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Do boards learn to hire? The effect of board experience with CEO replacement on CEO performance

Steven Boivie¹  | Inn Hee Gee²  | Richard J. Gentry³  |
Scott D. Graffin⁴ 

¹Department of Management, Mays Business School, Texas A&M University, College Station, Texas, USA

²Division of Management and International Business, Michael F. Price College of Business, University of Oklahoma, Norman, Oklahoma, USA

³Department of Management, School of Business Administration, University of Mississippi, University, Mississippi, USA

⁴Department of Management, Terry College of Business, University of Georgia, Athens, Georgia, USA

Correspondence

Steven Boivie, Department of Management, Mays Business School, Texas A&M University, College Station, TX 77843, USA.

Email: sboivie@mays.tamu.edu

Abstract

Research Summary: We examined whether or not directors' prior experiences with Chief Executive Officer (CEO) selection helps them to choose a higher-performing CEO. Using S&P 1500 firms from 1999 to 2020, we found that boards' prior experiences with hiring CEOs do not improve their ability to choose a higher-performing CEO; rather, their prior CEO selection experience has a small but consistent negative effect. At the same time, we found little evidence that the domain specificity of prior CEO succession experience impacts the performance of subsequently hired CEOs. Overall, we suggest that our pattern of results is suggestive of superstitious learning by directors.

Managerial Summary: Our findings suggest that boards with more experience hiring new CEOs tend to select CEOs who exhibit slightly lower performance.

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This finding is an important addition to recent research in this area that theoretically and empirically demonstrates why and how boards may find it difficult to be effective. The economic magnitude of our findings is relatively small, however. It does not appear that more experience with hiring CEOs is associated with boards making dramatically worse CEO selections. Instead, the magnitude of our findings suggests that greater experience with hiring CEOs leads boards to select new CEOs who perform slightly worse and that this negative effect persists when we consider domain specificity (e.g., the context of prior hiring experience).

KEYWORDS

board effectiveness, board experience, board of directors, CEO succession, superstitious learning

1 | INTRODUCTION

Do board members learn from their board experiences and add more value over time? While boards of directors play a central role in corporate governance research and regulation, the evidence of board effectiveness is, at best, equivocal (e.g., Baysinger & Hoskisson, 1990; Bhagat & Bolton, 2008; Dalton et al., 1998; Dalton et al., 1999; Hillman & Dalziel, 2003). In fact, much corporate governance research in management casts doubt on a board's ability to positively influence governance outcomes (e.g., Boivie et al., 2016; Hambrick et al., 2015). A recent book reviewing this literature concludes that a board's role is largely symbolic (Westphal & Park, 2020), while meta-analyses find that most board characteristics are not linked to firm performance (Dalton et al., 1998; Dalton et al., 1999). Reviews of empirical studies suggest that board monitoring is likely not even possible (Boivie et al., 2016; Li et al., 2018; Westphal & Bednar, 2005), and recent research finds that directors themselves do not believe that they should or can monitor executives (Boivie et al., 2021). In sum, this evidence begs for nuanced examinations of if and/or when directors may contribute to firm outcomes.

One area where a board may add value is in the Chief Executive Officer (CEO) succession process. Given the large role that CEOs play in shaping firm outcomes (Hambrick & Quigley, 2014; Quigley & Graffin, 2017; Quigley & Hambrick, 2012) and impressions of their firms (Lovelace et al., 2017), a board's selection of the CEO is one of the most, if not *the* most, important tasks that it performs for shareholders. Despite its importance, research largely focuses on the antecedents of the CEO succession process or on the characteristics of who is selected (Berns & Klarner, 2017; Graffin et al., 2011; Joshi et al., 2020; Nyberg et al., 2021; Westphal & Zajac, 1995; Zhang & Rajagopalan, 2003, 2004). Thus, one important but poorly understood aspect of board effectiveness is a board's ability to select a CEO who will successfully lead the firm and whether this ability is enhanced by experience.

We are interested in examining whether and how directors' prior experiences with selecting CEOs improve their ability to select a better-performing CEO. Recent finance research finds



that boards with more experience firing CEOs are more willing to fire a focal firm's CEO and that the performance–dismissal link becomes stronger (Ellis et al., 2021). While this study finds that boards are more willing to fire CEOs for poor performance, it is not diagnostic of them learning to select better CEOs over time. Building on this study, we ask the following: Does prior board experience with CEO succession lead boards to hire more successful CEOs? To answer this research question, we employ the CEO in context (CiC) measure, which contextualizes a CEO's effect on firm performance, as our primary measure (Hambrick & Quigley, 2014). This variable was recently replicated and was found to be a valid measure of CEO performance (Keller et al., 2023; Quigley et al., 2020). We argue that, due to superstitious learning, directors' experiences with prior CEO successions will be negatively associated with the performance of a newly hired CEO. Superstitious learning is argued to occur when “the subjective experience of learning is compelling, but the connections between actions and outcomes are misspecified” (Levitt & March, 1988, p. 325).

Our study makes two main contributions. First, we contribute to the debate on board effectiveness by investigating whether boards learn to select better-performing CEOs over time. Recent research argues that boards are not effective based on a lack of clear evidence that boards positively influence the firms that they serve. Our theory and findings suggest that boards do not learn how to select better-performing CEOs. While supplementary analyses confirm the previous finding that boards may learn to fire, we find no evidence that boards' prior succession experiences improve hiring and may even worsen firm outcomes. Second, our study contributes to the literature on CEO succession. Our findings suggest that board experience with CEO replacement influences succession outcomes, but that this influence may be negative. Indeed, we find consistent support for the negative influence of board experience on the performance of the CEOs they hire. These findings suggest that board members' CEO succession experiences may result in superstitious learning whereby they learn lessons that do not generalize to future hiring decisions (Lampel et al., 2009; Zollo, 2009). Research suggests that superstitious learning is more likely when decisions are complex and rare, much like CEO succession. Our paper increases our understanding of board effectiveness in the CEO succession process.

2 | THEORY AND HYPOTHESES

2.1 | Director experience with CEO replacement

The board of directors is one of the primary corporate governance mechanisms for combating the agency problem (Dalton et al., 2007; Fama & Jensen, 1983). As such, boards of directors receive a great deal of research attention (Boivie et al., 2016; Deutsch, 2005; Johnson et al., 1996; Weber & Wiersema, 2017). To better learn how boards resolve agency issues, empirical research often tries to link board characteristics to firm outcomes. However, there is little evidence consistently linking board characteristics to firm outcomes, especially firm performance (Bhagat & Black, 2002; Dalton et al., 1998; Dalton et al., 1999). Research that more successfully links directors to firm outcomes typically does so by focusing on the relationship between specific board or director characteristics and specific firm outcomes. For instance, Carpenter et al. (2003) found that directors' international experience led to increased international sales. Hillman (2005) found that directors' political experience was related to higher financial performance in more regulated industries. Similarly, Jensen and Zajac (2004) found that outside

directors with finance backgrounds led to lower levels of firm diversification. Research also suggests that directors' acquisition experience improves acquisition performance (Haleblian & Finkelstein, 1999; McDonald et al., 2008). At the board level, Carpenter and Westphal (2001) found that external network ties inform a board's perceived ability to monitor and advise executives. In entrepreneurial firms, Kor and Misangyi (2008) showed that a director's industry-specific experience mitigates the liability of newness. Thus, we suggest that one area in which we may also be able to observe a board's influence on a firm is the board's selection of the firm's CEO. Even if the board does not directly impact the performance of the firm, it may do so indirectly through CEO selection.

Boards of directors are charged with managing CEO successions (Mace, 1971). While the literature on CEO succession is large, it tends to focus on the characteristics of the chosen successor, and there is less focus on the board's process related to CEO succession (Carpenter et al., 2004). However, related research focuses on board decision-making, which views a board of directors as an information processing group (Boivie et al., 2016; Krause et al., 2024) that makes decisions by relying on its prior experiences as well as directors' human and social capital (Hillman & Dalziel, 2003; Khanna et al., 2013). This literature argues that a board creates desired outcomes by collecting, analyzing, and utilizing information (Hinsz et al., 1997; Schepker et al., 2018). Like all groups, when boards lack information or are faced with sizable uncertainty when making their decisions, they tend to rely on heuristics (Graffin et al., 2013). Although CEO successions are very important for firms, they are also quite uncertain and ambiguous, and the prior literature has shown that boards may try to minimize the uncertainty of the outcome of CEO succession in various ways (Graffin et al., 2011). Thus, succession decisions by boards are both directly and indirectly influenced by what directors have learned from previous experience (Westphal & Fredrickson, 2001).

2.2 | The negative role of superstitious learning

While some research suggests that as boards gain experience, they may become better at selecting CEOs (e.g., Haleblian & Finkelstein, 1999; McDonald et al., 2008), research on superstitious learning suggests that the opposite may occur (e.g., Zollo, 2009). We expect that CEO succession is a context where superstitious learning likely occurs. Thus, we briefly describe the concept of superstitious learning and why we believe that it is relevant in this context.

As Zollo (2009, p. 894) notes,

The accumulation of experience might not be an effective learning mechanism in the context of rare and complex strategic decisions. In this context, in fact, experience accumulation might produce more confidence in the managers' own competence than actual competence. Consequently, experiential learning becomes, in other words, "superstitious"

Zollo further notes (p. 895) that "In decisions characterized by fuzzy or even undefined performance metrics, therefore, one could expect that experience accumulation might create overconfidence vis-à-vis one's own competence levels—that is, it might generate superstitious learning." In the context of acquisitions, Zollo found evidence that firms became worse at acquisitions as they gained experience, and argued that this sort of superstitious learning is more likely to occur in organizational settings when the decisions being made (a) are rare;



(b) are context-specific; (c) are complex; and (d) have fuzzy performance outcomes or metrics. In that same research, Zollo argued and found that there are factors that increase or mitigate whether superstitious learning is likely to occur in a given situation. In the acquisition context, Zollo (2009) discussed how experience heterogeneity, knowledge codification, and the stock of prior experience could moderate the amount of superstitious learning in the acquisition context.

We examine CEO hiring as a context in which superstitious learning may occur. Because Zollo's theorization is based on the context of acquisitions, it is possible that it may not be directly transferrable to the context of CEO hiring. Consequently, we specifically consider the conditions of CEO hiring and succession and how they match the conditions necessary for superstitious learning as described by Zollo (Table 1). First, CEO replacement is rare. The average tenure of a CEO is approximately 7 years, and a director's tenure averages approximately 11 years. These figures suggest that most board members experience only one or two

TABLE 1 Superstitious learning in the CEO succession context.

Superstitious learning is more likely to occur in organizational settings when decisions				
	Are rare	Are context-specific	Are complex	Have fuzzy performance outcomes or metrics
CEO succession context	<ul style="list-style-type: none">• Most board members experience only one or two successions during their tenure with a particular firm.• It is an uncertain task that occurs rarely, with no clear guidance as to how to perform the task properly (Carpenter et al., 2004; Finkelstein et al., 2009).• In such contexts, managers have fewer opportunities to make correct inferences on performance (Brown & Duguid, 1991; March et al., 1991).	<ul style="list-style-type: none">• A CEO's job is unique and complex (Kesner & Sebora, 1994).• Thus, picking a CEO is uncertain, and it might be difficult for directors to generalize from a prior CEO selection to a current CEO selection.	<ul style="list-style-type: none">• Selecting an effective CEO will always be difficult because there is a great deal of information asymmetry regarding candidates' qualities.• Additionally, there is uncertainty about whether a CEO's success results from his/her skills and abilities or some unique combination of firm-specific skills, individual skills, and other industry and situational factors (Graffin et al., 2013; Karaevli, 2007; Zajac, 1990).	<ul style="list-style-type: none">• Although a CEO is primarily assessed by his/her firm's performance, judging whether that performance is attributable to the CEO is difficult.• Evidence shows that linking CEOs to firm-specific outcomes is difficult early in their tenure (Graffin et al., 2013).• The TMT literature argues that even this performance is likely a result of team actions and not just the CEO (Groysberg et al., 2008).

successions during their tenure with a given firm. The CEO succession literature also argues that while hiring a CEO is critical, it is an uncertain task that occurs rarely, with no clear guidance as to how to perform this task properly (Carpenter et al., 2004; Finkelstein et al., 2009). Because of this rarity, directors have fewer opportunities to make correct inferences regarding their experience in hiring CEOs (Brown & Duguid, 1991; March et al., 1991).

Second, superstitious learning is likely to occur when decisions are context-specific. Indeed, research suggests that selecting a high-performing CEO is difficult because there is a great deal of uncertainty concerning whether a CEO's success results from his/her skills and abilities or whether it results from some unique combination of firm-specific skills, individual skills, and other industry and situational factors (Graffin et al., 2013; Karaevli, 2007; Zajac, 1990). This uncertainty results because an individual's past success may be due to ability or some context-specific factors, which increases the likelihood that directors may make improper attributions about the individual's prior experiences. In summarizing the difficulty of a board's task of selecting a new CEO, Khurana noted that "it is difficult, if not impossible, to know *ex-ante* what characteristics in a CEO are needed to improve performance, [and] directors are left to guess about which criteria are likely to be associated with success" (2002, p. 102).

Third, a CEO's job is complex and unique (Kesner & Sebor, 1994); thus, picking a CEO is complex because it is difficult for directors to generalize from a prior CEO selection to a current CEO selection. This complexity makes board learning difficult in CEO hiring. While directors learn from their own experience, they also learn indirectly from the experience of other directors (Westphal & Fredrickson, 2001). However, this complexity and rarity mean that any incorrect learning will be amplified as directors discuss their insights.

Fourth, although CEOs are primarily assessed by their firms' performance, judging whether that performance is attributable to the CEO is difficult. Evidence shows that linking CEOs to firm-specific outcomes is difficult early in their tenure (Graffin et al., 2013), and the top management team (TMT) literature argues that even this performance is likely a result of team actions and not just the CEO (Bok, 1993; Carpenter, 2002; Certo et al., 2006; Groysberg et al., 2008). Indeed, research broadly concludes that firm performance is team-based (e.g., Bok, 1993; Hambrick & Mason, 1984) and is shaped by environmental conditions as well (e.g., Holmstrom, 1982). This means that the overall performance metrics for assessing prior succession events and whether directors were successful in selecting the right CEO are quite fuzzy and indirect and may contribute to superstitious learning.

In summary, because CEO selection decisions are rare, context-specific, complex, and have fuzzy performance metrics, they constitute situations that are ripe for superstitious learning. We thus suggest that directors with more experience selecting new CEOs may not become appreciably better at selecting future CEOs and hypothesize as follows:

Hypothesis 1. Director CEO hiring experience is negatively related to the performance of the selected CEO.

2.3 | The role of domain-specific experience

Director learning involves the transfer of directors' experience and knowledge from other firms to their experience at the focal firm. As we discussed, the context of CEO succession events makes accurate learning difficult and likely contributes to the superstitious learning of



directors. We also noted that the literature on superstitious learning suggests that there are contextual factors that may increase or decrease the intensity of superstitious learning.

Thus, while we expect superstitious learning to occur broadly across all CEO succession contexts, some research suggests that by accumulating experience within specific contexts, such negative effects may be smaller. While Zollo's (2009) initial theoretical conception of superstitious learning suggested that concentrated experience within a given domain might reinforce the perceived (potentially spurious) cause-and-effect linkages in prior domain-specific decisions that drive superstitious learning, empirical evidence in this regard is limited. Further, Zollo (2009) theorized that experience heterogeneity, along with other factors, could reduce the severity of superstitious learning. Relatedly, and consistent with the broader literature on learning, Heimeriks (2010) found that the negative effects of superstitious learning were mitigated when domain-specific experience accumulated in the context of alliances. Indeed, the learning literature broadly supports the claim that recruiters with more experience are more effective at choosing employees (Breaugh, 2013; Chapman et al., 2005). The learning literature also suggests that people get better at specific tasks over time, even when solving complex problems (Loewenstein et al., 1999; Singley & Anderson, 1989). Such abilities are acquired through learning over time within a specific domain (Loewenstein et al., 1999). As McDonald et al. note, "...psychological research on the development of expert knowledge indicates that expertise tends to be specific to relatively narrow knowledge domains" (2008, p. 1157). Such domain-specific learning leads to individuals developing more complete knowledge in terms of solving problems (e.g., Sternberg, 1997), capabilities regarding how to organize complex data (Day & Lord, 1992), and, ultimately, more effective decision-making within a specific domain (e.g., March, 1994).

Domain-specific experience provides highly relevant insights that can enhance a board's decision-making process. For instance, when directors have prior experience with CEO succession in firms with similar strategic or industry contexts, they are likely to draw more accurate inferences due to the contextual parallels. This specific type of experience helps directors to better understand the nuances and unique challenges associated with CEO selection in similar environments, thereby reducing the likelihood of erroneous conclusions drawn from general hiring experiences. We thus focus on two types of domain-specific experiences that may mitigate superstitious learning effects in CEO successions: the similarity of the prior hiring experience (e.g., hiring an insider vs. an outsider CEO) and the strategic similarity of the prior hiring experience. We theorize that when directors' prior hiring experience is more closely related to the focal decision, this domain-specificity may change the amount of superstitious learning that occurs.

First, when directors have experience with CEO succession in similar contexts, it may reduce the effect of the rarity of the learning by allowing directors to make deeper connections between similar situations, thus decreasing the amount or effect of superstitious learning. Second, such domain-specific experience may help alleviate the issue of the context specificity of CEO successions. Indeed, lessons across similar types of CEO succession, such as voluntary CEO successions or those involving strategically similar firms, may allow directors to make more context-specific inferences from their prior experiences.

Among the different types of CEO succession, involuntary successions are relatively rare and occur in conditions of greater uncertainty. Conversely, voluntary CEO successions tend to be more orderly and anticipated. So, when directors have experience in a type of succession event, the learning generated from hiring a new CEO may be more valuable to that particular context and may counteract the broad tendencies toward superstitious learning. Consistent with these ideas, the literature on directors' influence on specific firm outcomes cited above finds

that a director's specific experiences within certain domains can be linked to better outcomes in that domain (e.g., acquisitions) (McDonald et al., 2008). We thus expect that, within the context of CEO hiring decisions, directors with more domain-specific experience (e.g., prior experience with voluntary CEO successions) are more effective at that type of domain-specific hiring. Thus, when directors have experience in specific types of succession events, the learning generated may be more valuable and may counteract the broad tendencies toward superstitious learning in that specific context.

Similarly, CEO hiring experience at firms that are more strategically similar may also help attenuate the superstitious learning process. Experience with CEO succession at strategically similar firms may allow directors to rely on more similar performance metrics across CEO successions, and they are more familiar with the demands of running similar strategies. If a new CEO comes from a more strategically similar firm, the directors of hiring firms may assess the CEO and their work in the firm more easily. For example, in industries with high managerial discretion, strategic decisions and CEO capabilities are more critical to firm performance. Thus, having prior experience in similar strategic contexts allows directors to develop a more nuanced understanding of what constitutes a high-quality CEO within that specific framework. Similarly, industry-specific knowledge can provide valuable benchmarks and best practices that enhance a board's ability to evaluate and select the right candidate. Relatedly, Halebian and Finkelstein (1999) find that the similarity of the current acquisition target to that of prior acquisitions led to increased performance of the current acquisition.

In summary, we suggest domain-specific experience helps reduce multiple characteristics of a situation that facilitate superstitious learning. Thus, we predict the following:

Hypothesis 2a. The relationship between director CEO hiring experience and the performance of the selected CEO will be less negative when the hiring experiences occur in situations that are more similar to the focal firm in terms of whether the CEO succession was voluntary or involuntary.

Hypothesis 2b. The negative relationship between director CEO hiring experience and the performance of the selected CEO will be less negative when the hiring experiences occur in situations that are more strategically similar to the focal firm in terms of the firm or industry in which the succession experience occurred.

3 | METHODOLOGY

3.1 | Sample and data sources

We derived our sample by using the August 31, 2021, version of the open-source CEO succession database published by Gentry et al. (2021), which covers 5774 non-merger/non-interim CEO successions in Execucomp from 1992 to 2019. We then matched that file with BoardEx's summary file of corporate directors. After matching with Compustat and Execucomp, we generated our experience calculations from December 1999 to December 2019 with 1.9 million individual observations of individual directors with some experience related to CEO hiring by month, that is, 5415 firms across 16,147 directors and across 21 years from 1999 to 2020 (253 monthly observations). After calculating a board's experience with CEO hiring by summing each director's experience in the month before the focal CEO hiring event, our models

were run on 1345 individual CEO successions in 900 firms. Our unit of analysis is the CEO succession at the focal firm. Our analytic structure is relatively unique in that to construct both the level of director experience and the CiC score, we need panels of data for each director and each firm over time. Therefore, we have longitudinal panels of data across years. However, when running our analyses to test our hypotheses, our models predict CEO performance using accumulated experience and other variables in the year in which the CEO was hired.

3.2 | Dependent variables

To measure CEO performance, we use Hambrick and Quigley's (2014) CiC performance measure as our proxy for the incoming CEO's performance and, thus, the board's capability for CEO selection. The CiC performance measure was originally developed "to better capture the proportion of variance in firm performance explained by CEOs versus contextual factors" (Quigley et al., 2020, p. 725). This measure attempts to measure how well the CEO performed beyond what would have been expected, adjusting for industry factors and starting conditions across the CEO's entire tenure while also adjusting for differences in the firm's performance when the CEO took over the role as well as the given prevailing industry conditions and the firm's historical performance. This estimation technique predicts annual firm performance in return on assets (ROA) using several contextual variables, including the year, industry performance, the firm's condition when the CEO took over, and the firm's market-to-book value ratio. The unexplained variance in ROA becomes the dependent variable in a new regression with fixed-effect variables for individual CEOs, where the regression coefficients indicate each CEO's distinct impact on firm performance after controlling for other factors. Consequently, CEO performance scores are calculated based on a CEO's full tenure.

Calculating CEO performance is inherently difficult. Although the CiC score has its strengths, it is still just one indicator. In a recent replication of the CiC score, Keller et al. (2023) showed that the score can change depending on certain factors such as firm size, CEO tenure, and the use of adjusted R^2 values. Consequently, we also examined several alternative measures in our robustness tests. Our goal was to ensure that we had different indicators of CEO performance and that our results were robust to multiple specifications.

3.3 | Independent variables

We coded board-level information on hiring experience and other relevant variables in the month prior to the effective CEO succession date listed in the Gentry et al. (2021) data file. Because the dataset covers so many events, it allows us to observe a director's historical experiences with CEO successions. We mapped a director's experience with CEO hiring on individual boards. We then carried that individual's experience forward to the focal CEO succession to a date immediately before the focal CEO's start date to predict whether board-level experience with CEO succession predicts the overall performance of the incoming CEO. For example, if a CEO's effective start date was December 15, we used all of the board's prior CEO succession experiences up to November 30¹ to predict the incoming CEO's CiC score.

¹Or, for financial data, the most recent preceding fiscal year results.

We used the board's cumulative experience with any CEO hiring decision (averaged across directors) to test our main effect Hypothesis H1. For Hypotheses H2a and H2b, we proposed that boards engage in superstitious learning, and that this learning would be reduced when their prior experience is context-specific to the current CEO selection. We tested this hypothesis in two ways.

First, to test H2a, we modeled the board's cumulative experience with CEO succession following both voluntary and involuntary transitions. A director was coded as having experience with CEO selection after a dismissal if they had previously served on a board where they had hired a new CEO after the prior CEO departed involuntarily. We used the classification of voluntary and involuntary departures from the CEO Dismissal Dataset (Gentry et al., 2021), excluding cases involving mergers or interim CEOs. We then calculated the board's average cumulative experience with CEO selection in both contexts—following an involuntary turnover and following a voluntary departure. These variables reflect the same underlying experience measure used in H1, but are disaggregated by transition type and modeled separately from the overall experience variable.

Second, we examined the interaction between the nature of the current CEO's departure (voluntary or involuntary) and the board's context-specific hiring experience. This allowed us to assess whether experience in a matching context—for example, hiring after a dismissal—was more predictive of CEO performance.

Examining strategic similarity (H2b), we measured the average strategic similarity between a board member's other board seats and the current board. We used the measure of strategic distinctiveness by Crossland et al. (2014) to assess strategic similarity, for each director, the difference between the strategic distinctiveness of the director's other board seats and the strategic distinctiveness of the focal firm. We propose that directors on boards that are highly distinctive (or undistinctive) in their industry will have more relevant experience on similarly distinctive boards. In short, a director who helped select a CEO at a highly distinctive firm will have more relevant experience at a firm that is also highly distinctive. Our measure is the difference between the strategic distinctiveness of the focal firm and that of a director's other board seats, reverse coded to ease interpretation and averaged, first, over the director and, then, over the board. This strategic similarity variable is then multiplied by our main IV of cumulative experience with hiring to create an interaction term. We also examined whether industry context matters. Firm-specific strategic similarity might influence the relevance of a director's experience, but so might industry similarity. We looked at a director's experience at other boards in industries with levels of managerial discretion (Chen et al., 2015) similar to those of the focal firm to determine whether the director will have more relevant experience to choose a higher performing CEO. The difference between the focal firm's industry similarity and the director's other board seats is averaged, first, across directors and, then, across the board. This variable of industry-level strategic similarity is then multiplied by our main IV of cumulative experience with hiring to create an interaction term.

3.4 | Control variables

We included a range of variables to capture factors related to the board, firm, and previous CEO that might impact CEO performance. First, we controlled for the *duality of the outgoing CEO* (Krause et al., 2013). Similarly, we controlled for the absolute level of *outgoing CEO pay* (log-transformed) and *outgoing CEO tenure* (measured in years derived from Execucomp). At the firm level, we controlled for *firm size* using firm sales (log-transformed).



At the board level, we controlled for whether the incoming CEO started his/her position as CEO by also becoming board chair (*incoming CEO duality*), the number of directors appointed by the outgoing CEO (*directors added by the outgoing CEO*), a count of the number of directors who have served on the focal board for longer than 15 years at the beginning of the incoming CEO's tenure (*total long-serving directors on the board*) (Bonini et al., 2021), and the total tenure on this board of all directors (measured in months) (*total tenure on this board of all directors*). All variables were winsorized at the 2nd and 98th percentile to adjust for outliers (Table 2).²

3.5 | Analysis

Among our variables, the highest variance inflation factor (VIF) in our models was 1.85, suggesting that multicollinearity would not impact our results. We were concerned that our data may be subject to selection bias effects because we are measuring a board's experience only if there is a CEO succession. We calculated an inverse Mills ratio for this effect using year effects as our exclusion restriction. Exclusion restrictions need to be related to the first-stage variable (whether a firm experienced a CEO succession or not) but not related to the second-stage dependent variable (CiC score) (Lennox et al., 2012). In our case, dummy-coded year effects are not related to the CiC score because the CiC score removes year effects in its calculation. To verify, we regressed the CiC score on dummy-coded year variables and found no effect (omnibus F test = 1.05, $p = .40$). The correlation between the inverse Mills ratio and our independent variables ranged from 0.04 to 0.14, which indicates that their variance is different and, along with the correlation between year effects and the likelihood of CEO succession, supports using year effects as an exclusion restriction (Certo et al., 2016). We report the first-stage equation in the [Supporting Information](#).

We also ran analyses to compute the impact threshold for a confounding variable (ITCV) (Frank, 2000), which did not indicate a potential omitted variable bias. In the models presented, the ITCV is higher than 0.14 in all cases, which would be a high correlation for the variables in our table. The *konfound* command in Stata further suggested that even for the relatively small effect shown in Table 3, we would need to replace 26% of the sample for the effect to be zero.³ These relatively high bars suggest our finding is stable.

4 | RESULTS

Our first set of results examines boards' overall experience with CEO hiring. We suggested that a board's experience with hiring is negatively related to the performance of the selected CEO. In Model 1, we examine a board's average experience with hiring. Model 1 shows a negative

²We confirmed that our results are essentially unaffected by using a 1st and 99th percentile cutoff. Given the extreme values in the experience variables, a narrower range seemed conservative.

³The ITCV for average experience in Model 1 in Table 3 was 0.14. In Model 2, the ITCV for experience hiring after an involuntary departure was 0.18, while that for experience with hiring after a voluntary departure was 0.16. In a supplementary analysis available from the authors upon request, we conducted several regressions using Lewbel's (2012) heteroskedastic-based estimator to control for omitted or endogenous variable bias. The results of these models were consistent with the presented results. If we change the independent variable to a sum of all experience rather than an average, an omitted variable would need to be correlated at 0.08 to invalidate the results while also showing a negative coefficient.

TABLE 2 Descriptive statistics and correlations.

Variables	Mean	SD	Min	Max	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1. CEO in context	−1.97	9.36	−56.74	28.24														
2. All succession experience	0.94	0.76	0.00	4.40	−.04													
3. Experience with hiring after an involuntary transition	0.31	0.44	0.00	2.25	−.12	.63												
4. Experience with hiring after a voluntary transition	0.62	0.59	0.00	3.00	.03	.81	.07											
5. Previous CEO involuntary departure	0.30	0.46	0.00	1.00	−.10	.12	.47	−.20										
6. Firm-level strategic similarity	1.45	0.98	0.15	5.93	−.04	−.25	−.08	−.26	.02									
7. Industry strategic similarity	1.40	0.87	0.08	5.07	.02	−.12	−.07	−.09	−.06	.15								
8. Duality of the outgoing CEO	0.57	0.50	0.00	1.00	.12	−.16	−.24	−.03	−.25	.03	.06							
9. Outgoing CEO pay	7.98	1.11	3.92	10.61	.18	.13	.03	.14	.01	.04	.04	.18						
10. Outgoing CEO tenure	7.87	6.57	0.00	37.02	.05	−.28	−.26	−.17	−.14	.03	.12	.29	.06					
11. Firm size	7.44	1.57	2.51	10.67	.26	.15	.00	.19	−.06	−.02	.05	.26	.61	.04				
12. Directors added by the outgoing CEO	0.62	1.24	0.00	9.00	.02	.29	.19	.23	.06	−.07	−.03	.06	.13	−.04	.17			
13. Total months of board experience on the focal board at succession	420.10	284.22	6.00	1525.00	.07	.44	.16	.45	−.02	−.03	.07	.03	.27	.09	.32	.10		
14. Total long-serving directors on the board at succession	0.05	0.36	0.00	5.00	−.02	.17	.08	.17	.02	.02	.01	.03	.06	.03	.08	.05	.31	
15. Incoming CEO duality	0.14	0.35	0.00	1.00	.06	.01	−.07	.06	.01	.00	−.03	.13	.10	−.05	.13	−.01	.00	.02
16. Inverse Mills ratio	1.73	0.17	1.18	2.31	−.03	−.05	−.23	.11	−.34	.09	−.01	−.01	.05	.32	−.01	−.11	.33	.15

Note: $N = 1345$ across 900 firms. Correlations with a magnitude greater than .054 are significant at $p < .05$.



relationship between succession experience and subsequent CEO performance ($b = -1.18$, $p = .01$), supporting H1. In practical terms, one standard deviation above the mean of board experience (0.94) leads to a decrease in the CiC score of 0.92%, representing approximately \$22 million across a CEO's tenure.

H2a suggested that the similarity of a board's succession experience will influence the board's effectiveness in hiring a higher-performing CEO. Looking at Model 2, we do not find support for H2a, according to which succession context will lead to higher CEO performance. We find that on boards, higher average experience with involuntary turnover leads to lower performance ($b = -2.41$, $p = .00$), and more average experience with hiring following a voluntary departure does not show an effect on CEO performance ($b = -0.57$, $p = .27$). In practical terms, one standard deviation above the mean of board experience with hiring following an involuntary departure (0.46) leads to a \$32 million decrease in expected profit (1.4% decrease in the CiC score) across a CEO's tenure. Although the finding for the involuntary turnover portion of H2a does have a relationship, the result is not economically very large considering that the average yearly revenue for firms in our final sample is \$1.7 billion.

To more directly test the interaction, we further examined whether the board's experience hiring after an involuntary CEO departure influenced the subsequent performance of the newly appointed CEO by interacting board experience with the nature of the outgoing CEO's departure. In Models 3 and 4, we do not find evidence that relevant experience improves outcomes, and thus we do not find support for Hypothesis H2a. Specifically, Model 3 shows that boards with significant experience hiring after involuntary turnover do not select CEOs who perform better ($b = 0.03$, $p = .98$).

Interestingly, Model 4 reveals an unexpected result: The performance of a CEO hired following an involuntary departure appears to improve when the board has more experience hiring after *voluntary* departures. This finding, however, which runs counter to Hypothesis H2a, should be interpreted with caution. An analysis of the marginal effects indicates that the cumulative impact of voluntary departure experience on CEO performance after an involuntary departure is negative at the sample mean. Only at the extreme upper end of the data distribution does the model suggest that voluntary departure experience may improve outcomes in these cases—and even then, the difference between the predicted CiC score at the 95th percentile is not statistically significant.

For H2b, we do not see a meaningful interaction between firm strategic similarity (interaction $b = -0.43$, $p = .29$) in Model 5 or industry strategic similarity (interaction $b = 0.22$, $p = .57$) in Model 6 to other boards on which a director and a board's average experience. These results do not support H2b, according to which domain specificity impacts boards' effectiveness in hiring higher-performing CEOs.

4.1 | Supplementary analyses

In the [Supporting Information](#) to this analysis, we analyze the potential that our results could be influenced by changing assumptions. First, as part of our robustness checks, we ran several models examining different measures of experience. We weight director experience by director prestige. Table S1 shows results (1) when using only the experience of the board chair (only chair experience), (2) when using the experience of the committee chairs of the nominating, audit, and compensation committees (all committee chair experience), and (3) when using the experience of the most experienced director (maximum experience on the board). We find

results that a board's experience with hiring does not increase the performance of the selected CEO.

Second, we examined two alternative dependent variables. By doing so, we aim to provide a more comprehensive assessment of CEO performance that accounts for the varied criteria that boards might prioritize. We measured an indicator of whether the firm hired a CEO who in the future won media awards (Table S2a). We also looked at an alternative measure (Demerjian et al., 2012) of CEO ability (Table S2b). Similar to the CiC measure, this measure looks at a regression residual of performance after adjusting for industry conditions. Because this measure has several different ways to interpret what a "successful" CEO will be, we took a few different approaches to this analysis. We first use our models to simply predict the yearly outcome (averaged across a CEO's tenure) of the measure. Developing the measure, Demerjian et al. (2012) also use the percentile ranking within the industry as an outcome measure of CEO success. We regressed our measures on the average percentile ranking for the CEO over his/her tenure. Finally, because we might also be interested only in the "success" of the CEO, we used our measures to predict the number of times that the CEO finished in the top 10% or top 20% of managerial ability scores that year.

By doing so, we aim to provide a more comprehensive assessment of CEO quality or performance that accounts for the varied criteria that boards might prioritize. Notably, the models where we use future CEO awards are the only models where experience with CEO succession leads to a practically significant positive result. CEO hiring experience leads to a firm hiring someone who has a higher total number of CEO awards ($b = 1.23$, $p = .00$) over his/her entire career. CEO awards and certifications are a very different context than firm financial performance, but clearly, there is some interesting relationship between board experience and the eventual award(s) received by the CEO who is subsequently selected. We do not have a strong hypothesis about why this effect is different from our other results, but it suggests that our measures are capturing meaningful variance.

Besides this, all other models are either negative or not different from zero. Regarding the CEO ability measure, we find either no effect of prior experience on future CEO ability or a negative effect depending on the particular specification of CEO performance used to calculate the ability score. Furthermore, in untabulated results, we found that higher board experience tended to lead to shorter CEO tenures in a Cox proportional hazard model and a higher likelihood of CEO departure in a logit regression. We interpret these results as relatively robust support for our broad claim that more experience with CEO succession does not make board members better able to select higher-performing CEOs (or CEOs who have longer tenures or demonstrate more ability). Consequently, even though the magnitude of the negative effect is not large, we nonetheless think that this is an important finding because we can consistently show that under almost all circumstances board experience does not improve its ability to hire a higher-performing CEO (or one with a longer tenure, or with more "ability").

Third, as a supplementary analysis to our strategic similarity investigation, we examined whether directly comparing resource allocation (the dimensions used in Crossland's strategic similarity measure) between the directors' previous firms and the current firm provides more informative insights than comparing the historical firm to its industry mean at the time. Specifically, we tested whether the similarity in strategic resource allocation (e.g., similar levels of R&D spending) between the focal firm and the directors' previous hiring experiences influenced outcomes. To calculate, we standardized the difference between the focal firm and the average resource allocation along the six dimensions in Crossland's measure for firms where directors had experience with succession. Next, we summed the standardized differences to calculate a



(dis)similarity measure. Table S3 presents the results of these direct comparisons, using resource allocation similarity as a basis for assessing knowledge relevance. While the negative main effect of prior succession experience persists, we did not find evidence that resource allocation similarity⁴ moderates this negative effect.

We also examined director's hiring experience variability and recency by adapting our measurement of a board's average experience. We thought that the variation in director experience might impact the selection of a higher performing CEO. To test this, we regressed the standard deviation of board experience with hiring a CEO (rather than the average) on CEO performance. This result was not significant. For the recency of experience, which implies that more recent experience might be more meaningful, we weighted the individual hiring events before averaging the board's experience by the event's recency. The weighting was performed by multiplying the event by the number of years since the experience took place by the function $1/1.15^{(\text{number of years since the event took place})}$ (Eggers, 2012). This result was significant and shows that the general effect that more experience with CEO hiring leads boards to select new CEOs who perform worse persists even if we weight hiring experience by succession experience recency. These supplementary analyses are available in the [Supporting Information](#).

Finally, we replicate the findings of a previous study (Ellis et al., 2021) that show that more experience with CEO dismissal leads to a higher likelihood of CEO dismissal (Table S4). Our results align with the results of the previous study. Finally, we examine an alternative methodological choice. We use clustered standard errors around the CEO rather than the firm and found consistent results. Because the [Supporting Information](#) contains many different analyses, we provide a summary table (Table 4) that summarizes our findings across all of our models. As this table shows, board experience with CEO successions is negatively associated with the CEO in context measure (Table 3, Model 1), the CEO in context measure when we cluster standard errors (Table S5, Model 1), the likelihood of hiring a manager whose implied ability is at the top of their industry multiple times (Table S2b, Models 4 and 5), and this negative association is amplified by involuntary succession experience (Table 3, Model 2).

5 | DISCUSSION

Our goal was to examine whether and how directors' prior experiences with selecting CEOs may improve their ability to select a better-performing CEO. We wanted to explore whether or not directors become better at selecting CEOs when they have more experience with the task. To examine these ideas, we tested two hypotheses. Consistent with the superstitious learning perspective, we found support for our claim that boards' experience with CEO succession is negatively associated with the performance of the CEO hired. We also found that the domain specificity (e.g., type of experiences) did not reduce these negative effects. In supplementary analyses, we also found that these effects persist if we consider the recency of the hiring experience.

Based on our exploration of the research question above, we conclude that our results are relatively consistent with the superstitious learning perspective, as we found a small but consistent negative link between board experience and the performance of the CEO selected. These results hold in our main models and in the models presented in the supplementary analyses using a different specification of the dependent variable (e.g., total experience) and alternative

⁴Strategic similarity analyzed in the main paper compares each historical experience to its industry mean.

TABLE 3 Main table.

	Main model (H1)	Domain specificity (H2a)	Domain specificity (H2a)	Domain specificity (H2a)	Domain specificity (H2b)	Domain specificity (H2b)
	CEO score	Succession type	Succession type	Succession type	Firm strategic similarity	Industry strategic similarity
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
All CEO hiring experience	−1.18 (0.46) [.01]				−0.50 (0.69) [.47]	−1.49 (0.77) [.05]
Experience with hiring after an involuntary transition		−2.41 (0.80) [.00]	−2.43 (1.09) [.03]	−2.32 (0.80) [.00]		
Experience with hiring after a voluntary transition		−0.57 (0.52) [.27]	−0.57 (0.53) [.28]	−0.98 (0.56) [.08]		
Outgoing CEO dismissal *			0.03 (1.49) [.98]			
Experience with hiring after involuntary transition						
Outgoing CEO dismissal *				2.31 (1.19) [.05]		
Experience with hiring after voluntary transition						
Firm-level strategic similarity * All CEO hiring experience					−0.43 (0.41) [.29]	
Industry strategic similarity * All CEO hiring experience						0.22 (0.39) [.57]
Outgoing CEO dismissal	−2.45 (0.64) [.00]	−1.81 (0.69) [.01]	−1.82 (0.89) [.04]	−2.98 (0.97) [.00]	−2.43 (0.64) [.00]	−2.44 (0.64) [.00]
Firm-level strategic similarity	−0.40 (0.34) [.23]	−0.36 (0.34) [.29]	−0.36 (0.34) [.29]	−0.40 (0.34) [.24]	0.03 (0.48) [.96]	−0.40 (0.34) [.23]
Industry strategic similarity	−0.11 (0.26) [.67]	−0.09 (0.26) [.72]	−0.09 (0.26) [.72]	−0.14 (0.26) [.58]	−0.12 (0.26) [.65]	−0.30 (0.41) [.46]
Duality of the outgoing CEO	−0.15 (0.56) [.79]	−0.22 (0.56) [.70]	−0.22 (0.56) [.70]	−0.15 (0.56) [.79]	−0.14 (0.56) [.81]	−0.14 (0.56) [.80]
Outgoing CEO pay	0.41 (0.29) [.16]	0.40 (0.29) [.17]	0.40 (0.29) [.17]	0.40 (0.30) [.18]	0.42 (0.29) [.15]	0.41 (0.30) [.17]



TABLE 3 (Continued)

	Main model (H1)	Domain specificity (H2a)	Domain specificity (H2a)	Domain specificity (H2a)	Domain specificity (H2b)	Domain specificity (H2b)
	CEO score	Succession type	Succession type	Succession type	Firm strategic similarity	Industry strategic similarity
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Outgoing CEO tenure	0.06 (0.04) [.14]	0.06 (0.04) [.15]	0.06 (0.04) [.16]	0.07 (0.04) [.11]	0.06 (0.04) [.13]	0.06 (0.04) [.14]
Firm size	1.20 (0.27) [.00]	1.19 (0.27) [.00]	1.19 (0.27) [.00]	1.17 (0.27) [.00]	1.20 (0.27) [.00]	1.21 (0.27) [.00]
Directors added by the outgoing CEO	−0.11 (0.20) [.58]	−0.10 (0.20) [.60]	−0.10 (0.20) [.60]	−0.10 (0.20) [.61]	−0.10 (0.20) [.60]	−0.11 (0.20) [.57]
Total months of board experience on the focal board at succession	0.00 (0.00) [.03]	0.00 (0.00) [.05]	0.00 (0.00) [.05]	0.00 (0.00) [.06]	0.00 (0.00) [.04]	0.00 (0.00) [.03]
Total long-serving directors on the board	−0.60 (0.64) [.35]	−0.60 (0.67) [.37]	−0.60 (0.67) [.37]	−0.59 (0.67) [.37]	−0.60 (0.66) [.36]	−0.60 (0.65) [.35]
Incoming CEO duality	2.17 (0.74) [.00]	2.06 (0.74) [.01]	2.06 (0.74) [.01]	2.05 (0.74) [.01]	2.17 (0.74) [.00]	2.15 (0.74) [.00]
Inverse Mills ratio	−7.74 (2.42) [.00]	−7.89 (2.43) [.00]	−7.89 (2.43) [.00]	−8.09 (2.43) [.00]	−7.72 (2.41) [.00]	−7.70 (2.42) [.00]
Constant	0.03 (4.78) [.99]	0.34 (4.80) [.94]	0.34 (4.81) [.94]	1.20 (4.82) [.80]	−0.80 (4.86) [.87]	0.26 (4.85) [.96]
F test	5.33 [.00]	5.19 [.00]	4.94 [.00]	5.02 [.00]	4.98 [.00]	4.97 [.00]
R ²	0.09	0.10	0.10	0.10	0.10	0.09
N	1345	1345	1345	1345	1345	1345
Firms	900	900	900	900	900	900

Note: Standard errors are in parentheses, and *p*-values are in square brackets.

outcome variables (e.g., CEO ability and CEO tenure). Our results suggest that boards with more experience with prior CEO succession tend to select lower-performing CEOs. Further, in supplemental analyses, we found that the CEOs whom boards select have shorter tenures or who have a lower implied ability (Ellis et al., 2021). These negative findings are consistent with the superstitious learning of boards (Levitt & March, 1988; Zollo, 2009). Importantly, across all of the various models that we ran, we did not find a positive relationship between boards' experience with CEO succession and the financial performance of the CEOs whom they hired.

Our findings make important contributions to corporate governance research. First, we contribute to the debate on board effectiveness by investigating whether or not boards learn to select better-performing CEOs. Our findings suggest that more experience with CEO succession leads to the selection of lower-performing CEOs. This finding is an important addition to the recent research in this area that theoretically and empirically demonstrates why and how

TABLE 4 A summary of all results.

Table	Model	Dependent variable	Main effect variable	Finding
Table 2	1	CEO in context	Average board experience with hiring	Negative effect
Table 2	2	CEO in context	Average board experience with hiring following voluntary and involuntary successions	Average experience with an involuntary succession has a negative effect
Table 2	3	CEO in context	Average board experience with hiring following involuntary successions interacted with CEO dismissal	Average experience with an involuntary succession has a negative effect. No interaction effect
Table 2	4	CEO in context	Average board experience with hiring following voluntary successions interacted with CEO dismissal	Average experience with an involuntary succession has a negative effect. Experience following voluntary succession main effect becomes more significant and a positive interaction appears. The marginal effect of these outcomes is that experience still hurts following CEO dismissal
Table 2	5	CEO in context	Average board experience with hiring interacted with firm strategic similarity across boards	No effect
Table 2	6	CEO in context	Average board experience with hiring interacted with industry strategic similarity across boards	No effect
Table S1	1	CEO in context	Experience with hiring of the board chair	No effect
Table S1	2	CEO in context	Experience with hiring of the chairs of influential board committees	No effect
Table S1	3	CEO in context	The maximum experience of a single director on the board	No effect
Table S2a	1	CEO awards from media	Average board experience with hiring	Positive effect
Table S2b	1	Total managerial ability score over the CEO's tenure	Average board experience with hiring	No effect
Table S2b	2	Yearly average managerial ability score over the CEO's tenure	Average board experience with hiring	No effect



TABLE 4 (Continued)

Table	Model	Dependent variable	Main effect variable	Finding
Table S2b	3	Average of the yearly percentile of the CEO's managerial ability score	Average board experience with hiring	No effect
Table S2b	4	Count of the number of top 20 percentile finishes in the CEO's tenure	Average board experience with hiring	Negative effect
Table S2b	5	Count of the number of top 10 percentile finishes in the CEO's tenure	Average board experience with hiring	Negative effect
Table S3	1	CEO in context	Average board experience with hiring	Negative effect
Table S3	2	CEO in context	Average board experience with hiring interacted with the focal firm's resource allocation similarity to that of previous succession experience	No effect
Table S3	3	CEO in context	Standard deviation of board experience	No effect
Table S3	4	CEO in context	Time-weighted average board experience (more distant experience is weighted less)	Negative effect
Table S4	1	CEO dismissal	Average board experience with hiring	Average board experience with dismissal increases the likelihood of CEO dismissal
Table S4	2	CEO dismissal	Average board experience with hiring following voluntary and involuntary successions	Average experience with involuntary succession increases the likelihood of CEO dismissal Experience with a voluntary transition decreases the likelihood of CEO dismissal
Table S5	1	CEO in context	Average board experience using standard errors clustered around the CEO rather than the firm	Negative effect

boards may find it difficult to be effective. We also replicated research that directors with more experience firing CEOs are more likely to fire a subsequent CEO. This evidence, combined with our results regarding CEO performance, as measured by the CiC score, indicates that boards are learning something from their prior CEO succession experience, but those lessons do not appear to translate into better performance in CEO selection.

Second, our study contributes to the CEO succession literature. Our findings suggest that board experience with CEO replacement is associated with succession outcomes but that this association is negative. The economic magnitude of our findings is relatively small, however. Thus, we want to be careful not to overstate our findings. It does not appear that more experience with CEO succession is associated with boards making dramatically worse CEO selections. Instead, the magnitude of our findings suggests that greater experience with CEO succession leads boards to select new CEOs who perform worse and that this effect persists even if we look at the domain specificity of the prior experience or if we interact experience by industry strategic similarity or succession experience recency.

As one of the limitations of this paper, although we relied on CEO performance (e.g., CiC scores) and ran several robustness checks, accurately assessing CEO performance is difficult. Thus, it is appropriate to consider whether our findings are truly meaningful. Despite the limitations inherent in measuring CEO performance, we believe that there are several reasons supporting the validity of our findings. First, we find consistent negative effects on CEO performance. The CiC variable has been used in other studies and appears to be a valid measure of CEO performance; it has been found in other studies to have theoretical value and an ability to make meaningful predictions about CEO performance. In addition, in some of our supplementary analyses, we use an alternative measure of CEO ability developed by finance scholars. When using either of these measures, we find either no effect of prior experience on future CEO performance or a negative effect, depending on the particular specification of CEO performance.

Second, our replication of the findings from prior research relating to boards' experience with dismissals leading to more dismissals gives us confidence that our measure of experience is a reliable indicator of a board's experience with CEO succession outcomes and that it is predictive of other outcomes. This finding adds face validity to our study and suggests that our broader pattern of results may be generalizable. Finally, given that there is theory and evidence for arguments supporting both a positive and negative effect, we believe that our findings offer promising evidence that something is occurring. Otherwise, we would expect to find a null effect, yet our negative results are consistent and robust across different estimations.

In sum, our small but consistent results are notable and important. If, as governance scholars, we want to understand how boards influence their firms, we need an accurate picture of where and how boards can be effective and learn. These findings are crucial for connecting theory to practice. Indeed, our findings offer several promising directions for future research. First, future research can explore why prior experience with CEO succession may create the above patterns of superstitious learning. Why is it so hard to learn from experience in this context? One possibility is that, because markets are so dynamic, board members' experiences from participating in CEO succession processes do not transfer to a different context. Further, superstitious learning processes may occur because succession involves firm-specific matching, which does not generalize, as each firm and each succession process is unique.

Finally, it is important to note that we are not claiming that boards are negligent or inattentive. Our results suggest that CEO selection is extremely difficult and that directors appear to be trying to leverage their experience. By doing so, however, they may be inadvertently making



decisions that harm rather than help their firms. Thus, future research should explore director characteristics that may help ameliorate these effects. Future researchers could examine how other sources of complexity and variability across CEO succession may influence boards' ability to select CEOs.

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DATA AVAILABILITY STATEMENT

This paper's dataset is built on both open-source and proprietary data. The CEO Dismissal Dataset used to model board experience, CEO tenure and succession is available for free on Zenodo data repository (<https://zenodo.org/record/5348198>). The director, compensation, and company data are proprietary from BoardEx, Execucomp, and Compustat, respectively.

ORCID

Steven Boivie  <https://orcid.org/0000-0002-3811-1609>

Inn Hee Gee  <https://orcid.org/0000-0002-3356-4027>

Richard J. Gentry  <https://orcid.org/0000-0003-1157-7334>

Scott D. Graffin  <https://orcid.org/0000-0002-9687-9990>

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