Top Management Succession and Subsequent Firm Innovation: Evidence from Chinese Listed Companies

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We examine the influences of top management succession on firm strategies in the case of innovation. Our main results show that firms experienced top manager changes generate less innovation output and input in China listed companies. The evidence support the hypothesis that succession events exert too much pressure on managers to meet short-run earning expectations, hindering firms’ investment in long-term value creation projects. Moreover, our moderating effects examinations process exhibits that: different types of turnovers lead to different significant level of succession-innovation negative relation; the succession-innovation relation should be moderated by lots of firm contextual features. To establish causality of succession-innovation relation, we introduce a rich set of tests to rule out competitive hypothesis concerns. Meanwhile, our robust test further support our main conclusion about succession-innovation relation. Our study offers straight and comprehensive evidence on a previously under-explored adverse consequence of top management succession—it’s harmful effect on firm innovation.

Key words: top management succession; innovation; pressure

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