988), prior knowledge of the Board's interpretative processes leading to dismissal is scarce (Haleblian & Rajagopalan, 2006; Cragun et al., 2016). The results suggest that social forces and changing dynamics in the social relationships between the Chair, the CEO and other Board Directors are likely to have an impact on the Board's attribution process (Green & Mitchell, 1979) and CEO dismissal (Fredrickson et al., 1988; Pettigrew & McNulty, 1995; 1998). The results of this study also shed light on the role and significant influence of the Chair in the CEO dismissal process (Roberts, 2002). In addition, the results confirm the inter-related nature of the destinies of CEO and Chair (Eriksson et al., 2001; Florou, 2005).

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