

Executive Succession and Performance of European Listed Companies: The Mediating Role of ESG Performance

Accepted for publication in *Corporate Social Responsibility and Environmental Management*

Mamadou Ndione¹, Jonathan Bauweraerts², Elie Afolabi Felix³, Rimvie Enoc Kabore^{4,5}

¹IAE of Orléans, Orléans, France, ²University of Mons, Mons, Belgium, ³IAE of Dijon, University of Burgundy, Dijon, France, ⁴University of Caen, Caen, France, ⁵Daniel Ouezzin Coulibaly University, Dédougou, Burkina Faso

ABSTRACT

This article analyzes the impact of executive succession on the financial performance of European companies in the STOXX 600 between 1999 and 2022, incorporating the mediating role of ESG performance. The study is based on a generalized structural equation model with a time lag and shows that succession has no significant direct effect on financial performance. However, there is a positive indirect effect through ESG performance. This paradoxical result can be explained by a dual mechanism. On the one hand, succession tends to reduce ESG performance. On the other hand, high ESG performance has a negative impact on profitability. Managers therefore temporarily adjust their ESG policies in order to restore immediate profitability and stabilize market perception. The study contributes to the literature by articulating the logic of disruption, adaptation, and strategic arbitrage, and shows that post-succession performance depends less on the change in leadership than on the strategic adjustments made during the transition.

Keywords: corporate performance | ESG | executive characteristics | executive succession | generalized structural equation modeling (GSEM) with a time lag.

1 Introduction

Leadership succession, defined as the process by which a new leader takes the place of their predecessor to ensure organizational continuity (Georgakakis et al. 2025; Ballinger and Marcel 2010), is a critical moment of strategic reorientation (Bigley and Wiersema 2002). These transitions are likely to have a lasting impact on the financial performance of companies (Salvi et al. 2024; Colak et al. 2015), particularly in the case of listed companies, where they fuel uncertainty perceived by markets and stakeholders (Song 2023; Villalonga et al. 2025).

Despite an abundance of literature (Grusky 1960; Haveman 1993; Wiersema and Bantel 1993; Schepker et al. 2017; Salvi et al. 2024), the results concerning the link between leadership succession and performance remain mixed. Some studies highlight a negative

short-term impact (Grusky 1960; Haveman 1993), others emphasize positive effects linked to strategic renewal (Salvi et al. 2024), while several studies find no significant link (Schepker et al. 2017). This heterogeneity suggests that succession does not directly influence performance, but acts through intermediate mechanisms shaped by the decisions of the new leader. Among these mechanisms, ESG performance now occupies a central place, as it has become a key determinant of managerial legitimacy and a structuring indicator of value creation (Dadanlar and Abebe 2020; Jeong et al. 2021; Amore et al. 2019). Highly dependent on the successor's decisions, ESG performance is a privileged channel through which managerial transition translates into financial effects, as it informs stakeholders about the new leader's strategic priorities (Cambrea et al. 2025). In a context marked by uncertainty and the need for organizational adjustments, ESG performance simultaneously serves as a signal to the markets and a lever for strategic decision-making. The arrival of a new leader can thus represent a turning point that can accelerate or hinder ESG performance, and consequently amplify or mitigate the overall effect of succession on the firm's performance (Cabreros et al. 2024).

In line with this perspective, theories of disruption (Haveman 1993), adaptation (Wiersema and Bantel 1993), and legitimacy (Cyert and March 1963; Suchman 1995) help explain why ESG is a key lever in this transition phase. Succession periods open a window of strategic redefinition, offering new leaders the opportunity to review the trade-offs between profitability and institutional compliance. Faced with environmental and social pressures, they adjust their priorities (Wiersema and Bantel 1993) while seeking quick sources of legitimacy from stakeholders (Cyert and March 1963; Suchman 1995). In this context, ESG performance becomes a strategic indicator that helps stabilize the transition and signal the successor's ability to govern the company in accordance with prevailing norms. However, the mediating role of ESG performance in the relationship between succession and financial performance remains largely unexplored, despite recent calls to integrate these dynamics into the study of managerial transitions (Villalonga et al. 2025; Georgakakis et al. 2025). This research addresses this gap by examining the extent to which leadership succession influences the financial performance of listed companies and whether this relationship is mediated by ESG performance.

Based on analyses conducted using generalized structural equation models (GSEM) covering European companies in the STOXX 600 index between 2008 and 2022, this research makes several contributions to the literature. First, it offers an original contribution by jointly examining executive succession, the performance of listed companies, and ESG performance. While these dimensions have been extensively studied in isolation, linking them together provides a better understanding of how strategic decisions made following a leadership succession simultaneously influence the financial performance and ESG

performance of companies (Cabreros et al. 2024; Jeong et al. 2021). Second, this work responds to recent calls in the literature for a more in-depth analysis of the link between succession and performance by incorporating the role of ESG performance as a mediating mechanism (Sarfraz et al. 2020; Chulkov and Wang 2024; Chiu and Sharfman 2018).

The article is structured as follows. Section 1 reviews the literature, while Section 2 outlines the research methodology. The results and discussion are presented in Sections 3 and 4.

2 Literature Review

2.1 Executive Succession: Between Disruption, Adaptation, and Strategic Arbitrage

2.1.1 Succession as Organizational Upheaval

Leadership succession is a critical event in the life of a company, as it transforms internal balances, redefines strategic directions, and affects relationships with stakeholders (Georgakakis et al. 2025; Ballinger and Marcel 2010). The logic of upheaval, derived from organizational disruption theory (Grusky 1960), views succession as a rupture that can lead to disorganization, loss of bearings, and internal tensions. The departure of the incumbent leader challenges established routines and introduces a period of managerial uncertainty (Haveman 1993). This phase of disorganization can temporarily weaken the company's financial performance and slow down the improvement of ESG performance, which requires consistency, continuity, and organizational stability. ESG performance appears particularly vulnerable in this regard, as it reflects organizational and strategic investments that mobilize significant resources and produce delayed effects on financial performance (Georgakakis et al. 2025). However, disruption can also open up space for strategic renewal, conducive to innovation and the modernization of managerial practices (Chulkov and Wang 2024), thereby stimulating both financial and ESG performance.

2.1.2 Succession as a Process of Strategic Adaptation

Faced with this logic of disruption, adaptation theory emphasizes the ability of organizations to adjust their strategies to meet the demands of their environment while maintaining a certain continuity (Wiersema and Bantel 1993). Succession is then seen as a strategic opportunity to realign the company with its competitive environment. The successor brings new skills, fresh perspectives, and renewed priorities that can strengthen the organization's flexibility and capacity for innovation (Shen and Cho 2005). From this perspective, ESG performance is a key indicator of the strategic adjustments made by the new leader. The level of ESG performance may therefore vary according to the strategic priorities of the successor, who may choose to strengthen, maintain, or temporarily reduce it in order to reallocate resources to objectives deemed priorities, such as financial stabilization. ESG performance

thus appears to be an intermediate mechanism through which the adaptation choices made during succession translate into effects on financial performance.

2.1.3 Succession and the Quest for Institutional Legitimacy

Beyond internal dimensions, leadership succession has a strong external dimension linked to rebuilding the legitimacy of the successor. According to social legitimacy theory (Cyert and March 1963; Suchman 1995), leaders seek to align organizational behavior with stakeholder expectations in order to preserve their credibility. During periods of succession, this quest for legitimacy often relies initially on demonstrating managerial discipline and economic performance, which are particularly valued by short-term investors (Ahn and Park 2018). In this context, ESG performance may temporarily decline in order to refocus resources on financial objectives and restore profitability (Bousslah et al. 2018). ESG is therefore not only a symbolic instrument of legitimization but also a lever for strategic arbitrage, mobilized differently depending on institutional pressure and the priorities of the successor leader (Chiu and Sharfman 2018). These adjustments can indirectly influence financial performance without necessarily signaling a lasting disengagement (Georgakakis et al. 2025).

2.1.4 Toward an Integrated Theoretical Framework

These three perspectives—disruption, adaptation, and legitimacy—should not be viewed as competing theoretical frameworks, but rather as complementary approaches for analyzing different phases of post-succession dynamics. Disruption highlights the immediate instability caused by succession, adaptation emphasizes the strategic trade-offs made by the successor, and legitimacy sheds light on the institutional dimension of these choices. The articulation of these perspectives thus helps us understand why succession does not necessarily have a direct effect on financial performance, but acts indirectly via intermediate mechanisms such as variations in ESG performance.

3 Development of Hypotheses

Executive succession often leads to a redefinition of strategic priorities, organizational adjustments, and a phase of familiarization with the organization's internal operations by the new executive (Grusky 1960). This transition process is frequently accompanied by internal tensions and temporary disorganization related to the redefinition of leadership and the reconfiguration of management teams (Haveman 1993). The literature on organizational disruption theory shows that leadership replacement creates a period of instability during

which performance can be affected by resistance to change, adaptation costs, and the loss of decision-making routines (Rowe et al. 2005; He and Huang 2011; Georgakakis et al. 2025). However, succession is not limited to a phase of disruption. According to adaptation theory (Wiersema and Bantel 1993; Shen and Cho 2005), the arrival of a new leader can also promote the strategic alignment of the company with changes in its external environment. This process relies on the successor's ability to introduce new ideas, adjust strategic directions, and restore decision-making consistency, while maintaining continuity in core activities (Hambrick and Mason 1984; Karaevli 2007). Thus, post-succession performance depends not only on disruption or continuity, but on the ability to balance these two dynamics in a process of gradual adaptation (Meier and Schier 2012). From this perspective, succession can be interpreted, in light of social legitimacy theory (Cyert and March 1963; Suchman 1995), as a process aimed at restoring the stability and credibility of the organization among its stakeholders. The new leader must first stabilize the internal environment and then restore external confidence through signals consistent with institutional expectations (Ahn and Park 2018; Harjoto et al. 2020). However, this phase of strategic redefinition and external legitimization takes time before it produces measurable effects on financial performance (Villalonga et al. 2025). Thus, leadership succession does not systematically lead to an immediate improvement or deterioration in results. Rather, it marks a period of transition in which the potential effects of leadership succession are offset by the coexistence of opposing forces such as internal disorganization and strategic adaptation, but also disruption and legitimacy-seeking efforts. As these theoretical mechanisms produce potentially opposing effects, it seems appropriate to formulate a non-directional hypothesis regarding the direct effect of succession on financial performance. Based on these developments, we formulate the following hypothesis:

Hypothesis 1. Executive succession does not have a significant direct effect on a company's financial performance.

The departure of a CEO and the arrival of his or her successor lead to a redefinition of strategic priorities, often focused on internal stabilization and restoring financial performance (Ballinger and Marcel 2010; Georgakakis et al. 2025). This adjustment phase generally results in a temporary deterioration in ESG performance, as periods of managerial transition undermine the organizational coherence and strategic continuity necessary to maintain a high level of extra-financial performance (Haveman 1993). According to social legitimacy theory (Cyert and March 1963; Suchman 1995), managers seek to preserve their credibility by meeting stakeholder expectations. New leaders, who are in the process of learning and consolidating their authority, tend to refocus resources on financial objectives and temporarily reorient the organizational determinants that support ESG performance, which can result in a decline in observed ESG indicators (Rowe et al. 2005; Godfrey 2005).

Empirical studies confirm this phenomenon. Bouslah et al. (2018) show that periods of managerial transition are often accompanied by a decline in social and environmental responsibility indicators. Similarly, Choi and Wang (2009) and Deckop et al. (2006) emphasize that organizational instability and leadership turnover reduce the consistency of social responsibility policies, as priorities change and managerial continuity becomes fragile. Georgakakis et al. (2025) add that successors initially seek to impose their strategic vision and master internal mechanisms, which can lead to temporary variability in ESG performance levels. Thus, far from being an immediate catalyst for responsible transformation, leadership succession is primarily a phase of retreat into financial and organizational issues. ESG performance may then decline temporarily, while the new leader consolidates their power and rebuilds internal legitimacy. Only once this organizational stability has been restored can ESG performance levels be stabilized or improved. We therefore formulate the following hypothesis:

Hypothesis 2. Leadership succession negatively influences a company's ESG performance.

Companies are placing increasing importance on environmental, social, and governance issues in order to respond to institutional and societal pressures. However, academic literature remains divided on the economic effects of high ESG performance. Some studies highlight a positive or neutral relationship between ESG performance and financial performance, emphasizing the long-term benefits of risk reduction, reputation enhancement, and better alignment with stakeholder expectations (Margolis et al. 2007; Eccles et al. 2014). However, other studies show that these effects are conditional, delayed over time, and highly dependent on the organizational and strategic context. A high level of ESG performance is often interpreted as reflecting substantial organizational investments in environmental, social, and governance dimensions, which can generate significant economic costs that may reduce short- and medium-term profitability, particularly when companies face increased financial, organizational, or managerial constraints (Bouslah et al. 2018). High ESG performance may reflect significant organizational investments, which are likely to generate short-term costs and affect immediate profitability (Margolis et al. 2007; Chiu and Sharfman 2018). These investments include regulatory compliance, training, communication, and non-financial reporting, with no guarantee of a measurable economic return (Ghoul et al. 2017). Furthermore, financial markets do not systematically value high ESG performance, especially when it is perceived as the result of unproductive spending. In this sense, Eccles et al. (2014) show that even when they improve reputation, strategies leading to high ESG performance can slow profit growth due to the significant costs they generate. Similarly, Bouslah et al. (2018) and Naughton et al. point out that companies with high levels of ESG performance incur significant costs related to the reallocation of resources to projects with low immediate financial returns.

Such effects are particularly pronounced in unstable contexts, such as periods of succession where new leaders prioritize financial consolidation and performance (Georgakakis et al. 2025). Indeed, this transition creates organizational uncertainty that pushes successors to quickly secure profitability. In line with this logic, leaders often have to rationalize costs, reevaluate ongoing projects, and refocus resources on activities that generate immediate value (Ballinger and Marcel 2010). In such a context, ESG performance appears particularly sensitive to the trade-offs made during periods of succession, as these represent long-term commitments, mobilize significant resources, and produce delayed effects. New leaders therefore tend to defer or scale back these initiatives in order to control spending, stabilize the organization, and quickly generate visible financial gains (Rowe et al. 2005; Bouslah et al. 2018). This decline in ESG performance during succession periods can mechanically ease the cost pressure associated with sustainable investments, making the positive effects on short-term profitability more visible. In this specific context, high ESG performance can therefore constitute a particularly significant budgetary constraint, as it mobilizes resources that the new leader needs to secure immediate performance and assert their leadership. Based on these developments, we propose the following hypothesis:

Hypothesis 3. ESG performance negatively influences corporate financial performance.

Previous developments have shown that leadership succession can be accompanied by a decline in ESG performance, reflecting a managerial refocusing on financial priorities (Georgakakis et al. 2025). At the same time, the literature emphasizes that high ESG performance, while it can strengthen organizational legitimacy, is generally associated with significant costs related to compliance, communication, and governance (Margolis et al. 2007; Chiu and Sharfman 2018). These expenses reduce immediate profitability and divert resources from productive activities (Bouslah et al. 2018). In a context of leadership succession, characterized by increased uncertainty and heightened pressure from financial markets, successor leaders are encouraged to prioritize rationalization strategies aimed at quickly restoring economic performance. In this context, the decline in ESG performance observed following a change in leadership can promote improved financial performance. By limiting investment in sustainable initiatives, new leaders streamline costs and refocus resources on higher value-added activities. This partial disengagement is part of a logic of managerial efficiency and rapid restoration of profitability. This logic is consistent with strategic arbitrage theory, according to which managers temporarily adjust their priorities to optimize financial performance when resources are constrained. Thus, a decline in ESG performance is a strategic response aimed at restoring economic performance without permanently compromising the principles of responsibility. ESG performance therefore acts as a channel of economic mediation between succession and financial performance. Indeed, the decline in ESG performance induced by the managerial transition reduces

socially responsible investment costs and improves profitability. This dynamic reflects a trade-off between legitimacy and performance, where adjusting the level of ESG performance becomes a lever for short-term financial recovery. Based on these developments, we formulate the following hypothesis:

Hypothesis 4. ESG performance positively mediates the relationship between leadership succession and corporate financial performance.

4 Research Methodology

4.1 Data Collection Method

The sample was constructed in several successive stages. First, we extracted the list of companies comprising the STOXX 600 index from Refinitiv Eikon. Second, the companies were filtered according to their sector of activity, with companies in the financial sector being excluded from the analysis. Finally, given the availability of data, the final sample includes 406 companies across 24 sectors and 26 countries for the period 2008–2022. The sample constitutes an unbalanced panel comprising 6090 observations.

4.2 Measurement of Variables

4.2.1 Dependent Variable

The company's financial performance is measured using Tobin's Q, defined as the ratio of the market value of equity to the book value of assets. Tobin's Q is a particularly relevant measure in the context of executive succession, as it incorporates investors' expectations regarding the company's prospects and the new executive's ability to create value (Lang and Stulz 1994; Chung and Luo 2013; Ballinger and Marcel 2010). Unlike accounting indicators such as ROA or ROE, which mainly reflect past performance, Tobin's Q more quickly captures the effects of strategic decisions and signals sent to the market during periods of executive succession (Schepker et al. 2017). In addition, this measure is less sensitive to accounting choices, depreciation policies, and institutional differences between countries, which enhances its comparability across a large sample (Daniel and Titman 1997). Finally, in a theoretical framework drawing on the concepts of legitimacy and stakeholder perception, stock market valuation appears to be a key indicator of market reactions to strategic adjustments, particularly in terms of ESG (Suchman 1995; Ferrell et al. 2016; Ioannou and Serafeim 2015). The choice of Tobin's Q implies that the results should be interpreted primarily in terms of stock market valuation and market perception, rather than as a direct measure of short-term operational or accounting performance. This specificity reinforces the consistency of the results with our theoretical framework focused on the mechanisms of legitimacy, signaling, and investor reaction following a leadership succession. In addition, the use of a single market indicator, which is less sensitive to

accounting manipulations and institutional heterogeneity, contributes to the robustness of the results in a European context, while clearly delimiting the scope of interpretation of the conclusions.

4.2.2 Independent Variable

Executive succession is measured using a binary variable identifying changes in chief executive officer (CEO) leadership within the companies in the sample. This variable takes the value 1 when a change in CEO is observed during the year in question, and 0 otherwise. Information on the identity of the CEO and changes in management is taken from the Refinitiv database, which provides standardized, longitudinal data on the executives of listed companies. A change in leadership is identified when a change in CEO is recorded between two consecutive fiscal years, regardless of the reason for departure (voluntary, forced, retirement) or the origin of the successor (internal or external), in accordance with standard practices in the empirical literature (Bernard et al. 2018; Ballinger and Marcel 2010). This operationalization makes it possible to capture the organizational event of executive succession without making any a priori assumptions about its nature, as the objective of the study is to analyze its overall effects on ESG and financial performance from a dynamic perspective. This approach is consistent with previous work examining the aggregate effects of executive succession on the performance of listed companies.

4.2.3 Mediating Variable

ESG performance is assessed using the overall score provided by Refinitiv, which is recognized in the literature as a reliable indicator of the degree to which environmental, social, and governance issues are integrated into corporate strategy (Ioannou and Serafeim 2015; Eccles et al. 2014). This score, ranging from 0 to 100, provides a summary measure of the company's positioning on the three ESG dimensions and is a commonly used benchmark in empirical studies. Refinitiv applies sector normalization and weights the sub-indicators to produce a single composite score. Widely used in recent research (Ferrell et al. 2016; Ghoul et al. 2017; Villalonga et al. 2025), this score serves as an aggregate indicator of ESG performance.

4.2.4 Control Variables

Several control variables were included in order to more accurately isolate the effects of executive succession on company performance, whether financial or ESG. These variables reflect the individual characteristics of executives, whose influence on strategic direction, value creation, and sustainability commitment has been widely demonstrated in the literature. The gender of the executive, measured by a binary variable (1 = female, 0 = male), is a primary explanatory factor. Studies show that female executives often adopt more

participatory leadership styles and demonstrate greater sensitivity to ethical and social issues (Kennedy and Kray 2014; Dadanlar and Abebe 2020). This orientation can both strengthen the company's legitimacy in ESG-sensitive environments and positively influence its financial performance through better stakeholder management (Boulouta 2013; Byron and Post 2016). The age of the CEO is also taken into account, as the literature suggests that managerial behaviors evolve with the career cycle. Young executives are often oriented toward rapid growth and risk-taking (Hoskisson et al. 2002; Jensen 1986), which can boost financial performance, while older executives favor more cautious or reputation-focused policies, particularly through investment in ESG initiatives (Chowdhury and Fink 2017). Those in mid-career may, for their part, aim for a balance between economic performance and sustainable commitment (Cabrerros et al. 2024). The duality of functions (combining the roles of CEO and chair of the board), coded by a dichotomous variable (1 = duality, 0 = separation), influences governance mechanisms. This concentration of decision-making power can limit the effectiveness of internal control and increase the risk of managerial opportunism, thereby affecting financial performance and the quality of ESG governance (Chen et al. 2006). The length of the CEO's tenure, measured in years, is also included. A long term of office can lead to strategic inertia and aversion to change, hindering innovation and financial performance. Conversely, newly appointed executives often have an interest in promoting symbolic reforms, including in the ESG area, to assert their legitimacy and strengthen investor confidence (Zhang and Rajagopalan 2010). The level of education of the executive, treated as a binary variable, is an indicator of human capital. A higher level of education improves the ability to understand complex decisions and reconcile economic and social objectives (Manner 2010). CEOs with a background in humanities or environmental sciences are generally more sensitive to ESG issues, but this intellectual openness can also translate into better financial performance through more sustainable strategic choices (Huang 2013; Jeong et al. 2021).

Finally, the nationality of the executive is included as a control variable (1 = foreign, 0 = domestic). Foreign executives often bring international managerial experience and a better understanding of global sustainability and governance standards, which can simultaneously improve ESG and financial performance (Masulis et al. 2012; Giannetti et al. 2015). However, weaker institutional anchoring may limit their legitimacy among local stakeholders and hinder the effective implementation of their initiatives.

4.3 Econometric Method

The choice of the generalized structural equation model (GSEM) is based on several scientific and methodological considerations related to the nature of the data and the dynamic structure of the model studied. The data have a hierarchical panel structure, with

annual observations nested within companies and countries. GSEM allows the simultaneous estimation of interdependent equations while taking into account unobserved heterogeneity at the firm and national levels. In this framework, random effects are specified as latent variables, allowing for the explicit modeling of the dependence of observations within firms and countries, in accordance with a multilevel panel structure. The introduction of lagged variables imposes a strict temporal order between leadership change, ESG performance, and financial performance, thereby reducing the risks of simultaneity. However, while time lags limit contemporary reverse causality, they do not completely eliminate potential endogeneity issues. In particular, it is possible that past financial performance influences governance decisions, such as CEO replacement, which then affects ESG performance. To empirically examine this possibility, explicit reverse causality tests were performed, including temporal directionality tests integrated into the GSEM framework and panel Granger causality tests, presented in Appendix A. The results of these analyses support the causal order retained in the model. The results should therefore be interpreted as dynamically ordered relationships, supported by several robustness tests aimed at limiting the risks of reverse causality, without however claiming to establish strict causality in the experimental sense.

Second, this approach is particularly well suited to modeling complex mediating effects. It allows for the simultaneous estimation of the structural relationships linking leadership succession, ESG performance, and financial performance, in accordance with the diagram $CEO\ change_t \rightarrow ESG_{t+1} \rightarrow TobinQ_{t+1}$. This joint modeling avoids the estimation biases associated with sequential methods and provides a rigorous assessment of direct, indirect, and total effects (Hayes 2013; Preacher and Hayes 2008). Time lags further reinforce the causal identification of the model by imposing the temporal precedence of leadership change over ESG developments and their financial repercussions.

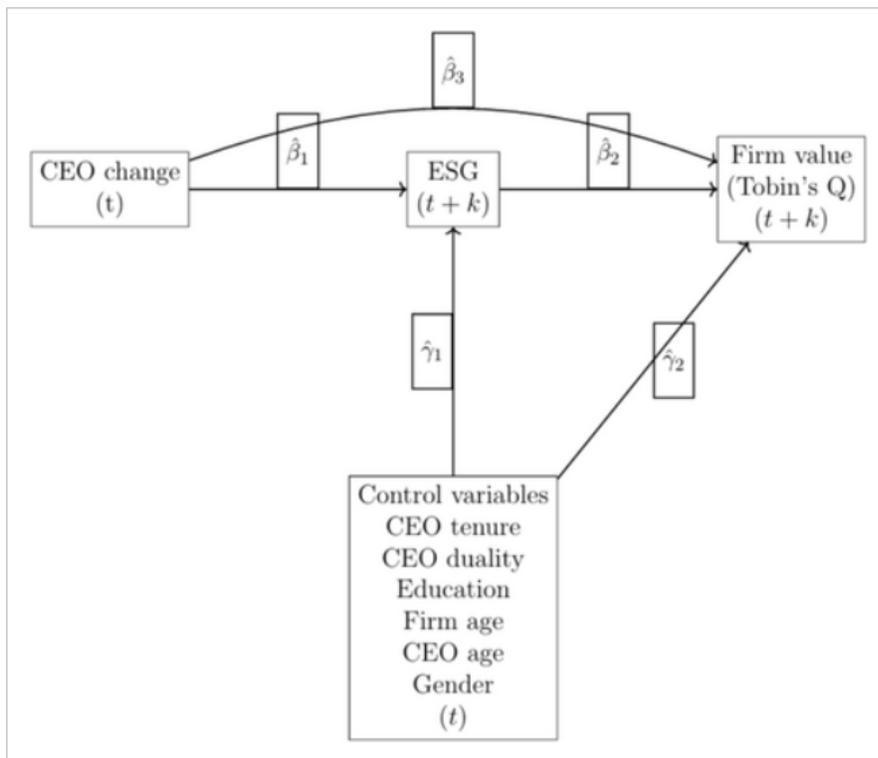
Third, ESG performance is considered a latent variable constructed from the Refinitiv score, which aggregates dozens of indicators organized into three dimensions: environmental (e.g., CO2 emissions, waste management, energy efficiency), social (e.g., working conditions, diversity, training), and governance (e.g., board composition, transparency, shareholder rights). The generalized structural equation model allows measurement errors to be explicitly incorporated into the structural equations, thereby improving the validity and reliability of the estimated coefficients (Kline 2015). With this in mind, random effects are specified as latent variables, which helps correct for biases related to partial or imperfect measurement of ESG dimensions.

Finally, data from management and ESG research often exhibit non-normal distributions due to the high concentration of firms with low ESG intensity or the asymmetry of financial

performance. GSEM uses robust estimators capable of producing accurate coefficients and reliable confidence intervals even in the presence of non-normality (Byrne 2012). These properties reinforce the empirical robustness of the model and the validity of the results obtained.

The use of structural equation models on financial panel data has become widespread in the empirical literature, particularly when the objective is to jointly model dynamic relationships, mediating mechanisms, and latent constructs. Previous work has demonstrated the relevance of SEM or GSEM frameworks for analyzing complex causal structures in the fields of corporate finance, governance, and sustainability, which cannot be adequately captured using single-equation estimation models (Bollen and Brand 2010; Allison et al. 2017; Jo et al. 2015; Velte 2019; Harjoto et al. 2021). By adopting a GSEM model with time lags, this study follows this established methodological approach and applies its best practices. Figure 1 presents the path diagram of the generalized structural equation model (GSEM) with lagged variables, illustrating the direct dynamic effects of leadership change on ESG performance and financial performance, as well as the indirect dynamic effect through ESG performance.

Figure 1. Path diagram of the GSEM model



5 Presentation of Results

5.1 Descriptive Statistics

The descriptive statistics for the variables studied are presented in Table 1. The financial performance of companies, measured by Tobin's Q, shows an average of 5.03 with a standard deviation of 14.48, revealing significant heterogeneity within the sample. This substantial dispersion reflects the coexistence of highly valued companies and others with more modest valuation levels, as evidenced by the presence of extreme values (maximum = 307.05). The distribution of Tobin's Q is highly skewed to the right, with the mean significantly higher than the median (1.70), confirming the non-normality of this variable. The average ESG score is 59.80 (out of 100), with a median of 62.10, suggesting that the majority of companies are at an intermediate level of environmental, social, and governance commitment, although a few firms have particularly low scores (minimum = 3.91).

In terms of the characteristics of executives, their average age is 53, and their average tenure is nearly 6 years, with notable disparities reaching up to 35 years. Analysis of categorical variables highlights a significant under-representation of women at the head of companies: only 4.58% of CEOs are women, compared to 95.42% who are men. In addition, approximately 26.28% of executives are foreign nationals, while 73.72% of firms are led by a national CEO. In terms of education, 71.13% of executives have a high-level degree, confirming the decisive role of human and academic capital in accessing the highest managerial positions. In terms of governance, 38.97% of executives hold the dual roles of chairman of the board and CEO, while 61.03% hold separate positions. In addition, 12.88% of the companies in the sample experienced a change in leadership during the period observed, reflecting relative stability in leadership. Finally, the average age of the companies is 48.53 years, with values ranging from 4 to 178 years, illustrating a wide diversity of organizational maturity within the sample.

Table 2 shows the correlations between the main variables in the model. Company performance is negatively correlated with the ESG score ($r = -0.1209$; $p < 0.001$). Tobin's Q also shows negative correlations with the age of the firm (FirmAge, $r = -0.0718$; $p < 0.001$) and the age of the CEO (CEOage, $r = -0.0576$; $p < 0.001$), as well as with CEO duality (CEOduality, $r = -0.0658$; $p < 0.001$). Conversely, the length of CEO tenure (CEOtenure) is not significantly correlated with performance. Regarding the relationships between explanatory variables, the ESG score shows a negative correlation with the CEO's term of office ($r = -0.1337$; $p < 0.001$) and a positive correlation with his age ($r = 0.0994$; $p < 0.001$). Finally, we note a relatively high correlation between certain managerial characteristics, particularly between age and term length ($r = 0.3539$; $p < 0.001$). We also assessed the risk of

multicollinearity within the econometric models. The variance inflation factor (VIF) was calculated for all explanatory variables (Table 2). As a general rule, a VIF greater than 10 is considered problematic, while values below 2 indicate no significant collinearity. The results show that individual VIF values range from 1.01 to 1.38, with an average of 1.12. These very low levels suggest that the variables included in the model are weakly correlated with each other and that there is no risk of multicollinearity that could affect the quality or stability of the estimated coefficients. Thus, the empirical results presented can be considered robust and statistically reliable.

Table 1. Descriptive statistics

Variables	Count	Mean	Std. Dev.	Min	Median	Max
TOBINQ _{t+1}	6057	5031	14.484	0.029	1.702	307.05
ESG _{t+1}	5440	59,796	18,578	3,910	62104	94.94
CEO tenure _s	6090	5959	5012	1000	5000	35.00
FirmAge _t	6090	48,531	38,958	4.000	33,000	178.00
CEO age _{years}	5683	53,007	6,776	26,000	53,000	82.00

	Modality	Code	Count	Frequency	Percent	Cumulative
GEOgender _t	Female	0	6090	279	4.58	4.58
	Male	1		5811	95.42	100
ForeignCEO _t	Same	0		4359	73.72	73.72
	Different	1	5913	1554	26.28	100
EducationCEO _t	Medium	0		1528	28.87	28.87
	High	1	5293	3765	71.13	100
CEO duality _t	No	0		3717	61.03	61.03
	Yes	1	6090	2373	38.97	100
CEO change _t	No	0		4953	87.12	87.12
	Yes	1	5685	732	12.88	100

Table 2. Correlation Matrix

Variables	1	2	3	4	5	6	7	8	9	VIF	1/VIF
1. TOBINQ _{t+1}	1.000									—	—
2. CEO change	-0.0174	1.000								1.17	0.854
3. ESG	-0.1209***	0.0166	1.000							1.06	0.939
4. CEO mandate	0.0265	-0.3786	-0.1337***	1.000						1.38	0.723
5. CEO duality	-0.0658***	-0.0335	-0.0284	0.1472	1.000					1.04	0.965
6. CEOeducation	0.0194***	0.0326	0.0137	-0.0454	-0.0636***	1.000				1.04	0.965
7. FirmAge	-0.0718***	-0.0093	0.1117	0.0431	-0.0431	0.1118	1.000			1.04	0.965
8. CEOage	-0.0576***	-0.1422	0.0994	0.3539	0.1198	0.0966	0.0045	1.000		1.20	0.831
9. CEOgender	0.0069	-0.0376	-0.0350	0.0525	0.0355	-0.0044	0.0490	0.0574	1.000	1.01	0.990

Note: ***: $p < 0.01$.

6 Regression Results

The results presented in Table 3 highlight the relationships between leadership change, ESG performance, and financial performance (Tobin's Q). The estimates show that CEO succession (CEOchange) has no significant direct effect on financial performance, suggesting that succession only impacts stock market valuation indirectly, through its repercussions on ESG performance. Our Hypothesis 1 is confirmed. The impact of leadership succession on ESG performance appears to be negative and significant in the initial specifications (F1: $\beta = -2.696$; $p < 0.001$; F2: $\beta = -1.648$; $p < 0.1$), before becoming insignificant in subsequent models (F3–F5). Our Hypothesis 2 is partially confirmed. These results suggest that leadership succession is initially accompanied by a decline in ESG performance, possibly linked to a period of transition or strategic redefinition following the change in management. However, this relationship weakens when the model controls for more organizational variables, indicating that the effect of leadership change on ESG performance is transitory and contextual, depending on the governance structure and profile of the new leader. In terms of financial performance, the results show that the ESG score has a negative and highly significant effect on Tobin's Q in all models ($\beta = -0.058$; $p < 0.001$). Hypothesis 3 is therefore confirmed. Analysis of the indirect effect of leadership change via ESG performance reveals a positive and significant effect in the initial specifications (F1–F3: $\beta = 0.09$ – 0.12 ; $p < 0.05$), which then diminishes without significant impact (F4–F5). Hypothesis 4 is therefore partially validated.

Among the control variables, several robust effects emerge. The seniority of the CEO (CEOmandate) is strongly and negatively associated with the ESG score in all specifications ($\beta = -0.76$; $p < 0.001$), confirming managerial inertia. Indeed, long-serving CEOs tend to exhibit lower ESG performance. The duality of the CEO tends to reduce ESG performance, although this effect is only significant in the most comprehensive models. The CEO's level of education has a negative and significant effect ($\beta = -1.41$; $p < 0.05$), suggesting that CEOs with higher degrees sometimes prioritize short-term financial objectives. The age of the firm (FirmAge) is also positively correlated with ESG performance ($\beta = 0.055$; $p < 0.001$), reflecting the ability of more mature companies to integrate institutional expectations regarding sustainability. Finally, the age of the CEO (CEOage) has a significant positive effect ($\beta = 0.45$; $p < 0.001$), indicating that older CEOs promote higher ESG performance, likely due to increased sensitivity to social legitimacy and reputational concerns.

To eliminate any endogeneity bias and ensure that our results are not the result of reverse causality, we perform two reverse causality tests. Reverse causality is first examined using a temporal directionality test based on lead specifications within the GSEM framework (see Table A1). Specifically, future financial performance is allowed to predict future ESG

performance. This approach assesses whether the proposed causal ordering could plausibly be reversed. Although we detect a statistically significant association between financial performance and subsequent ESG outcomes, the negative sign of the coefficient does not support a reverse-causality explanation whereby superior financial performance mechanically leads to improved ESG performance. Second, as an additional robustness check, we conduct panel Granger causality tests using a panel VAR framework (see Table A2). The results indicate that ESG performance Granger-causes financial performance, whereas the reverse relationship is not supported, further alleviating concerns regarding reverse causality.

Table 3. Generalized structural equation model with time leads-effect of CEO succession on financial performance.

	Model F1	Model F2	Model F3	Model F4	Model F5
Model 1. Dependent variable → ESG					
CEO change	-2.696*** (0.800)	-1.648* (0.915)	-1.092 (0.945)	-1.001 (0.988)	-1.126 (1.027)
CEO term	-0.797*** (0.064)	-0.792*** (0.067)	-0.769 (0.069)	-0.753*** (0.073)	-0.762*** (0.076)
CEO duality	-0.574 (0.562)	-0.673 (0.578)	-0.812 (0.594)	-1079* (0.615)	-1056* (0.636)
CEO education	-1.148* (0.601)	-1.273** (0.617)	-1.589 (0.621)	-1.411** (0.655)	-1.579** (0.674)
FirmAge	0.056 (0.007)	0.057 (0.007)	0.055 (0.007)	0.053 (0.007)	0.052 (0.008)
CEO age	0.482 (0.045)	0.475 (0.046)	0.451 (0.047)	0.431 (0.049)	0.416 (0.050)
CEOgender	-3.119** (1263)	-2.219* (1306)	-1.550 (1456)	-1.562 (1569)	-0.261 (1669)
Constant	42,869*** (2568)	43,241 (2633)	43,311 (2706)	45.329 (2703)	46.604*** (2871)

Model 2. Dependent variable → TOBINQ

ESG	-0.057 (0.009)	-0.056 (0.009)	-0.058 (0.009)	-0.059 (0.009)	-0.059 (0.010)
CEO change	-0.303 (0.497)	-0.671 (0.498)	-1.208 (0.509)	-0.051 (0.520)	0.149 (0.540)
CEO term	0.037 (0.037)	0.037 (0.037)	0.038 (0.038)	0.030 (0.039)	0.071 (0.040)
CEO duality	0.414 (0.414)	0.537 (0.315)	0.708 (0.317)	0.120 (0.324)	-1.345** (0.334)
CEO education	0.745 (0.745)	0.835 (0.835)	0.872 (0.872)	1.120 (0.345)	1.340** (0.355)
FirmAge	0.335 (0.080)	0.336 (0.080)	0.368 (0.082)	0.345 (0.345)	-0.016** (0.355)
CEO age	0.081 (0.018)	-0.076 (0.016)	-0.092 (0.017)	-0.065 (0.004)	-0.004 (0.004)
CEOgender	0.731 (0.736)	0.839 (0.739)	0.926 (0.742)	0.829 (0.828)	0.923 (0.877)
Constant	11.482*** (1482)	10.983 (1483)	10.566 (1487)	10.288 (1531)	10,445*** (1577)
Var(e.ESG)	290,107	284,182	276,198	270,111	260,685
Var(e.TOBINQ)	90,067	84,055	78,598	74,814	71,962
Indirect (CEO change→ESG→TOBINQ)	0.117 (0.054)	0.092 (0.053)	0.066 (0.066)	0.059 (0.059)	0.061 (0.061)

Notes: Note: This table tests the effect of CEO succession on financial performance using the generalized structural equation model with time lags. Columns 1 to 5 represent the case where the ESG or TOBINQ dependent variable, depending on the model, is lagged by 1–5 years, respectively. Standard errors are shown in parentheses. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$. Bold indicates significant values.

7 Discussion

Empirical analyses do not identify a significant direct effect of executive succession on financial performance. This result is consistent with the work of Ballinger and Marcel (2010) and Georgakakis et al. (2025), who consider succession not as an immediate operational shock, but as a transitional phase of organizational absorption. The initial instability it generates—disorganization, reallocation of responsibilities, strategic uncertainty—remains essentially internal and temporary. Financial markets evaluate performance based on consolidated signals rather than short-term internal adjustments. By the time strategic adjustments materialize, indicators remain largely unchanged. Succession therefore causes organizational disruption without producing a shock deep enough to instantly alter results. This observation articulates two theoretical logics. The logic of upheaval indicates a phase of real instability, but not intense enough to immediately affect performance (Grusky 1960;

Haveman 1993). The logic of adaptation suggests that both positive and negative effects only appear as new managerial equilibria stabilize and the successor's choices are implemented (Wiersema and Bantel 1993; Shen and Cannella 2002). The observed neutrality is therefore consistent, as performance responds to the adjustments that follow the event, not to the event itself (Schepker et al. 2017; Salvi et al. 2024).

The results also show that leadership succession negatively affects ESG performance. The arrival of a new leader is accompanied by a temporary decline in ESG performance, a phenomenon consistent with the disorganization inherent in transitions and the desire to refocus resources on economic priorities (Grusky 1960; Haveman 1993). This dynamic is consistent with the logic of upheaval, which temporarily reduces the ability to maintain long-term commitments such as ESG. The analyses also highlight a negative relationship between ESG performance and financial performance. This result, which contrasts with studies that postulate systematic value creation (Margolis et al. 2007; Eccles et al. 2014), can be explained by the structural costs associated with ESG investments, which can weigh on profitability (Chiu and Sharfman 2018). In the context of succession, these effects are accentuated by the pressure to perform, which encourages new managers to favor initiatives with immediate returns. ESG activities are then perceived as legitimate institutional expectations that are strategically secondary and tend to be kept to a minimum in order to preserve legitimacy without increasing expenditure. This interpretation is consistent with legitimacy theory (Suchman 1995), according to which managers adjust their behavior to meet stakeholder expectations and preserve their credibility.

The hypothesis concerning the mediation of ESG performance in the relationship between succession and financial performance reveals a seemingly paradoxical result. Succession reduces ESG performance, and ESG performance negatively affects financial performance, but the overall indirect effect is positive and significant. This configuration can be explained by the dynamics of adaptation. A temporary decline in ESG performance acts as a strategic adjustment that allows performance to be quickly restored during a period of intense evaluative pressure. Several studies show that disciplined reallocations made after succession, even when they result in a lower ESG score, help stabilize market perception by signaling resource rationalization and change management (Ahn and Park 2018; Villalonga et al. 2025). From a legitimacy perspective, the temporary reorientation of non-financial priorities can thus serve as a signal of disciplined governance and organizational stabilization, reinforcing the credibility of the successor. These results suggest that the act of succession itself is not the main determinant of post-succession financial performance. Rather, they highlight the central role of strategic adjustments made during the managerial transition phase. Succession thus appears less as an autonomous causal event than as an organizational context within which decisive strategic trade-offs are made, particularly in

terms of ESG. This interpretation challenges a strictly deterministic view of leadership, according to which the simple replacement of the leader is sufficient to explain variations in performance, and calls for a process-based approach to succession, focused on the dynamics of the decisions made in its aftermath.

In summary, leadership succession is organized around a tension between disruption, adaptation, and strategic decision-making. In this context, ESG performance is not associated with a direct positive short-term effect on performance but plays a role in the post-succession adjustment process. Its temporary reduction facilitates the rationalization of resources, stabilizes the organization, and consolidates the financial credibility of the new leader. ESG does not create immediate value but contributes indirectly to the transition from disruption to adaptation by promoting the restoration of managerial consistency and external confidence. Post-succession performance thus depends on economic results and the leader's ability to manage trade-offs while rebuilding institutional legitimacy, as analyzed by Margolis and Walsh.

8 Conclusion

The objective of this research was to analyze the impact of executive succession on the financial performance of listed companies, incorporating the mediating role of ESG performance. The results obtained offer several contributions to the literature. First, this study enriches the empirical debate on the relationship between executive succession and financial performance by highlighting a mediating mechanism that has been little studied, namely the effect of succession on financial performance via ESG performance. While the literature has mainly analyzed mediation mechanisms related to strategic reorientations (Wiersema and Bantel 1993), organizational restructuring, or changes in governance and managerial power (Shen and Cannella 2002), very few studies have considered the role of ESG in this process. The results reveal an apparently paradoxical positive indirect effect. Although succession temporarily reduces ESG performance and ESG performance is negatively associated with financial performance, the combination of these two relationships generates a positive indirect effect. This finding highlights a new sequential mechanism, suggesting that the temporary reduction in ESG performance may act as a lever for adaptation, enabling the CEO to rationalize resources, restore managerial consistency, and stabilize market perception. This dynamic also helps to reinforce the legitimacy of the successor by signaling their ability to manage the post-succession period. The integration of this mediating mechanism thus fills a gap identified in the literature by showing that ESG can structure managerial transition without constituting a direct lever for value creation.

Second, the study makes a significant theoretical contribution by developing an integrative framework that articulates the theories of disruption, adaptation, and legitimacy. While

previous research has generally used these frameworks separately, the analysis shows that they operate jointly to explain post-succession dynamics. The decline in ESG performance observed after a change in leadership is not only due to the organizational disruption highlighted by the logic of disruption (Grusky 1960; Haveman 1993), but also corresponds to an adaptation trade-off aimed at reallocating resources to immediate financial priorities (Wiersema and Bantel 1993). Furthermore, legitimacy theory (Suchman 1995) sheds light on the institutional dimension of these adjustments by showing that maintaining a minimum level of ESG performance helps to preserve the social acceptability of the CEO while demonstrating disciplined governance. By combining these three perspectives, the study proposes a unified framework for understanding the internal vectors through which succession indirectly influences financial performance, notably through initial disorganization, variations in ESG performance levels observed after succession, and the search for legitimacy in the post-succession period. From this perspective, the results invite us to reconsider the thesis of leadership determinism, showing that leadership succession does not directly affect financial performance, but acts indirectly through strategic trade-offs made during the transition. Leadership thus appears less as a determining factor in itself than as a catalyst for strategic decisions whose effects depend on the post-succession organizational and institutional context.

Based on the results, several practical implications can also be drawn for executives, investors, and stakeholders. The results show that succession has no direct financial effect but produces significant internal adjustments, which invites investors not to interpret executive succession as an immediate signal of value creation or destruction. These results suggest that boards of directors would benefit from viewing succession not as a one-off event, but as a strategic process requiring active support in the post-succession phase, particularly in the sequential management of ESG scores. It therefore seems essential for shareholders to focus more on monitoring the adaptation strategies implemented by the new CEO than on the succession event itself. For executives, the results underscore the importance of carefully managing trade-offs related to ESG performance. The temporary decline in ESG performance observed in the post-succession period can support short-term financial performance. It must therefore be accompanied by explicit communication about the reasons for and timeframe of these adjustments. Such transparency helps maintain legitimacy with stakeholders and prevents these reductions from being interpreted as a lasting disengagement. It therefore appears necessary for successors to signal how trade-offs related to ESG performance are part of a strategy of resource reallocation and organizational stabilization. For investors and analysts, the study calls for ESG dynamics to be incorporated into the assessment of leadership succession. The results show that changes in ESG performance are an important driver of post-succession performance. It is

therefore recommended to carefully examine how the leader readjusts the level of ESG performance, as these decisions shed light on their adaptation strategy, financial orientation, and ability to manage the period of upheaval. Finally, for boards of directors, the results suggest supporting new executives in gradually managing ESG performance levels rather than imposing immediate improvement. Flexibility within the ESG transition could thus promote both financial stabilization and the preservation of institutional legitimacy.

This study has certain limitations that open up promising avenues for further research. First, the use of secondary data limits access to the internal mechanisms that structure the phases of disruption and adaptation during a succession. Future research could use qualitative data (interviews with new leaders, internal transition analyses, longitudinal observations) to identify more precisely how strategic trade-offs are actually constructed, particularly in terms of ESG performance. Second, although the introduction of time lags in the generalized structural equation model helps to limit simultaneity issues and reinforce the temporal order of the relationships studied, it does not completely eliminate the risks of endogeneity. Future research could therefore further strengthen causal inference by using complementary approaches based on instrumental variables, exogenous shocks, or dynamic panel estimators, such as the system GMM estimator. Third, the aggregate measure of ESG performance does not allow us to distinguish between the specific effects of environmental, social, and governance dimensions. This limitation is particularly important in a succession process, where the manager may reduce certain dimensions of ESG performance but maintain or strengthen others depending on their trade-offs. Future studies could therefore use disaggregated scores to examine which ESG components are most sensitive to post-succession disruption and which contribute most to the adaptation phase. Finally, this research does not take into account organizational or behavioral variables that may influence the dynamics of post-succession adjustment. Future work could incorporate factors such as leadership style or organizational culture to understand how these elements facilitate or hinder the transition from disruption to adaptation, particularly with regard to trade-offs related to ESG performance.

References

- Ahn, S.-Y., and D.-J. Park. 2018. "Corporate Social Responsibility and Corporate Longevity: The Mediating Role of Social Capital and Moral Legitimacy in Korea." *Journal of Business Ethics* 150, no. 1: 117–134. <https://doi.org/10.1007/s10551-016-3161-3>.
- Allison, P. D., R. Williams, and E. Moral-Benito. 2017. "Maximum Likelihood for Cross-Lagged Panel Models With Fixed Effects." *Socius: Sociological Research for a Dynamic World* 3: 1–17.

Amore, M. D., M. Bennedsen, B. Larsen, and P. Rosenbaum. 2019. "CEO Education and Corporate Environmental Footprint." *Journal of Environmental Economics and Management* 94: 254–273. <https://doi.org/10.1016/j.jeem.2019.02.001>.

Ballinger, G. A., and J. J. Marcel. 2010. "The Use of an Interim CEO During Succession Episodes and Firm Performance." *Strategic Management Journal* 31, no. 3: 262–283. <https://doi.org/10.1002/smj.808>.

Bernard, Y., L. Godard, and M. Zouaoui. 2018. "The Effect of CEOs' Turnover on the Corporate Sustainability Performance of French Firms." *Journal of Business Ethics* 150, no. 4: 1049–1069.

Bigley, G. A., and M. F. Wiersema. 2002. "New CEOs and Corporate Strategic Refocusing: How Experience as Heir Apparent Influences the Use of Power." *Administrative Science Quarterly* 47, no. 4: 707–727. <https://doi.org/10.2307/3094914>.

Bollen, K. A., and J. E. Brand. 2010. "A General Panel Model with Random and Fixed Effects: A Structural Equations Approach." *Social Forces* 89, no. 1: 1–34.

Boulouta, I. 2013. "Hidden Connections: The Link Between Board Gender Diversity and Corporate Social Performance." *Journal of Business Ethics* 113, no. 2: 185–197. <https://doi.org/10.1007/s10551-012-1293-7>.

Bouslah, K., L. Kryzanowski, and B. M'zali. 2018. "Social Performance and Firm Risk: Impact of the Financial Crisis." *Journal of Business Ethics* 149, no. 3: 643–669.

Byrne, B. M. 2012. *A Primer of LISREL: Basic Applications and Programming for Confirmatory Factor Analytic Models*. Springer Science & Business Media.

Byron, K., and C. Post. 2016. "Women on Boards of Directors and Corporate Social Performance: A Meta-Analysis." *Corporate Governance: An International Review* 24, no. 4: 428–442. <https://doi.org/10.1111/corg.12165>.

Cabreros, D., G. De La Fuente, and P. Velasco. 2024. "From Dawn to Dusk: The Relationship Between CEO Career Horizon and ESG Engagement." *International Review of Financial Analysis* 93: 103200. <https://doi.org/10.1016/j.irfa.2024.103200>.

Cambrea, D. R., F. Quarato, G. M. D'Allura, and F. Paolone. 2025. "Driving ESG Performance: CEO Succession Impact in European Listed Firms." *Management Decision* 63, no. 2: 512–530. <https://doi.org/10.1108/MD-10-2023-2005>.

Chen, G., M. Firth, D. N. Gao, and O. M. Rui. 2006. "Ownership Structure, Corporate Governance, and Fraud: Evidence From China." *Journal of Corporate Finance* 12, no. 3: 424–448. <https://doi.org/10.1016/j.jcorpfin.2005.09.002>.

Chiu, S.-C., and M. Sharfman. 2018. "Corporate Social Irresponsibility and Executive Succession: An Empirical Examination." *Journal of Business Ethics* 149, no. 3: 707–723. <https://doi.org/10.1007/s10551-016-3089-7>.

Choi, J., and H. Wang. 2009. "Stakeholder Relations and the Persistence of Corporate Financial Performance." *Strategic Management Journal* 30, no. 8: 895–907. <https://doi.org/10.1002/smj.759>.

Chowdhury, J., and J. Fink. 2017. "How Does CEO Age Affect Firm Risk?" *Asia-Pacific Journal of Financial Studies* 46, no. 3: 381–412. <https://doi.org/10.1111/ajfs.12174>.

Chulkov, D., and X. Wang. 2024. "Corporate Social Responsibility and Types of CEO Turnover." *International Journal of Monetary Economics and Finance* 17, no. 2/3: 170–178. <https://doi.org/10.1504/IJMEF.2024.139052>.

Chung, C., and X. R. Luo. 2013. "Leadership Succession and Firm Performance in an Emerging Economy: Successor Origin, Relational Embeddedness, and Legitimacy." *Strategic Management Journal* 34, no.3: 338–357. <https://doi.org/10.1002/smj.2011>.

Colak, M., Z. Husain, and M. Dayan. 2015. "Some Antecedents, Moderators and Consequences of Market Orientation in International Joint Ventures." *Journal for Global Business Advancement* 8, no. 4: 436. <https://doi.org/10.1504/JGBA.2015.074030>.

Cyert, R. M., and J. G. March. 1963. "A Behavioral Theory of the Firm."

Dadanlar, H. H., and M. A. Abebe. 2020. "Female CEO Leadership and the Likelihood of Corporate Diversity Misconduct: Evidence From S&P500 Firms." *Journal of Business Research* 118: 398–405. <https://doi.org/10.1016/j.jbusres.2020.07.011>.

Daniel, K., and S. Titman. 1997. "Evidence on the Characteristics of Cross Sectional Variation in Stock Returns." *Journal of Finance* 52, no.1: 1–33. <https://doi.org/10.1111/j.1540-6261.1997.tb03806.x>.

Deckop, J. R., K. K. Merriman, and S. Gupta. 2006. "The Effects of CEO Pay Structure on Corporate Social Performance." *Journal of Management* 32, no. 3: 329–342.

Eccles, R. G., I. Ioannou, and G. Serafeim. 2014. "The Impact of Corporate Sustainability on Organizational Processes and Performance." *Management Science* 60, no. 11: 2835–2857.

Ferrell, A., H. Liang, and L. Renneboog. 2016. "Socially responsible Firms." *Journal of Financial Economics* 122, no. 3: 585–606. <https://doi.org/10.1016/j.jfineco.2015.12.003>.

Georgakakis, D., V. Souitaris, A. A. Cannella Jr., O. Kalogeraki, and G. Peng. 2025. "Changing Ideological Regimes: CEO Succession With Shift in Political Ideology and New CEO Early Departure." *Journal of Management Studies* 62, no. 7: 2734–2769.

Ghoul, S. E., O. Guedhami, and Y. Kim. 2017. "Country-Level Institutions, Firm Value, and the Role of Corporate Social Responsibility Initiatives." *Journal of International Business Studies* 48, no. 3: 360–385.

Giannetti, M., G. Liao, and X. Yu. 2015. "The Brain Gain of Corporate Boards: Evidence From China. The." *Journal of Finance* 70, no. 4:1629–1682.

Godfrey, P. C. 2005. "The Relationship Between Corporate Philanthropy and Shareholder Wealth: A Risk Management Perspective." *Academy of Management Review* 30, no. 4: 777–798.

Grusky, O. 1960. "Administrative Succession in Formal Organizations." *Social Forces* 39, no. 2: 105–115. <https://doi.org/10.2307/2574148>.

Hambrick, D. C., and P. A. Mason. 1984. "Upper Echelons: The Organization as a Reflection of Its Top Managers." *Academy of Management Review* 9, no. 2: 193–206.

Harjoto, M. A., I. Laksmana, and R. Lee. 2021. "Board Diversity and Corporate Social Responsibility." *Journal of Business Ethics* 171, no. 3:463–484.

Harjoto, M. A., I. Laksmana, and W. E. Lee. 2020. "Female Leadership in Corporate Social Responsibility Reporting: Effects on Writing, Readability and Future Social Performance." *Advances in Accounting* 49:100475.

Haveman, H. A. 1993. "Ghost of Managers Past: Managerial Succession and Organizational Mortality." *Academy of Management Journal* 36, no.4: 864–881. <https://doi.org/10.2307/256762>.

Hayes, S. C. 2013. *The Genuine Conversation*.

He, J., and Z. Huang. 2011. "Board Informal Hierarchy and Firm Financial Performance: Exploring a Tacit Structure Guiding Boardroom Interactions." *Academy of Management Journal* 54, no. 6: 1119–1139. <https://doi.org/10.5465/amj.2009.0824>.

Hoskisson, R. E., M. A. Hitt, R. A. Johnson, and W. Grossman. 2002a. "Conflicting Voices: The Effects of Institutional Ownership Heterogeneity and Internal Governance on Corporate Innovation Strategies." *Academy of Management Journal* 45, no. 4: 697–716.

Huang, S. K. 2013. "The Impact of CEO Characteristics on Corporate Sustainable Development." *Corporate Social Responsibility and Environmental Management* 20, no. 4: 234–244. <https://doi.org/10.1002/csr.1295>.

Ioannou, I., and G. Serafeim. 2015. "The Impact of Corporate Social Responsibility on Investment Recommendations: Analysts' Perceptions and Shifting Institutional Logics: CSR and Investment Recommendations." *Strategic Management Journal* 36, no. 7: 1053–1081. <https://doi.org/10.1002/smj.2268>.

Jensen, M. C. 1986. "Agency Costs of Free Cash Flow, Corporate Finance, and Takeovers." *American Economic Review* 76, no. 2: 323–329.

Jeong, N., N. Kim, and J. D. Arthurs. 2021. "The CEO'S Tenure Lifecycle, Corporate Social Responsibility and the Moderating Role of the CEO's Political Orientation." *Journal of Business Research* 137: 464–474. <https://doi.org/10.1016/j.jbusres.2021.08.046>.

Jo, H., H. Kim, and K. Park. 2015. "Corporate Environmental Responsibility and Firm Performance in the Financial Services Sector." *Journal of Business Ethics* 131, no. 2: 257–284.

Karaevli, A. 2007. "Performance Consequences of New CEO Outsiderness': Moderating Effects of Pre-and Post- Succession Contexts." *Strategic Management Journal* 28, no. 7: 681–706.

Kennedy, J. A., and L. J. Kray. 2014. "Who Is Willing to Sacrifice Ethical Values for Money and Social Status?: Gender Differences in Reactions to Ethical Compromises." *Social Psychological and Personality Science* 5, no. 1: 52–59. <https://doi.org/10.1177/1948550613482987>.

Kline, P. 2015. *A Handbook of Test Construction (Psychology Revivals): Introduction to Psychometric Design*. Routledge.

Lang, L. H., and R. M. Stulz. 1994. "Tobin's q, Corporate Diversification, and Firm Performance." *Journal of Political Economy* 102, no. 6: 1248–1280.

Manner, M. H. 2010. "The Impact of CEO Characteristics on Corporate Social Performance." *Journal of Business Ethics* 93, no. S1: 53–72. <https://doi.org/10.1007/s10551-010-0626-7>.

Margolis, J. D., H. A. Elfenbein, and J. P. Walsh. 2007. "Does It Pay to Be Good? A Meta-Analysis and Redirection of Research on the Relationship Between Corporate Social and Financial Performance." *Ann Arbor* 1001, no. 48109–1234: 1–68.

Masulis, R. W., C. Wang, and F. Xie. 2012. "Globalizing the Boardroom—The Effects of Foreign Directors on Corporate Governance and Firm Performance." *Journal of Accounting and Economics* 53, no. 3: 527–554.

Meier, O., and G. Schier. 2012. *Management du Changement: Changement Culturel et Organisationnel*. Dunod.

Preacher, K. J., and A. F. Hayes. 2008. "Asymptotic and Resampling Strategies for Assessing and Comparing Indirect Effects in Multiple Mediator Models." *Behavior Research Methods* 40, no. 3: 879–891.

Rowe, W. G., A. A. Cannella, D. Rankin, and D. Gorman. 2005. "Leader Succession and Organizational Performance: Integrating the Common-Sense, Ritual Scapegoating, and Vicious-Circle Succession Theories." *Leadership Quarterly* 16, no. 2: 197–219. <https://doi.org/10.1016/j.lea-qu.2005.01.001>.

Salvi, A., A. Tron, and F. Colantoni. 2024. "The Impact of CEO Turnover Firm Performance and Insolvency Risk—A Global Analysis." *Finance Research Letters* 62: 105093. <https://doi.org/10.1016/j.frl.2024.105093>.

Sarfraz, M., S. G. M. Shah, Z. Fareed, and F. Shahzad. 2020. "Demonstrating the Interconnection of Hierarchical Order Disturbances in CEO Succession With Corporate Social Responsibility and Environmental Sustainability." *Corporate Social Responsibility and Environmental Management* 27, no. 6: 2956–2971. <https://doi.org/10.1002/csr.2014>.

Schepker, D. J., Y. Kim, P. C. Patel, S. M. Thatcher, and M. C. Campion. 2017. "CEO Succession, Strategic Change, and Post-Succession Performance: A Meta-Analysis." *Leadership Quarterly* 28, no. 6: 701–720.

Shen, W., and A. A. Cannella Jr. 2002. "Revisiting the Performance Consequences of CEO Succession: The Impacts of Successor Type, Postsuccession Senior Executive Turnover, and Departing CEO Tenure." *Academy of Management Journal* 45, no. 4: 717–733.

Shen, W., and T. S. Cho. 2005. "Exploring Involuntary Executive Turnover Through a Managerial Discretion Framework." *Academy of Management Review* 30, no. 4: 843–854.

Song, X. 2023. "Gender-Based CEO Transitions: The Role of the Big Three." *Finance Research Letters* 52: 103581. <https://doi.org/10.1016/j.frl.2022.103581>. Suchman, M. C. 1995. "Managing Legitimacy: Strategic and Institutional Approaches." *Academy of Management Review* 20, no. 3: 571–610.

Velte, P. 2019. "The Bidirectional Relationship Between ESG Performance and Earnings Management." *Journal of Global Responsibility* 10, no. 4: 322–338.

Villalonga, B., P. Tufano, and B. Wang. 2025. "Corporate Ownership and ESG Performance." *Journal of Corporate Finance* 91: 102732. <https://doi.org/10.1016/j.jcorpfin.2024.102732>.

Wiersema, M. F., and K. A. Bantel. 1993. "Top Management Team Turnover as an Adaptation Mechanism: The Role of the Environment." *Strategic Management Journal* 14, no. 7: 485–504.

Zhang, Y., and N. Rajagopalan. 2010. "Once an Outsider, Always an Outsider? CEO Origin, Strategic Change, and Firm Performance." *Strategic Management Journal* 31, no. 3: 334–346.

Appendix A

Table A1. Reverse causality test based on temporality (lead structure), integrated into a GSEM model.

Variables	(1)	(1)	(1)	(1)	(1)
	F1_ESG	F2_ESG	F3_ESG	F4_ESG	F5_ESG
TOBINQ	-0.180*** (0.0281)	-0.187*** (0.0299)	-0.201*** (0.0317)	-0.211*** (0.0335)	-0.210 (0.0353)
CEO change	-2.124** (0.886)	-1.761* (0.911)	-1.236 (0.940)	-1.003 (0.982)	-1.073 (1.021)
CEO term	-0.776*** (0.0639)	-0.775*** (0.0666)	-0.755*** (0.0694)	-0.738*** (0.0724)	-0.739*** (0.0752)
CEO duality	-0.834 (0.561)	-0.933 (0.577)	-1.075* (0.593)	-1.351** (0.613)	-1.331** (0.634)
Education	-1.008* (0.598)	-1.107* (0.615)	-1.185* (0.631)	-1.162 (0.652)	-1.283* (0.672)
FirmAge_w	0.0526 (0.00681)	0.0533 (0.00700)	0.0513 (0.00719)	0.0491 (0.00741)	0.0479 (0.00765)
CEOage	0.463 (0.0451)	0.456 (0.0461)	0.432 (0.0471)	0.412 (0.0484)	0.395 (0.0495)
Gender	-2.957** (1.257)	-2.240* (1.354)	-1.343 (1.448)	-0.509 (1.553)	-0.0667 (1.659)
var(e.ESG)	286.2 (6.418)	281.2 (6.538)	273.6 (6.619)	266.8 (6.743)	257.5 (6.831)
Constant	44.50*** (2.567)	44.83 (2.632)	45.92 (2.702)	46.93 (2.788)	48.21 (2.866)
Observations	3977	3700	3418	3131	2843

*Notes: This table presents a temporal directionality (lead-based) reverse causality test integrated into the GSEM framework. The test is based on the principle that a variable cannot cause another variable in the future if it is not a systematic determinant of it. Columns 1 to 5 report specifications in which the ESG dependent variable is advanced by 1–5 years, respectively. Standard errors are shown in parentheses. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.*

Table A2. Granger causality test.

Variables	(1)	(2)		
	ESG	ESG	ddl	Prob > χ^2
L.ESG	0.867*** (0.0311)	TOBINQ	1	0.380
L.TOBINQ	-0.0220 (0.0251)	ALL	1	0.380
CEOchange	-0.919 (0.410)	ESG	1	0.774
CEO term	-0.262*** (0.0966)	ALL	1	0.774
CEO duality	-1.133 (0.841)			
Education	0.0623 (0.848)			
FirmAge_w	0.0509 (0.0796)			
CEOage	0.0501 (0.160)			
Gender	-4.711* (2.844)			
Observations	3786			

Equation (dependent variable)	Excluded variable	χ^2	ddl	Prob > χ^2
ESG	TOBINQ	0.769	1	0.380
ESG	ALL	0.769	1	0.380
TOBINQ	ESG	0.082	1	0.774
TOBINQ	ALL	0.082	1	0.774

Notes: This table reports panel Granger causality tests. H 0 : The excluded variable does not Granger- cause the dependent variable. H 1 : the excluded variable Granger- causes the dependent variable. Standard errors are shown in parentheses. ***p < 0.01, **p < 0.05, *p < 0.1.