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# SHAPING THE FUTURE: STRATEGIC CHANGE UNDER NEW CEO

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**ABSTRACT**

*CEO succession is an unavoidable event for organizations and is frequently seen as a critical milestone. Although extensive research has been conducted on CEO succession, relatively few studies have explored the impact of newly appointed CEOs' psychological traits on their organizations. This study focuses particularly on CEOs' future focus, examining how the future focus of newly appointed CEOs affects strategic changes following their appointment. Furthermore, this study posits that the positive relationship between a newly appointed CEO's future orientation and strategic change may not always be consistent. Specifically, it is expected that this relationship will vary depending on whether the new CEO is appointed from outside the firm and whether the firm has abundant slack resources. To test these hypotheses, this study uses secondary data from the U.S. S&P 1,500 manufacturing firms. Specifically, the sample consists of firms within the S&P 1,500 manufacturing sector that experiences CEO turnover between 2005 and 2016. Results show that newly appointed CEOs with a strong future focus are more likely to implement strategic change, and such relationship is stronger when newly appointed CEOs are outsiders and when the firm has sufficient slack resources.*

**Key words:** CEO Succession, CEO Future Focus, Outsider CEO, Slack Resources.

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# 1. INTRODUCTION

Chief Executive Officer (CEO) succession is an inevitable event for organizations and is often regarded as a significant turning point (Berns & Klamer, 2017). CEO succession serves as a fundamental factor in ensuring business continuity, garnering considerable attention from academia, the media, and business reports alike. Moreover, CEO transitions are relatively rare and involve unique, non-routine responsibilities, making them highly distinctive events (Kesner & Sebora, 1994). Given the critical role of CEOs within organizations, numerous prior studies have explored the impact of CEO succession on organizational outcomes. These studies have primarily focused on the event of CEO succession itself, the characteristics of newly appointed CEOs, and the outcomes resulting from such transitions (Cragun et al., 2016).

However, despite the breadth of research on CEO succession, relatively few studies have explored how the psychological characteristics of newly appointed CEOs influence their organizations. According to the upper echelons theory, the cognitive traits of newly appointed CEOs play a critical role in driving new strategic changes. Nevertheless, empirical research investigating the impact of the psychological mindset of newly appointed CEOs on post-succession strategic changes remains limited (Ndofor et al., 2009).

As such, this study focuses on the psychological characteristics of newly appointed CEOs, specifically their temporal focus, with particular attention to future orientation. Temporal focus refers to the degree to which individuals direct their attention toward the past, present, and future. According to prior research, temporal focus significantly influences human behavior and decision-making. Nadkarni and Chen (2014) argue that temporal focus plays a critical role in strategic decision-making because it encompasses essential elements such as past knowledge and experience, real-time information, and future predictions.

Among the dimensions of temporal foci, future orientation has been extensively studied as a key factor in anticipating and preparing for upcoming events. Future orientation is particularly significant because it informs decisions that proactively address future challenges and opportunities (Back et al., 2020; Yadav et al., 2007). However, not all individuals possess the same level of future orientation.

Norem and Illingworth (1993) argued that the tendency to anticipate future situations varies from person to person. While some individuals predict the future based on highly detailed scenarios, others do not exhibit the same propensity. Consequently, the degree of future orientation held by a CEO can significantly influence an organization's strategic decision-making and direction-setting.

Drawing from the upper echelon theory, this study aims to focus on the characteristics of newly appointed CEOs during the critical event of CEO succession. This study hypothesizes that the positive influence of new CEOs' future focus on strategic changes will vary depending on whether the newly appointed CEOs are an external hired and the extent of the organization's slack resources. Specifically, the current study investigates how new CEOs' future focus influences strategic changes following succession. In addition, this study suggests that the impact of a new CEO's strong future focus on strategic change varies depending on the origin of the new CEO (i.e., outsider CEOs) and the firm characteristic (i.e., slack resources).

This research contributes to the CEO succession literature by examining the psychological trait of the new CEOs, specifically new CEOs' future focus. While previous research has emphasized the importance of successor characteristics in driving strategic change after succession, little attention has been given to the influence of psychological traits. The results of this study indicate that a new CEO's future orientation can serve as an important motivational factor in driving strategic change. Put differently, exploring the internal mindset of the new CEOs provides deeper insight than relying solely on their demographic characteristics. In addition, this study theorizes that both the origin of new CEOs and the level of organizational slack resources act as moderating factors in the relationship between new CEOs' future focus and strategic change. Accordingly, the study not only highlights the influence of new CEOs' psychological traits on strategic change but also suggests that future-oriented new CEOs are more likely to pursue radical strategic shifts when they are appointed from outside the firm and when sufficient slack resources are available.

# 2. HYPOTHESES DEVELOPMENT

## 2.1 CEO temporal focus

Temporal focus is a psychological tendency that considers the time frame essential for decision-making, and it has recently garnered significant attention in various studies within the field of strategy. Temporal focus can be broadly categorized into past, present, and future orientations, reflecting the extent to which individuals allocate their attention to past, present, or future time periods (Nadkarni & Chen, 2014). In particular,

First, individuals with a strong past focus tend to base their decisions on accumulated experiences and knowledge from the past (Clark & Collins, 1993). Such individuals heavily rely on their prior experiences and knowledge during decision-making or learning processes. On the other hand, individuals with a strong present focus prioritize understanding the current situation and acting accordingly in their decision-making processes. They are highly inclined to seize opportunities presented to them in the moment through proactive actions (Shipp et al., 2022). Lastly, future focus reflects the degree to which individuals focus on events or situations that have not yet occurred (Yadav et al., 2007). Individuals with a strong future orientation tend to anticipate and forecast future scenarios during the decision-making process (Nadkarni & Chen, 2014). They are continuously aware of the possibility of new changes or opportunities and demonstrate a proactive ability to respond quickly to future environmental changes (Yadav et al., 2007).

Since CEO is the ultimate decision-maker who plans and implements corporate strategy, the CEOs' temporal foci have drawn increasing attention in management studie. For example, previous studies have shown that CEOs' temporal foci are key elements for firm's innovation (Nadkarni & Chen, 2014), investment decisions (Agnihotri et al., 2025), and interpretation of grand challenges (Fehre et al., 2023). Thess studies generally argue that CEOs with different temporal focus allocate their attention differently, characterized by a narrow scope of vision and selective interpretation of information. Although strategic management research has been argued that the importance of CEOs' temporal focus, little attention to the new CEOs' temporal foci.

## 2.2 New CEOs' future focus and strategic change

CEO succession drives strategic realignment, as newly appointed CEOs introduce fresh expertise and distinct political interests into strategic decision-making process. New CEOs are typically appointed with the expectation that they will successfully revitalize the organization (Georgakakis & Buyl, 2020). Additionally, the boards often view leadership change as the most promising path to improvement and therefore dismiss the incumbent CEO (Lant et al., 1992). As such, for newly appointed CEOs, effectively addressing these demands may hinge on possessing a forward-looking mindset.

Compared to low future focus CEOs, highly futuristic CEOs inclined to anticipate future opportunities and changes, striving to seize these opportunities earlier than others (Nadkarni & Chen, 2014). Newly appointed CEOs with a strong future focus are more likely to proactively respond to shifts in the external environment and remain aware of the continuous emergence of new opportunities. Strategic changes are considered essential for organizations to avoid obsolescence in rapidly evolving environments. In this context, newly appointed CEOs with a strong future focus are less likely to hesitate in driving strategic changes. Instead, they are more inclined to prioritize proactive strategic transformations to lead organizational change and capitalize on future opportunities.

**Hypothesis 1 (H1)**: New CEOs with a strong future focus are positively associated with post-succession strategic changes.

## 2.3 Moderating effect of outsider CEOs

According to the upper echelon theory, a CEO's tenure within both the firm and the industry serves as a key driver of strategic inertia (Finkelstein et al., 2009). Therefore, a new CEO's tenure in their current organization and industry reflects their psychological attachment to established practices and the scope of their strategic perspective.

When a new CEO is promoted from within the organization, it is likely that they have developed strong social networks throughout the organization. Paradoxically, these established networks may hinder the new CEOs' ability to fully express their personal beliefs, particularly those related to a future-oriented disposition. As a result, they may be less inclined to implement proactive strategic changes following their succession. In contrast, externally appointed CEOs tend to possess distinct characteristics. They often lack strong networks with the organization's senior management and other internal stakeholders.

This absence of embeddedness may, in turn, allow them greater freedom to utilize their future oriented mindset and actively lead strategic changes. Thus, externally appointed CEOs with a strong future focus are more likely to drive significant strategic transformations following their appointment.

Taken together, compared to new CEOs appointed inside, new outsider CEOs with a strong future focus are less connected to the current strategic direction of the company and its existing executives. Consequently, these future-oriented outsider CEOs are more likely to leverage their future-focused mindset to implement strategic changes.

**Hypothesis 2 (H2):** The positive impact of a newly appointed CEO's strong future focus on the degree of strategic change following succession will be stronger by outsider CEOs.

## 2.4. Moderating effect of slack resources

Slack resources are defined as “the stock of excessive resources available to an organization” (Voss et al., 2008: 148). These resources serve as a buffer, protecting firms from various risks and enabling them to pursue proactive strategic initiatives (Cyert & March, 1963). When resources are limited, managers are more likely to encounter challenges in implementing new strategic initiatives (Karaevli & Zajac, 2013). Conversely, sufficient slack resources provide managers with a “reactive bulwark” against potential threats (Danieal et al., 2004: 566). Accordingly, proponents of the resource-based view argue that managers need slack resources to effectively engage in innovative strategies (Sirmon et al., 2007).

This study posits that the positive relationship between a new CEO’s future focus and post-succession strategic change is amplified by the level of slack resources within a firm. When a firm has sufficient slack resources, new CEOs with a strong future focus are more likely to adopt an active approach in implementing radical strategic changes. Furthermore, sufficient slack resources may mitigate the risks associated with the execution of new strategies. In this context, having sufficient slack resources in a firm could help futuristic new CEOs to expand the potential scope of a course of action.

Taken together, since new CEOs with a strong future focus are inclined to anticipate future opportunities and changes earlier than rivals, insufficient slack can hinder the ability of new CEOs to initiate strategic changes. Thus, it is hypothesized that:

**Hypothesis 3 (H3):** The positive impact of a newly appointed CEO's strong future focus on the degree of strategic change following succession will be stronger by slack resources.

## 3. METHODS

### 3.1 Sample

The sample was initially selected from S&P 1,500 manufacturing firms during the period from 2005 to 2016. This study starts by identifying all CEOs within the sample period using ExecuComp database and each firm's annual reports. Next, firms that experienced CEO succession events during the research period were selected. Finally, to be included in sample, each firm needed to have CEO letter to shareholders available. Firms lacking CEO letters or financial information were excluded from the analysis. Finally, the final sample includes 385 CEO successions.

### 3.2 Variables and measurement

*Dependent variable*. The dependent variable is post-succession strategic changes. Strategic change has been defined in various ways such as the change in a firm's product and geographic diversification (Wiersema & Bantel, 1992). In this study, strategic change is defined as the changes in a firm's pattern of resources allocation by following Finkelstein and Hambrick (1990).

Specifically, strategic change is measured by using six key strategic indicators: (1) advertising intensity; (2) research and development intensity; (3) plant and equipment newness; (4) non-product overhead; (5) inventory levels; (6) financial leverage. The composite strategic change measure is calculated as follows: First, treating t as the succession year, the firm's three years (t-1 to t+1) variance is calculated for each strategic dimension. Next, the variance scores for each dimension were computed and standardized by the industry. Finally, the average of the six standardized values is summed to create a composite measure (Zhang & Rajagopalan, 2004).

*Independent variable***.** The independent variable is new CEO's future focus. Future focus is measured by adopting cognitive-linguistic perspective (Gamache et al., 2015), which posits that there is a high correlation between a person's mental representation and language he or she uses (Hart, 2014). Specifically, this study conducts a content analysis of each firm's CEO letters to shareholders written by the newly appointed CEO.

To measure future focus, future-oriented words list from Pennebaker et al. (2015) are used and the ratio of target worlds out of all words written in the letters are calculated by using Linguistic Inquiry and Word Count (LIWC) program.

*Moderating variables*. There are two moderating variables which are outsider CEO and slack resources. First, outsider CEO was coded as 1 if a new CEO is appointed by outside the firm, and 0 otherwise. Second, cash reserves are used to measure slack resources by following the previous studies (Arora & Dharwadkar, 2011; George, 2005). Cash is a highly flexible resource that managers can easily deploy, granting them greater flexibility and freedom in making strategic decisions (Sharfman et al., 1988). Thus, slack resources are measured as the natural logarithm of cash reserves because it is positively skewed.

*Control variables*. Several control variables that are closely related to a firm's strategic changes are included. Firm age is measured by years of operations since its foundation. Firm size is measured by calculating the logarithms of total sales. Debt ratio is calculated by debt divided by total sales. Also, the previous year's firm performance is controlled by calculating previous year's firm ROA.

Several new CEO characteristics such as CEO gender, CEO age, CEO compensation, and CEO duality are also included as control variables because newly appointed CEOs' characteristics significantly affect firm outcomes (Datta et al., 2003). CEO gender was coded as 1 if a new CEO is a male, and 0 otherwise. CEO age is measured by subtracting the focal year from the CEO's birth year and log-transformed to alleviate skewedness.

CEO compensation is measured as the logarithmically transformed total cash pay which is the sum of salary and bonus (Wade et al., 2006) because of its skewedness. Lastly, CEO duality is measured by creating a dummy variable. It is coded as 1 if the CEO of a given company is also chairman of its board, and 0 otherwise.

The board size is also included as control variable given that past research highlights the importance of the boards in strategic change as well as CEO succession (Datta et al., 2003). It is measured as the logarithmically transformed total number of active directors on the board. The length of CEO shareholder letter is controlled because it varies across firms (Yadav et al., 2007). The difference in the length of letters could also cause a difference in the representation of focus. As such, the length of CEO shareholder letters included as control variable. It is measured as the number of total words written in each firm's CEO shareholder letter, and log-transformed. The new CEOs' past focus and present focus are also controlled by conducting content analysis of CEO shareholder letters.

To measure each of past focus and present focus, the ratio of target words out of all words written in the letters are calculated by using the set of words list from Pennebaker et al. (2015). Lastly, to control for year and industry-specific heterogeneity, year dummy and industry dummy variables are included.

### 3.3. Statistical analysis

To test the hypotheses, Robust Ordinary Least Squares (OLS) regression which considers heteroskedasticity is employed (Zhang & Rajagopalan 2004). Within the study's sample, some firms experienced multiple CEO successions during the research period. To account for this, the Breusch-Pagan Lagrange Multiplier (LM) test was conducted to determine whether an OLS regression or a random effects panel regression model was more appropriate. The Breusch-Pagan LM test evaluates the null hypothesis that the OLS estimator is sufficient compared to the alternative random effects model (Breusch & Pagan, 1979). A low p-value rejects the null hypothesis, indicating that the random effects model is more suitable. The result shows that p-value is 1.000, failing to reject the null hypothesis. As such, this result indicates that the OLS model is more adequate statistical method to test hypotheses in this study.

## 4. RESULTS

Table 1 shows the means, standard deviations, and correlations of all variables.

**Table 1**. Descriptive statistics: Means, standard deviations, and correlations

| Variable | Mean | S.D. | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. Strategic changes | -0.042 | 0.427 | 1.000 | | | | | | | | | | | | | | |
| 2. Firm age | 4.070 | 0.808 | -0.013 | | | | | | | | | | | | | | |
| 3. Firm size | 7.997 | 1.501 | -0.127 | 0.232 | | | | | | | | | | | | | |
| 4. Debt ratio | 0.211 | 0.149 | 0.192 | 0.149 | 0.181 | | | | | | | | | | | | |
| 5. Previous year's firm performance | 0.048 | 0.099 | -0.167 | 0.057 | 0.231 | -0.228 | | | | | | | | | | | |
| 6. CEO gender | 0.948 | 0.222 | 0.008 | -0.029 | -0.110 | 0.052 | -0.018 | | | | | | | | | | |
| 7. CEO age | 3.968 | 0.124 | -0.020 | 0.086 | 0.119 | -0.065 | 0.067 | -0.057 | | | | | | | | | |
| 8. CEO compensation | 6.706 | 1.253 | -0.044 | 0.117 | 0.338 | 0.111 | 0.147 | 0.050 | 0.032 | | | | | | | | |
| 9. CEO duality | 0.265 | 0.442 | -0.038 | 0.065 | 0.243 | -0.025 | 0.093 | -0.037 | 0.223 | 0.099 | | | | | | | |
| 10. Board size | 2.205 | 0.256 | -0.026 | 0.209 | 0.548 | 0.251 | 0.094 | 0.005 | 0.022 | 0.173 | 0.118 | | | | | | |
| 11. Length of CEO shareholder letter | 7.109 | 0.906 | 0.041 | 0.165 | 0.073 | 0.115 | -0.025 | -0.069 | -0.058 | 0.021 | 0.078 | 0.167 | | | | | |
| 12. CEO past focus | 1.661 | 0.667 | -0.014 | -0.010 | -0.119 | -0.089 | 0.027 | -0.073 | 0.038 | -0.192 | 0.015 | -0.013 | 0.208 | | | | |
| 13. CEO present focus | 4.911 | 1.491 | 0.205 | 0.019 | 0.056 | 0.020 | -0.040 | -0.051 | -0.111 | -0.035 | -0.008 | 0.059 | 0.277 | 0.216 | | | |
| 14. Outsider CEO | 0.208 | 0.406 | 0.110 | -0.019 | -0.178 | 0.054 | -0.197 | 0.037 | 0.014 | -0.081 | -0.021 | -0.089 | -0.022 | 0.040 | 0.056 | | |
| 15. Slack resources | 5.346 | 1.945 | -0.145 | 0.059 | 0.669 | 0.000 | 0.240 | -0.021 | 0.117 | 0.224 | 0.176 | 0.300 | 0.010 | -0.128 | 0.086 | -0.129 | |
| 16. CEO future focus | 1.143 | 0.531 | 0.151 | 0.030 | -0.081 | 0.007 | -0.172 | -0.057 | -0.062 | -0.014 | -0.068 | -0.005 | 0.123 | 0.173 | 0.320 | 0.233 | -0.037 |

Notes: a. Correlations greater than |0.05| are significant at $p \le 0.05$ and those greater than |0.07| are significant at $p \le 0.01$.
b. Two-tailed coefficient test (N = 385).

**Table 2**. OLS regression

| | Model 1 | | Model 2 | | Model 3 | | Model 4 | |
|---|---|---|---|---|---|---|---|---|
| | β | S.E. | β | S.E. | β | S.E. | β | S.E. |
| Constant | -0.560 | (0.788) | -0.638 | (0.785) | -0.535 | (0.782) | -0.297 | (0.789) |
| Firm age | -0.019 | (0.029) | -0.025 | (0.029) | -0.027 | (0.029) | -0.031 | (0.029) |
| Firm size | -0.051** | (0.020) | -0.044+ | (0.025) | -0.044+ | (0.025) | -0.049* | (0.025) |
| Debt ratio | 0.608*** | (0.164) | 0.608*** | (0.165) | 0.634*** | (0.164) | 0.592*** | (0.163) |
| Previous year's firm performance | -0.313 | (0.238) | -0.169 | (0.245) | -0.167 | (0.243) | -0.190 | (0.243) |
| CEO gender | 0.007 | (0.010) | 0.020 | (0.099) | 0.023 | (0.099) | 0.025 | (0.098) |
| CEO age | 0.174 | (0.181) | 0.176 | (0.180) | 0.165 | (0.179) | 0.191 | (0.179) |
| CEO compensation | -0.008 | (0.019) | -0.012 | (0.019) | -0.014 | (0.019) | -0.009 | (0.019) |
| CEO duality | 0.011 | (0.053) | 0.021 | (0.052) | 0.018 | (0.052) | 0.023 | (0.052) |
| Board size | 0.078 | (0.104) | 0.072 | (0.104) | 0.083 | (0.104) | 0.082 | (0.103) |
| Length of CEO shareholder letter | 0.017 | (0.026) | 0.018 | (0.026) | 0.017 | (0.026) | 0.011 | (0.026) |
| CEO past focus | -0.029 | (0.035) | -0.042 | (0.035) | -0.042 | (0.035) | -0.043 | (0.035) |
| CEO present focus | 0.009 | (0.016) | -0.002 | (0.016) | 0.001 | (0.016) | -0.002 | (0.016) |
| Industry dummies | *Included* | | *Included* | | *Included* | | *Included* | |
| Year dummies | *Included* | | *Included* | | *Included* | | *Included* | |
| Outsider CEO | | | 0.039 | (0.056) | -0.238+ | (0.133) | 0.054 | (0.056) |
| Slack resources | | | -0.002 | (0.016) | -0.001 | (0.016) | -0.065* | (0.028) |
| CEO future focus | | | 0.113* | (0.045) | 0.050 | (0.052) | -0.176 | (0.012) |
| CEO future focus × Outsider CEO | | | | | 0.212* | (0.093) | | |
| CEO future focus × Slack resources | | | | | | | 0.055** | (0.020) |
| $R^2$ | 0.061 | | 0.074 | | 0.085 | | 0.090 | |
| Number of observations | 385 | | 385 | | 385 | | 385 | |

Notes: Two-tailed coefficient test; Regression coefficients are reported with standard errors in parentheses.

$^{\dagger} \le .10$, $^{*} \le .05$, $^{**} \le .01$, $^{***} \le .001$

Table 2 presents the results of OLS regression analysis. As shown in Table 2, Model 1 is the baseline model that includes only control variables. Model 2 shows the main effect of CEO future focus and strategic change, testing Hypothesis 1. Hypothesis 1 predicts that the positive relationship between new CEOs' future focus and post succession strategic change. As shown in Model 2, the new CEO future focus is positively related to strategic change ($\beta = 0113$, $p \le 0.05$).

Hypotheses 2 and 3 predict that the interaction effect of outsider new CEO and slack resources. Hypothesis 2 suggested the positive relationship between new CEO future focus and strategic change is strengthened by outsider CEO. As predicted, Model 3 in Table 2 shows that when the new CEOs initiate more radical strategic change after succession when new CEOs are outsiders ($\beta = 0.212$, $p \le 0.05$).

Therefore, Hypothesis 2 is supported. The plot of this interaction is displayed in Figure 1, presenting that future-oriented new CEOs are more likely to implement radical change when the new CEOs are outsiders.

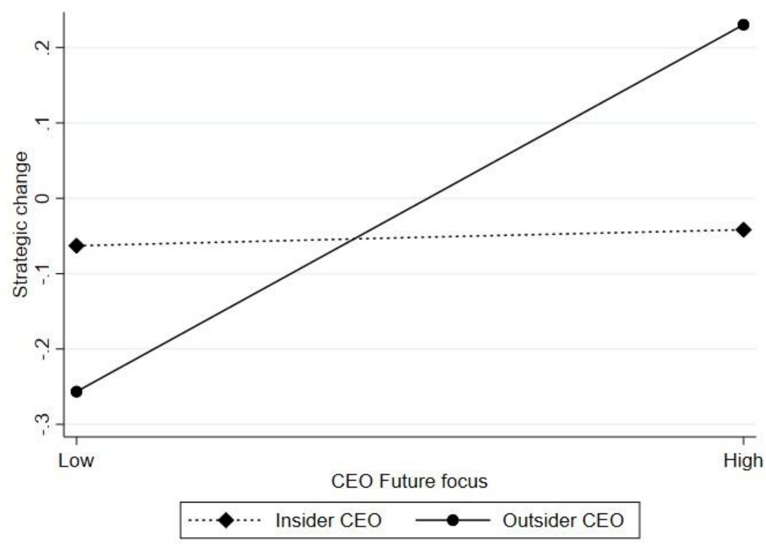


**Figure 1.** Moderating role of outsider CEO on post-succession strategic change

Model 4 presents the moderating role of slack resources, testing Hypothesis 3. Hypothesis 3 posits that the positive relationship between new CEO future focus and strategic change is stronger when the firm has sufficient slack resources. As predicted, the interaction term in Model 4 is positive and significant ($\beta = 0.055$, $p \leq 0.01$). In Figure 2, the positive relationship between new CEO future focus and post-succession strategic change is more strengthened when the firm has enough slack resources.

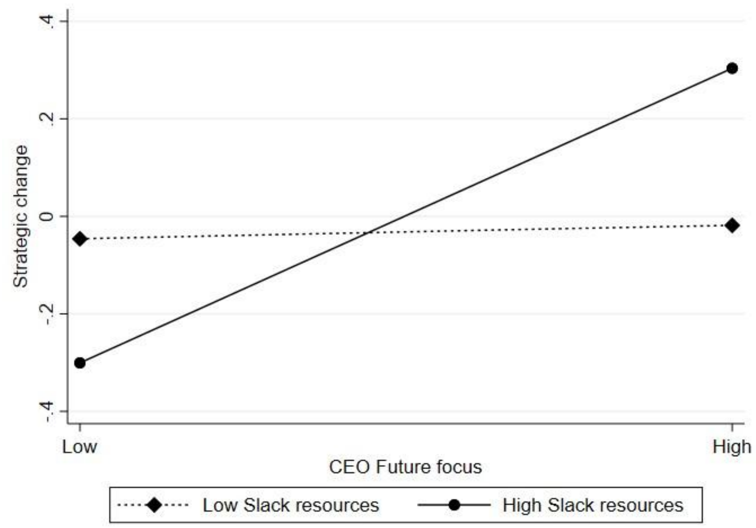


**Figure 2.** Moderating role of slack resources on post-succession strategic change

## 5. DISCUSSION

CEO succession is relatively rare and involves unique, non-routine responsibilities, making them highly distinctive event. Although various prior strategic management studies emphasized the importance of the impact of CEO succession to the firm, relatively less examined the new CEO's psychological characteristics. To fill this gap, this study argues that new CEOs' psychological trait, especially future focus, is an important antecedent of post-succession strategic change.

The empirical results of this study show that highly future-oriented new CEOs are more likely to implement radical strategic change. This result indicates that future-focused new CEOs are more likely to put their attention on long-term goals and future expectations, and they put more importance to seize opportunities by making decisions that proactively address future challenges. In addition, this study further examined the moderating effect of outsider CEO and slack resources. The result shows that the positive relationship between new CEO's future focus and strategic change is stronger when the new CEOs are outsiders. This result indicates that new CEOs with a strong future focus are more likely to implement radical strategic changes when they are appointed from outside the firm. This study also found that new CEOs with a strong future focus are more likely to implement radical strategic changes when there are sufficient slack resources. This finding supports resource-based theory, suggesting that the new CEOs with a strong future focus require slack resources to implement risk-involved strategic decisions.

This study makes several important contributions. First, the findings of this study extend the line of CEO succession literature by focusing on the new CEOs' psychological traits (i.e., future focus). Although past studies have argued that new CEOs' characteristics play a key role in post-succession strategic change, few studies have investigated the impacts of new CEOs' psychological traits on the post-succession strategic change. The results of this study suggest that new CEOs' future focus could be an important motivational disposition. In other words, understanding new CEOs' internal mindsets can offer more insight than simply understanding the successors' demographic characteristics. Second, this study suggests that the origin of newly appointed CEOs and the extent of organizational slack resources play moderating role in the linkage between new CEOs' future focus and strategic change. Because new CEOs often have limited internal experience, outsider CEOs can introduce fresh strategic perspectives that may enhance the organization's capacity to implement bold and transformative strategic changes.

Furthermore, future-focused new CEOs are more likely to initiate radical strategic change when sufficient organizational slack resources are available. These findings imply that both the origin of new CEOs and the slack resources serve as reinforcing motivators enabling future-oriented new CEOs to initiate strategic change.

## LIMITATIONS

Although the findings have several meaningful contributions, this study is not free of limitations. First limitation concerns the measurement of CEO future focus. Although this study considered the new CEO's psychological characteristics (i.e., future focus) by conducting content analysis of CEOs' annual shareholder letters, this measurement could not fully capture new CEOs' internal characteristics. Although the CEO letters are assumed to be written by the CEO, there is still a possibility that others may have coached or ghostwritten the letters instead of the CEO. Thus, future studies should attempt to develop other instruments to measure CEOs' psychological traits. Second, CEOs generally do not make decisions of strategic change on their own. Rather, they rely on TMT members and other non-executives in a firm for advice. Thus, both CEO and the entire TMT turnover need to be considered in CEO succession studies because change in the TMT might be a key indicator of strategic change in a firm. Therefore, future studies need to consider how TMT impacts on the new CEOs' propensity to implement strategic change. Third, this study did not fully capture the impact of predecessors on new CEOs. Several studies have argued that the characteristics of predecessors could have an important impact on new CEOs (Zajac & Westphal, 1996). Therefore, future studies need to control various traits of predecessors. The last limitation is regarding the sample used in this study. This study only considered the firms that operated in the United States. Since the United States is a well-developed country, it is important to examine the impact of CEO succession in different settings. Additionally, this study only examined large publicly traded firms in the United States. However, small firms may undergo different experiences in the event of CEO succession because small firms generally have a more flexible organizational structure. As such, new CEOs with a strong future focus for a small firm may able to manage the firm more easily.

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