The Role of Candidate Availability in Involuntary Dismissals

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The decision of whether to dismiss a chief executive officer (CEO) is one of the most impactful decisions a corporation’s decision makers can make. Fredrickson, Hambrick and Baumrin’s (1988) seminal article theorized common major factors influencing CEO dismissals. The four major factors influencing CEO dismissals were “(a) the board of directors’ expectations and attributions, (b) the board’s allegiances and values, (c) the availability of alternative candidates for CEO, and (d) the power of the incumbent CEO” (Fredrickson et al., 1988, p. 255). Fredrickson et al. (1988) provided guidance to researchers seeking to empirically examine CEO dismissal using their theoretical model by stating “those interested in testing the present model should be aware that its ceteris paribus argument requires all variables to be included” (p. 268). They warned that failure to test all factors can lead to misleading results regarding determinants of firing. This failure in omitting at least one of these factors is common within the literature. Chief among the omitted factors is the availability of alternative candidates due to data limitations (e.g., Canella & Lubatkin, 1993).

The purpose of the proposed research is to focus on the availability of alternative candidates in examining involuntary head coaching dismissals in the National Football League (NFL). Previous research has cited the usefulness of data available using sport as an empirical setting to empirically examine economic and managerial theories and phenomena (Day, Gordon, & Fink, 2012; Kahn, 2000; Wolfe et al., 2005). One of the phenomena in which sports is commonly used as an empirical setting is organizational succession (Day et al., 2012), particularly determinants of coaching dismissals. Within the context of sport, determinants of coaching dismissals present a current active area of research for sport scholars (Frick, Barros, & Prinz, 2010).

Recent research by Holmes (2011) utilizing Fredrickson et al’s (1988) dismissal model looked at Division I-FBS head coach dismissals. Though the principal contribution of the model for college football coaches presented by Holmes (2011) was to further the understanding that impact that expectations have on dismissals, he controlled for incumbent power and the organization’s allegiances and values. Absent from his model, however, was the availability of alternative candidates because it was unclear to him the specific pool of candidates that each university interviewed prior to making its final decision.

The sample includes all NFL teams from the 1978-1979 season through the 2012-2013 season with the unit of observation being a team-season. During this sample period, a total of 1,041 team-season observations exist. The dependent variable in the proposed research is an indicator variable for if the head coach was involuntarily dismissed after the observed season. He will be deemed involuntarily dismissed based on if the head coach was demoted to a lower position the next season or if a review of media articles indicates that his removal from the head coaching position was involuntarily. This method is consistent with methods use in previous research on CEO dismissals (Parrino, 1997; Zhang & Rajagopalan, 2004).

The main independent variable accounts for the availability of quality candidates external to the organization. The reason to limit the pool to external candidates is previous research suggest that dismissals are a result of poor performance (Fredrickson et al., 1988; Vancil, 1987) and organizations that have poor performance will likely select an individual from outside the organization (Furtado & Karan, 1990) as the strong performing organizations provide little opportunities for lower-level managers to be internally promoted (Fee et al., 2006; Fredrickson et al., 1988). To proxy for the availability of candidates for the position, the proposed research will look at coordinators of NFL teams and recently dismissed head coaches. A coordinator is deemed to be an available candidate if a coordinator’s unit finishes in the top 20% (which would be the top six teams in the current NFL structure) of the league’s main category (i.e., total offense or total defense) and the team is in the top 20% of the league in average win percent over the past three years. Control variables include operationalizing the other three major factors outlined by Fredrickson et al (1988). These include the head coaches’ record against the spread for the observed season as a measure of

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expectations of performance, head coach tenure with the team compared to the general manager tenure with the team operationalizing power, division win percentage and postseason record as a measure for allegiances and values. Other control variables include the win/loss record of the observed season, an indicator variable for if a head coach holds a dual role with the team such as the director of player personnel, and whether the coach is a visible minority. The minority status of head coaches is particularly important due to the Rooney Rule and the focus of recent research of the implications and consequences of this policy (Solow, Solow, & Walker, 2011; Madden, 2004; Madden & Ruther, 2010).

Due to the dependent variable being dichotomous, a logistic regression model will be estimated. Logistic regressions are the typical analysis tool for examining dismissals (Cannella & Lubatkin, 1993; Frick et al., 2010; Holmes, 2011). Specific estimation issues such as random versus fixed effects, heteroscedasticity, and endogeneity will be tested for and corrected if applicable. Finally, odds ratios will be calculated to examine the impact that each of the independent and control variables has on the likelihood of involuntary dismissal.

The proposed research has many potential implications for scholars. First, it provides a comprehensive empirical examination of the Fredrickson et al (1988) model that is lacking within the previous research. Specifically, the results provide additional knowledge for scholars examining the role that candidate pools have in dismissals. Furthermore, the results of the proposed research can be generalized to non-sport companies. As Scully (1994) stated, the head football coach has more of an ability to impact the game than in baseball or basketball. Furthermore, the role of a head football coach is similar to one of a Fortune 500 CEO as he makes decisions regarding the placement and management of personnel and the delegation of authority to lower level managers contributing to the increasing literature using the sport setting to examine organizational phenomenon.