WHY LIFE IS SHORT AS KING OF THE HILL

A QUALITATIVE INVESTIGATION OF THE CAUSES OF THE INCREASED CEO TURNOVER IN SWEDISH LARGE CAP COMPANIES DURING THE TIME PERIOD OF 2015–2020

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Abstract

During the last years, CEO turnover has increased considerably. In 2018, the turnover rate reached an all-time high, and the trend is especially evident in Sweden. Although the consequences of involuntary CEO changes are serious, the causes of the phenomenon have not been investigated before. Consequently, this thesis takes a qualitative approach toward the causes of the increased CEO turnover in Swedish Large Cap companies during the time period of 2015–2020. The study was conducted through 12 interviews with chairs and board members of Swedish Large Cap companies that have undergone involuntary CEO changes within the set time frame. Corporate governance theory, together with open systems theory, was used to analyze and contextualize the causes presented by the respondents. The findings demonstrate that both external and internal causes impact the decision of CEO dismissal. New external factors, including higher demands for transparency and tighter legislation, aggravates internal factors. This results in a higher speed of change, which increases the need to change strategy and leadership. Simultaneously, the external factors increase the demands on the CEO, which causes the CEO to lose energy and the CEO's performance to deteriorate. As a result, the board loses confidence in the CEO's ability to fulfill the agreement and ultimately dismisses the CEO. The thesis reveals that CEO dismissals are more complex than solely personal characteristics, and contributes by increasing understanding on how to avoid recruiting the wrong person or having to dismiss a newly recruited CEO after a short period of time.

Keywords: *CEO turnover, Involuntary CEO change, CEO dismissal, Corporate governance, Open systems theory*

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Definitions

Expression	**Definition**
CEO	Chief Executive Officer. CEOs in Sweden do not fall under the general employment protection law (Lagen om anställnings- skydd) and therefore negotiate contracts containing, among other things, notice period and severance pay. Termination of the contract can be done by either the CEO or the board (Ledarna, 2020).
The board	Board of Directors. Responsible for hiring and firing the CEO. The board does not need to have a reason for terminating the contract (Ledarna, 2020).
Large Cap company	Listed company with a market capitalization of € 1 billion or more (Avanza, 2020).
CEO turnover	In this thesis it is used to describe the proportion of CEOs that quit, expressed in percent or fractions.
Involuntary CEO change	Termination of the contract between a CEO and the board at the request of the board, including the CEO being explicitly fired or having to leave the company the same day.
Voluntary CEO change	Termination of the contract between a CEO and the board due to resignation, retirement, contract time ending, death[1] new position within the company, new position at another company and other reasons that do not fall under "Involuntary CEO change".
Professionalization	Professionalization is the process by which a socially significant occupation organizes itself to ensure its practitioners perform their services well and thereby earn a larger share of societal respect and reward (Pederson, 2005).

[1] Voluntary since it is not a choice of the board.

Table of Contents

1 Introduction

1.1 Background

The role of the CEO is like no other in an organization. The person is ultimately responsible for every decision, of not only themselves, but for every employee of the company (Farkas, Wetlaufer, 1996). It is a role that concerns managing the day-to-day business in accordance with prevailing laws (Ledarna, 2020). Over the last couple of years, the number of reports regarding companies changing CEO has increased substantially. The reporting concerns companies of all sizes, in various industries (Strategy&, 2019) and relates to both voluntary and involuntary CEO changes (Sahadi, 2019).

Already in the first decade of the 21st century, Kaplan & Minton (2011) identified a trend of shorter CEO tenures, and in 2018, the rate of CEO turnover in the world's 2,500 largest companies reached record high 17.5 % (Strategy&, 2019). In Sweden, the phenomenon is particularly prevalent, and will therefore be the focus of this thesis. In 2015, almost 50 % of the 32 largest listed companies in Sweden changed CEO (Bränström, 2016), many of which were given extensive attention by the public. Swedbank's CEO change was a highly reported case during 2019, in connection to their money laundering scandal. As a result of the involuntary turnover, the share fell massively and the board, employees and owners were all affected (Phillips, Molne & Triches, 2019).

Involuntary CEO changes, like the one at Swedbank, are more costly than voluntary changes. A report from Strategy& (2015) shows that involuntary CEO changes, on average, destroys SEK 15 billion more in shareholder value compared to voluntary CEO changes. These numbers and the fact that CEO turnover is increasing spark several questions: How come there are so many CEO changes? Has the role of the CEO changed? Are external factors influencing? With this in mind, this thesis intends to investigate the reasons behind the growing number of CEO changes in Sweden.

1.2 Previous Research and Research Gap

The description in the previous section reflects a new phenomenon. Previous research has confirmed that the rate of CEO turnover has increased, both internationally and in Sweden (Lausten, 2002, Kaplan, Minton, 2011, Lundmark, Nachtweij, 2017). The process of a CEO turnover can be visualized as:

Causes → CEO change → Consequences

Several *consequences* of CEO changes have been mapped out (Egholm, Nordström, 2011), although, they are contradictory. Beatty & Zajac (1987) found that the announcement of CEO changes decreases company value. Huson, Malatesta & Parrino (2004) however, found that CEO changes give positive performance changes. This is in line with the findings of Bonnier & Bruner

(1989). A third consequence, no average share reaction, is promoted by Warner (1988). Friedman & Singh (1989) argue that involuntary CEO changes generate positive market reaction if the company has experienced poor performance prior to the change. In contrast, Lubatkin et al. (1989) found that investors reacted better to CEO changes if the pre-change performance was praised. Focusing on Sweden, Egholm & Nordström (2011) found that voluntary CEO changes generate positive, abnormal share returns of 0,57 % the first day after announcement. Underperforming companies however, were found to generate a negative influence of -0,84 % on share return on the day of announcement. The consequences have thereby been widely explored. Despite the contradictory results, it can be stated that CEO changes can have large consequences.

The *causes* of CEO changes are not as explored. Furtado & Karan (1990) presented weak company performance and severe financial distress as two of the causes of CEO change. Boeker (1992) examined scapegoating and found that voluntary CEO change is not affected by board structure, ownership nor performance. Further, the probability of CEO change decrease for companies with below average performance, greater CEO ownership, dispersed ownership and greater amount of internal board members (Boeker, 1992). The age of CEOs has also been connected to the rate of CEO turnover. The probability of a CEO change increases with 12 % for every additional year of age (Norrman, Svensson & Thell, 2005). Size of the company is another parameter that has been studied, but was found to not influence the choice of CEO changes. The same study concluded that top management changes often are consequences of internal or external crises (Schwartz, Menon, 1985). These previous studies have focused on quantitative approaches and do not contribute to the understanding of why CEO turnover increases.

More recent popular science argues that causes of the increased CEO turnover rate relate to the fact that steady growth in performance is not enough. Boards are holding CEOs responsible in ways that were not seen a decade ago, and media is reporting on their every move (Melin, 2018). The voluntary changes are also influenced by the increasing quit rate in general (Mutikani, 2019), as can be seen in figure 1 below.

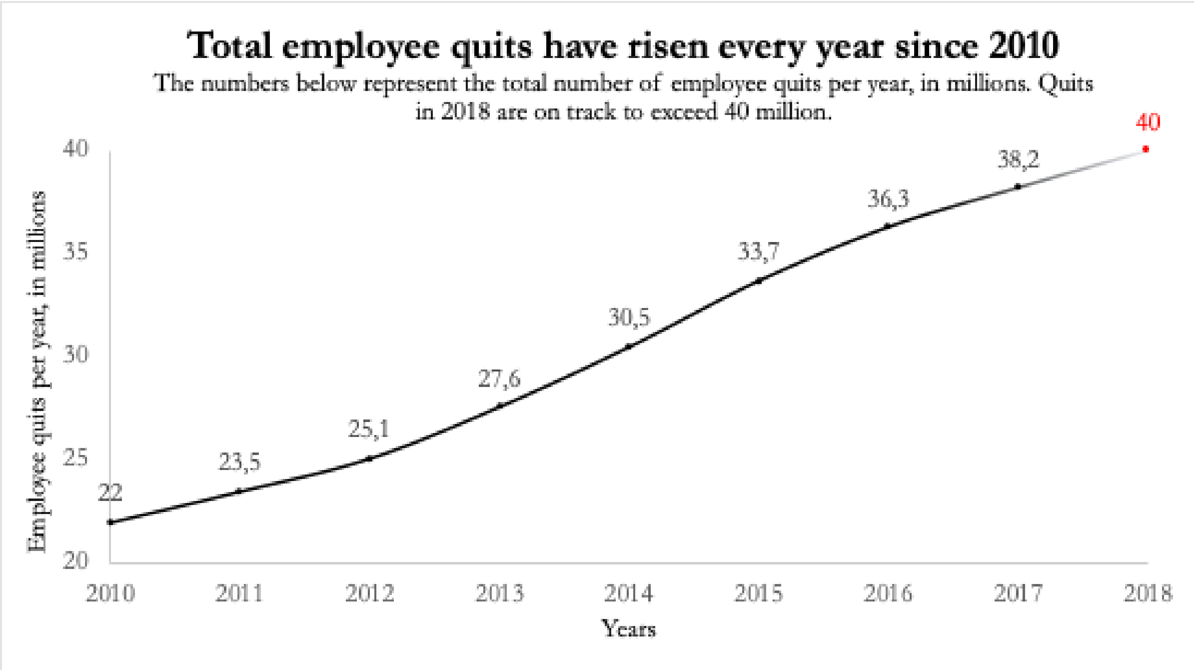

Figure 1: Visualization of the total employee quits in the USA since 2010 (Maurer, 2018).

Many leave their jobs with confidence that they will find a new job (Abed, 2018). Another factor might be the aspect of salary. “The average increase in compensation for a worker who quits one job for another is about 15 percent, according to Brian Kropp, group vice president of the HR practice at global research and advisory company Gartner.” (Maurer, 2018). However, there are no such explanations for the increase in involuntary CEO changes, and consequently a research gap.

1.3 Purpose and Research Question

Since involuntary CEO changes are costly, affect many and occur to a greater extent than before, the authors regard all research within the field valuable. Whilst previous research has looked at the consequences of CEO changes rather than the causes, the causes has mainly been explored from a quantitative perspective. The authors decided it would thereby be interesting to take a qualitative approach toward the causes of CEO changes. The purpose of this thesis is therefore to understand why the involuntary CEO turnover is increasing, in order to be able to predict it, and the research question consequently becomes:

What are the causes to the increase in involuntary CEO turnover among Swedish Large Cap companies during the time period of 2015–2020?

1.4 Delimitations

The study will focus on Swedish Large Cap companies, because of the increasing rate of CEO turnover among them. Further, listed companies have, in general, greater information obligations to the public than unlisted companies. Listed companies are also more frequently mentioned in media, which makes it easier to access information about company history, key personnel and finances. Since they are listed, they also affect a larger amount of people and companies than unlisted companies with few owners. Previous research further show that listed companies are especially affected by involuntary CEO changes in terms of share return (Egholm & Nordström 2011), which makes it an interesting aspect to study. Since the authors are situated in Sweden, the access to Swedish companies is also greater than to companies abroad.

Since voluntary CEO changes are more explored and do not have as large financial effects as involuntary, the authors find involuntary CEO changes more interesting and of larger importance for the field of research. Further, the authors have chosen to not delimit the study to a specific sector, both due to limited CEO changes within a single sector and because data is based on CEOs in general, rather than a specific sector.

Lastly, the study has been delimited to the years of 2015–2020 since CEO turnover in Sweden was high during these years. A narrower time span would not be possible due to the limited number of CEO changes. A larger time span would not be favorable for a qualitative study since people tend to forget sequences of events over time (Cherry, 2020). However, this is not a longitudinal study, meaning that CEO turnover over time will not be compared. The authors find it more interesting to look at what causes CEO changes.

2 Theoretical Framework

2.1 Use of Theory

The *corporate governance* literature will form the foundation of the theoretical framework, but in order to widen the scope of the research question, the corporate governance theories will be extended and contrasted with *open systems theory of management*. Drastic decisions are often effects of multiple events and underlying reasons. When a CEO is dismissed, it is usually a consequence of several reasons leading up to the decision (Koskinen, 2018). The phenomenon of CEO turnover will therefore be studied as a series of events that are triggered subsequently. In order to explain the sequence of events, the perspective of the theoretical framework will be on the board, since they ultimately make the decision to dismiss the CEO (Ledarna, 2020). By taking a systems approach to the governance mechanisms, the authors hope to be able to answer the research question.

Corporate governance describes the regulation of the division and exercise of power in corporations (Licht, 2013). Licht (2013) explains that in the perfect state of the company, *internal* and *external* mechanisms are efficient, which means that there are no complications in the corporate governance of the company. The mechanisms in corporate governance are defined as the set of rules, processes and relations of which the company is controlled and operated under (Shailer, 2004). The internal mechanisms of a listed company are described by Caprio (2012) as the CEO, the board and the general meeting. Caprio further describes the external mechanisms as the formal legal institutions and informal institutions, such as the media or national culture. Moreover, Damak (2013) uses a similar definition, but does also include the financial market and competition in the definition of the external mechanisms.

Internal problems are the causes of crisis and discontinuous change according to Greiner (1972). Romanelli & Tushman (1994) express the opposite view, when they argue that discontinuous change is triggered by changes in the external environment. The theoretical framework has been built around an open system that represents the company, and the causes to CEO change are divided into internal and external perspectives. This, in order to show the context and coherence of the theories used to answer the research question.

The theoretical framework is further divided in accordance with a proposition of Lai & Lin (2017), shown in figure 2. The division by Lai & Lin was chosen since it provides a logical overview that suits the structure of the thesis. Since this thesis focuses on individuals making decisions to dismiss CEOs, the theoretical framework will be structured thereafter. The corporate governance theories were added to the open systems theory in order to extend the theoretical depth and provide an individual governance approach to the open systems theory.

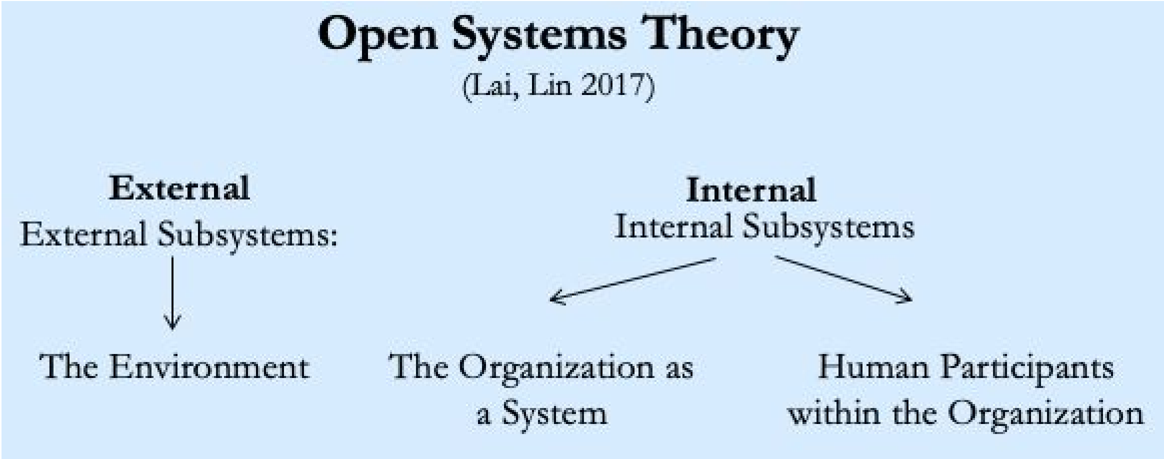

Figure 2: Visualization of the Open Systems Theory as described by Lai & Lin (2017).

2.2 Open Systems Theory

Coffie & Turkson (2013) take a systems approach to management and decision-making. A system is open when it is exposed, and connected to the external environment in terms of customers, suppliers, the government or the stock exchange (Coffie, Turkson, 2013). The interrelated components are all part of the larger system, and the success of the system lies with the alignment of each respective component (Hayes, 2018). Due to the open systems approach, every decision taken in a larger system will influence, and will be influenced by each component of the larger network. If one part of the system makes a decision, this will influence all other parts of the system too (Coffie, Turkson, 2013).

In order for an open system to prosper in the long run, the internal and external components, defined as the *subsystems*, need to be aligned. When a company's internal and external environments align, the organization is the most effective because the components in the larger system are reinforcing each other (Schneider et al., 2003). The success of the company is thereby the result of the quality of the decisions made in the subsystems (Coffie, Turkson, 2013). The subsystems of an organization are commonly explained through three main levels of observation, *the environment*, *the organization as a system*, and *human participants within the organization* (Lai, Lin, 2017). This classification will thereby form the basis for the theoretical framework.

2.3 External Perspective

While the systems approach can be viewed as abstract, Lawrence & Lorsch (1967) suggested that organizations' operations will respond to the conditions in the environment, due to the relationships within and between subsystems. In order to contextualize what is included in the subsystem *the environment*, in open systems theory, the corporate governance theory will be used.

Damak (2013) and Caprio (2012) state that the external mechanisms will impact the company's stakeholders, and defines the external mechanisms as the *economic conditions and financial market* (Damak 2013), *formal legal institutions* (henceforth: legislation) as well as *informal institutions* (Caprio 2012).

2.3.1 Economic Conditions and the Financial Market

The stock market development and the state of the economy influence companies to a large extent (Caprio 2012). From an economic perspective, a good state of the economy encourages risk-taking, for example through increased spending for individuals, and higher willingness to hire and invest for companies (International Monetary Fund, 2014). From a corporate governance perspective, this is illustrated through the development of the stock market, where owners always have the possibility to sell their shares and thereby decrease the value of the company (Caprio 2012).

2.3.2 Legislation

Since the 2007 financial crisis, the pressure on companies to deliver steady results has been elevated by external stakeholders from all types of interest groups (Melin 2018). This is especially visible in company laws and legislation, which has put a higher demand on compliance during the last couple of years. Due to the speed of regulation today, listed companies are dealing with high regulatory uncertainty which puts pressure on both the board and management, who need to keep up with the fast changes (Hammond, 2019).

2.3.3 Informal Institutions

External informal institutions have many definitions. Licht (2013) includes multiple definitions, such as national culture and symbols, but a commonly referred informal stakeholder in a listed company's external environment is media (Licht, 2013). The change in the media landscape from traditional newspapers, to the current landscape of push notifications and digital articles on hourly basis has changed the way the public consumes information. Information and politics have, due to social media and the digital era, intersected, and makes not only politicians, but leaders of every industry more exposed (Hayes, 2018).

The nature of the press that a CEO creates can both benefit and damage company reputation, especially the tone of the CEO coverage, which reflects CEO capabilities to the public. In corporate governance, the media outreach plays a critical role in shaping the public opinion about a leader (Caprio, 2012). Media coverage can make leaders more salient due to the fact that they are portrayed as powerful and influential over company output (Love, Bednar, 2017). Likewise, the opposite holds for bad leadership, where a negative framing of the press sends signals to the public about the quality of the leadership (Wiesenfeld, Wurthmann & Hambrick, 2008).

2.4 Internal Perspective

The theories included in the internal perspective are linked to the subsystems *the organization as a system* and *human participants within the organization* of open systems theory (Lai, Lin, 2017).

The way the organization as a system affects and is affected by other subsystems can be understood through corporate governance, which defines the main internal mechanisms of the company as the CEO, the board and the general meeting (Damak, 2013). The most established view within the American corporate governance literature is decline in company performance (Huang, Maharjan & Thakor, 2019). The performance perspective should therefore be investigated in the Swedish context as well, for which *Greiner's model on organizational growth* is applicable.

The impact of human participants within the organization, became evident during the empirical gathering, and can be studied both through an individual and governance approach. Since this thesis takes the approach of the individual and wants to explain behaviors and decisions taken by individuals, many concepts from the fields of work psychology and sociology are applicable. The *job demands-resources model of burnout* connects CEO performance to company performance and will be used to investigate the behavioral causes (Demerouti et al., 2001). However, as suggested by Taris & Schaufeli (2016) the authors will not use the job demands-resources model as a complete theory, but instead as a "heuristic framework that integrates all sorts of findings and approaches" (Taris, Schaufeli, 2016).

Finally, the relationships between the human participants within the organization, CEO–board–owner relationships, will be studied through the *stewardship theory*. The governance literature provides a perspective to the individual approach from previous theory, and the authors have found that the theory is one of the most commonly used in previous research on the subject.

2.4.1 The Organization as a System: Greiner's Model on Organizational Growth

In 1972, Greiner published his model on internal causes of change. The background to his model was the assumption that the most pressing problems which will create an organizational crisis are more rooted in organizations' past decisions, rather than present events or external factors. He presented the organization's natural life cycle, where the company goes through different phases of evolution and revolution (Greiner, 1972). During evolutionary growth periods, one management style is dominant. Thereafter, some internal problem triggers a crisis and causes a revolutionary period dominated by a management problem. CEOs and boards therefore need to be aware of what stage of development their company is in, in order to understand what problems to address (Hayes, 2018).

The model has been widely used and was updated by Greiner in 1998 to take out outdated smaller parts (Greiner, 1998). Further, research has shown that incoming CEOs tend to work toward the introduction of strategic change (Greiner, Bhambri, 1989). This indicates that a company can achieve strategic change by a change of management when entering a new phase.

2.4.2 Human Participants within the Organization: Job Demands-Resources Model

Taking a more human perspective, the CEO is the main participant in the organization that can affect board decisions. The job demands-resources model of burnout (henceforth: JD-R) was introduced by Demerouti et al., in 2001. They connected job demands and job resources with exhaustion and disengagement. Job demands refer to factors, at the job, increasing physiological and psychological costs – exhaustion. These can for instance be workload, pressure and physical environment. Job resources are things that increase engagement and motivation in the workplace (Demerouti et al., 2001).

Job demands and job resources have further been found to have indirect joint effects on each other (Hu, Shaufeli & Taris, 2011). The model has also been extended with personal resources and found to affect organizational outcomes, see figure 3 (de Jonge, Dormann, 2017), which is what makes the model relevant for this thesis.

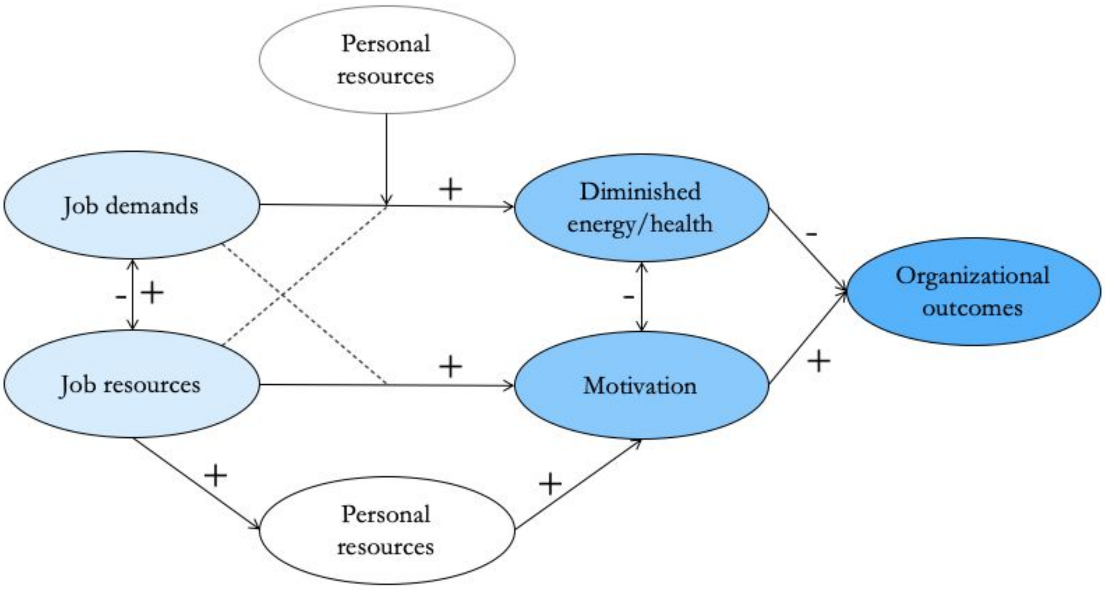

Figure 3: Visualization of de Jonge & Dorman's extension of JD-R (2017) .

The model has been widely used in different sectors and extended to areas such as understanding of technology as a predictor of turnover intentions (Carlson, Carlson, 2017). There is also convincing support for the JD-R model in different national contexts (Rattrie, Kittler, 2014). The authors therefore consider the JD-R model to be suitable for the understanding of CEO changes due to bad financial performance.

2.4.3 Human Participants within the Organization: Stewardship Theory

One of the most commonly used corporate governance theories is *agency theory* (Eisenhardt, 1989). Jensen & Meckling (1976) initiated the theory around agency problems that arise from the separation of ownership and control. The principal hires the agent to make decisions on behalf of the principal. Although, there is an information asymmetry making it possible for the agent to put own interests ahead of the interests of the principal and the organization. The theory has been empirically validated and has had great importance in many different scholars (Eisenhardt, 1989), but was challenged by Donaldson & Davis's stewardship theory (1991). Stewardship theory stems from the fields of psychology and sociology and assumes that CEOs act as stewards for the organization, in the best interests of owners. Stewardship theory has, according to some, more support than agency theory (Davis, Schoorman & Donaldson, 1997).

Both theories have been widely researched and several scholars have found them to be mutually exclusive (Davis, Schoorman & Donaldson, 1997, Bundt, 2000) while others see them as compliments (Caers et al., 2006, Van Puyvelde et al., 2012) The stewardship theory was extended by Davis, Schoorman & Donaldson in 1997 since there had been mixed findings on the needs of agency and stewardship theory. The extended version included a choice between agency and stewardship for both the steward and the principal. The relationship works well if both parts choose the same. However, confusion and frustration will arise if one part chooses stewardship while the other one chooses agent (Davis, Schoorman & Donaldson, 1997).

Further, the concept of stewardship has been used in a Swedish context, for instance by Carrington & Johed (2007) who investigated stewardship at annual general meetings in regard to information sharing. This strengthens the applicability of the theory in a Swedish context.

2.5 Overview of the Theoretical Framework

The final theoretical framework can be seen in figure 4 below.

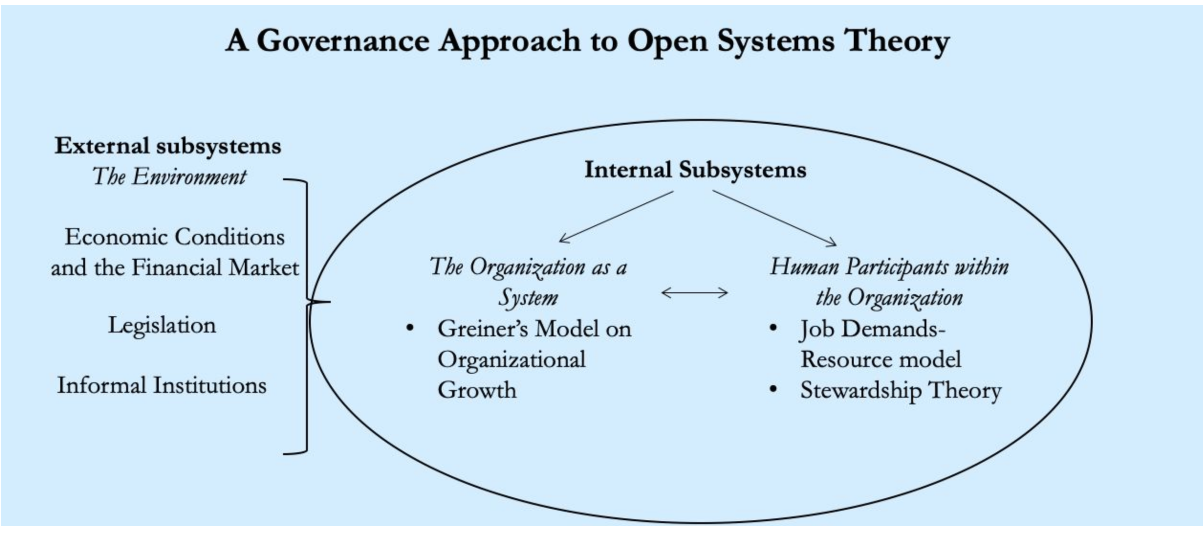

Figure 4: The theoretical framework.

2.6 Discussion of Theory

The authors understand the limitations that might occur due to the fact that the theoretical framework takes the perspective of individuals making decisions to dismiss CEOs, and not the CEO himself/herself, since it can give a biased picture. However, if the theories would have taken the perspective of the CEO instead, the research question could not have been answered properly and was therefore precluded.

Further, due to the complexity of reality, the authors are also aware of the chosen theories' probable inability to explain the phenomenon of increased CEO turnover to every extent. Moreover, other theories could have been applicable and might have generated other answers to the research question. Other external subsystem mechanisms than the ones defined by Caprio (2012) and Damak (2013) might also have generated different results, but due to research restrictions, the authors chose to include those who were found to be most valuable to the research question.

The authors thereby acknowledge the fact that the theoretical framework has limitations and some aspects will be left unconsidered, but conclude that the theories chosen capture the most important parts and are sufficient to provide an analysis of the research question.

3 Method

3.1 Choice of Method

3.1.1 Research Strategy

This study takes an *abductive* approach, meaning that theory and empirics are formed by each other. The background noticed a phenomenon and building on the theory, empirics were collected. During the empirical collection, theory was replenished, and since the theory had many different potential research areas, the empirics led the authors to the most relevant ones (Bell, Bryman & Harley, 2019).

A qualitative method was chosen because it adds more value than previous quantitative studies have done to the question of **why** CEO turnover is increasing. Qualitative methods allow for deeper understanding of behaviors and captures things that cannot be measured. This approach is more subjective, as the empirics are based on interviewees' personal perceptions and opinions, leading to the study's ontological position – constructionism – within the interpretivist research paradigm. In this study the authors see reality as something that people are in the process of constructing and therefore strive for the differences subjectivity contributes with (Bell, Bryman & Harley, 2019).

3.1.2 Research Design

The study was designed as a cross-sectional study, meaning data collection from more than one case, at a single point in time, to detect patterns of association. It is distinguished by the generation of information-rich data that gives a holistic picture of a phenomenon. Instead of focusing on a single CEO change, the cross-sectional design creates a better overview and facilitates the process of finding patterns, which is needed to answer to the research question. One could argue a case study could have generated more depth, but it would not have been able to generalize to the phenomena and was therefore precluded (Bell, Bryman & Harley, 2019). Further, it might have been interesting to compare companies that have kept their CEOs to companies that have dismissed their CEOs. However, within the framework of a Bachelor thesis, this was an overly large project and was therefore rejected.

Semi-structured interviews were used to get an understanding of how chairs and board members reasoned in the decision of a CEO dismissal, and to let the interviewees map out the most important causes to CEO changes. The authors were aware of the fact that semi-structured interviews jeopardize the comparability of cases. However, it was overseen since semi-structured interviews give a deeper understanding of the individual cases than structured interviews, and is more in line with the explorative nature of the research question (Bell, Bryman & Harley, 2019). The authors therefore argue that the method was appropriate to answer the research question.

3.2 Sample Selection

3.2.1 Choice of Organizations

The choice of organizations was made through a criterion sampling (appendix 8.1) based on the background and theory. A list of the 167 Large Cap companies listed on the Swedish stock exchange Nasdaq, as of January 2020, was put together (appendix 8.2). All companies not based in Sweden were excluded, since the study aims at explaining the phenomenon in Sweden only. Further, all companies that had not changed CEO within the set time frame were eliminated. For the remaining companies, an extensive search for whether the CEO changes were involuntary was made through studies of reliable news articles in national press, mainly Dagens Industri, and companies' own press releases. With grounds in the background section, all voluntary CEO changes were removed. Sixteen companies were left after all the criteria were met.

3.2.2 Choice of Interviewees

As previously stated, the board is responsible for hiring and firing CEOs (Ledarna, 2020). The chair is leading the board and was therefore chosen as the target interviewee. For each identified company, the chair of the board at the time of the CEO change was identified and contacted via email (appendix 8.3). Sixteen chairs were emailed, which resulted in six interviews. In the cases where the chairs were not available or did not reply, other members from the board were contacted, which resulted in six additional interviews, out of thirty contacted. The twelve interviewees are further presented in 8.4. All interviewees had either been or were currently CEOs and most had had board positions for over ten years. Due to confidentiality, more information about the companies and interviewees cannot be shared.

3.3 Empirical Data Collection

3.3.1 Pre-study and Creation of Interview Guide

An extensive news article review was made to identify potential reasons behind CEO changes within the time period. Further, to get a better understanding of what CEOs and boards do, their roles were researched. From the research and theory study, two main themes and five subtopics that tied to the research question were identified and are shown in table 1.

Table 1: Identified themes and subtopics regarding why CEOs get dismissed.

Themes from theory	**External causes**	**Internal causes**
Subtopics	- Economic conditions and the financial market - Legislation - Informal institutions	- The organization as a system - Human participants within the organization

Since the research approach is abductive, the authors were aware of that the list would be extended and shaped by the empirics. However, the themes laid ground for the topics in the interview guide (appendix 8.5). The questions were designed to be broad and open to avoid revealing too much of the theoretical background, which could affect the answers' dependability (Bell, Bryman & Harley, 2019). A pilot interview was conducted to test the questions and the interview technique. Only a few word changes for clarification were made, making the pilot interview eligible for counting as empirics.

3.3.2 Data Collection

The majority of the empirical data was collected through semi-structured interviews. A compiled list of the interviews is presented in 8.4. The interviewees were able to decide where they wanted to be interviewed, to make them feel ownership over the interview and not take up too much of their time. However, they were encouraged to choose a quiet environment which can get them to uncover easier (Bell, Bryman & Harley, 2019).

Several interviews had to be done digitally due to the Covid-19 outbreak. The drawbacks of not interviewing in person includes missing out on body language. However, the assessment is that the information obtained from the calls is legitimate to use, since it did not differ from the physical interviews in depth nor length. Both of the authors were present at all interviews, one led the interview to build a bond of trust to the interviewee and decrease confusion, while the other one took notes and made sure that all areas were covered (Bell, Bryman & Harley, 2019). One interview was conducted over email, since the interviewee[2] did not have time for a whole interview. The answers from this interview were shorter, but contained important information and was therefore included in the empirical material.

3.3.3 Interview Process

All interviews were conducted in Swedish, since it was the native language for all interviewees and the authors. Bell, Bryman & Harley's (2019) recommendations on interview techniques were followed throughout the process. The meeting with an interviewee started with small talk to lighten the mood before the interviewers shared information about the study's purpose, acceptance of anonymization and voice recording, and clarified that participation in the study was voluntary and that the interviewee had the right to not answer questions and stop the interview at any time. Further, the interviewee got to speak about his/her background and current role, to get comfortable in the setting, before the more research specific questions were asked. These were inspired by the previously identified topics, but focused more on the roles of the CEO and board in general in the beginning, to not expose too much of the purpose. More sensitive questions about dismissing CEOs were asked in the end, when a trusting relationship was already established. Some follow up questions were asked to minimize the space for interpretation. Two interviewees did not want to talk about the reasons for the specific CEO change. This was taken into account by asking

[2] Interviewee number 12.

more general questions about what the person had experienced, without mentioning companies or names. Empirical saturation was judged to be achieved after eleven interviews and the twelfth was conducted to ensure the purpose was fulfilled.

3.3.4 Data Processing

The empirical material was processed as it was collected and complemented by further analysis of the theory, as part of the abductive research approach. Transcription took place on an ongoing basis to understand if anything needed to be adjusted during the data collection process. A thematic analysis was used where the authors first individually went through the 127 pages of transcribed material to identify themes and later compared and discussed the themes together to not miss out on anything or get stuck in groupthink. The thematic analysis was aimed at gaining a deeper understanding of the material and to compliment the missing theory. Further, a contiguity analysis was done to find connections between the themes and provide a holistic picture of the phenomenon. Lastly, quotes were translated to English to match the language of the thesis.

3.4 Ethical Consideration

In conducting the study, the authors highly valued transparency to make the study ethical. The purpose of the study was explained in the beginning of every interview without revealing too much of the theory. Also, Bell, Bryman & Harley's (2019) four ethical principles of harm, consent, privacy and deception were highly valued in the process, which is why the authors informed the interviewees in the beginning of each interview about their rights, that the information would only be used by the authors for research purposes, that participation was voluntary, that the interviewee was allowed to reject questions without justification and that all companies and persons would be anonymized. In addition, all of the participants accepted to be recorded and got to read and accept their quotes before publication, which satisfies the respondent validation criteria as well. The authors therefore consider the study to be ethical.

3.5 Discussion of Method

Within the chosen paradigm, credibility, transferability, dependability and confirmability affect the trustworthiness of the study (Bell, Bryman & Harley, 2019) and have therefore been reflected over throughout the whole process.

Concerning credibility, each interview followed the same interview guide where the questions asked were open and neutral. The respondents were also asked to clarify ambiguous answers to minimize misinterpretation. All interviews were recorded and transcribed, which contributes to the credibility. The depth of the interviews may have caused subjectivity in both the respondents' answers and the authors' interpretations, but is not viewed as a flaw in the paradigm. Although, the subjectivity was neutralized by the presence of both authors in the interviews. However, the authors were well aware of the arguments on how cross-sectional studies can decrease the credibility since it generates connections and co-variations rather than causal relationships. It is also unclear if the rather few interviews constitute empirical certainty. More interviews could therefore have enhanced credibility (Bell, Bryman & Harley, 2019). Further, it is worth reflecting over the choice of interviewees since boards at times may blame CEOs for company failure, leading to scapegoating (Boeker, 1992). There is hence a risk of biased answers. It is also uncertain if the fact that some interviewees were still within the company, while others were not, affected answers. These risks are estimated to have a negligible effect on the total credibility though.

Regarding dependability, the different environments that the interviews were conducted in may have affected the results. At a café the interviewees may not have shared as much information as they would have done in a more private setting with less people around. The interview guide was, on request, shown to one person[3] in advance, which may have affected the dependability. However, this was judged not to affect the quality of the interview since the authors' follow up questions equated it to the others. One could argue that some depth has been lost due to the fact that only one person at each company was interviewed and that several themes were included in the thematic analysis. Although, the whole process has regularly been reviewed by a supervisor and three other opponent groups to ensure dependability.

Further, transparency has been sought, which has favored transferability. Since it is hard to keep the environment constant, both within companies and the environment in which companies operate, qualitative research is generally harder to replicate than quantitative research (Bell, Bryman & Harley, 2019). The authors have therefore tried to include as much information as possible about the process to increase the chance of replicability.

Lastly, confirmability, as in most qualitative research based on interviews, the authors' interpretations and translations of the empirics increase the risk of personal values interfering with the results. Also, since it is never objectively certain whether a CEO change is voluntary or involuntary, the authors and the respondents may have been affected by media. It is therefore difficult to assess if, and how much, these perceptions have affected the results.

[3] Interviewee number 9

4 Empirics

The empirical material will be presented as discussed in the interviews, by firstly discussing the general reasons for the phenomenon, followed by the interviewees' own experiences during the target CEO changes. The interviewees' experiences will be in focus in order to answer the research question. This section is thus introduced by looking at external factors contributing to the decision of an involuntary CEO change, followed by the internal factors as shown in table 2.

Table 2: Themes after the empirical gathering.

Themes after empirics	**External causes**	**Internal causes**
Subtopics	- Tighter legislation - Internationalization - Digitalization - Increased competition - Increased demand for transparency - Changed role of media - Economic cycle - Changing industry	Organizational Changes - Bad prerequisites - Need to change strategy - Speed of change Board Actions - Failed recruitment - Different cultures - Professionalization of board work CEO–Board Relationship - Less patience - Trust - Normalization of turnovers CEO Performance - Less energy - Underperforming CEO

4.1 External Perspective

4.1.1 General Cases

The respondents were asked about external factors that they believe contribute to the increased number of CEO turnovers between 2015–2020, and many regarded several factors as simultaneously changing.

> *"I think it can depend on many things, I think you must accept that the surrounding world is changing and that there are, not industry specific that is, changes that are happening, which comes with challenges. We have robotization, digitalization, new harder legislation that followed the great financial crisis in 2008, all of which affect the way we form our strategies today."* – 5

The most commonly mentioned factors were *tighter legislation, internationalization, digitalization, increased competition* with changing industries, increased demand for *transparency* by external stakeholder and a *changed role of media*.

Tighter Legislation

Six out of the twelve respondents highlighted the fact that new legislation has made it more difficult for CEOs to operate, since both the market and the stock exchange have become more regulated following the financial crisis. The new legislation adds new requirements on the leadership, which is a demanding factor that has appeared during the last couple of years.

> *"Looking at my own situation as the CEO, since I have been CEO on and off since the nineties, my experience is that it has become more difficult today. There are higher demands from new areas of legislation, with compliance and the stock market, where the rules today are much more elaborated and requiring."* – 1

Internationalization

Four respondents noted that the fact that listed companies in Sweden are present in many countries around the world, and the pace of internationalization in many industries can be an external factor contributing. The number of people that are able to manage a company of that size are not many, since it requires a lot from the CEO.

> "*Since the world is so big and inconsistent it* [the role of the CEO] *comes with much more requirements. If you make a mistake, which is easy to do. I think that everybody can't handle it,* [...] *and sometimes this means that you are required to act, from a board and owner perspective."* – 5

Digitalization

Another factor that was stated to require different leadership is digitalization. It was mentioned by eight respondents, who expressed that while the technological advancements bring many opportunities for companies that have the resources and leadership to act on it, it can be harmful for those who do not.

> "*Principally speaking, it is not possible to have the role as the CEO of a company in any industry today without understanding digitalization.*" – 6

> "*Digitalization, which is a catch-phrase in itself, causes big change for the companies' competitiveness and the way they act. It requires different types of leadership in each situation. I think that can be one of the factors that causes turnover, the fact that these requirements are different from before.*" – 5

Increased Competition

Just as digitalization, three of the respondents noted that the increased mobility of capital and knowledge between markets also affect competition. More industries are approaching each other as a result of the ever internationalized environment and creates new types of markets where traditional companies needs to re-evaluate their strategies and offerings. The change calls for new types of leadership, where CEOs need to understand their own, but also multiple other industries.

Increased Demand for Transparency

Further, nine of the respondents expressed that not only market and macroeconomic factors have changed, but also in the way businesses are supposed to be managed. The role of the CEO and the operation of a listed company require much more transparency than previously. Information flows more freely and CEOs are questioned more openly about everything.

> *"It is much harder than before, with more focus on transparency and ensuring that you have a transparent organization that is keeping compliance with anti-corruption and similar questions. Those questions are very important, especially for the brand and the way the company is perceived by the public."* – 9

Changed Role of Media

Eleven respondents touched upon the subject of media, but from different angles. There was agreement on media's increased pressure on CEOs and companies, but disagreement regarding its impact on leadership.

> *"That is the role of the media: to publish content which is attractive to the readers. The best news is based on conflicts. If there are no scandals, they are happy to create them."* – 4

> *"You can find yourself in a situation where you get guilt by association. If an organization has been challenged for not managing an issue in a responsible way then it is difficult to restore the authority with the same management in charge* [who was responsible when the problem occurred]. *Even if you can't say who to blame, the CEO or the board, it is difficult to let the management stay, since these things will pursue them. Media will always push these things, they will always come back, which makes it difficult to restore the trust for the company among employees and owners."* – 7

> *"In many of these cases the board uses it as an opportunity to get rid of the person. They might have had some mistrust before and then something happens and they take the opportunity. But media pressure as an isolated factor is probably not a very common driver, at least I hope it is not."* – 7

> *"Basically, if you make sure not to do anything that cannot be public, then there is no problem.* [...] *There shouldn't be anything you hope for people not to find out, that is a great rule. You need to formulate an internal code of conduct."* – 2

Respondent 7 explained how bad media attention can be used to get rid of people, who the board has started to lose confidence in. Respondent 2 argued instead that media coverage is not a legitimate cause for resignation, as long as the company can stand for what is written. Media was brought up by the interviewees both in discussions about causes of increased CEO turnover, but also as a factor in the respondents' own experiences.

4.1.2 Specific Cases

Apart from media, the respondents brought up the *economic cycle* and *changing industry* as external factors in connection to their own experiences of the decision to dismiss a CEO. The respondents noted that external factors were a part of the decision, but not the most important part.

Economic Cycle

Four respondents highlighted that the economy affects the success of the CEO and can therefore be a factor. When the economy is strong, the support for the CEO is often high, but when the economy is weaker, the CEO is under high pressure. Some of the respondent explained it as follows:

> "*The performance may deteriorate sharply due to worsened markets conditions with also poorly developing competitors, new regulations or that we are passing through a recession. Actually, this individual might be the best choice in relative terms, and it could have developed even worse if we had picked someone else. THAT is incredibly hard to say. This is not a laboratory where you can hold the surrounding environment unchanged, only switching between different CEOs.* [...] *sometimes when changing a CEO, I think many feel like 'why didn't we change earlier?'*" – 8

> *"Things went really bad in the beginning because then, prior to 1990, it was this real estate crisis, so then business went extremely bad."* – 3

Changing Industry

Two respondents explained their situation as a shift in market position in a problematic industry. This increased the pressure on the CEO to the extent that when the shift was done, they had to change the CEO.

> “[company name] *has underperformed in terms of shareholder value for a long time now, looking at share price development. There is no real underlying growth in* [industry] *as the penetration is 100 % on the market.”* – 6

> *“The six-year tenure of the former CEO was really intensive. His mission was to exit all the operations in Eurasia and refocus the company on Nordics, while starting the transformation of the company from a more traditional to a next generation* [industry] *company.* […] *This took a lot of hard work during a long time. To take the company through the next phase, he would have to reload and commit to another five years, with all the personal sacrifices that comes with it. I fully understand of he couldn’t fully find the motivation for it. I think it was a natural point to change, both for him and for the company.”* – 6

4.2 Internal Perspective

The internal factors contributing to increased CEO turnover in general were difficult to identify for the respondents, as they could only speak from their own experiences of internal problems within specific companies and industries. Because of this, the answers regarding general and specific factors were mainly focused on individual experiences. Therefore, the collected material on both general and specific factors contributing to CEO change have been summarized in four groups. The identified groups are *organizational changes*, *board actions* leading up to the dismissal, disagreement in CEO–*board relationship* and decreased *CEO performance.*

4.2.1 Organizational Changes

The respondents who highlighted organizational changes in the companies as a reason for CEO change discussed how *bad prerequisites* can be disastrous for a CEO, no matter how skilled or good match the candidate was with the profile at time of recruitment.

> *“It can be bad timing and not appropriate prerequisites* […] *It can be a complicated board composition and difficult owners that have very high expectations in the short run. Sometimes it is not the CEO who did a bad job just because it didn’t work. In one way or another you have to have the right person, at the right place, at the right time. One out of three factors can fail.”* – 7

Another view that was expressed was that when companies *need to change strategy*, it often includes a leadership change. The respondents described that it is difficult for a CEO who built a culture on certain leadership traits to change strategy, and that this might be a factor to why boards decide to let CEOs go.

"In some situations where a company has performed really bad and need a turnaround, you might require a CEO that steps in for a short time to do the big changes. In other situations, you may need another type of leadership in order to build the change over the long horizon. The right type of leadership depends on what situation the company is in." – 2

"If the company's business changes, maybe you should also change the CEO." – 8

A third and final view regarding factors of organizational change is the *speed of change* today. All respondents noted that the pace in which companies operate today is much higher than twenty years ago. This makes the role of the CEO challenging and can, in combination with other factors, make the case for an involuntary CEO change.

"*In business today, and I have many years of extensive experience, the speed and complexity is much higher. I can't put a number on it, but it's much faster today than it has ever been before."* – 9

4.2.2 Board Actions

Three of the respondents suggested that a common reason for sudden, involuntary CEO change is because the board has *recruited poorly*. A reason for this is because they are too set on what kind of profile they want, that they forget to search outside the box. If the previous CEO performed well, boards are often too stuck in that profile, and miss out on other important aspects of recruitment. This eventually leads to the wrong person being recruited, since the board is stuck on the wrong profile.

"A disastrous recruitment was made. Without reflecting on what kind of profile was appropriate. A sloppy process followed, retaining one of the high-profile recruitment consultants who was more interested in receiving an invitation to the client's birthday party than acting as a professional advisor." – 4

"Sometimes it ends up with a bad match between the assignment and the individual. A super talented person who has been great in one environment, gets thrown into culture or a mission where it won't match [...] *the important thing is that the person who will become the CEO and the specific assignment match."* – 8

The right profile is thereby also connected to what company *culture* the CEO implements. Four respondents highlighted culture as an important factor in making the CEO successful. Important for this factor is that although a good leader can adjust, it can become a problem if the mismatch is too big.

Further, according to ten of the respondents, there has been a shift in the way boards operate. The *professionalization of board work* that has emerged during the last couple of years has resulted in less patience for CEOs who underperform. The board has some responsibility in the success of a CEO, and owns part of the responsibility when a CEO is dismissed.

> *"I think that it in some cases can depend on the fact that boards are expected to be more active today than before. Since the board has the ultimate responsibility and they are expected to show that they are able to act, they have become less circumspective when expressing disagreement toward the CEO when he or she shows signs that they will not meet with the set goals and strategic targets. They don't have the same patience."* – 7

4.2.3 CEO–Board Relationship

The experience of *less patience* among owners were shared by seven others**,** and puts the board in a situation where they need to be more proactive in order for the owners to stay. Owners were portrayed as being less reluctant to step away from the company if the CEO is underperforming.

> *"The owners do not have the same patience as before. The capital is very volatile and if they lose their trust they leave. The question of trust is very important."* – 5

In order for the relationship to work, the board needs to have *trust* in the CEO's ability to succeed in the role. One respondent noted that when the board finds itself in a situation where the trust for the CEO is low, the decision of CEO dismissal is very difficult to make. Nevertheless, it is important to get rid of the person when the board loses its confidence, especially to show owners the board's ability to take action. Five respondents also mentioned that CEO changes are becoming more *normalized* and *"are less dramatic today than it was before"* – 7

4.2.4 CEO Performance

The interviewees connected the increased, and more demanding, expectations on the CEO, and the fact that people feel exhausted after only a few years in the role. They do not have enough *energy* to serve for as long as CEOs did twenty years ago. When the energy starts to decrease, it is not uncommon that performance falls as well.

> "*I call us* [CEOs] *mercenary soldiers. We are very much like mercenary soldiers. You are rented. As long as the horse runs you are popular, but as soon as you find yourself with leg problems, you are replaced with a new horse. And that is how it should be.*" – 3

> *"A CEO in a global company is almost 'on duty' seven days a week around the clock. Takes a lot from your normal life, and up until now extensive travelling have been necessary. That might change a bit in the aftermath of the ongoing Corona crisis. But still 5–7 years to serve as CEO might be the new normal."* – 9

Finally, all of the respondents noted that CEO *underperformance* always is an underlying key factor when a CEO is dismissed.

> *"The board focus on the most import strategic questions and if the CEO does not get the grip on the strategy and can't live up to the expectation, one has less patience, I think it is partly related to external demands, partly more professional boards and also less drama in doing so."* – 7

> *"For a CEO who promises or expresses results but does not deliver, the patience is very short today. You do not have as much patience. You have probably heard from many that when you change the CEO you say 'why did we not do it long ago?'"* – 10

> *"The CEO failed to increase profits."* – 12

5 Analysis

In this section, the collected empirics will be analyzed to answer the research question about which factors cause CEO changes and has contributed to an increase in CEO turnover in Sweden. In order to understand the increase during 2015–2020 it is necessary to investigate what factors are (1) new and (2) have a direct effect on the decision. In order to answer the research question, the external and internal factors that have constantly affected CEO performance, or have indirect effect on the company will therefore be excluded.

5.1 Phase 1

5.1.1 New External Factors

Among the external causes that were highlighted as explanations to the increased CEO turnover rate, the majority were new. The *changed role of media* is connected to new ways of consuming information through push notifications, which is driven by *digitalization* and changes the way companies are exposed and connected to suppliers, consumers and other informal institutions (Caprio, 2012). According to open systems theory, companies are operating in systems of interrelated components (Hayes, 2018), and as a result of digitalization, the digital landscape becomes a new component in the external system of companies today. Not only does this interconnection put pressure on how the companies operate, it also makes them exposed to stakeholders and the public in a new way.

Owners' engagement has further changed and, as the respondents witnessed, there is a higher demand for *transparency* of public companies today. Since owners are more engaged, the involvement regards everyday business and decisions by the board to an extent that causes listed companies to act and take responsibility. *Legislation* has also been affected by the owners' engagement and demand for transparency. Although, new legislation is a constant threat to organizations operating in especially sensitive industries, the new regulations implemented by lawmakers concern all listed companies, through rules regarding compliance, transparency and social responsibility.

Parallelly, the openness of the system and changing components have implications on the market. Due to new legislation about transparency and changes in ways of operating due to digitalization, industries are becoming increasingly interconnected. As competition is increasing and industries are converging, so are the geographic borders. From an international context, the Swedish market is small, and almost every Large Cap company is operating, or is expanding, internationally. *Internationalization* is not something new during the time period of 2015–2020, and although influential on the economy as a whole, the particular connection to CEO changes is indirect, rather than direct. *Economic cyclicality* and *changing industry* were further disregarded due to the fact that they were not found to be new, nor direct causes of turnover.

Therefore, increased competition, higher demands for transparency, more legislation, a changed role of media and, finally, digitization can be considered as new, direct causes for CEO change. These factors affect Swedish Large Cap companies today, and can thus be reasons why the number of involuntary turnovers has increased during the time period of 2015–2020.

5.1.2 New Internal Factors

The internal causes for CEO change mentioned by the respondents were many more than the external. However, few were found to be new for the time period of 2015–2020. *Bad prerequisites*, *failed recruitment*, *different cultures*, *changing strategies* and *underperforming CEO* are all direct causes for turnovers, but are not new. These causes can therefore not be considered reasons why CEO turnover increased during the time period.

However, some of the derived factors can be considered new. All respondents noted that the *speed of change* is much faster than before, which puts pressure on the CEO. According to open systems theory, the components in a system can misalign, and from this follows that companies with many subsystems will have larger impact if one component changes, since every system will be affected (Schneider et al., 2003). With higher speed of change comes higher demands on leadership. This is connected to another cause frequently mentioned, namely the fact that the CEO *runs out of energy*, which directly influences performance.

There was also self-criticism from the interviewees, which was seen in the category *board actions*. The most recurring reason within this category was that there was *less patience* among boards toward CEO failure or underperformance than before. Furthermore, many respondents indicated that board work has changed during the last couple of years. Both in terms of that boards are now more *professionalized*, which makes them less reluctant to take the decision to dismiss a CEO, but also due to the fact that turnover is so common today that it has almost become *normalized*.

Concluding the internal factors, what became obvious is that there are many factors that existed before the CEO turnovers started to increase. The only factors that the respondents noted, which could be considered new, were the speed of change, professionalization of board work, less patience for CEO mistakes, normalization of turnovers and, finally, less energy among CEOs. These together with the new external factors are shown in table 3.

Table 3: New factors causing CEO changes.

Summary	**New external causes**	**New internal causes**
Subtopics	- Increased competition - Increased demand for transparency - Tighter legislation - Changed role of media - Digitalization	- Speed of change - Professionalization of board work - Lower patience for CEO mistakes - Normalization of turnovers - Less energy

5.1.3 External Factors Affect CEO Turnover Indirectly

As the direct, new causes of CEO changes have been identified, the authors investigate how the causes are interrelated in order to understand the phenomenon. The open systems theory can explain the connection between the internal and the external causes of CEO changes, since every decision taken in a larger system will influence and will be influenced by each component of the larger network (Coffie, Turkson, 2013). This explains that external and internal factors affect each other and contribute jointly to the increase in CEO changes.

From the interviews it became clear to the authors that the external factors did not directly cause the CEO changes. When asked about potential external causes to the increased CEOs turnover rate, the respondents gave multiple examples, while they could barely mention any external causes when asked about their own decision to dismiss a CEO. As for internal causes, the answers were the opposite. This can have many implications, but the main takeaway is that the board's decisions are either unaffected by external factors, or more likely, subconsciously affecting the decision. The external factors, for example increased demand for transparency or new tighter legislation, aggravates the internal factors. New legislation creates increased pressure on the CEO, which in turn leads to decreased performance and dismissal.

Since the open systems theory advocates that organizations are the most effective when internal and external environments align, the external changes that influence the internal environment misaligns the open system. The external changes cause increased speed of operations, more professionalized boards with higher expectations as well as higher demand on CEO performance and perseverance. Ultimately, it creates a need for change in order to reach alignment in the open system again.

Conclusion 1

The first conclusion is that external factors impact the decision to dismiss a CEO indirectly, by aggravating internal factors.

5.2 Phase 2: Building the Case for Dismissal

Practically, the aggregation of the internal causes is reflected in the higher speed of change and higher demands in the operation. When competition increases or a new law is passed, which affects the company's daily operations, the demands on the CEO as well as the speed of operation increases. The two effects can be analyzed using different theories.

As a consequence of a higher speed of change, the different phases of organizational development accelerate. This can be studied through Greiner's phases of organizational development. Greiner's original phases are however not adapted to Large Cap companies, which means that the model should be used as a body rather than in detail. The interviews confirm that the companies have different phases, even in their mature state, which Greiner also indicates by not specifying and naming the last crisis in his model. The interviews further confirm that the leader often needs to be replaced when the company enters a new phase, due to the need of strategic changes after going through a crisis, in accordance with Greiner (1972). When the speed increases, the length of each phase shortens, leading to an increased need to change the CEO more often.

Furthermore, all interviewees highlighted the higher demands placed on the CEO today compared to before, which can be considered to stem from the external changes. The JD-R model predicts that when demands increase, the level of stress rises as well (Demerouti et al., 2001). Increased external demands together with the professionalization of boards and increasingly impatient owners, increase the demands on CEOs in general, which causes exhaustion. As the theory states, increased job demands can also have indirect effects on motivation. Decreased motivation alongside increased stress and exhaustion lead to negative organizational outcomes and dismissal due to lacking CEO performance. This is in accordance with Huang, Maharjan & Thakor's (2019) findings that involuntary CEO changes are a consequence of a decline in company performance.

Conclusion 2
The second conclusion is that the higher speed of change causes the phases of the company to accelerate, which increases the need for new leadership. Simultaneously, higher demands increase CEO exhaustion, which aggravates performance in terms of both leadership and financial result.

5.3 Phase 3: The Final Trigger

Finally, in the last step, the empirics express a decreased patience among owners and lost trust as important triggers for the actual decision of dismissing a CEO. Declining performance and need for new leadership are causes for concern for the board. The consequence of underperformance and signs of failing leadership is that the board loses its trust. When the trust for the CEO is low among the owners and hence the board, the respondents indicated that the relationship between CEO and the board becomes complicated. A healthy relationship between the main stakeholders is important to keep the company functioning, and for Large Cap companies, this relationship should be understood through three stakeholders rather than two. That is, the CEO, the board and the owners.

Considering Donaldson & Davis's (1991) stewardship theory, it is evident that as soon as the board loses its trust in the CEO's capability to deliver financially, boards need to take action. The board's role, as a steward of the company toward owners, is to make sure that they have a CEO that protects and maximizes company performance, and thus owners' wealth. Therefore, when the CEO stops performing as expected, the board loses its trust and evidently dismisses the CEO, with the best interests of owners in mind.

Further, the stewardship theory extension by Davis, Schoorman & Donaldson (1997) suggests that each party in the relationship gets to choose between agency theory and stewardship theory, and that confusion and frustration will arise if one part chooses stewardship while the other one chooses agent. This indicates that the trust can be broken by the CEO if he/she starts acting like an agent instead of a steward, for example by trying to hide bad performance, leading to CEO dismissal.

The several interviewees that expressed a decreased patience among owners and boards thereby connects to the empirics regarding that many boards ask themselves, when looking back, why they did not fire the CEO earlier. When the bond of trust is broken, the board does not wait any longer, and is therefore the final factor that pushes the board to the decision of dismissing the CEO.

Conclusion 3

The third conclusion is that a failed relationship between CEO and board, due to the elimination of trust and inadequate fulfillment of the agreement, constitutes enough cause to dismiss the CEO.

6 Discussion and Conclusion

6.1 Answer to the Research Question

The authors have qualitatively studied chairs' and board members' perceptions of the reasons behind CEO changes. External and internal factors have been analyzed together with the theories to get a deeper understanding of the phenomena of an increased CEO turnover rate in Sweden. The study was aimed at decreasing the empirical gap within the field and to answer the research question:

What are the causes to the increase in involuntary CEO turnover among Swedish Large Cap companies during the time period of 2015–2020?

The three conclusions presented in the analysis together provide an answer to this research question:

1. External factors impact the decision to dismiss a CEO indirectly, by aggravating internal factors.
2. The higher speed of change causes the phases of the company to accelerate, which increases the need for new leadership. Simultaneously, higher demands increase CEO exhaustion, which aggravates performance in terms of both leadership and financial result.
3. A failed relationship between CEO and board, due to the elimination of trust and inadequate fulfillment of the agreement, constitutes enough cause to dismiss the CEO.

In accordance with open systems theory, the causes tie to each other and together create a full image of the phenomena, in light of the two overall themes, internal and external, that together build three phases that clarifies the connections of the causes. The phases are visualized in figure 5.

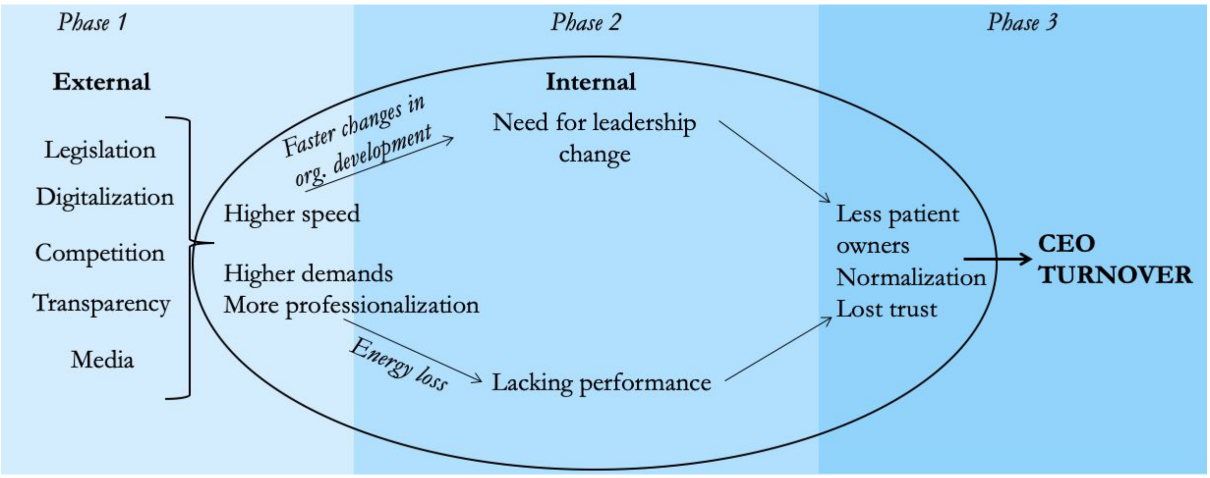

Figure 5: Our visualization of the three phases leading to increased involuntary CEO turnover.

The interviewed chairs and board members that have dismissed CEOs during 2015–2020 have years of board experience and are witnessing that several external factors affect the decision to dismiss a CEO indirectly. After analysis, legislation, digitalization, competition, transparency and media were found to be the most prevalent external factors that have changed. According to the interviewees, these external factors increase the speed of change within the organization, and result in more professionalized boards that create higher demands and pressure on the CEO.

In phase 2, the higher speed from the external factors accelerates the organizational phases and creates a greater need for strategic- and leadership change, and increases CEO turnover. Parallelly, the higher demands and professionalization of boards increases the stress levels of CEOs and results in an energy loss that decreases performance. A decreased performance, brings us to phase 3 and, lowers the trust the board has for the CEO, which breaks the important trusting relationship. This, in combination with the shorter patience among owners and boards, and the normalization of CEO dismissals, the board takes action faster and dismisses the CEO.

6.2 The Contribution of the Study

The real contribution of the study is the identified new causes leading to increased CEO turnover in Sweden, and a visualization of such a process. This study complements earlier studies focusing on the consequences of CEO changes. When both causes and consequences of CEO changes are identified, a deeper and more holistic overall understanding of CEO changes is made possible. In each involuntary CEO change, the underlying reasons may vary, but the identified new causes and their connections explain the phenomenon of increased CEO turnover.

By understanding the causes and consequences, as well as the phenomenon of increased CEO turnover, the most important task of the boards, to appoint and dismiss CEOs, can be facilitated. While being aware of the common pitfalls in CEO recruitment, one can avoid recruiting the wrong person and having to dismiss the newly recruited person after a short period of time. It also helps the board to understand and predict that it might be a good idea to change CEO at a certain point in time, when the company needs a new direction and leadership. Further, the study reveals that CEO dismissals are more complex than just blaming it on the CEO's characteristics, something that helps rebuilding CEOs' self-confidence after dismissals.

Lastly, the study builds on previous research and theory in the field of CEO turnovers. Some similarities are to be found between the results from this study and previous studies. Weak company performance, which Furtado & Karan (1990) found to be a cause of CEO change, seems to still be a valid reason. The same goes for Schwarts & Menon's (1985) study that concluded that top management changes often are symptoms of internal or external crises, since both internal and external crises were found to contribute to CEO changes in this study. However, while this study reinforces some of the old results, the real theoretical contribution lies in the identification of new reasons for involuntary CEO changes, that helps explain why CEO turnover has increased in Sweden. It has also contributed to the connection of several management theories and work psychology, which can be used to develop the convergence of the fields.

6.3 Limitations of the Study

Since the study is based on the subjective perceptions of chairs and board members, the possibility to produce a fully accurate picture of the empirics diminishes. The conclusions can only be drawn from the interviewees' communicated perceptions. Some interviewees may have had reasons to portray CEO changes as more positive than they are in practice. They can also have, consciously or unconsciously, chosen not to disclose certain information and may have wanted to play down the decisions of dismissing CEOs, since they had been in favor of the decision to dismiss the CEO. Further, what was said most frequently does not have to be the most relevant answer. An extended interview time could have decreased this risk.

In addition, the study is limited by that the study was done on several different CEOs changes with only one interviewee's perspective on each change. However, the interviewees had all experienced several CEO changes throughout their careers, which strengthens the approach. Interviews with several people from each board would probably have given a more representative picture and a less subjective result. The primary purpose was to get an understanding of several CEO changes in order to explain the phenomenon of increased CEO turnover. Although, more interviews about each change would have increased the reliability, it would have been difficult to fit within the time frame. To look at fewer CEO changes and interview more people for each change, to be able to fit the time frame, would have generated less generalizable results. However, the study is considered answering the research question and fulfilling the purpose.

6.4 Suggestions for Further Research

Due to the relatively few eligible companies, the first suggestion for further research is to apply the identified factors and test them in larger studies. By conducting the study with a larger selection group, for example, in other countries, or on Mid and Small Cap companies as well, the study's credibility and transferability would increase, and the relevance of the study's results would strengthen.

Secondly, since this study focuses on board members' perceptions, it would be interesting to compliment this by studying CEOs' perceptions including their thoughts on why they got fired, on the increasing CEO turnover, and if they are positive to the phenomenon. It might also add value to get owners' perspective on these questions.

Further, another suggestion is to make a comparative study either by comparing companies that have dismissed CEOs with companies that have not dismissed CEOs or by further comparing CEO changes today with CEO changes ten, twenty or thirty years ago by interviewing chairs that dismissed CEOs decades ago.

Lastly, one could study the phenomenon using different theories and compare the results to increase reliability.

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8 Appendix

8.1 Criteria for Company Selection

Criteria	
Large Cap on Nasdaq OMX	X
Swedish based company	X
Changed CEO in 2015 or later	X
The CEO change was involuntary	X

8.2 Large Cap Companies Listed on Nasdaq OMX

A.P. Møller - Mærsk	Epiroc	Kungsleden	Sandvik
AAK	EQT	Københavns Lufthavne	Sanoma Oyj
ABB Ltd	Ericsson	Latour	SBB Norden
Addtech	Essity	Lifco	SCA
Ahlstrom-Munksjö Oyj	Evolution Gaming Group	Loomis	Scandinavian Tobacco Group
Alfa Laval	Fabege	Lundbeck	Schouw & Co.
ALK-Abelló	Fast. Balder	Lundbergföretagen	SEB
Alm. Brand	Fastpartner	Lundin Mining Corporation	Securitas
Ambu	Fenix Outdoor International	Lundin Petroleum	SimCorp
Arion banki	Fiskars Oyj Abp	Marel	Skanska
Arion Banki SDB	FLSmidth & Co.	Medicover	SKF
Arjo	Fortum Oyj	Metso Oyj	Spar Nord Bank
ASSA ABLOY	G4S plc	Metsä Board Oyj	SSAB
AstraZeneca	Genmab	Millicom Int. Cellular SDB	Stora Enso Oyj
Atlas Copco	Getinge	Modern Times Group	SWECO
Atrium Ljungberg	GN Store Nord	Mycronic	Swedbank
Attendo	Handelsbanken	NCC	Swedish Match
Autoliv SDB	Hemfosa Fastigheter	Neste Oyj	Swedish Orphan Biovitrum
Avanza Bank Holding	Hennes & Mauritz	Netcompany Group	Sydbank
Axfood	Hexagon	NIBE Industrier	Tele2
Beijer	HEXPOL	Nobia	Telia Company
Betsson	Holmen	Nokia Oyj	Terveystalo Oyj
BillerudKorsnäs	Hufvudstaden	Nokian Renkaat Oyj	Thule Group
Boliden	Huhtamäki Oyj	Nolato	TietoEVRY Oyj
Bonava	Husqvarna	Nordic Entertainment Group	Topdanmark
Bravida Holding	ICA Gruppen	Nordea	TRATON
Cargotec Oyj	Industrivärden	Novo Nordisk	Trelleborg
Carlsberg	Indutrade	Novozymes	Tryg
Castellum	Intrum	Nyfosa	UPM-Kymmene Oyj
Chr. Hansen Holding	Investor	Orion Oyj	Valmet Oyj
Citycon Oyj	ISS	Outokumpu Oyj	Veoneer SDB
Coloplast	Jeudan	Pandora	Vestas Wind Systems
Danske Bank	JM	Pandox	Vitrolife
Demant	Jyske Bank	Peab	Volvo
DFDS	Kemira Oyj	Ratos	Wallenstam
DNA Oyj	Kesko Oyj	Resurs Holding	Wihlborgs Fastigheter
Dometic Group	Kindred Group	Ringkjøbing Landbobank	Wärtsilä Oyj Abp
Drilling Company of 1972	Kinnevik	Rockwool Int.	YIT Oyj
DSV Panalpina	Klövern	Royal UNIBREW	ÅF Pöyry
Electrolux	Kojamo Oyj	SAAB	Ørsted
Elekta	KONE Oyj	Sagax	Össur
Elisa Oyj	Konecranes Oyj	Sampo Oyj	

8.3 Email to Potential Interviewees

Ämne: Intervjuförfrågan till uppsats på Handelshögskolan

Mail:
Kära XX,

Vi är två studenter från Handelshögskolan i Stockholm som under våren skriver vår kandidatuppsats inom management där vi undersöker varför antalet VD-byten har ökat i Sverige de senaste åren. Det är något vi kan se ökar generellt i världen, men specifikt i Sverige, och vi är väldigt intresserade av att undersöka vad det är som gör att VDar inte sitter lika längre som förr. Eftersom du har varit med om VD byten under din karriär hade det varit extra spännande att få din syn på fenomenet. Framförallt med tanke på din styrelseroll, vilket ger en intressant vinkel. Vår fråga till dig är därför om du skulle vara villig att ställa upp på en intervju för att, utifrån ditt perspektiv från styrelsens håll, hjälpa oss få en bättre uppfattning av den förändring som vi ser?

Vi har full förståelse för ditt fullspäckade schema och kan därför vara flexibla med tid och plats för intervjun. Dock skulle vi helst vilja träffas under de kommande veckorna (v. 7, 8, 9, 10). Om det inte tid finns att träffas under kontorstid kan vi förslagsvis ses över en kaffe nära din arbetsplats.

Vår förhoppning är att studien ska kunna bidra till hjälpa styrelser att förutse när ett VD-byte bör eller kommer ske. Vi skulle vara otroligt tacksamma om vi fick träffa dig och få höra om dina erfarenheter. Självklart går det jättebra att vara helt anonym i studien om du är intresserad av att vara med. Vårt syfte är helt enkelt att få med så många kunniga personer som möjligt, och vi tror att du hade haft intressanta perspektiv. Meddela oss gärna om du är intresserad eller inte genom att svara på detta email eller kontakta oss via telefon.

Tveka inte att höra av dig om du har några frågor eller funderingar!

Bästa hälsningar,
Ebba Gustavsson (0705-510467)
Emma Ståhlfors (0708-883540)

8.4 Interviewees

Interviewee	Gender	Age (years)	Position	Date	Place	Length (min)
1	Male	55	Previous Chair	2020-02-14 15:00	1's office	32
2	Female	54	Board Member	2020-02-20 14:45	Conference room at SSE[4]	40
3	Male	61	Chair	2020-02-25 09:00	WhatsApp video call	51
4	Female	60	Previous Board Member	2020-02-25 14:00	Café Brillo	59
5	Female	55	Board Member	2020-03-03 13:00	Conference room at SSE	48
6	Male	50	Board Member	2020-03-04 10:00	6's office	38
7	Female	62	Board Member	2020-03-06 15:00	Conference room at 7's office	50
8	Female	50	Board Member	2020-03-09 10:30	Conference room at 8's office	60
9	Female	65	Previous Chair	2020-03-13 15:00	Phone call	50
10	Male	65	Chair	2020-03-24 13:00	FaceTime video call	40
11	Male	68	Previous Chair	2020-04-21 10:30	Phone call	48
12	Male	57	Previous Chair	2020-02-20	Email	-
		Average 58,5				Average 46,9

[4] SSE = Stockholm School of Economics

8.5 Semi-structured Interview Guide

Etiska aspekter

1. Ditt deltagande i den akademiska studien är frivilligt.
2. I det arbete vi skriver, en kandidatuppsats, kommer du som deltagare och din/a arbetsgivare att anonymiseras.
3. Vi kommer inte heller att berätta vilka personer som deltar, vare sig för arbetsgivare eller för andra deltagare.
4. Du som deltagare kan när som helst avbryta intervjun eller avstå att svara på frågorna vi ställer, och du behöver inte förklara varför.
5. Allt insamlat material kommer bara användas i forskningssyfte.
6. Får vi ditt tillstånd att spela in intervjun, så att vi sedan kan transkribera den?
7. Har du några frågor till oss innan vi börjar?

Studiens syfte

- Vi ska undersöka varför antalet VD-byten ökar mycket i Sverige
- Det finns belägg för att detta sker, men det har inte gjorts kvalitativa undersökningar på detta
- Därför gör vi djupgående intervjuer med personer som kan ha erfarenhet och kunskap i ämnet däribland styrelseordföranden.

Inledning (personlig)

- Huvudfråga: Vill du berätta lite om dig själv och din bakgrund? *(frågorna nedan vill vi få svar på och ställer om det inte kommer upp självmant)*
  - Vad heter din position/Vad är din titel?
  - Hur länge har du jobbat här nu?
  - Vad har du för utbildning?
  - Vad har du för tidigare erfarenhet?
  - Vad har du för erfarenhet inom bolaget?
  - Hur hamnade du på posten du har idag?
  - Vad har varit höjdpunkten i den karriär?
  - Har du haft någon dipp i din karriär?
- Huvudfråga: Vilka uppdrag har du idag? *(frågorna nedan vill vi få svar på och ställer om det inte kommer upp självmant)*
  - VD för något bolag?
  - Styrelsemedlem?
  - Styrelseordförande?

VDns roll

- Vad var din syn på rollen som VD innan du blev VD?
- Vad är din syn på rollen som VD nu?
- Vad är VDns viktigaste uppgift enligt dig?

- Vilka typer av grupper/stakeholders påverkar VDn mest idag enligt dig? *(frågoran nedan vill vi få svar på och ställer om det inte kommer upp självmant)*
    - Finns det någon påverkan från externa parter på VD rollen enligt dig?
- Vad är VDns roll gentemot aktieägarna enligt dig?

Styrelsens roll

- Vad var din syn på rollen som styrelseordförande innan du tillträdde i rollen?
- Vad är din syn på rollen som styrelseordförande nu?
- Vad är styrelsens viktigaste uppgift enligt dig?
- Om du tänker dig en skala från operativt ansvar till strategiskt ansvar, var skulle du placera styrelsen respektive VDn?
- Hur ser du på styrelsens relation till VDn?

Generellt om VD byten

- Varför tror du att VDar sitter kortare tid nu jämfört med förr?
- Vad tror du är anledningar till att VDar byts ut?
- Tror du andra tror det beror på andra anledningar?

Det specifika VD bytet

- Vi är lite intresserade av din tid som styrelseordförande i [Företag X] *(företaget där de avskedade en VD)*
- Berätta om företaget, hur är företagskulturen?
- Beskriv din *tid* som styrelseordförande i [Företag X].
- Huvudfråga: Vi har gjort lite research och såg att ni bytte VD under din tid som styrelseordförande. Skulle du vilja berätta lite mer om det? *(frågorna nedan vill vi få svar på och ställer om det inte kommer upp självmant)*
    - Vad var anledningarna till att VDn fick gå?
        - Påverkade konjunkturen?
        - Hände det något speciellt i företaget eller i branschen/samhället i anslutning till VD-bytet?
        - Fanns det yttre tryck som drev på beslutet? Ex. aktieägare eller media?
        - Tror du att företagets finansiella performance bidrog? Hur i så fall?
    - Var det något som motverkade beslutet?
- Vilken anledning var den mest betydande?

Tror du att detta bara är en trend eller kommer detta hålla i sig? Kommer VDar sitta kortare tid?

Finns det något ytterligare du skulle vilja lägga till som du inte fått möjlighet att säga under intervjun? Finns det något svar du skulle vilja ändra?

Stort tack återigen för att du vill medverka, potentiella citat etc. kommer att skickas ut för genomläsning innan slutgiltig publicering, men du är såklart anonym.