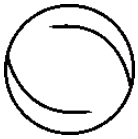
Check for updates



Article

Organization Studies
2017, Vol. 38(11) 1603–1624
© The Author(s) 2017
Reprints and permissions:
sagepub.co.uk/journalsPermissions.nav
DOI: 10.1177/0170840616685364
www.egosnet.org/os

Effectiveness of CEO Power Bundles and Discretion Context: Unpacking the 'Fuzziness' of the CEO Duality Puzzle

Krista B. Lewellyn
University of Wyoming, USA

Stav Fainshmidt
Florida International University, USA

Abstract

Decades of research on the effectiveness of CEO duality as a governance mechanism have produced inconsistent results, providing support and non-support for agency and stewardship theories. To better understand the duality puzzle, we first conceptualize CEO duality as a governance mechanism conferring structural power and board discretion upon a CEO. We then use the concept of complementarity and open-systems logic to evaluate the effectiveness of CEO duality in conjunction with other, concurrent sources of CEO power and discretion. Using fuzzy-set qualitative comparative analysis and data on 241 U.S. firms, we show that CEO duality combines in a variety of ways with other sources of CEO power into power bundles, and that particular power bundles configure with elements of the organizational and industry discretion context into four effective and four ineffective governance configurations. Consequently, our study suggests that the effectiveness of either a dual or separated leadership structure is reinforced or compensated for by other types of power and discretion arising from the context in which the CEO is embedded. Based on our findings we elaborate theory on plausible mechanisms underlying the complex patterns we observe and thus offer new insights for governance research.

Keywords

CEO duality, corporate governance configurations, discretion, fsQCA

Introduction

"*Duality is not a story. Duality is just a complexity*."

– Edward Norton, American actor, screenwriter, film director and producer.

Corresponding author:
Krista B. Lewellyn, Assistant Professor of Management, Department of Management and Marketing, University of Wyoming, 1000 E University Avenue, Laramie, Wyoming 82071, USA.
Email: klewelly@uwyo.edu

Increasingly various national governing bodies as well as stock exchanges have called for eliminating the practice of CEO duality, whereby the CEO also serves as the chairman of the board of directors, with the intent of attaining more effective corporate governance (Dalton & Dalton, 2011). For example, in February 2010, the U.S. Securities and Exchange Commission (SEC) implemented new rules requiring publicly listed companies to not only report whether the company has a combined or separated leadership structure, but to also explain *why* such a leadership structure will be effective for their organization (SEC, 2009). Unfortunately, providing such an explanation is no easy task, as, despite being one of the most studied relationships in corporate governance research, the extant literature lacks consensus on whether CEO duality facilitates or hinders organizational effectiveness (Gove & Junkunc, 2013; Krause, Semadeni, & Cannella, 2014).

Scholars have examined the implications of CEO duality primarily from two dichotomous theoretical perspectives, agency theory and stewardship theory (Daily, Dalton, & Cannella, 2003; Gove & Junkunc, 2013; Krause et al., 2014).[1] Both theories agree that duality gives CEOs greater power (Daily & Johnson, 1997; Finkelstein, 1992) as well as more discretion, or latitude of action for exercising that power (Finkelstein, Hambrick & Cannella, 2009). However, they diverge with respect to the consequences of such increases. Agency theorists predict greater power and discretion will diminish board monitoring and increase the ability of CEOs to engage in activities that are self-serving and detrimental to their organizations (Fama & Jensen, 1983). Stewardship theory argues that duality will have positive effects as the CEO will be better able to use his or her power and discretion to direct resources in ways that will benefit the organization (Davis, Schoorman, & Donaldson, 1997; Donaldson & Davis, 1991). Yet, as "the evidence of direct effects from either perspective is elusive" (Gove & Junkunc, 2013, p. 101), including across meta-analyses (e.g., Rhoades, Rechner, & Sundaramurthy, 2001; Dalton, Daily, Ellstrand, & Johnson, 1998), some have concluded that CEO duality is inconsequential (Gove & Junkunc, 2013).

We propose that inconsistent results are due to the simple causal patterns implied by the two theories, precluding theoretical consideration of the effectiveness of CEO duality in conjunction with other, concurrent CEO power and discretion mechanisms. To remedy this theoretical limitation, we propose a configurational model by drawing from the concept of complementarity and open-systems logic.

Complementarity emerges when two or more elements mutually reinforce one another's effects or because they compensate for one another's deficiencies (Crouch, 2005). Hence, the concept of complementarity suggests that to adequately understand the implications of the power a CEO derives from a dual leadership structure, we should consider how it combines with co-occurring sources of CEO power into *power bundles*. An open-systems perspective highlights "the importance of examining corporate governance practices within a holistic context" (Aguilera, Filatotchev, Gospel, & Jackson, 2008, p. 479), suggesting that the effectiveness of a given CEO power bundle will be shaped by the discretion a CEO is afforded by the internal and external environment (Finkelstein et al., 2009). Hence, to derive more accurate insights about the effectiveness of CEO duality as a governance mechanism providing the CEO with both power and discretion, it is important to (1) account for the interplay with other co-existing sources of power such that different power bundles form, and (2) consider how these power bundles configure with the discretion context into an overall governance configuration.

Accordingly, to examine the effectiveness of CEO duality as part of a CEO power bundle within distinct discretion contexts, we utilize fuzzy set qualitative comparative analysis (fsQCA), a set-theoretic configurational technique that is particularly appropriate when the aim is to uncover complex patterns in an iterative, simultaneous process of theory-testing and theory-building (Hotho, 2014; Vis, 2012). As such, our intent is not to isolate independent, net-effects of a dual or

separated leadership structure, but rather to contribute unique insights that move "beyond the agency-stewardship dichotomy in which one structure must reign supreme" (Krause et al., 2014, p. 266). Our results indicate that both duality and non-duality may be effective as part of distinct governance configurations whereby the power and discretion arising from such arrangements combine with other types of CEO power and complement the discretion provided by the organizational and industry context. These findings support and extend organizational theory perspectives suggesting that effectiveness is determined by the alignment of organizational mechanisms in complementary ways as configurations (Miller, 1987) and that organizations are situated within gestalts of contingencies arising from their context (Child, 1977).

In addition, our study enriches the conceptualization of governance bundles (Aguilera, Desender, & Kabbach-Castro, 2012) to encompass not just combinations of specific governance practices but also the underlying forces of power and discretion to which they are related. This is important because corporate governance theory is about the control of power as well as how discretion is conferred within organizations (Daily et al., 2003; Shapiro, 2005). Furthermore, by exploring how organizational and industry discretion complement the discretion arising from CEO duality as part of a power bundle, we heed calls for examining "the interplay between different levels of discretion" (Wangrow, Schepker, & Barker, 2015, p. 127).

In the next section we review the literature on CEO power and discretion related to duality. Building on this extant research we identify power and discretion elements that are relevant to consider in combination with CEO duality and offer an overarching theoretical proposition. We empirically explore the proposition using fsQCA to identify effective and ineffective governance configurations comprised of CEO power bundles and discretion contexts. Based on our findings, we elaborate theory on plausible mechanisms underlying the complex patterns of the linkages between CEO duality and organizational effectiveness. We conclude with a discussion of the study's implications.

CEO Duality: A Governance Mechanism for Power and Discretion

CEOs are generally considered to be the "most powerful member of the corporate elite" (Jensen & Zajac, 2004, p. 513). Along with the higher status, CEOs that are also board chairs have greater authority over allocating organizational resources (Barkema & Pennings, 1998; Finkelstein, 1992). Discretion is similar to power, as "it exists when there is an absence of constraint" (Hambrick, 2007, p. 335), but it is a distinct and "more diffuse construct" than power (Quigley & Hambrick, 2012, p. 854). Specifically, discretion is a function of how much contextual elements facilitate CEOs perceiving "multiple courses of action" and empower them "to formulate and execute those actions" (Hambrick & Finkelstein, 1987, p. 379). Holding both the CEO and board chair positions increases a CEO's discretion by allowing for a broader span of control and by weakening the relative control of the board (Boyd, 1995). Thus, within the context of the board of directors, duality is a source of both power and discretion for a CEO. The power and discretion from a dual leadership structure allows CEOs to significantly influence strategic decision-making processes, which ultimately impacts organizational effectiveness (Daily & Johnson, 1997; Finkelstein & D'Aveni, 1994; Wangrow et al., 2015).

Previous studies showing that CEO duality leads to effective, ineffective, or inconsequential organizational outcomes (e.g., Brickley, Coles, & Jarrell, 1997; Rechner & Dalton, 1991; Dalton et al., 1998; Rhoades, Rechner, & Sundaramurthy, 2001) have largely focused on "a fairly simple pattern where a given variable [duality or non-duality] is assumed to be simultaneously necessary and sufficient" for a particular organizational outcome (Fiss, Cambré, & Marx, 2013, p. 11). Although this aligns with the predominant intent of the extant literature to test the competing

theories of agency and stewardship (Krause et al., 2014), it is unfortunate because "when taken alone, each [theory] incompletely conveys the complexity of organizational governance" (Michaud, 2013, p. 77).

In response to these concerns, research has started considering the effectiveness of corporate governance practices as "bundles" – configurations of interrelated and interdependent elements (Aguilera et al., 2008; Bell, Filatotchev, & Aguilera, 2014). For example, Misangyi and Acharya (2014) find that when incentive alignment practices (e.g., contingent compensation) and board monitoring mechanisms (e.g., block holdings) are bundled together, they lead to higher profitability than the situation where only one type of mechanism is present. Importantly, the concept of complementarity highlights that additional sources of power do not just add together to increase a CEO's level of influence such that more is better or worse. Rather, the different types of power interact in complex ways such that various power bundles serve different functions, which may be more or less effective. For our study, this notion suggests that other coexisting types of CEO power will combine with the power (or lack thereof) provided by a dual or separated leadership structure into a bundle of CEO power.

CEO power types

CEO duality represents centralization of legitimate authority, which increases a CEO's formal structural power (Firstenberg & Malkiel, 1994). Yet, power may also result from other formal and informal sources (Finkelstein et al., 2009). A CEO's voting power, arising from high ownership stakes in the organization, is a type of formal power that imparts greater ability to influence strategic decisions (Daily & Johnson, 1997). Voting power provides the CEO with a level of legitimacy or status with respect to having his or her interests aligned with other shareholders (Daily & Johnson, 1997). Research shows that CEOs with significant ownership have greater input about selection of new board members and are better able to prevent boards from firing them (Fredrickson, Hambrick, & Baumrin, 1988).

With respect to informal power, the literature suggests CEOs may derive expert power from having long tenure, which facilitates gaining valuable firm- and industry-specific knowledge as well as access to important external resources and networks (Daily & Johnson, 1997; Greve & Mitsuhashi, 2007). These characteristics give the CEO control over important organizational knowledge and social capital, often leading to other decision makers deferring to his or her judgment (Daily & Johnson, 1997). Also, the longer a CEO has held their position, the more likely he or she has developed credibility with board members, which will likely increase the trust directors have in the CEO, increasing the board's willingness to support the CEO's decisions (Finkelstein et al., 2009).

Informal power is also increased when a CEO is the only insider on his or her organization's board (Adams, Almeida, & Ferreira, 2005). Agency theory would predict this situation would lower CEO power as the board will be considered highly independent and therefore better able to monitor the CEO. However, recently scholars have argued that when the CEO is the only inside director, his or her power to influence board decisions is enhanced as he or she is able to filter and control the organizational-specific information that is shared with other directors (Joseph, Ocasio, & McDonnell, 2014; Zorn, Martin, & Combs, 2012). When there are other executives (insiders) on the board, outside directors will have access to additional information about the organization's strategies and operations that may differ from the CEO's viewpoint (Joseph et al., 2014; Zorn et al., 2012). Being the only insider board member may also confer heightened status and prestige power to the CEO, as it provides additional flexibility to manage other directors' impressions about his or her performance and abilities (Maitlis, 2004).

The underlying mechanisms by which each of these other types of power provide the CEO influence over organizational decisions may reinforce the legitimacy, status, control of resources, and lack of oversight that duality gives. For example, since candidates for board directorships are often recommended by the board chair, duality provides the means for the CEO to have allies in the boardroom, possibly limiting constructive debate and consideration of alternative viewpoints (Conger & Lawler, 2009). In such situations, a long-serving CEO with expert power will likely inspire even greater loyalty amongst board members as well as make them more amenable to a CEO's choices of possible actions (Greve & Mitsuhashi, 2007).

Within a given CEO power bundle, the other types of power may also compensate for the relatively lower structural power a CEO in a non-duality situation has. For instance, since the board chair sets board meeting agendas, he or she has significant power to direct attention to areas of his or her choosing (Tuggle, Sirmon, Reutzel, & Bierman, 2010). However, a CEO who is not the board chair but is the only inside director, will also have significant sway in directing attention of the board, as he or she will be the primary source of important organizational information.

In sum, to understand the effectiveness of CEO duality as a governance mechanism, it should be considered as part of a bundle of coexisting power mechanisms. Yet, along with being a source of power, duality also provides the CEO with greater discretion (Li & Tang, 2010; Finkelstein & D'Aveni, 1994). From an open-systems perspective, the effectiveness of duality as part of a CEO power bundle will also depend upon interdependencies with discretion arising from a CEO's organizational and industry context.

CEO discretion context

A CEO's discretion context defines the range of plausible options open to him or her and is shaped by both the organization's internal forces and the industry environment (Finkelstein et al., 2009). An important determinant of discretion arising from the internal organizational context is the size of the organization (Hambrick & Finkelstein, 1987; Li & Tang, 2010). Previous research has demonstrated that in smaller firms CEOs "are less constrained by organizational systems and structures" compared to those in larger firms, resulting in greater discretion (Dalton et al., 1998, p. 274). In smaller organizations there is less inertia and more willingness for change, affording CEOs a wider range of strategic choices (Audia & Greve, 2006). CEOs in smaller organizations are more likely to be involved in daily operations and boundary-spanning activities, both of which will provide greater discretion in decision-making processes (Stam, Arzlanian, & Elfring, 2014). Also, in larger organizations, decision making is often decentralized, reducing the discretion a CEO has on organizational decisions (Papadakis, 2006; Wangrow et al., 2014). Hence, as a source of discretion, organizational size may act as a constraint or enabler of the extent to which CEO power is realized and exercised.

From an external perspective, industry factors such as market growth, demand stability, product/service differentiability, and lack of powerful stakeholders, may provide CEOs with a greater variety of plausible choices (Abrahamson & Hambrick, 1997; Datta & Rajagopalan, 1998). Whereas, when the industry has powerful forces (e.g., competitors, suppliers, and buyers) and/or is highly regulated, CEOs have greater restrictions on their choices, limiting their discretion to act (Hambrick & Abrahamson, 1995; Peteraf & Reed, 2007). Indeed, research has shown that both organizational and industry discretion are important to organizational outcomes (Finkelstein et al., 2009). For example, CEOs are less likely to change their strategy in low discretion industries (McClelland, Liang, & Barker, 2010) but more likely to engage in radical product innovation when organizational discretion is high (Papadakis & Bourantas, 1998).

Applying the concepts of complementarity and open-systems suggests that organizational and industry discretion may substitute or reinforce the power a CEO has from his or her bundle of

power. For example, when the context provides constraints on a CEO's discretion, it may serve as a monitoring mechanism for powerful CEOs. Conversely, in high discretion environments, such as high-technology industries where speed in decision making is important for organizational effectiveness (Bourgeois & Eisenhardt, 1988), a CEO's power bundle and discretion context may reinforce a CEO's ability to quickly respond to fleeting opportunities. In other words, an open-systems lens emphasizes that the power and discretion afforded by a dual or separated leadership structure may serve different functions in different contexts. In summary, we put forth the following working theoretical proposition:

> ***Proposition***: *The effectiveness of a dual or separated leadership structure depends upon complementarities within the CEO's power bundle and between the power bundle and discretion context in which the CEO is embedded.*

Research Methods

To empirically explore our proposition, we use fsQCA. This technique provides a means for examining the relationship between combinations of conditions (e.g., power bundles and discretion contexts) and a related outcome (e.g., organizational effectiveness) (Ragin, 2000, 2008). Configurational methods, such as fsQCA, have several features that are important for our study.

First, fsQCA accounts for how CEO duality may simultaneously merge with an array of individual, organizational, and environmental factors into combinations of mutually reinforcing or functionally substitutable elements that impact organizational effectiveness. This stands in contrast to a traditional correlation-based methodology that "treats variables as competing in explaining variation in outcomes rather than showing how variables combine to create outcomes" (Fiss, 2007, p. 1181).

Second, fsQCA permits equifinality, a key property of open-systems (Gresov & Drazin, 1997). Equifinality acknowledges that rather than a universal prescription for how a CEO's power and discretion may benefit or harm an organization, there may be multiple pathways to achieve the same organizational outcome (Ragin, 2000). This is particularly important to our objective to move beyond the agency-stewardship dichotomy.

Third, the concept of causal asymmetry is relevant, which means that "the causes leading to the presence of an outcome of interest may be quite different from those leading to the absence of the outcome" (Fiss, 2011, p. 394). Thus, the outcomes of high and low organizational effectiveness may result from combinations where certain conditions (e.g., presence of duality) are the same. Together, these features of fsQCA promote "a conception of causality that allows for complexity" (Fiss et al., 2013, p. 13) and make it an appropriate technique for our study.

Sample and data sources

Our sample is drawn from the Standard and Poor's (S&P) large-, mid- and small-cap firms with data reported in the S&P's ExecuComp database for the years 2006–2007. This time period is chosen as it is after the implementation of the Sarbanes-Oxley Act of 2002, which increased responsibility and accountability of corporate boards to monitor their CEOs, and is just prior to the macro-economic jolts of the global financial crisis. To incorporate industry sources of discretion, we further filter the sample by retaining firms representing the 70 industries at the four-digit Standard Industrial Classification (SIC) code level, for which Finkelstein et al. (2009, pp. 29–30) report discretion scores. We exclude financial firms (SIC 6021, 6022, 6035, 6141, 6211, 6411) since they are subject to special regulations. This procedure results in 61 industries being

represented. Data related to CEOs and boards of directors came from the S&P's ExecuComp database and DEF14A Proxy statements filed with the SEC. Annual company financial data came from the Reuters' ThomsonOne Financial database. After merging the various data sources, the final sample represents 241 firms.

Measurement and calibration of conditions

We consider one outcome condition to capture organizational effectiveness, and six causal conditions – four that constitute CEO power bundle elements and two representing the discretion context. Organizational effectiveness is a broad construct often conceptualized as reflecting financial performance (Judge, 1994; Orlitzky, Schmidt, & Rynes, 2003). Hence, we use return-on-assets (ROA), as it captures the influence and performance of decision making by key executives, rather than financial market responses to organizational actions (Finkelstein & D'Aveni, 1994; Orlitzky et al., 2003).

For the conditions in the CEO power bundles, we obtained data for the four types of CEO power discussed previously. CEO duality as a source of *structural power* (Daily & Johnson, 1997) is coded 1 if the CEO is also the chairman of the board, and 0 otherwise. A CEO's *voting power* is measured as the percentage of the company stock owned by the CEO, excluding options (Zhou, 2001). For *expert power* we use the CEO's tenure (Simsek, 2007), measured as the number of years, as of 2006, that the individual has been in the CEO position. We measure a CEO's *information power* by determining if he or she is the only insider (executive/employee) on the board. If this is the case, the variable is coded as 1 and 0 otherwise (Adams et al., 2005).

For *organizational discretion* we use the inverse of the size of the organization (Li & Tang, 2010), measured as the organization's total annual revenues. As discussed previously, CEOs have less discretion in larger organizations (Li & Tang, 2010; Papadakis, 2006). Therefore, high *organizational discretion* corresponds to smaller organizational size. *Industry discretion* is measured using scores reported by Finkelstein et al. (2009, pp. 29–30). The scores were generated by Hambrick and Abrahamson (1995) using a panel of academic experts who rated the industries on the following items: product differentiability, market growth, demand instability, capital intensity, industry structure, absence of regulations, and absence of powerful outside forces. Although these scores were originally generated over 20 years ago, they continue to be used in more recent scholarly efforts (e.g., Hambrick & Quigley, 2014; Perry, Yao, & Chandler, 2011). Hambrick and Quigley (2014) report that recalculations of the measures using five-year samples between 1992–2011 showed correlations between these more recent scores and the original scores to be approximately 0.80. We concur with their assessment that recent use of the Hambrick and Abrahamson (1995) measures "coupled with the original systematic development of the scores, suggest that the ratings are largely valid indicators of industry-level managerial discretion" (Hambrick & Quigley, 2014, p. 483).

Since fsQCA does not directly address potential endogeneity issues (Misangyi & Acharya, 2014), there is a possibility for reverse causality, such that CEOs whose organizations performed effectively may gain greater power and discretion (Finkelstein & D'Aveni, 1994). Indeed, in May of 2013, the shareholders of J.P.Morgan voted to allow Jamie Dimon to retain his dual positions of CEO and chairman of the board, which the media largely attributed to the company's stellar profitability (Kopecki & Son, 2013).[2] To minimize the possibility of this issue, we created a lagged data structure (Tuggle et al., 2010), such that the outcome condition is measured in 2007 and all causal conditions were measured in 2006.

Prior to conducting fsQCA, data must be calibrated whereby each organization is assigned a set-membership score in every causal condition (see Ragin, 2008 for a detailed discussion).

Organizations can be considered *full members* (assigned a value of 1.00), *full non-members* (assigned a value of 0.00), or somewhere in between for a given condition, hence the term *fuzzy-set*. Ideally, calibration criteria would be theoretically informed, or based on previous research findings (Rihoux & Ragin, 2009). When such precedence is not available, fsQCA researchers have employed empirical calibration, using quartile splits of the sample (e.g., Crilly, 2010; Judge, Fainshmidt, & Brown, 2014). We used both strategies for calibrating our data.

Specifically, the calibration of the industry discretion condition is based on Hambrick and Abrahamson's (1995) reported typology of high, medium, and low industry discretion categories, such that organizations are assigned values of 1.0, 0.5, and 0.0, respectively. For CEO voting power, organizations with CEOs owning 5% or more of the outstanding shares were calibrated as *full members* in the high voting power condition. This is the ownership level associated with block holding, which is a highly visible display of voting power (Kelton & Yang, 2008). The remaining organizations were empirically calibrated into three equal groupings.

As CEO structural and information power are dichotomous variables, they were calibrated as either *full members* (1) or *full non-members* (0) of the high structural or information power condition. The continuous measures of organizational effectiveness, CEO expert power, and organizational discretion were calibrated based on a quartile split of the sample. For example, organizations that are in the top 75th percentile represent *full members* of the high organizational effectiveness condition (calibrated as 1.00), those in the 50th to 75th percentile are considered to be *mostly members* (calibrated as 0.66), those in the 25th to 50th percentile are *mostly non-members* (calibrated as 0.33), and those in the bottom 25th percentile are *full non-members* of the high organizational effectiveness set (calibrated as 0.00). Low organizational effectiveness is the negation of high organizational effectiveness. For example, the cases that are *full non-members* of the high effectiveness condition are *full members* of the low organizational effectiveness condition. The specific calibration strategies and values used for each condition are shown in Table 1.

Analysis

As a first step in fsQCA, in accordance with recommendations from Ragin (2009), we conduct a *necessity analysis* using the fsQCA software to assess if any of the power or discretion conditions can be regarded as necessary for high or low organizational effectiveness. A condition is considered necessary if it must be present for a given outcome to occur (Rihoux & Ragin, 2009). If a condition is deemed necessary, it should be excluded from the subsequent fsQCA sufficiency analysis (Ragin, 2009). An individual condition with a consistency value of 1.0 is deemed *always* necessary and those with values ranging from 0.90–0.99 are considered to be *almost always* necessary (Schneider, Schulze-Bentrop, & Paunescu, 2010). As the results in Table 2 show, none of the conditions' consistency values reach 0.90, indicating no single condition is necessary for high or low organizational effectiveness. Hence, all of the causal conditions are retained for the subsequent fsQCA procedure.

To identify governance configurations of CEO power bundles and discretion context elements that are associated with either high or low organizational effectiveness, the fsQCA 2.0 software first creates a truth table of all the logically possible combinations of the causal conditions. The possible number of configurations is 2^k, where k represents the number of causal conditions; thus in our analysis there are 64 theoretically possible configurations. Then, we reduced the truth table by specifying a minimum frequency of three observations, meaning that at least three organizations had to exhibit a certain configuration in order for that configuration to be considered in the analysis (García-Castro, Aguilera, & Ariño, 2013). This was crucial to establish the robustness of the identified configurations by eliminating low frequency occurrences. With this frequency level we were

Table 1. Calibration criteria and values.

Condition	Calibration criteria and values
High organizational effectiveness	ROA values of 8.3 to 27.8 = 1.00 ROA values of 4.5 to 8.2 = 0.66 ROA values of 1.6 to 4.0 = 0.33 ROA values of -15.0 to 1.4 = 0.00
CEO duality (structural power and board discretion)	Organizations with duality = 1.00 Organizations without duality = 0.00
CEO voting power	CEO owns 5% or more of outstanding shares = 1.00 CEO owns 2.0% to 4.6% = 0.66 CEO owns 1.0% to 1.9% = 0.33 CEO owns 0% to 0.9% = 0.00
CEO expert power	Tenure values 17 to 40 years = 1.00 Tenure values 10 to 16 years = 0.66 Tenure values 6 to 9 years = 0.33 Tenure values 0 to 5 years = 0.00
CEO information power	CEO is the only insider on the board = 1.00 CEO is not the only insider on the board = 0.00
Organizational discretion	Revenues of $2,362 to $46,709 million = 1.00 Revenues of $1,016 to $2,340 million = 0.66 Revenues of $410 to $1,006 million = 0.33 Revenues of $24 to $400 million = 0.00
Industry discretion	Industry discretion scores 5.54 to 6.89 = 1.00 Industry discretion scores 4.68 to 5.21 = 0.50 Industry discretion scores 2.08 to 4.32 = 0.00

Note: Following Crilly, Zollo, and Hansen (2012), values of 0.5 are coded as 0.499 in the fsQCA software program to prevent values of 0.5 from being automatically dropped during the analysis.

Table 2. Analysis of necessary conditions.

	High organizational effectiveness	Low organizational effectiveness
Causal conditions	*Consistency*	*Consistency*
Structural power/Board discretion	0.83	0.83
~ Structural power/Board discretion	0.17	0.17
Voting power	0.47	0.41
~ Voting power	0.63	0.69
Expert power	0.64	0.59
~ Expert power	0.55	0.61
Information power	0.52	0.60
~ Information power	0.61	0.53
Organizational discretion	0.60	0.60
~ Organizational discretion	0.60	0.60
Industry discretion	0.68	0.60
~ Industry discretion	0.44	0.52

Notes: ~ Indicates negation of the condition.

Table 3. Descriptive statistics and correlations.

Variable	Mean	Std Dev.	1	2	3	4	5	6	
1	Organizational effectiveness	5.24	6.28						
2	Structural power/board discretion	0.83	0.38	−0.01					
3	Voting power	4.46	7.64	0.10	0.14*				
4	Expert power	13.03	8.51	0.08	0.30*	0.39*			
5	Information power	0.48	0.36	0.01	0.18*	−0.18*	−0.07		
6	Organizational discretion	2,756.00	5,950.00	0.01	0.00	0.08	0.06	−0.07	
7	Industry discretion	4.48	1.16	0.10	−0.01	−0.10	−0.01	0.08	−0.06

able to capture 88% of the firms in the sample, well above the minimum recommended value of 75% (Ragin, 2008).

Next, consistency values are used to classify the remaining configurations as either exhibiting the outcome of high organizational effectiveness or not. Consistency values represent the degree to which organizations within a given configuration exhibit high organizational effectiveness. Similar to prior studies (e.g., Bell et al., 2014), we use 0.80 as the consistency cutoff value for both high and low organizational effectiveness. These configurations are then minimized with the Quine–McCluskey algorithm based on Boolean logic as part of the fsQCA 2.0 software application, which results in the identification of the various configurations sufficient for the outcome. We repeated this procedure with the negation of high organizational effectiveness to derive configurations sufficient for low organizational effectiveness.

Results

Descriptive statistics and correlations for our pre-calibrated measures are shown in Table 3. None of the measures are significantly correlated with organizational effectiveness. The only significant correlations are between the various types of CEO power: structural power with expert and information power and between expert and voting power. The correlated nature of the power types is compatible with our theorizing that they are interdependent and their effects are best understood as a bundle of CEO power.

Table 4 shows the governance configurations comprised of power bundles and discretion contexts that are sufficient for producing either high or low organizational effectiveness. We report the complex solution, which is appropriate since we did not include any counterfactuals – "theory-guided hunches" about effects of the conditions on the outcome (Schneider & Wagemann, 2012, p. 168). Given the equivocal evidence regarding the individual conditions, we chose not to rely on relatively subjective assumptions, but rather have the findings reflect the data as much as possible. This choice is consistent with other governance researchers employing fsQCA (e.g., García-Castro et al., 2013; Jackson & Ni, 2013).

The results show four governance configurations for *each* of the organizational effectiveness outcomes. Among these eight configurations there are six different CEO power bundles, labeled based on the type(s) of power that are present: *formal-expert, voting, structural, comprehensive, information*, and *formal*. Configurations 3 and 6 have the same power bundle as do configurations 4 and 7 but differ in their respective discretion contexts.

There are no single-condition configurations, indicating none of the power or discretion mechanisms, independently, are sufficient for producing high or low organizational effectiveness. CEO duality (structural power/board discretion) is present in three of the high (1, 3, and 4) and low (6–8)

Table 4. Sufficient configurations for high and low organizational effectiveness.

Governance configuration	High organizational effectiveness				Low organizational effectiveness			
	1	2	3	4	5	6	7	8
Power bundle	Formal expert power bundle	Voting power bundle	Structural power bundle	Comprehensive power bundle	Information power bundle	Structural power bundle	Comprehensive power bundle	Formal power bundle
CEO structural power and board discretion	●	⊗	●	●	⊗	●	●	
CEO voting power	●	●	●	●	⊗	⊗	●	
CEO expert power	●	●	●	●	⊗	⊗	●	⊗
CEO information power	⊗	●	●	●	●	●	●	⊗
Discretion context	●	●	●	●	●	●	●	
Organizational discretion	●	●	⊗	⊗	⊗	●	⊗	⊗
Industry discretion	●	⊗	●	●	●	⊗	⊗	⊗
Consistency	0.84	0.84	0.82	0.83	0.90	0.83	0.82	0.86
Raw coverage	0.14	0.03	0.10	0.12	0.04	0.13	0.09	0.06
Unique coverage	0.10	0.03	0.07	0.08	0.04	0.09	0.05	0.04
Solution consistency	0.85				0.82			
Solution coverage	0.33				0.25			

Note: ● Presence of condition; ⊗Absence of condition; blank cells indicate the condition can be either present or absent (Ragin & Fiss, 2008).

organizational effectiveness configurations, whereas it is absent in one configuration for each of the organizational effectiveness outcomes. These findings support our overarching proposition that the effectiveness of a dual or separated leadership structure is contingent upon how it combines with other sources of CEO power and with a given discretion context. We elaborate upon our theoretical proposition and these patterns following several robustness checks in the next section.

The fsQCA software also calculates consistency and coverage values for each configuration as well as for the overall solution for each outcome. The coverage value indicates how much of the outcome is explained by a given configuration and therefore reflects empirical importance (Ragin, 2008). Coverage values along with consistency values "allow for the use of set theory and formal logic to find patterns in noisy social science data" (Schneider & Wagemann, 2012, p. 148). For the high organizational effectiveness configurations (1–4), the overall solution consistency of 0.85 and coverage of 0.33 indicate these configurations bring about the outcome 85% of the time, accounting for 33% of the instances of the outcome. For the low organizational effectiveness configurations (5–8), the overall consistency was 0.82 and the overall coverage was 0.25. These coverage values indicate that the configurations play an important role in explaining organizational effectiveness and are at levels consistent with previous fsQCA studies examining organizational outcomes (e.g., Crilly, 2010; Fiss, 2011; García-Castro et al., 2013). FsQCA also provides *raw coverage* and *unique coverage* values. The *raw coverage* indicates the proportion of cases (organizations) featuring both the outcome and that specific configuration (Ragin, 2008). The *unique coverage* refers to how much of a given outcome is only covered by that specific configuration (Schneider & Wagemann, 2012). Again, these values are within acceptable ranges and since all unique coverage values exceed zero, each configuration is uniquely contributing to the explanation of organizational effectiveness (Ragin, 2008).

Robustness Analysis

To check the robustness of our findings,[3] we first follow the recommendations of Schneider and Wagemann (2012, p. 286) to test whether different consistency thresholds result in "differences in the parameters of fit that are large enough to warrant a meaningfully different substantive interpretation." Consistent with Crilly (2010), we chose higher consistency thresholds that represented gaps in the raw consistencies presented in the truth table; 0.83 for the high and 0.84 for the low organizational effectiveness outcomes. With higher consistency thresholds, configuration 3 is eliminated from the high organizational effectiveness outcome and the overall solution coverage drops to 0.26, while the solution consistency remained at 0.85. For the low organizational effectiveness outcome, configuration 7 drops out and for configuration 6 the condition of *CEO information power*, instead of being either present or absent, is now absent. The overall coverage drops to 0.14, while overall consistency increases to 0.84. These results are consistent with the patterns we observe with our reported results.

With the importance of discretion context to our study, we re-ran the analysis after dividing the sample into two subsamples: high and low industry discretion. This analysis provided results similar to those we report. All of the configurations for both of the outcomes were replicated; the only differences being two CEO power conditions changed from present or absent to being *either* present *or* absent. Also, as would be expected for the high organizational effectiveness outcome, the coverage for the high discretion sample is increased since three of the four configurations in the main analysis had this condition present; the low discretion sample shows a lower coverage accordingly.

We also ran the analysis with industry discretion calibrated into four categories (e.g., empirical quartile split), instead of the three based on the Hambrick and Abrahamson (1995) typology. Again,

the findings are similar to the reported results. In one configuration, duality changes from present to *either* present *or* absent. In two other configurations, organizational and industry discretion change from absent to *either* present *or* absent, respectively. The consistency and coverage values do not change substantially.

As a further robustness check, we used an alternative measure for organizational effectiveness, the market-to-book ratio, calculated as the year-end market capitalization divided by year-end total assets (Villalonga & Amit, 2006). Using this alternative measure we identified three of the same configurations for both the high and low organizational effectiveness; configurations 3 (high) and 5 (low) were not present. These few differences are not surprising, since market-based measures incorporate market *perceptions* of effectiveness (Richard, Devinney, Yip, & Johnson, 2009). We conclude that these results are consistent with our main findings.

As a final check, following the example of previous research focused on governance bundles, (e.g., García-Castro et al., 2013), we conducted an ordinary-least-squares regression analysis in order to check whether duality or other CEO power sources have a significant net effect on organizational effectiveness, which may challenge our theorizing that the impact of duality is best understood using complementarity and open-systems perspectives. The results show no significant effect of CEO duality or any of the other variables on organizational effectiveness, confirming findings of previous studies that show mixed results and in particular no impact of CEO duality on organizational effectiveness (e.g., Al Farooque, Van Zijl, Dunstan, & Karim, 2007; Daily & Dalton, 1992; Faleye, 2007). It also highlights the value of using a configurational approach to examine the effectiveness of a dual or separated leadership.

Discussion of Results

Our findings show both duality and non-duality can be effective governance mechanisms, but in different governance configurations with other power and discretion conditions, providing support for our theoretical proposition. For instance, all of the governance configurations leading to high organizational effectiveness have at least one type of formal power present in the bundle, suggesting, per stewardship theory logic (Davis et al., 1997), it is important for the CEO to have this kind of legitimate authority in order to effectively respond to opportunities and threats in the environment. However, three of the four configurations leading to low organizational effectiveness also have power bundles with formal power types, in line with agency theory arguments. Next, using an open-systems approach and applying the concept of complementarity, we further explore *how* and *why* particular CEO power bundles are likely to be more/less effective in particular discretion contexts. Figure 1 illustrates the effective and ineffective power bundles, with and without CEO duality, occurring within each of the four possible discretion contexts based on the level of discretion arising from the organizational and industry contexts.

In the context where both organizational and industry discretion are high (area I), CEO duality as part of a formal-expert power bundle is an effective governance mechanism, whereas a separated board leadership structure as part of an information power bundle is ineffective. These two power bundles are direct opposites of one another. The formal-expert power bundle lacks information power while this is the only type of power present in the information power bundle.

With high industry discretion, CEOs will have multiple courses of action to consider in responding to environmental uncertainty, and with high organizational discretion, they will be able to quickly and adeptly mobilize resources to do so. CEOs with formal-expert power bundles not only have organizational knowledge and the means to effectively respond to environmental changes, but also, because of their significant ownership, have incentives for not wasting important organizational resources. The formal (structural and voting) and expert power a CEO with this type of

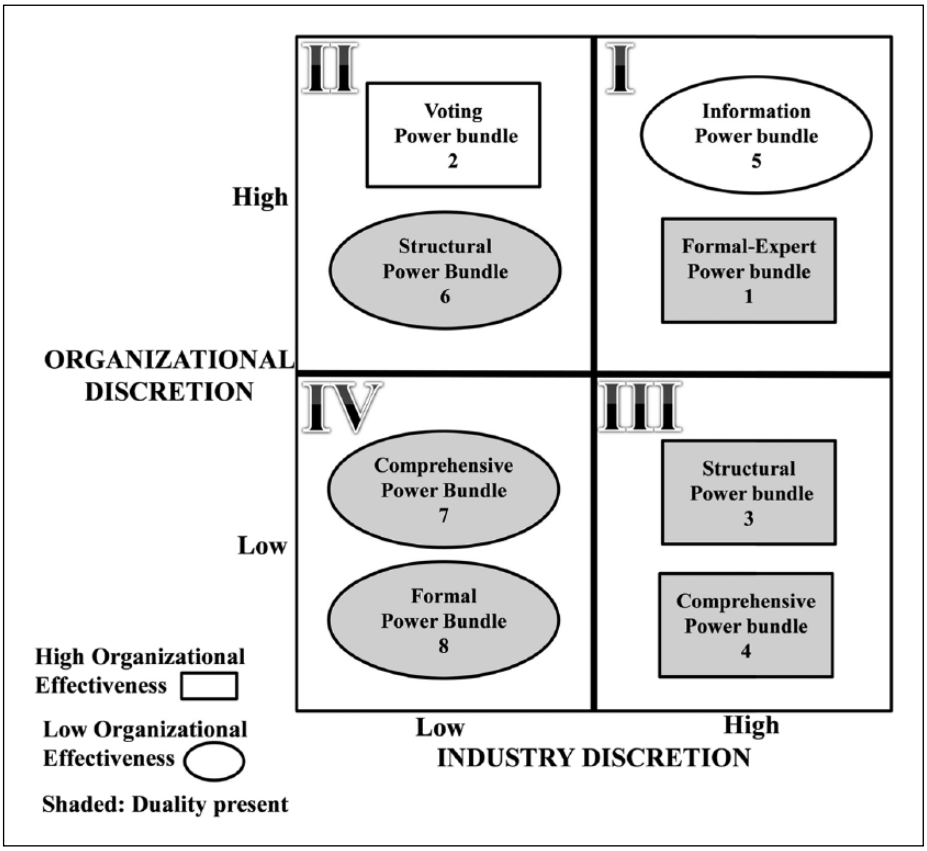


Figure 1. Effectiveness of CEO power bundles in different discretion contexts.

bundle has places him/her in an advantageous position with respect to directing the board's attention to particular courses of action. However, by lacking information power, other executives also have the ability to weigh in on alternatives, potentially providing constructive debate that ultimately results in better decisions (Finkelstein et al., 2009). Thus, the presence of certain types of power and the absence of another effectively complement the high discretion a CEO has. This provides empirical support for the notion that complementarity can occur from "similar in kind" and "different in kind" elements (Grandori & Furnari, 2008).

CEOs with an information power bundle lack formal power and board discretion and hence may not recognize or believe they have the capacity to respond to threats or opportunities in the competitive environment, which would have negative implications for the organization in this particular context. Further, being able to control the organizational information the board has access to, without having expert power, may impair the quality of information the CEO provides to the board. Also, the lack of other power types coupled with not having board discretion (i.e., non-duality) may forestall CEOs from taking timely strategic actions either because of their own trepidation or because the board lacks confidence in proposed actions, which may be particularly problematic in high discretion contexts usually requiring speedy strategic action.

In the high organizational and low industry discretion context (area II), a separated board leadership structure as part of a voting power bundle is an effective governance mechanism, and CEO

duality as part of a structural power bundle is an ineffective governance mechanism. With greater organizational discretion, a CEO is more likely to favor strategic change and have the ability to channel resources to such initiatives (Audia & Greve, 2006). Yet due to the low industry discretion, it may be more effective to show restraint in allocating organizational resources to strategies, as these industries are often capital intensive, making the costs of bad decisions particularly high (Finkelstein et al., 2009). In addition, resources may be more limited in smaller organizations, making their efficient use even more important. A CEO with a voting power bundle, due to his or her own exposure to changes in stock price, may be more cognizant of effectively using organizational resources. In this way, the restraint that a CEO's voting power bundle imparts, compensates or balances the organizational discretion a CEO has, so that together it fits with constraints of the external environment.

In contrast, with a structural power bundle, a CEO has high discretion within the board, making it even easier to direct organizational resources to his/her strategic preferences (Boyd, 1995), which, given the constraints in the industry environment, may lead to less effective outcomes. In this way, structural power and high organizational discretion are operating as complements, reinforcing one another, but in a manner that impedes rather than promotes effectiveness.

However, when the contextual conditions are the opposite (area III), the structural power bundle leads to high organizational effectiveness, showing the importance of taking an open-systems approach. In this context, organizations are large entities (low organizational discretion) where strategic information would be expected to come from various levels and units, which may align well with having a variety of options available in the competitive arena (high industry discretion). Therefore, an effective CEO will be one that is able to use power and discretion within the context of the board so as to access adequate resources in a timely fashion for the variety of initiatives that would benefit strategic maneuvers in a high discretion industry. The low organizational discretion present in this context, rather than reinforcing the CEO's power, lessens it and provides a counterbalancing mechanism for the structural power and board discretion stemming from duality, such that a CEO may allocate resources more thoughtfully. Again, our results highlight that complementarities may emerge from "different in kind" elements.

The same logic can be used to explain the effectiveness of the comprehensive power bundle in this context. In high-discretion industries, there are more viable options and opportunities to creatively differentiate and experiment due to lower isomorphic pressures to conform to industry norms (Finkelstein et al., 2009). In this situation, a comprehensive CEO power bundle may counteract inertial forces that may be present due to low organizational discretion and facilitate the kind of creative strategic action that is productive for the organization to be effective in its high discretionary industry. Together, the two power bundles in this context (structural and comprehensive) provide evidence of functional equivalence, a characteristic associated with configurational models, such that voting, expert, and information power may all be present in a bundle or absent for duality to be effective in this context.

When both organizational and industry discretion are low (area IV), the comprehensive and formal power bundles are ineffective. In low discretion industries there are likely higher isomorphic (mimetic and even coercive) pressures. In such contexts, CEOs with comprehensive and/or formal power may encourage more deviance, which may not be effective for organizational outcomes. Or, these powerful CEOs with little discretion within their organization and industry may turn their attention to less important issues over which they do have the latitude to act and therefore not allocate resources wisely (Carpenter & Golden, 1997). These results suggest that CEOs with limited discretion from both the organization and industry, despite having relatively high overall power, will be less able to take appropriate strategic action (Carpenter & Golden, 1997). Also, this lessened discretion within the organization and external environment may be threatening to a CEO,

causing threat-rigidity responses that may also result in ineffective competitive actions (Staw, Sandelands, & Dutton, 1981).

Along with the existence of complementarities between the bundles of CEO power and the discretion context, our findings show that within each of the effective power bundles (shaded rectangles in Figure 1) a CEO's structural power and board discretion arising from duality complements the discretion from the industry environment. Whereas, in the low organizational effectiveness configurations where duality is present in the power bundle (shaded ovals in Figure 1), industry discretion is low. This suggests that when industry conditions allow CEOs to take a variety of strategic actions, having structural power and board discretion reinforce the ability to pursue options that will effectively respond to ambiguities associated with the competitive environment. However, when there are forces in the industry that limit a CEO's capacity to respond to market and competitive pressures, he or she may use power to exert influence on less appropriate organizational issues or to focus on maintaining the status quo, which may not be effective for developing and maintaining competitiveness (Hambrick & Finkelstein, 1987).

Implications for organizational theory and corporate governance research

Our study has several theoretical implications for organizational research, particularly for research concerned with the effectiveness of corporate governance mechanisms. First, our findings broaden the conceptualization of governance bundles to include the causal mechanisms of governance (control of executive power and discretion). As noted by Finkelstein et al. (2009, p. 246), agency theory "is a theory about power." Arguably, stewardship theory is also concerned with power, as it posits powerful CEOs will benefit their organizations (Donaldson & Davis, 1991). We build on the two theories' opposing logic with respect to the advantages or disadvantages of CEO power and discretion, but rather than testing competing theories, we embrace the notion that the effectiveness of a CEO's power depends on a "web of interdependencies" that cannot adequately be studied as constituent isolated relationships (Blettner, Chaddad, & Bettis, 2012, p. 996).

Using a *bundles* approach we offer a more comprehensive and nuanced understanding of the effectiveness of a dual or separated leadership structure. Comprehensive, since we can assess the combinatory influence of coexisting sources of CEO power and discretion; nuanced, because rather than just account for the level of power, we can evaluate how the effectiveness of either a dual or separated leadership structure is reinforced or compensated for by other types of power and discretion. In addition, since we show that power bundles entail combinations of elements that are not congruent or "similar in kind" with only an agency or only a stewardship perspective, our findings demonstrate support for the idea that "different in kind" mechanisms can combine in effective ways (Grandori & Furnari, 2008).

Second, this study offers novel insights with respect to the theory of complementarity and in particular how it relates to the concept of governance bundles. Our findings reveal that sources of power and discretion mutually reinforce one another in ways that lead to enhanced functionality, but also in ways that may lead to *ineffective* outcomes. As institutional scholars have noted when examining complementarities between institutions, mutually reinforcing elements may also impede the occurrence of effective outcomes. Our results suggest that complementarity amongst governance practices related to controlling or enhancing a CEO's power and discretion along with contextual elements may also have undesirable consequences, supporting the idea that universal prescriptions or theories for effective corporate governance may be inadequate (Aguilera et al., 2012; Carver, 2010).

Complementarity can also explain why some power bundles are present while others are not. For example, we identified three CEO power bundle types that are based on the presence of a

single source of power: information, voting, and structural. There is not a bundle based only on expert power, as whenever this type of power is present it is combined with other types, suggesting it largely operates in a complementary manner with other power sources. This aligns with research that has shown CEOs are motivated and able to increase their power over time (Finkelstein et al., 2009). It also suggests that tenure represents not only a source of expert power but also social power, whereby the CEO is able to develop and leverage relationships with other directors and important stakeholders to further enhance his or her base of power (Hambrick & Fukutomi, 1991). For instance, this expert and social power may reinforce a CEO's capability to persuade other directors to make him or her the board chair (structural power) as well as provide him or her with significant stock awards (voting power) and may explain why expert power is combined with these two other power types in both the *formal-expert* and *comprehensive* power bundles.

Third, our finding that the effectiveness of particular bundles of CEO power depends upon the level of organizational and industry discretion adds to the literature that advocates for open-systems logic as a means of contextualizing the way we think about corporate governance (Aguilera et al., 2012; Filatotchev, 2008). By considering the importance of the discretion context, we extend work by Misangyi and Acharya (2014, p. 1702) that examined bundles of governance practices but did not consider contextual elements. Specifically, our study addresses their call for "future research that examines how such contingency conditions, and others, influence the workings of governance mechanisms." This allows for the possibility that "both opportunism and stewardship are rational responses to situational particulars" (Segal & Lehrer, 2012, p.172). Since situational particulars may include whether the choice for a dual or separated structure is planned or unplanned (Gove & Junkunc, 2013) and could vary across organizational life-cycle stages (Miller & Friesen, 1983), future research could advance theory further by examining how the effectiveness of CEO duality as part of a power bundle differs according to such conditions.

Fourth, although it is fairly well-established that discretion is an important construct for understanding the extent to which CEOs will be able to affect the organizations they lead (Finkelstein et al., 2009; Hambrick, 2007; Wangrow et al., 2015), previous research has tended to separate the various sources from which discretion arises, and evaluated their contingent effects in isolation or *ceteris paribus*. Our study discovers how sources of discretion work in tandem, modifying and/or reinforcing one another along with CEO power, to shape how a given CEO matters for the effectiveness of his or her organization. An interesting extension to our study would be to consider how CEO power bundles may be more or less effective in different countries, since research has shown national-level factors may also influence managerial discretion (Crossland & Hambrick, 2011).

Our research also has important implications for organizational actors and others involved in corporate governance decisions. Although separating the CEO and chair positions is viewed as a best practice (Aguilera & Cuervo-Cazurra, 2004), our findings indicate implementing such a practice universally across firms without taking into account other CEO, organizational, and industry characteristics may not lead to the intended outcomes. Rather, our study underscores that policy makers, shareholders, and corporate boards should take into account how the consequences of the practice (e.g., increased/decreased power and discretion) may be reinforced or modified by other factors. Our analysis may therefore assist organizations in reflecting upon and justifying the choice to have a dual or separated leadership structure. For instance, our results suggest that organizations operating in industry contexts where there is a greater latitude to respond to competitive actions and leverage capabilities, could argue for the merits of CEO duality as the internal power and discretion it affords would be complementary to that arising from the context. In this way, the CEO would have an increased capacity to utilize organizational resources to respond effectively to threats or opportunities in the competitive environment. Conversely, organizations embedded in

industry contexts where discretion is constrained may have a stronger case for separating the CEO and chair positions.

Conclusion

In examining the effectiveness of CEO duality within a configurational framework, we depart from previous literature that has focused on testing the competing logic of agency and stewardship theories. Instead, we propose and show that both duality and non-duality may be effective governance mechanisms, but in different configurations with other power and discretion conditions. Complementarity and open-systems perspectives together provide the means to understand how CEO duality/non-duality combines in heterogeneous ways with other sources of CEO power into *power bundles*, and why the effectiveness of different CEO power bundles is contingent upon the discretion afforded by the organizational and industry contexts. Our findings highlight the inherent complexity of corporate governance mechanisms and the importance of contextualizing corporate governance theory. We hope our study will motivate future configurational research, as it may be helpful in furthering understanding of many other complex organizational phenomena, in particular that which has been plagued by inconsistent findings.

Funding

This research received no specific grant from any funding agency in the public, commercial, or not-for-profit sectors.

Notes

1. We acknowledge there are other theoretical perspectives that researchers have used to study CEO duality, such as resource dependency theory (e.g., Boyd, 1995). However, agency and stewardship theories have dominated duality research, and thus serve as the focus of our study.
2. We thank an anonymous reviewer for pointing out this example from practice.
3. Due to space limitations, the detailed results of robustness checks are not presented, but are available upon request.

References

Abrahamson, E., & Hambrick, D. C. (1997). Attentional homogeneity in industries: The effect of discretion. *Journal of Organizational Behavior*, *18*, 513–532.

Adams, R. B., Almeida, H., & Ferreira, D. (2005). Powerful CEOs and their impact on corporate performance. *Review of Financial Studies*, *18*, 1403–1432.

Aguilera, R. V., & Cuervo-Cazurra, A. (2004). Codes of good governance worldwide: What is the trigger? *Organization Studies*, *25*, 415–443.

Aguilera, R. V., Desender, K. A., & Kabbach-Castro, L. R. (2012). Perspectives on comparative corporate governance. In T. Clarke & D. Branson (Eds.) *SAGE handbook of corporate governance* (pp. 379–405). Thousand Oaks, CA: SAGE Publications

Aguilera, R. V., Filatotchev, I., Gospel, H., & Jackson, G. (2008). Contingencies, complementarities, and costs in corporate governance models. *Organization Science*, *19*, 475–492.

Al Farooque, O., Van Zijl, T., Dunstan, K., & Karim, A. K. M. (2007). Corporate governance in Bangladesh: Link between ownership and financial performance. *Corporate Governance: An International Review*, *15*, 1453–1468.

Audia, P. G., & Greve, H. R. (2006). Less likely to fail: Low performance, firm size, and factory expansion in the shipbuilding industry. *Management Science*, *52*, 83–94.

Barkema, H. G., & Pennings, J. M. (1998). Top management pay: Impact of overt and covert power. *Organization Studies*, *19*, 975–1003.

Bell, G., Filatotchev, I., & Aguilera, R. (2014). Corporate governance and investors' perceptions of foreign IPO value: An institutional perspective. *Academy of Management Journal*, *57*, 301–320.

Blettner, D. P., Chaddad, F. R., & Bettis, R. A. (2012). The CEO performance effect: Statistical issues and a complex fit perspective. *Strategic Management Journal*, *33*, 986–999.

Bourgeois, L. J. III., & Eisenhardt, K. M. (1988). Strategic decision processes in high velocity environments: Four cases in the microcomputer industry. *Management Science*, *34*, 816–835.

Boyd, B. K. (1995). CEO duality and firm performance: A contingency model. *Strategic Management Journal*, *16*, 301–312.

Brickley, J. A., Coles, J. L., & Jarrell, G. (1997). Leadership structure: Separating the CEO and chairman of the board. *Journal of Corporate Finance*, *3*, 189–220.

Carpenter, M. A., & Golden, B. R. (1997). Perceived managerial discretion: A study of cause and effect. *Strategic Management Journal*, *18*, 187–206.

Carver, J. (2010). A case for global governance theory: Practitioners avoid it, academics narrow it, the world needs it. *Corporate Governance: An International Review*, *18*, 149–157.

Child, J. (1977). *Organization: A guide to problems and practice*. New York, NY: Harper & Row.

Conger, J. A., & Lawler, E. E., III (2009). Sharing leadership on corporate boards: A critical requirement for teamwork at the top. *Organizational Dynamics*, *38*, 183–191.

Crilly, D. (2010). Predicting stakeholder orientation in the multinational enterprise: A mid-range theory. *Journal of International Business Studies*, *42*, 694–717.

Crilly, D., Zollo, M., & Hansen, M. T. (2012). Faking it or muddling through? Understanding decoupling in response to stakeholder pressures. *Academy of Management Journal*, *55*, 1429–1448.

Crossland, C., & Hambrick, D. C. (2011). Differences in managerial discretion across countries: How nation-level institutions affect the degree to which CEOs matter. *Strategic Management Journal*, *32*, 797–819.

Crouch, C. (2005). Models of capitalism. *New Political Economy*, *10*, 439–456.

Daily, C. M., & Dalton, D. R. (1992). The relationship between governance structure and corporate performance in entrepreneurial firms. *Journal of Business Venturing*, *7*, 375–386.

Daily, C. M., Dalton, D. R., & Cannella, A. A. (2003). Corporate governance: Decades of dialogue and data. *Academy of Management Review*, *28*, 371–382.

Daily, C. M., & Johnson, J. L. (1997). Sources of CEO power and firm financial performance: A longitudinal assessment. *Journal of Management*, *23*, 97–117.

Dalton, D. R., Daily, C. M., Ellstrand, A. E., & Johnson, J. L. (1998). Board composition, leadership structure, and financial performance: Meta-analytic reviews and research agenda. *Strategic Management Journal*, *6*, 269–290.

Dalton, D. R., & Dalton, C. M. (2011). Integration of micro and macro studies in governance research: CEO duality, board composition, and financial performance. *Journal of Management*, *37*, 404–411.

Datta, D. K., & Rajagopalan, N. (1998). Industry structure and CEO characteristics: An empirical study of succession events. *Strategic Management Journal*, *19*, 833–852.

Davis, J. H., Schoorman, F. D., & Donaldson, L. (1997). Toward a stewardship theory of management. *Academy of Management Review*, *22*, 20–47.

Donaldson, L., & Davis, J. H. (1991). Stewardship theory or agency theory: CEO governance and shareholder returns. *Australian Journal of Management*, *16*, 49–64.

Faleye, O. (2007). Does one hat fit all? The case of corporate leadership structure. *Journal of Management & Governance*, *11*, 239–259.

Fama, E. F., & Jensen, M.C. (1983). Separation of ownership and control. *Journal of Law and Economics*, *26*, 301–325.

Filatotchev, I. (2008). Developing an organizational theory of corporate governance: Comments on Henry L. Tosi (2008) "Quo Vadis? Suggestions for future corporate governance research". *Journal of Management and Governance*, *12*, 171−178.

Finkelstein, S. (1992). Power in top management teams: Dimensions, measurement, and validation. *Academy of Management Journal*, *35*, 505–538.

Finkelstein, S., & D'Aveni, R. A. (1994). CEO duality as a double-edged sword: How boards of directors balance entrenchment avoidance and unity of command. *Academy of Management Journal*, *37*, 1079–1108.

Finkelstein, S., Hambrick, D. C., & Cannella, A. A. (2009). *Strategic leadership: Theory and research on executives, top management teams, and boards*. New York, NY: Oxford University Press.

Firstenberg, P., & Malkiel, B. (1994). The twenty-first century boardroom: Who will be in charge? *Sloan Management Review*, *36*, 27–35.

Fiss, P.C. (2007). A set-theoretic approach to organizational configurations. *Academy of Management Review*, *32*, 1180–1198.

Fiss, P. C. (2011). Building better causal theories: A fuzzy set approach to typologies in organization research. *Academy of Management Journal*, *54*, 393–420.

Fiss, P. C., Cambré, B., & Marx, A. (2013). *Configurational theory and methods in organizational research*. Bingley, UK: Emerald Group Publishing.

Fredrickson, J. W., Hambrick, D. C., & Baumrin, S. (1988). A model of CEO dismissal. *Academy of Management Review*, *13*, 255–270.

García-Castro, R., Aguilera, R. V., & Ariño, M. A. (2013). Bundles of firm corporate governance practices: A fuzzy set analysis. *Corporate Governance: An International Review*, *21*, 390–407.

Gove, S., & Junkunc, M. (2013). Dummy constructs? Binomial categorical variables as representations of constructs CEO duality through time. *Organizational Research Methods*, *16*, 100–126.

Grandori, A., & Furnari, S. (2008). A chemistry of organization: Combinatory analysis and design. *Organization Studies*, *29*, 459–485.

Gresov, C., & Drazin, R. (1997). Equifinality: Functional equivalence in organization design. *Academy of Management Review*, *22*, 403–428.

Greve, H. R., & Mitsuhashi, H. (2007). Power and glory: Concentrated power in top management teams. *Organization Studies*, *28*, 1197–1221.

Hambrick, D. C. (2007). Upper echelons theory: An update. *Academy of Management Review*, *32*, 334–343.

Hambrick, D. C., & Abrahamson, E. (1995). Assessing managerial discretion across industries: A multimethod approach. *Academy of Management Journal*, *38*, 1427–1441.

Hambrick, D. C., & Finkelstein, S. (1987). Managerial discretion: A bridge between polar views of organizational outcomes. *Research in Organizational Behavior*, *9*, 369–406.

Hambrick, D. C., & Fukutomi, G. D. (1991). The seasons of a CEO's tenure. *Academy of Management Review*, *16*, 719–742.

Hambrick, D. C., & Quigley, T. J. (2014). Toward more accurate contextualization of the CEO effect on firm performance. *Strategic Management Journal*, *35*, 473–491.

Hotho, J. J. (2014). From typology to taxonomy: A configurational analysis of national business systems and their explanatory power. *Organization Studies*, *35*, 671–702.

Jackson, G., & Ni, N. (2013). Understanding complementarities as organizational configurations. *Research in the Sociology of Organizations*, *38*, 129–158.

Jensen, M., & Zajac, E. J. (2004). Corporate elites and corporate strategy: How demographic preferences and structural position shape the scope of the firm. *Strategic Management Journal*, *25*, 507–524.

Joseph, J., Ocasio, W., & McDonnell, M. H. (2014). The structural elaboration of board independence: Executive power, institutional logics, and the adoption of CEO-only board structures in US corporate governance. *Academy of Management Journal*, *57*, 1834–1858.

Judge, W. Q. (1994). Correlates of organizational effectiveness: A multilevel analysis of a multidimensional outcome. *Journal of Business Ethics*, *13*, 1–10.

Judge, W. Q., Fainshmidt, S., & Brown, J. L., III (2014). Which model of capitalism best delivers both wealth and equality [quest]. *Journal of International Business Studies*, *45*, 363–386.

Kelton, A. S., & Yang, Y. W. (2008). The impact of corporate governance on internet financial reporting. *Journal of Accounting and Public Policy*, *27*, 62–87.

Kopecki, D., & Son, H. (2013) JPMorgan shareholders reject splitting CEO Dimon's dual roles. *BloombergBusiness*. Retrieved May 21, 2013, from http://www.bloomberg.com/news/articles/2013–05–21/victory-for-dimon-as-jpmorgan-shareholders-reject-ceo-chairman-split.

Krause, R., Semadeni, M., & Cannella, A. A. (2014). CEO duality: A review and research agenda. *Journal of Management*, *40*, 256–286.

Li, J., & Tang, Y. (2010). CEO hubris and firm risk taking in China: The moderating role of managerial discretion. *Academy of Management Journal*, *53*, 45–68.

Maitlis, S. (2004). Taking it from the top: How CEOs influence (and fail to influence) their boards. *Organization Studies*, *25*, 1275–1311.

McClelland, P. L., Liang, X., & Barker, V. L. (2010). CEO commitment to the status quo: Replication and extension using content analysis. *Journal of Management*, *36*, 1251–1277.

Michaud, V. (2013). Mediating the paradoxes of organizational governance through numbers. *Organization Studies*, *35*, 75–101.

Miller, D. (1987). The genesis of configuration. *Academy of Management Review*, *12*, 686–701.

Miller, D., & Friesen, P. (1983). Successful and unsuccessful phases of the corporate life cycle. *Organization Studies*, *4*, 339–356.

Misangyi, V., & Acharya, A. (2014). Substitutes or complements? A configurational examination of corporate governance mechanisms. *Academy of Management Journal*, *57*, 1681–1705.

Orlitzky, M., Schmidt, F. L., & Rynes, S. L. (2003). Corporate social and financial performance: A meta-analysis. *Organization Studies*, *24*, 403–441.

Papadakis, V. M. (2006). Do CEOs shape the process of making strategic decisions? Evidence from Greece. *Management Decision*, *44*, 367–394.

Papadakis, V., & Bourantas, D. (1998). The chief executive officer as corporate champion of technological innovation: Aii empirical investigation. *Technology Analysis & Strategic Management*, *10*, 89–110.

Perry, J. T., Yao, X., & Chandler, G. N. (2011). To get the best new CEO, must the old CEO go? Power distribution in external CEO successions. *Managerial and Decision Economics*, *32*, 505–525.

Peteraf, M., & Reed, R. (2007). Managerial discretion and internal alignment under regulatory constraints and change. *Strategic Management Journal*, *28*, 1089–1112.

Quigley, T. J., & Hambrick, D. C. (2012). When the former CEO stays on as board chair: Effects on successor discretion, strategic change, and performance. *Strategic Management Journal*, *33*, 834–859.

Ragin, C. (2000). *Fuzzy-set social science*. Chicago, IL/London, UK: University of Chicago Press.

Ragin, C. (2008). *Redesigning social inquiry: Fuzzy sets and beyond*. Chicago, IL: University of Chicago Press.

Ragin, C. (2009). Qualitative comparative analysis using fuzzy sets. In B. Rihoux & C. Ragin (Eds.) *Configurational comparative methods: Qualitative comparative analysis and related techniques* (pp. 87–121).Thousand Oaks, CA: SAGE Publications.

Ragin, C., & Fiss, P. (2008). Net effects analysis versus configurational analysis: An empirical demonstration. In C. Ragin (Ed.) *Redesigning social inquiry: Fuzzy sets and beyond* (pp. 190–212). Chicago, IL: University of Chicago Press.

Rechner, P., & Dalton, D. (1991). CEO duality and organizational performance: A longitudinal analysis. *Strategic Management Journal*, *12*, 155–160.

Rhoades, D. L., Rechner, P. L., & Sundaramurthy, C. (2001). A meta-analysis of board leadership structure and financial performance: Are "two heads better than one"? *Corporate Governance: An International Review*, *9*, 311–319.

Richard, P. J., Devinney, T. M., Yip, G. S., & Johnson, G. (2009). Measuring organizational performance: Towards methodological best practice. *Journal of Management*, *35*, 718–804.

Rihoux, B., & Ragin, C. (2009). *Configurational comparative methods: Qualitative comparative analysis and related techniques*. Thousand Oaks, CA: SAGE Publications.

Schneider, C., & Wagemann, C. (2012). *Set-theoretic methods for the social sciences: A guide to qualitative comparative analysis*. Cambridge, UK: Cambridge University Press.

Schneider, M. R., Schulze-Bentrop, C., & Paunescu, M. (2010). Mapping the institutional capital of high-tech firms: A fuzzy-set analysis of capitalist variety and export performance. *Journal of International Business Studies*, *41*, 246–266.

Segal, L., & Lehrer, M. (2012). The institutionalization of stewardship: Theory, propositions, and insights from change in the Edmonton Public Schools. *Organization Studies*, *33*, 169–201.

Shapiro, S. (2005). Agency theory. *Annual Review of Sociology*, *31*, 263–284.

Simsek, Z. (2007). CEO tenure and organizational performance: An intervening model. *Strategic Management Journal*, *28*, 653–662.

Stam, W., Arzlanian, S., & Elfring, T. (2014). Social capital of entrepreneurs and small firm performance: A meta-analysis of contextual and methodological moderators. *Journal of Business Venturing*, *29*, 152–173.

Staw, B. M., Sandelands, L. E., & Dutton, J. E. (1981). Threat rigidity effects in organizational behavior: A multilevel analysis. *Administrative Science Quarterly*, *26*, 501–524.

Tuggle, C. S., Sirmon, D. G., Reutzel, C. R., & Bierman, L. (2010). Commanding board of director attention: Investigating how organizational performance and CEO duality affect board members' attention to monitoring. *Strategic Management Journal*, *31*, 946–968.

U.S. Securities and Exchange Commission (SEC). (2009). *Proxy Disclosure Enhancements item 407(h)*. Retrieved from http://www.sec.gov/rules/final/2009/33–9089-secg.htm.

Villalonga, B., & Amit, R. (2006). How do family ownership, control and management affect firm value? *Journal of Financial Economics*, *80*, 385–417.

Vis, B. (2012). The comparative advantages of fsQCA and regression analysis for moderately large-*N* analyses. *Sociological Methods & Research*, *41*, 168–198.

Wangrow, D. B., Schepker, D. J., & Barker, V. L. (2015). Managerial discretion: An empirical review and focus on future research directions. *Journal of Management*, *41*, 99–135.

Zhou, X. (2001). Understanding the determinants of managerial ownership and the link between ownership and performance: Comment. *Journal of Financial Economics*, *62*, 559–571.

Zorn, M. L., Martin, J. A., & Combs, J. G. (2012). Lone-insider boards: Improved monitoring or a recipe for disaster? *Journal of Managerial Issues*, *24*, 345–362.

Author biographies

Krista B. Lewellyn is an assistant professor of management at the University of Wyoming College of Business. Her research focuses on how contextual elements at multiple levels of analysis influence strategic-type decisions individuals make for themselves and on behalf of their organizations.

Stav Fainshmidt is an assistant professor of international business and strategy at the Florida International University College of Business. His research interests include organizational capabilities, institutions and governance, and methods in organizational research.