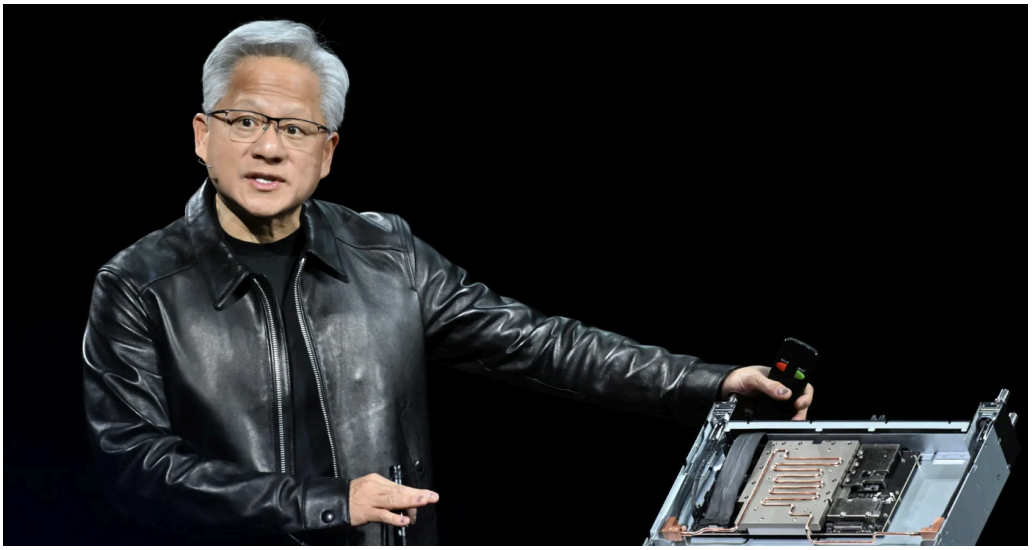
Forbes

Jensen Huang's Exit From Nvidia May Not Matter In The Long Run

By Erik Sherman, Senior Contributor. Erik Sherman reports on business, economics, finance, tech, and law.



Jensen Huang's resignation after 33 years as Nvidia's CEO has raised questions about whether the company can sustain its success without him.

According to a number of experts, many investors have inaccurate views of a CEO's importance, and their assumptions about Nvidia's future may be wrong.

"I think investors sometimes give visionary CEOs too much credit for a company's success, while overlooking the thousands of talented people responsible for actually delivering on that vision," Dave Altavilla, President and Principal Analyst at HotTech Vision And Analysis, told me. He's covered Nvidia and the semiconductor industry for years.

"Jensen Huang is an exception perhaps, and an exceptional example of a leader who anticipated major technology trends and positioned Nvidia to capitalize on them," Altavilla added. "Having covered Nvidia for over 25 years, I've seen firsthand how important his strategic instincts have been." But the success also owes to the engineering teams and operations, sales, and financial leadership.

“Successful, high-profile companies tend to turn their CEOs into heroes. The more exposure, the more glorification, until the CEO looks invincible,” says Walid Zayed, co-founder and CEO of advisory firm Rubikonn. “Investors buy into that story and then pay for it twice: once on the way up, and again when the hero stumbles.”

Apple offers an example of a company that continued to thrive after the departure of a legendary founder. Its market value soared under Tim Cook, who succeeded Steve Jobs as CEO.

“If you look at past CEOs over time, their role tends to be, and especially in Jensen Huang’s case, very much the figurehead and a little bit of the celebrity of the company,” says Dr. Stephan Shipe, founder of flat-fee fiduciary firm Scholar Advising.

“We saw this with Steve Jobs,” he continued. “You see this with a lot of founder CEOs as well, where maybe their role is not as much management, and instead was creating the excitement and the hype to build the company up to where it is. It’s possible, and in many cases true, that the CEO they need now is not the CEO that got them to the place they’re at. This may be an unfortunate but timely need for a shift. Nvidia is the largest company in the world, and Jensen Huang may have created the largest company in the world as CEO, but may not be the best CEO to manage the largest company in the world.”

What Jensen Huang’s Exit Means For Nvidia Investors

The loudest aspect of Huang’s departure has been his extramarital affairs. But for investors, there are other issues. One is governance. *“Research shows that about 25% of firm performance is due to the CEO,”* **Randall Peterson, professor of organizational behavior at London Business School**, says. “The rest is down to macroeconomics, industry structure, and competitive landscape.”

A project that **Peterson** is working on *“shows that most of us, including analysts, tend to romanticize leadership and over-interpret the impact of specific leaders, suggesting that analysts need to focus more on things like industry structure,”* for example, the near-monopoly Nvidia holds in the generative AI chip market

Such findings suggest that it’s difficult to properly track and understand how a company works and where its true strengths are.

“I would say read the financial statements, not the profile stories,” explains Martin Mulyadi, YHB Endowed Chair in Accounting and Professor of Accounting at Shenandoah University’s College of Business, Engineering & Technology in Virginia. “Analyze whether the value sits with the person or with the company. Is revenue concentrated in a few customers who are loyal to the CEO, or spread across products? Are the finance team, the auditor and the audit committee stable? Is there a bench of leaders who already know how the business runs? If the cash flow is strong and the knowledge is spread across the team, the story is bigger than one person. A strong CEO is an asset. Depending on one is a risk.”

And also pay attention to the news. The Wall Street Journal recently ran a story that as of last year, Singapore was one of Nvidia’s biggest markets, responsible for 22% of revenue. “Then, practically overnight, it disappeared from the company’s financial disclosures,” wrote Jonathan Weil.

He said that the company changed its methodology for reporting geographic breakdowns of revenue, similarly to how Apple stopped reporting the breakdown of revenue and unit sales by major products years ago. Singapore is the home to Megaspeed, which is involved in the sex and spying scandal that ended Huang's position.

"Investors overstate CEO influence when they treat one person as the source of a company's entire competitive advantage," said Afsheen Afshar, CEO of consultancy PilotWave Holdings. "A durable company has operating systems, technical leadership, institutional knowledge, customer relationships, product discipline, governance, and a management bench that continues functioning when the CEO changes. If the investment case collapses when one person leaves, the business is more fragile than investors understood."

"Investors deserve to know why, and Nvidia needs to start explaining, with or without Jensen Huang at the helm," Weil wrote.