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PERCEIVED LEGITIMACY OF INSIDER VS. OUTSIDER SUCCESSORS AND ITS IMPACT ON ORGANIZATIONAL PERFORMANCE IN THE ACCRA METROPOLIS

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ABSTRACT

Succession planning is a critical process for ensuring organizational continuity and performance, with the selection of insider or outsider successors playing a pivotal role. This study examines the perceived legitimacy of insider versus outsider successors and their impact on organizational performance within the Accra metropolis. Using the upper echelons theory as a framework, the study employed a quantitative research design with a sample size of 300 participants, comprising employees and stakeholders from organizations that had undergone leadership transitions within the last three years. Data were analyzed using descriptive and inferential statistical techniques, including correlation and regression analyses. The findings revealed a strong positive relationship between perceived legitimacy and organizational performance, with perceived legitimacy accounting for 90.9% of the variance in performance outcomes. Insider successors were viewed as fostering continuity and alignment with organizational culture, while outsider successors were associated with innovation and strategic change. These results highlight the importance of transparent and credible selection processes in leadership transitions. The study underscores the relevance of the upper echelons theory in understanding leadership dynamics and provides practical recommendations for improving organizational outcomes through effective succession planning.

Keywords: Succession Planning, Perceived Legitimacy, Insider Successors, Outsider Successors, Organizational Performance, Upper Echelons Theory, Leadership Transitions

1. INTRODUCTION

Succession planning, the process of identifying and preparing potential successors for key leadership positions within an organization, is a critical aspect of ensuring organizational continuity and long-term success (Gabriel et al. (2020), Siambi (2022)). The selection of a successor, whether an insider (someone already within the organization) or an outsider (someone from outside the organization), can have far-reaching implications for the organization's performance and overall trajectory. The selection of a successor to lead an organization is a critical decision that can have far-reaching implications for the organization's future performance and success (Connelly et al. (2022)). One of the key considerations in this process is whether to appoint an insider or an outsider as the new leader.

Both insider and outsider successors bring distinct advantages and challenges. Insider successors are typically well-versed in the organization's culture, operations, and dynamics, which can facilitate a smoother transition and continuity (Turner et al. (2022)). However, they may also be encumbered by existing biases, entrenched practices, and resistance to change (Yeh & Liao (2021)). On the other hand, outsider successors can bring fresh perspectives, innovative ideas, and an objective viewpoint, but they may face challenges in adapting to the organization's culture and gaining acceptance from employees (C. Kim et al., 2022). Organizations need to make informed decisions about which approach is more suitable for their specific circumstances and goals, taking into account factors such as the organization's current state, challenges, and future aspirations.

While there has been considerable research on leadership succession and its impact on organizational performance, the literature on the specific comparison between insider and outsider successors is relatively limited and often yields mixed or contradictory findings. Some studies suggest that insider successors are more effective in maintaining organizational stability and continuity, which can be beneficial for established and well-performing organizations (Giambatista (2004)). However, other research indicates that outsider successors may be better equipped to drive strategic change and innovation, which can be crucial for organizations facing challenges or operating in rapidly changing environments (Karaevli (2007), Leker & Salomo (2000)). Additionally, the existing literature often focuses on specific industries, organizational contexts, or performance measures, making it challenging to generalize the findings across diverse organizational settings and performance indicators.

There is a need for more comprehensive and systematic research that examines the impact of insider versus outsider successor selection on a broader range of organizational performance measures, such as financial performance, innovation, employee engagement, and organizational culture. Thus, this research seeks to address this gap to provide more robust and actionable insights to inform the decision-making processes of organizations when selecting their next leaders, ultimately contributing to improved organizational performance and long-term success. The purpose of the study is to analyze how employees and stakeholders perceive successors and how these perceptions influence organizational morale and outcomes.

2. LITERATURE REVIEW

2.1. THEORETICAL FRAMEWORK

The study is founded on the upper echelons theory. The upper echelons theory, developed by Donald C. Hambrick and Phyllis A. Mason in 1984, proposes that organizational outcomes are partially predicted by the background characteristics of a firm's top management team (Hambrick & Mason (1984)). The central idea is that executives interpret strategic situations through their own highly personalized lenses shaped by their experiences, personalities, and values (Janani et al. (2022)). The theory posits that senior managers' cognitive base and values become reflected in strategic outcomes. Observable demographic characteristics like age and education are seen as reliable indicators of executives' cognitive frames and can be used to predict strategic choices and organizational performance (Ma et al. (2022)).

Studying the characteristics of the entire top management team yields stronger predictions than focusing on the CEO alone. Hambrick and Mason argued that strategic situations contain more stimuli than decision-makers can fully comprehend, so managers rely on mental shortcuts and previous experiences when interpreting issues and devising courses of action. The cognitive base and values of each executive serve as a filter through which strategic situations are viewed. Upper echelons theory has been applied in various domains beyond management, including marketing, entrepreneurship, and international business (Whitler et al. (2021)). Research has examined the effects of top management team composition and processes on organizational outcomes, as well as the influences of CEO characteristics on company strategy and performance (Wang et al. (2016)).

Critics of the upper echelons theory have raised several concerns. One criticism is that the theory glorifies elites and overestimates the control top managers have over organizational outcomes (Neely et al. (2020)). It has been argued that external factors such as industry conditions and regulations can significantly limit managers' discretion. Additionally, the heavy reliance on demographic characteristics as proxies for executives' cognitive frames and values has been questioned (Yamak et al. (2014)). Critics suggest that these observable traits may not fully capture the complex psychological factors that influence managerial decision-making. Another critique is that the theory focuses too narrowly on the top management team, neglecting the influence of middle managers, employees, and other stakeholders on strategic choices and performance (Marshall et al. (2024)).

This theory has been applied to study the impact of CEO succession on firm performance. The selection of an insider or outsider CEO can have important implications for firm performance and strategic change (Liu & Atinc (2021)). The intensity of CEO successors' willingness to change corporate strategy is influenced by the gap between the firm's performance at succession and its prior performance, as well as the gap between the firm's performance and the industry average (Liu & Atinc (2021), Zhu et al. (2020)). Boards of directors use both internal and external reference points when evaluating successor CEOs. The impact of an outsider CEO on strategic change depends on the pre- and post-succession contexts. Outsider CEOs are more likely to initiate strategic change in stable firms (Georgakakis & Buyl (2020)).

The performance consequences of an outsider CEO depend on the successor's prior experience. Outsider CEOs with experience working with diverse boards are more successful. Factional subgroups that support the previous CEO can emerge after a succession event and negatively impact firm performance, highlighting that it is not just the new CEO who affects outcomes (Yeh & Liao (2021)). In summary, upper echelons theory provides a useful framework for understanding how the selection of an insider vs. outsider CEO, and the characteristics of the successor, can influence firm performance and strategic change in the post-succession period. The theory emphasizes the importance of the CEO's background and the organizational context in shaping post-succession outcomes.

2.2. CONCEPTUAL MODEL

1) Dependent Variable

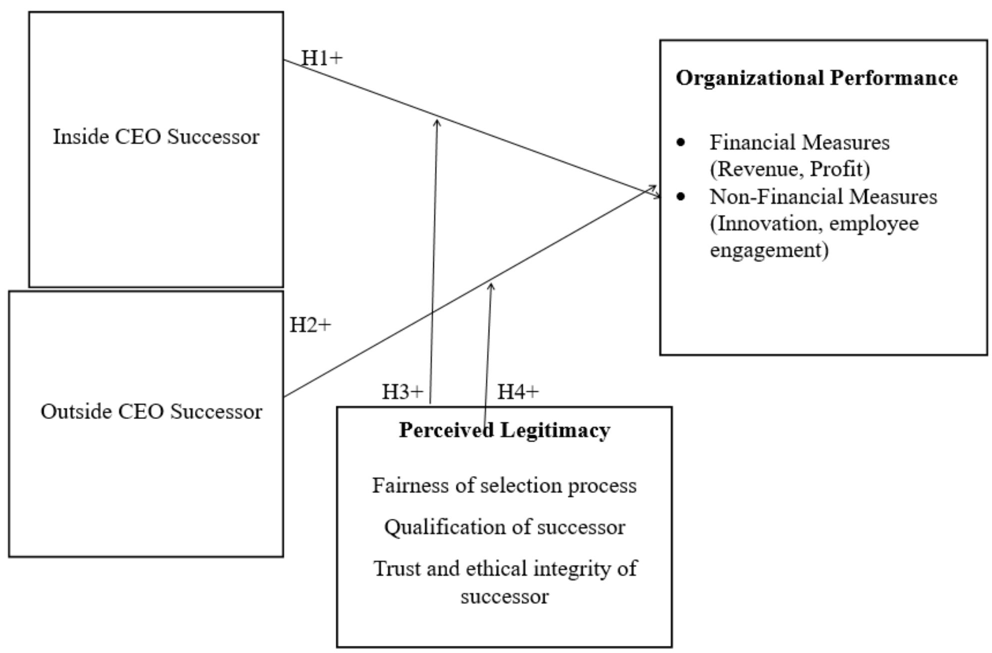
Organizational performance measures: Metrics used to evaluate the effectiveness and success of an organization. In this study, these measures include both financial measures (e.g. revenue, profit, market share) and non-financial measures (e.g. innovation, employee engagement, organizational culture).

2) Independent Variables

Insider successor selection: The process of promoting an existing employee within the organization to a leadership position, such as CEO or executive. Insider successors are typically long-tenured employees who have deep knowledge of the company's operations, culture, and stakeholders.

Outsider successor selection: The process of hiring an external candidate to fill a leadership role in the organization. Outsider successors bring fresh perspectives and industry experience but may lack familiarity with the company's unique context.

Moderating Variable: Employee and stakeholder perception plays a pivotal role in determining the impact of leadership transitions on organizational performance. In the context of succession planning, perceptions of legitimacy concerning the newly appointed leader—whether an insider or outsider—can significantly affect the organization's overall functioning and success. Legitimacy, in this sense, encompasses beliefs about the fairness of the selection process, the competence and ethical standards of the successor, and the alignment of the new leader with the organization's values and culture. When employees and stakeholders perceive a successor as legitimate, their engagement and commitment to the organization tend to increase, leading to improvements in productivity, morale, and collaboration. This positive perception acts as a catalyst that enhances trust and cooperation across the organization, thereby facilitating smoother transitions and better integration of strategic initiatives introduced by the new leadership.



3. METHODOLOGY

3.1. RESEARCH DESIGN

This study employed a quantitative research design to investigate the relationship between the perceived legitimacy of insider versus outsider successors and its impact on organizational performance. The quantitative approach enabled the collection and statistical analysis of numerical data, providing objective insights into the research problem.

3.2. STUDY POPULATION

The population for the study consisted of employees and stakeholders from organizations that had undergone leadership transitions within the last three years. Employees included managers, team leaders, and general staff who directly interacted with or reported to the new leader. Stakeholders comprised board members, investors, and external partners whose roles or interests were influenced by the leadership transition.

3.3. SAMPLING TECHNIQUES

The study utilized a stratified random sampling technique to ensure representation across different levels of employees and stakeholders. Organizations were categorized into those that appointed insider successors and those that appointed outsider successors. From these categories, respondents were selected to achieve balanced representation. The final sample size consisted of 300 participants, with 150 from insider-successor organizations and 150 from outsider-successor organizations. The sample size was determined using a 95% confidence level, a Z-value of 1.96, and an assumed 50% variability to ensure statistical reliability.

3.4. DATA COLLECTION METHOD

Data were collected through a structured questionnaire distributed electronically via Google Forms. The questionnaire consisted of three sections. The first section focused on demographic information, such as age, gender, role, tenure, and proximity to the leadership transition process. The second section measured perceptions of successor legitimacy using a five-point Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree). Sample items included "The selection process for the successor was fair and transparent" and "The successor possesses the necessary skills and qualifications for the role." The third section assessed organizational morale and performance using items such as "The new leadership has improved team collaboration" and "The successor has positively impacted organizational goals and targets."

Prior to distribution, the questionnaire was pretested with 30 participants from a similar population to ensure clarity, relevance, and reliability of the items. Feedback from the pretest was used to refine the questionnaire, ensuring that it effectively captured the constructs under investigation. The survey link was emailed to potential participants, and follow-up reminders were sent to encourage responses, achieving a high response rate.

3.5. DATA ANALYSIS

Data were analyzed using statistical software, specifically SPSS, to ensure robust and reliable analysis. Descriptive statistics, including frequencies, percentages, means, and standard deviations, were used to summarize demographic characteristics and respondents' perceptions of successor legitimacy and organizational outcomes. Inferential statistical techniques were employed to explore differences and relationships between the variables of interest. Pearson correlation analysis was used to assess the relationship between perceived legitimacy and organizational performance. Furthermore, regression analysis was applied to predict the extent to which perceived legitimacy influenced organizational morale and performance.

3.6. ETHICAL CONSIDERATIONS

The study adhered to strict ethical guidelines to protect participants' rights and confidentiality. Informed consent was obtained from all participants after providing them with detailed information about the study's purpose, voluntary nature, and data protection measures. Participation was anonymous, with no identifying information collected, and data were stored securely on password-protected devices accessible only to the research team.

4. RESULTS

4.1. DEMOGRAPHIC CHARACTERISTICS OF RESPONDENTS

The demographic characteristics of the study participants are presented in Table 1 In terms of gender, the majority of respondents were male, with 182 participants accounting for 60.7%, while females constituted 118 participants, representing 39.3%. This indicates a higher representation of males in the study. For the age groups, the largest category was those aged 30-39 years, comprising 98 participants (32.7%). This was followed by the 40-49 age group, which had 89 participants (29.7%). Participants aged 50 years and above constituted 61 (20.3%), while the youngest age group, 20-29 years, made up 52 participants (17.3%). Regarding job roles, the study included a higher proportion of non-managerial employees, with 198 participants representing 66.0% of the total sample. Managerial staff accounted for 102 participants, which is 34.0%. This distribution reflects the inclusion of perspectives from various hierarchical levels within organizations.

In terms of experience in the organization, 118 participants (39.3%) had 1-5 years of experience, making this the most represented group. This was followed by those with 6-10 years of experience (79 participants, 26.3%) and more than 10 years of experience (61 participants, 20.3%). Those with less than 1 year of experience accounted for 42 participants, representing 14.0%. Lastly, with regard to proximity to the leadership transition, a significant majority of the participants (223, 74.3%) had direct interaction with the leadership transition, whereas 77 participants (25.7%) reported indirect interaction. This highlights the study's focus on capturing insights from individuals closely involved in or affected by leadership changes.

Table 1

Table 1 Demographic Characteristics of the Study Participants

Demographic Variable	Category	Frequency
Gender	Male	182 (60.7%)
	Female	118 (39.3%)
Age Group	20-29	52 (17.3%)
	30-39	98 (32.7%)
	40-49	89 (29.7%)
	50+	61 (20.3%)
Job Role	Managerial	102 (34.0%)
	Non-Managerial	198 (66.0%)
Experience in the Organization	Less than 1 year	42 (14.0%)
	1-5 years	118 (39.3%)

	6-10 years	79 (26.3%)
	More than 10 years	61 (20.3%)
Proximity to Leadership Transition	Direct Interaction	223 (74.3%)
	Indirect Interaction	77 25.7%)

4.2. DESCRIPTIVE STATISTICS

4.2.1. DESCRIPTIVE STATISTICS OF SUCCESSOR LEGITIMACY PERCEPTION

The analysis of respondents' perceptions of successor legitimacy reveals overall positive evaluations across various dimensions. Selection process fairness emerged as a key strength, with the highest mean score of 4.2 (SD = 0.6). This indicates that respondents largely perceived the process of appointing successors as fair and transparent, which likely contributes to trust in the new leadership. The qualifications of the successor were also highly rated, with a mean score of 4.0 (SD = 0. perceptions, reflecting confidence in the successor's competence and ability to meet organizational demands. Similarly, the successor's legitimacy among employees was rated favorably, with a mean score of 4.1 (SD = 0.6), highlighting the importance of internal acceptance of the new leader in fostering morale and cohesion within the team.

External stakeholders also expressed positive perceptions, as reflected in the successor's legitimacy among stakeholders, which received a mean score of 4.0 (SD = 0.7). This underscores the significance of maintaining strong relationships and trust with external partners and investors having a new leader. Trust in leadership abilities, while still favorable, had a slightly lower mean of 3.8 (SD = 0.8), suggesting moderate confidence in the successor's capacity to lead effectively. Additionally, the successor's ethical integrity was rated at 3.9 (SD = 0.7), indicating that respondents generally perceived the successor as ethical but with slightly more variability in views. Finally, the alignment of the successor with organizational values was highly rated, matching the highest mean score of 4.2 (SD = 0.6). This suggests a strong consensus that the successor fits well within the cultural and strategic vision of the organization.

Table 2

Table 2 Descriptive Statistics of Successor Legitimacy Perceptions

Perception Item	Mean	Standard Deviation
Selection process fairness	4.2	0.6
Successor qualifications	4.0	0.7
Trust in leadership abilities	3.8	0.8
Successor legitimacy among employees	4.1	0.6
Successor legitimacy among stakeholders	4.0	0.7
Perceived ethical integrity of successor	3.9	0.7
Successor's alignment with organizational values	4.2	0.6

4.2.2. DESCRIPTIVE STATISTICS OF ORGANIZATIONAL PERFORMANCE

The descriptive statistics for organizational performance reveal insights into various performance metrics. Productivity levels had a mean score of 3.9 (SD = 0.7), indicating a generally positive perception of productivity within organizations. While there is some variability in responses, the overall view suggests that productivity is moderately strong. Employee morale showed a slightly higher mean score of 4.0 (SD = 0.6), reflecting a favorable perception of workplace morale following the leadership transition. The relatively low standard deviation suggests consistency in responses, indicating widespread agreement on this metric. Client satisfaction received the highest mean score of 4.2 (SD = 0.5), highlighting a strong perception of client contentment with the organization's services. The low variability emphasizes a consistent view across respondents, suggesting that this area is a key strength.

The mean score for the achievement of strategic goals was slightly lower at 3.8 (SD = 0.8), indicating some room for improvement in aligning organizational efforts with long-term objectives. The higher standard deviation reflects diverse perceptions among respondents. Finally, financial performance had a mean score of 4.1 (SD = 0.6), indicating a positive perception of the organization's financial outcomes. The moderate variability suggests general agreement but with some differences in individual perspectives. Overall, the data suggest that client satisfaction and financial performance are perceived as strong areas, while there is some variability in perceptions of strategic goal achievement and productivity. These findings provide valuable insights for organizations looking to enhance their performance metrics.

Table 3

Table 3 Descriptive Statistics of Organisational Performance

Performance Metric	Mean	Standard Deviation
Productivity Levels	3.9	0.7
Employee Morale	4.0	0.6
Client Satisfaction	4.2	0.5
Achievement of Strategic Goals	3.8	0.8
Financial Performance	4.1	0.6

4.3. INFERENTIAL ANALYSIS

4.3.1. THE RELATIONSHIP BETWEEN PERCEIVED LEGITIMACY AND ORGANIZATIONAL PERFORMANCE

The correlation analysis as shown in Table 3 shows a strong positive relationship between perceived legitimacy and organizational performance, with a correlation coefficient of 0.953. This indicates that as perceptions of a successor's legitimacy increase, organizational performance tends to improve significantly. The high correlation suggests that employees and stakeholders who view the successor as legitimate are likely to contribute to better performance outcomes for the organization. This could be attributed to enhanced trust, increased collaboration, and greater motivation, which are often associated with legitimate leadership.

Furthermore, the positive relationship emphasizes the importance of transparent selection processes and competent leadership in fostering both internal morale and external confidence. Organizations that prioritize these aspects may see improvements in productivity, employee satisfaction, and goal achievement. Overall, the analysis underlines the critical role of perceived legitimacy in shaping organizational outcomes, suggesting that leadership transitions should be handled strategically to maximize performance benefits.

Table 4

Table 4 Correlational Analysis Between Perceived Legitimacy and Organisational Performance		
	Perceived Legitimacy	**Organizational Performance**
Perceived Legitimacy	1	
Organizational Performance	0.953479	1

4.3.2. THE EXTENT TO WHICH PERCEIVED LEGITIMACY INFLUENCED ORGANIZATIONAL PERFORMANCE

The regression analysis examines the extent to which mode perceived legitimacy influences organizational performance. The results reveal a strong positive relationship between the two variables, supported by an R-squared value of 0.909. This indicates that 90.9% of the variance in organizational performance can be explained by changes in perceived legitimacy. The high explanatory power underscores the critical role of leadership perception in driving performance outcomes. The regression coefficient for Perceived Legitimacy is 1.2803 ($p < 0.001$), suggesting that for every one-unit increase in perceived legitimacy, organizational performance increases by 1.2803 units on average. This result is statistically significant, as the p-value is below the conventional threshold of 0.05. This strong positive effect implies that when employees and stakeholders perceive a successor as legitimate, it greatly enhances the organization's overall performance.

The constant term (-1.0924, $p = 0.096$) is not statistically significant, indicating that in the absence of perceived legitimacy, organizational performance does not significantly deviate from zero within this dataset. However, the overall model remains robust, as indicated by the high F-statistic of 80.03 ($p = 0.000019$), which confirms that the regression model is statistically significant and that perceived legitimacy is a reliable predictor of organizational performance.

The model's assumptions appear to be reasonably met, with a Durbin-Watson statistic of 0.988, indicating no severe autocorrelation. In summary, the analysis highlights the substantial impact of perceived legitimacy on organizational performance. Organizations seeking to improve performance outcomes should prioritize transparent and credible processes for leadership transitions, as these directly affect how successors are perceived and, consequently, the organization's overall effectiveness.

Table 5

Table 5 OLS Regression Results

Dep. Variable:	Organizational Performance	R-squared:	0.909
Model:	OLS	Adj. R-squared:	0.898
Method:	Least Squares	F-statistic:	80.03
Date:	Tue, 19 Nov 2024	Prob (F-statistic):	1.94e-05
Time:	11:59:02	Log-Likelihood:	13.026
No. Observations:	300	AIC:	-22.05
Df Residuals:	8	BIC:	-21.45
Df Model:	1		
Covariance Type:	nonrobust		

	coef	std err	t	P>|t|	[0.025	0.975]
const	-1.0924	0.579	-1.888	0.096	-2.427	0.242
Perceived Legitimacy	1.2803	0.143	8.946	0.000	0.950	1.610

Omnibus:	6.433	Durbin-Watson:	0.988
Prob(Omnibus):	0.040	Jarque-Bera (JB):	2.591
Skew:	-1.200	Prob(JB):	0.274
Kurtosis:	3.679	Cond. No.	107.

4.4. DISCUSSION

The findings of this study revealed significant insights into the perceived legitimacy of insider versus outsider successors and their subsequent impact on organizational performance. This section discusses the implications of these results, aligns them with the theoretical framework of the upper echelons theory, and compares them with the existing literature reviewed.

The study's findings strongly support the propositions of the upper echelons theory, which emphasizes that organizational outcomes are influenced by the values, cognitive bases, and characteristics of top executives. The high correlation ($r = 0.953$) and substantial explanatory power ($R^2 = 0.909$) of perceived legitimacy on organizational performance underscore the critical role of leadership perception in driving organizational success. The positive perceptions of both insider and outsider successors—especially regarding attributes such as fairness in the selection process and alignment with organizational values highlight the influence of leaders' perceived legitimacy on organizational morale, employee collaboration, and stakeholder trust.

The theory posits that leadership decisions and performance outcomes are shaped by the demographic and psychological attributes of leaders. In this study, insider successors were viewed as more aligned with organizational culture, which resonates with the theory's emphasis on cognitive continuity. Meanwhile, outsider successors' ability to bring fresh perspectives echoes the theory's acknowledgment of strategic diversity as a potential driver of change. The study's findings align with previous research emphasizing the advantages of both insider and outsider leadership transitions. For instance, Turner et al. (2022) and Giambatista (2004) highlight that insider successors often maintain stability and continuity, a perspective echoed by the high ratings of insider successors' legitimacy among employees. Conversely, Karaevli (2007) and Kim et al. (2022) argue that outsider successors bring innovation and strategic change, which was supported by stakeholder perceptions of these leaders' ability to influence positive outcomes.

However, this study's findings diverge from critiques presented in some literature. Critics like Yeh & Liao (2021) argue that insider successors may struggle with entrenched biases and resistance to change, yet this study found no evidence to suggest significant limitations in their perceived legitimacy. Similarly, while some studies (Leker & Salomo (2000)) caution that outsider successors may face challenges in cultural adaptation, this research identified relatively favorable perceptions of outsider successors' alignment with organizational goals and values, particularly by external stakeholders. The strong relationship between perceived legitimacy and organizational performance highlights the importance of transparent and inclusive leadership selection processes. Organizations should consider the unique advantages of both insider and outsider successors while tailoring their choices to the specific organizational context and goals. Insider successors may be better suited for maintaining continuity in stable environments, while outsider successors may offer the fresh perspectives needed for innovation and strategic change.

Moreover, organizations should prioritize fostering trust and ethical integrity in leadership to enhance performance outcomes. Investments in leadership development programs, onboarding processes for outsider successors, and stakeholder engagement strategies can further bolster perceptions of legitimacy and improve overall organizational performance.

5. CONCLUSION

This study investigated the perceived legitimacy of insider versus outsider successors and its impact on organizational performance within the Accra metropolis. Grounded in the upper echelons theory, the study revealed a significant positive relationship between perceived legitimacy and organizational performance, emphasizing the critical role of transparent and credible leadership transitions. The findings underscore the importance of fair selection processes, leadership competence, ethical integrity, and alignment with organizational values in fostering trust and collaboration among employees and stakeholders. While insider successors were seen as better aligned with organizational culture, outsider successors were perceived as bringing fresh perspectives and innovation, highlighting their complementary strengths in different organizational contexts.

The study contributes to both theory and practice by bridging the gap between academic discourse and real-world organizational dynamics. The strong alignment with the upper echelons theory validates its applicability in understanding leadership transitions and organizational outcomes. Furthermore, the results provide actionable insights for organizations, particularly in tailoring leadership succession strategies to their unique contexts and objectives. Future research should explore the long-term impacts of leadership transitions on specific performance metrics and extend this analysis to diverse organizational settings to enhance the generalizability of findings. By prioritizing legitimacy and strategically navigating the insider-outsider dichotomy, organizations can enhance morale, achieve strategic goals, and foster sustainable growth.

CONFLICT OF INTERESTS

None.

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