

Top Executive Commitment to the Status Quo: Some Tests of Its Determinants

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Source: *Strategic Management Journal*, Sep., 1993, Vol. 14, No. 6 (Sep., 1993), pp. 401-418

Published by: Wiley

Stable URL: <https://www.jstor.org/stable/2486752>

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## TOP EXECUTIVE COMMITMENT TO THE STATUS QUO: SOME TESTS OF ITS DETERMINANTS

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*Some top executives are more committed to the status quo—particularly to their organization's current strategy and leadership profile—than are others. Most empirical research on upper echelons treats psychological phenomena as a 'black box'—the unobserved intervening mechanisms—that causes associations between more observable executive characteristics and organizational outcomes. In contrast, this paper attempts to directly examine the determinants of an important element of an executive's psychological orientation—commitment to the status quo (CSQ). We focus on a select set of variables which have been posited in prior research as determinants of executive CSQ, but which have not been directly tested for such a relationship. Based on a large-scale survey methodology, results suggest that an executive's tenure in an industry is a pronounced determinant of CSQ, and has significantly more impact than organizational tenure. As expected, the firm's current performance was found to be positively related to CSQ; this relationship was stronger in high-discretion than in low-discretion industries. Finally, the project reaffirms a well known human tendency: incumbent CEOs tend to believe that their eventual successors should be just like them.*

It is now widely recognized that many organizations do not adapt effectively to changes in their environments. Although strategic maladaptation can occur for various reasons, theorists particularly have focused on organizational inertia as an underlying phenomenon. That is, many organizations have difficulty changing at the same rate as their environments.

Inertial pressures come from many quarters (Hannan and Freeman, 1977): sunk investment in specialized assets, bureaucratic control, internal

political and cultural constraints, and external restrictions. In addition, a great deal of the normative literature on strategy implementation focuses on overcoming employee resistance to change (Kimberly and Quinn, 1984).

However, evidence also exists that top executives themselves are not uniformly open-minded about change. For example, major organizational changes tend to occur only after a new CEO has been appointed (Miller and Friesen, 1980; Tushman, Virany, and Romanelli, 1987). Hofer (1980) concluded that a long-standing CEO must be replaced in order for a successful turnaround to occur. Similarly, Starbuck, Greve, and Hedberg (1978), in their study of organizations in crisis,

Key words: Executive cognition, strategic change, organizational inertia

0143-2095/93/070401-18\$14.00

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Received 11 July 1991

Revised 29 January 1993

argued that some top managers have great difficulty formulating or executing change even when their organizations are collapsing around them. In short, top executives seem to figure prominently in an organization's propensity for either inertia or change.

What causes some executives to be open-minded about change and others to be more committed to the *status quo*? Indirect evidence, as was cited above, points to such determining factors as the executive's tenure. However, prior studies are not conclusive because they have not directly examined executive psychological orientations, say their beliefs, or preferences. For example, the relative absence of change late in a CEO's tenure could indeed be due to his or her commitment to the *status quo*, but it could also be due to other factors such as the CEO's inability to induce change in others, perhaps because of entrenched social relationships; to executive fatigue; or to yet other factors that covary with tenure.

Even though psychological factors—an executive's beliefs, knowledge, assumptions, and values—are of central significance to upper echelons theory (Hambrick and Mason, 1984), such phenomena are rarely studied or measured directly in empirical inquiries of top executives. Rather, psychological orientations are imputed, typically from more readily observable characteristics about the executive, such as tenure (Finkelstein and Hambrick, 1990), education (Bantel and Jackson, 1989), and functional track (Song, 1982) or the situation in which the executive operates (e.g., Huff, 1982; Goodman, 1988). In attempting to study associations between these various factors and organizational outcomes (e.g., strategies, structures, performance), researchers typically treat psychological factors as the black box—the unobserved intervening mechanisms—that causes such relationships to occur.

In this study, we take a distinctly different, but complementary, perspective. Namely, our purpose is to directly examine the determinants of one particular executive orientation, commitment to the *status quo*. We focus on a select set of determinants which have been persuasively posited in prior research as affecting executive commitment to the *status quo*, but which have not been directly tested for such a relationship. As portrayed in Figure 1, the main determinants

we examine are: (1) the executive's tenure in the organization, (2) the executive's tenure in the industry, (3) the organization's current level of performance, and (4) environmental discretion as a potential moderator variable. Thus, in this research, executive beliefs are the dependent variable, and we do not examine any resultant executive actions or organizational outcomes. Our goal is to shed new theoretical and empirical light on the shaping of executive commitment to the *status quo*.

In the next section we develop our theoretical framework and hypotheses, focusing on the factors that are expected to affect an executive's beliefs about the appropriateness of the firm's current strategy and leadership profile for the future. We then describe our research method—a large-scale survey in which senior executives were asked to describe their organizations' *current* strategies and managerial profiles as well as the *ideal* strategies and profiles *for the year 2000*. These data form the basis for our measures of commitment to the *status quo* (CSQ). We then present and discuss our results.

## THEORY AND PROPOSITIONS

### Executive commitment to the *Status Quo*

Hambrick and Mason (1984), in proposing their 'upper echelons' theory, argued that top managers act on the basis of their psychological orientations—values, cognitions, and beliefs. This logic follows directly from the Carnegie School, contending that complex decisions are largely the outcomes of behavioral factors rather than attempts to achieve economic optimization (March and Simon, 1958; Cyert and March, 1963).

Of great relevance to students of organizational change, but so far relatively unexplored, is the idea that executives may differ in their commitment to the *status quo*, which we define as a belief in the enduring correctness of current organizational strategies and profiles. Some executives seem to become psychologically hamstrung by 'what is'; others are more able to incorporate divergent or untested ideas about 'what might be.' Not only may managers differ on this continuum, but a given manager may change his or her commitment to the *status quo*, depending on industry, organizational, or personal factors. As noted earlier, the purpose

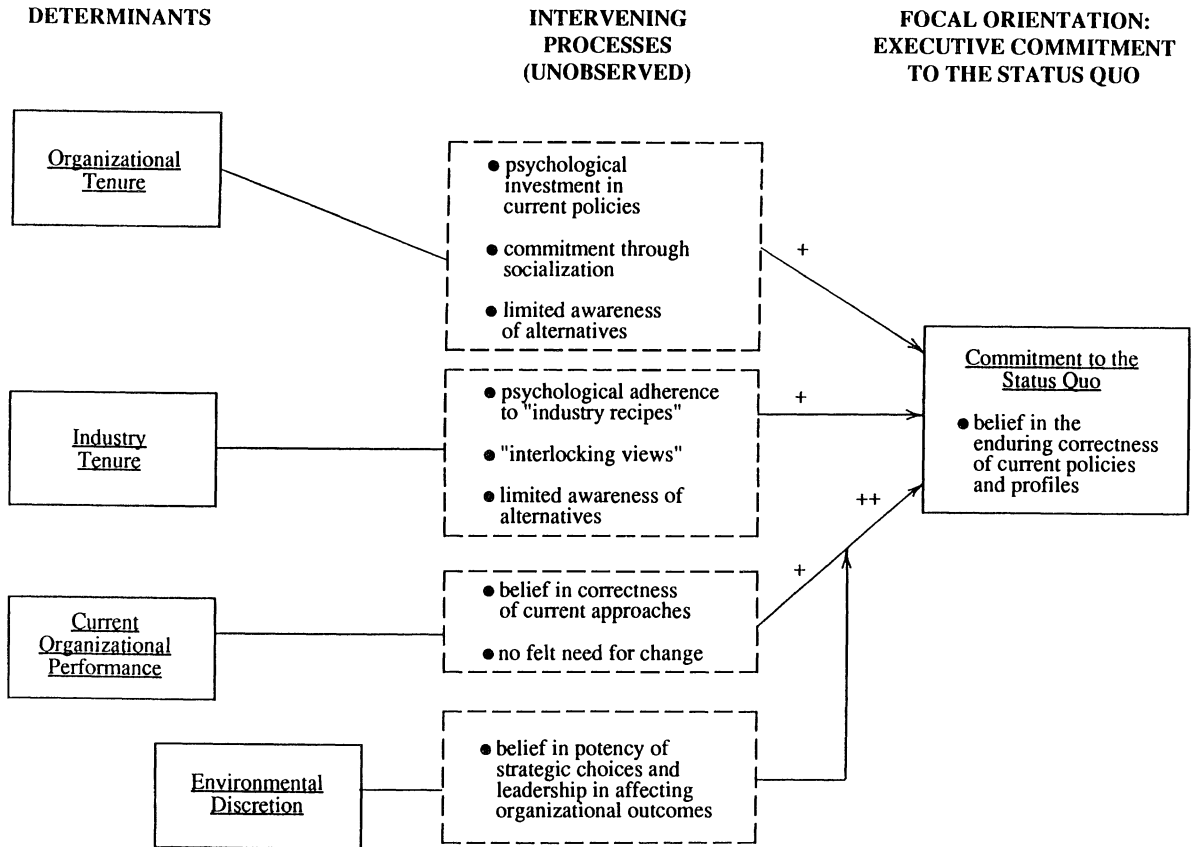


Figure 1. Integrated portrayal of propositions

of this paper is to provide an improved understanding of some of the most widely posited determinants of an executive's CSQ.

Before proceeding, some discussion of our central construct—commitment to the *status quo*—is warranted. Obviously, a great deal has been written on 'commitment,' *per se*. In the organizational arena alone, there has been substantial research on commitment to goals (e.g., Locke, 1968), to jobs (Porter and Steers, 1973), to organizations (Staw, 1974), to courses of action (Staw, 1976; Rubin and Brockner, 1975), and to strategic configurations (Ghemawat, 1991). All of these streams clearly have to do with commitment—the state of being bound or obligated. However, none focuses directly on the concept of the executive or decision maker who has a psychological conviction that the organization should remain configured as it is.

Perhaps research on commitment to a course of action (e.g., Staw, 1976; Rubin and Brockner,

1975) comes closest to what we wish to examine, but it tends to focus on escalation, investment, and action; in contrast, the primary thrust of our attention is on absence of change, inaction, continuity. This difference may be subtle, but commitment to a course of action deals with a trajectory or a vector, while commitment to the *status quo* deals with a state or a condition.

Some theorists require actions or behaviors to be included in any definition of commitment. For example, Salancik (1977) defines commitment as 'the binding of the individual to behavioral acts.' Ghemawat (1991) defines commitment as 'the persistence of strategies.' Our definition has a more strictly psychological focus, which we take to be the missing link, or 'black box,' in most research into relationships between overt executive characteristics (e.g., demographics) and organizational outcomes. Naturally, we would expect psychological commitment to the *status quo* to be associated with subsequent behavioral acts, but we

do not require it in our definition; nor do we have the data in this study to test for it.

What causes commitment? Theorists have addressed numerous determinants, ranging from very tangible factors such as large, irreversible capital investments (Ghemawat, 1991), to intangible factors such as not wanting to appear inconsistent with prior actions and pronouncements (e.g., Salancik, 1977). In keeping with our definition, we focus on factors that affect the executive's beliefs.

In our conception, executive commitment to the *status quo* derives both from the individual's preferences as well as from knowledge. On the one hand, one can be committed to the *status quo*, believing that the organization ought to continue just as it is, because one values the current state of affairs and would incur a loss if there were changes. Or, on the other hand, one could be committed to the *status quo* because it is all he or she knows, unaware of other options. Interestingly, researchers have not acknowledged the differential roles of these two pathways to commitment. An awareness of both paths provides an important backdrop to the propositions we will develop below—propositions that have been widely asserted but not directly tested.

As a potential explanation for why organizations have difficulty changing, we believe that the senior executive's commitment to the organization's current configuration—its competitive strategy, structure, staffing and reward policies, for example—holds considerable theoretical and practical significance. In that vein, Finkelstein and Hambrick (1990) briefly discussed commitment to the *status quo* as one of three possible reasons (along with risk aversion and restricted information flows) why long managerial tenures tend to lead to strategic persistence. However, they neither developed the CSQ concept at length nor examined it empirically; as is the case for most recent upper echelons tests, Finkelstein and Hambrick empirically examined the associations between executive demographics and organizational outcomes, leaving psychological factors (including executive commitment to the *status quo*) imputed but unobserved.

#### Effect of executive tenure in the organization

As individuals spend time in an organization, and particularly as they succeed and move up

the hierarchy, they become convinced of the correctness of the organization's ways (Wanous, 1980). This occurs both through socialization and self-selection. Senior executives with long tenures, in particular, have a great deal invested—psychologically and tangibly—in the *status quo*. Such individuals have struggled for years to achieve their high posts; their abilities have been judged appropriate for the firm's *current* form and they typically are deeply established in their communities and family commitments (Vancil, 1987). In short, they often have far more to lose than to gain from organizational changes. They thus become committed to the *status quo*.

Not only may long-tenured executives prefer the *status quo*, but they also may come to know little beyond it. Long-term acculturation creates a common, internally-shared perspective, making it difficult to consider alternative views (Pfeffer, 1983). As tenure mounts, an executive develops habits, establishes routine information sources, and tends to develop a refined repertoire of responses to external and internal stimuli (Katz, 1982; Miller, 1991). Therefore, the long-tenured executive may have difficulty envisioning anything but the *status quo*. Finkelstein and Hambrick (1990) surmised as much in explaining their finding of an association between top-team tenure and absence of strategic change; but, as already noted, they did not directly examine executive beliefs.

So, for reasons of executive preference as well as informational restrictions, the following proposition regarding organization tenure can be set forth:

*Proposition 1: The longer an executive's tenure in the organization, the greater his or her commitment to the status quo.*

#### Effect of executive tenure in the industry

Beyond the narrowing effects from organizational tenure are those that can come from industry tenure. While in-depth industry familiarity is sometimes hailed as an important managerial asset (Gupta, 1984), too much 'industry wisdom' may restrict an executive's vision and consideration of policies that deviate from industry norms.

Strong evidence suggests that such industry



norms exist and that executives tend to adhere psychologically to them. Spender, in a study of causal structures of executives in three British industries, found 'an altogether surprising degree of homogeneity amongst the constructs being applied by managers. . . in each industry' (1989: 17). He labeled these commonly-held models 'industry recipes.' Similarly, Hambrick, in a study of environmental scanning in three industries, concluded that 'a "common body of knowledge" appears to exist within an industry. . . which is disseminated through media equally available to and used by executives within the industry' (1982: 167). Huff, in a conceptual paper, went so far as to argue that an 'industry is defined by shared or interlocking metaphors or world views' (1982: 125). Most recently, Marcus and Goodman (1986), Goodman (1988), and Newell (1989) have studied critical transitions of the airline, banking, and steel industries, respectively, concluding that in each case a well developed 'industry knowledge' had been established which long-tenured executives had great difficulty setting aside.

In sum, it would seem that industry membership is a broader version of the same phenomenon as organizational membership. The industry is a social setting in which events, trends, and concepts are interpreted and shared. The result is a 'social construction of reality' (Burrell and Morgan, 1979), and those individuals who have participated in its construction for the longest time are most convinced of its correctness. Thus:

*Proposition 2: The longer an executive's tenure in the industry, the greater his or her commitment to the status quo.*

Acceptable performance induces a confidence in the *status quo*, while poor performance erodes such confidence (Pettigrew, 1985; Starbuck and Milliken, 1988). Of course, what constitutes good or bad performance may be relative, as suggested by several authors (Fredrickson, Hambrick and Baumrin, 1988; Puffer and Weintrop, 1991) who have argued that it is the difference between actual performance and the expectations of important constituencies that may prompt an executive to consider change. However, the general linkage between performance—particularly at the extremes—and executive openness to change is very robust across several studies.

In his study of the evolution of four major American corporations, Chandler (1962) observed that the top managers only considered major structural changes after the onset of grave performance problems. More recently, in studying the development of a large British chemical company, Pettigrew (1985) found that awareness of environmental change existed long before any corresponding organizational changes were considered, much less taken. Only after performance was severely affected, did the top managers change their strategy. Similarly, in their study of the space-shuttle Challenger disaster, Starbuck and Milliken (1988) concluded that ongoing successes led to 'fine-tuning' and incremental development, while failure led to aggressive search for new methods and paradigms. Thus:

*Proposition 3: The greater the organization's current performance, the greater the executive's commitment to the status quo.*

### Effect of organizational performance

A well known premise in the literature on organizational change is that members will not be receptive to change unless they are dissatisfied with the current situation (Kimberly and Quinn, 1984). The same can be expected of senior executives, as well. As long as the organization is performing well, the executive will tend to be committed to the *status quo*. As performance shortfalls occur, he or she engages in 'problemistic search,' 'seeking a satisfactory solution to the deficiency at hand (Cyert and March, 1963).

### Moderating effect of discretion

A frequent debate among organization theorists has concerned the extent to which strategic choice (Child, 1972; Andrews, 1971) or environmental selection (Aldrich, 1979; Hannan and Freeman, 1977) determine organizational outcomes. In an effort to bridge those two views, Hambrick and Finkelstein (1987) argued that executives differ significantly in how much discretion, or latitude of action, they possess. Depending on environmental, organizational, and managerial factors, an organization's form and fate may lie totally

outside the control of its managers, lie completely within the control of those managers, or, more typically, somewhere in between. Accordingly, an executive's discretion can be expected to moderate the association between organizational performance and his or her commitment to the *status quo*.

When discretion is low—when considerable constraint exists—the executive may not be inclined to equate poor performance with the need for changes in policies, nor to take good performance as an endorsement of those policies for the future. Namely, for the executive in a low-discretion situation, there is not a strong connection between current performance and a belief in the correctness of current organizational strategy and leadership profiles. In this instance, performance, be it high or low, emanates largely from uncontrollables—the environment, the organization's confining history, etc. Conversely, for the executive in a high-discretion situation, a close relationship is perceived between organizational performance and managerial actions. In this latter situation, poor performance sends a relatively clear signal to the executive that the organization needs to change, while high performance is a sign of correctness of current approaches.

As noted above, executive discretion emanates in part, and perhaps most fundamentally, from the environment. Some environments, or industries, allow more variety and change than others. Hambrick and Finkelstein (1987) identified the following main characteristics of a high-discretion environment: low degree of regulation, low capital intensity, differentiable product, and high demand growth. In such an unconstraining environment, we can expect executives to have relatively strong beliefs about the influence of strategic choices and leadership on organizational outcomes. Moreover, executives in such high-discretion situations will draw strong connections between the organization's current performance and the correctness of current strategies and profiles for the future. Hence the final proposition:

*Proposition 3a: The positive association between current organizational performance and the executive's commitment to the status quo will be greater in high-discretion than in low-discretion industries.*

It warrants pointing out that if Proposition 3a is supported, we will not only have improved our understanding of the determinants of executive commitment to the *status quo*, but we also will have shed indirect light on whether executives tend to be aware, even if implicitly, of how much or how little discretion they possess. This is an issue on which Hambrick and Finkelstein (1987) are relatively silent.

In sum, this paper focuses on potential determinants of executive commitment to the *status quo* that have been cogently argued or anecdotally observed in prior research, but which have lacked systematic test. Figure 1, introduced earlier, portrays our framework and propositions as a unified set, showing not only the determinants of executive CSQ, but also the unobserved intervening processes (e.g., psychological adherence to 'industry recipes') which we believe lie behind the expected relationships. As shown, organizational tenure is expected to be positively related to CSQ (P1); industry tenure is expected to be positively related to CSQ (P2); current performance is expected to be positively associated with CSQ (P3); and that relationship should be particularly strong in high-discretion environments (P3a).

## RESEARCH METHOD

### Sample

Data for this research were drawn from a large international study designed to explore how current senior executives characterize their firms' ideal strategies and leadership for the Year 2000. The present paper deals strictly with the 690 United States respondents. A total of 3500 U.S. executives, primarily CEOs, were surveyed by mail questionnaire. Mailing lists included the CEOs of the *Fortune* Industrial 500, *Fortune* Service 500, as well as regional rosters of major firms. The goal was to have diverse representation of industries and firm sizes, thus allowing generalizable conclusions. Because of the use of the *Fortune* lists, the sample is biased toward large firms, with a median size of about 5000 employees. Sampled firms represented industrial products (29%), consumer products (22%), financial services (19%), and other service industries (38%).

Administered in late 1988, the eight-page questionnaire was substantially pretested, professionally

produced, preceded by an advance personalized letter, with a follow-up mailing to initial nonrespondents. A preliminary version of the questionnaire was reviewed by 20 executives; we then piloted a revised version with another group of 20 executives, yielding the final version. These efforts may account for a response rate (20%) somewhat higher than the 10 to 12 percent typical for mailed surveys to top executives in large American firms. A statistical comparison of respondents and nonrespondents indicated that they did not differ in their most apparent characteristics—firm size, industry categories, or profitability.

Although the questionnaires were addressed to CEOs, and their personal response was encouraged, it was expected that some questionnaires would be passed on to others. Accordingly, we requested precise personal information about the respondent, including title, at the end of the questionnaire. Forty-nine percent identified themselves as CEOs, 34 percent as executives reporting directly to their CEOs, and 17 percent as other. Therefore, 83 percent of the respondents (the CEOs and their direct reports) were particularly well suited to make informed judgements about their firm's leadership and strategy, while the remaining respondents were typically senior corporate staff personnel who also had considerable exposure to the CEO and their firm's strategic agenda.

The limitations of survey research are well known. We tried to minimize these through the efforts described above, as well as through the promise to send respondents personalized tabulations comparing their responses to others in their industry and the overall sample. These initiatives were meant to improve the conscientiousness, and in turn the reliability, of responses. An oft-cited limitation of surveys—that they merely tap the respondent's perceptions or attitudes—is not problematic for this study, since those perceptions, the respondent's degree of belief that the firm ought to remain configured just as it is, are exactly what we wished to gauge.

## Measures

### *Commitment to the Status Quo*

We developed two composite indices of the respondent's commitment to the *status quo*, which we label Leadership CSQ and Strategy

CSQ. The first, Leadership CSQ, gauges the degree to which the respondent believes the firm's ideal CEO in the Year 2000 should be similar to the current CEO, in terms of (a) expertise and (b) behaviors. Respondents used a 5-point 'forced choice' scaling system to describe their current CEO (sometimes, the respondent himself) in terms of how much expertise he or she possessed in 11 areas such as accounting/finance, science/technology, media skills/public speaking (see the Appendix for the entire list, as well as a detailed description of our scaling system). We then asked the respondent to rate the degree to which his or her firm's ideal CEO in the Year 2000 would possess the same 11 areas of expertise. We summed the absolute differences for all 11 items and then divided by 11, to obtain a measure of the degree to which the respondent believed that the ideal future CEO should differ from the current CEO in terms of expertise.

The other element of the Leadership CSQ measure was based on a similar analysis of a set of 15 items dealing with the CEO's behaviors. For example, respondents rated the current CEO and the ideal CEO for the Year 2000 on such items as, 'frequently communicates with employees,' 'rewards loyalty and length of service,' (see the Appendix for the entire list). Absolute differences between ratings of current and ideal future CEOs were summed and divided by 15 to yield a measure of the degree to which the respondent believed the behaviors of the ideal future CEO should differ from those of the current CEO.

In order to achieve some parsimony, the scores dealing with CEO expertise and behaviors were averaged together. The correlation between them was 0.40 ( $p < 0.001$ ). Then, to reverse the measure from tapping envisioned differences between 1988 and 2000 to tapping envisioned similarities, it was subtracted from 4.00 (the largest possible average difference) to obtain the Leadership CSQ score.

The Strategy CSQ variable was developed in a similar manner. In this case, the basis was two sets of items in the questionnaire which dealt with competitive weapons (e.g., low price, premium image; 11 items in total) and growth strategies (e.g., acquisitions in industries new to the firm, internal development of new businesses; seven items in total). (See the Appendix). For



each of these two sets of items, average absolute differences between ratings of current and ideal future strategies were calculated. The two were then averaged together ( $r = 0.37$ ;  $p < 0.001$ ), and that average was subtracted from 4.00 to achieve a 'similarity' rather than a 'difference' score.

The four lists of items that comprised the indices of CEO Expertise, CEO Behaviors, Competitive Edge, and Growth Strategies were derived through a multistage process. First, the literatures on executive leadership and strategy were searched for appropriate inventories, including such works as Kotter (1988), Levinson (1980), Porter (1980), and Hambrick (1983). We included items that tended to recur in various sources. Then a panel of 20 executives was asked to recommend additions, modifications, or deletions to the lists. This led to minor changes which were incorporated into a pilot questionnaire. The pilot went to 20 more executives who made a few additional suggestions. Thus, the ultimate lists were drawn from relevant literatures but also met the test of relevance to executives. Naturally, no such list can pretend to be exhaustive; for the current project, representativeness and centrality of the lists were important, and we believe they were achieved.

We had no expectations about how our propositions might differ between the two types of commitment to the *status quo*—Leadership and Strategy. Therefore, we examined them separately.

### *Organizational performance*

The current performance of the firm was derived from responses to a 4-point item: 'How would you describe the profitability of your firm?' 1 = unprofitable, 2 = breaking even, 3 = moderately profitable, 4 = very profitable. This approach was used instead of more precise quantitative indicators for two reasons: (a) respondents would not have to engage in any file searches; (b) for purposes of the present research question, it is important to have the respondent's own interpretation of how well the organization is performing. In any event, Dess and Robinson (1984) have found that executives' subjective ratings of their firms' performance are highly consistent with objective indicators.

### *Organizational and industry tenure*

These measures were based on the questions 'How long have you been employed by this company?' and 'How long have you worked in your current industry?'

### *Expected environmental change*

A control variable, Expected Environmental Change, measured the degree to which the respondents expected the critical task environment of the firm to change between the present (late 1988) and the Year 2000. The respondents were first asked to use a 5-point scale (very low to very high) to rate 23 environmental characteristics (e.g., degree of change in product technology, intensity of foreign competition, inflation) both currently and as expected for the Year 2000. They were then asked to check the three environmental factors that provided the greatest current opportunities and the three items that provided the greatest current threats to their own firms, as well as the three greatest opportunities and threats for the year 2000. The average amount of change expected (absolute differences between 1988 and 2000) in the critical environmental dimensions checked was used as our measure of Expected Environmental Change.

The inclusion of this control variable has two advantages. First, it accounts for the possibility that respondents to some degree legitimately prescribe the need for persistence (or change) in strategy and leadership as a function of how much change they anticipate in the environment, and not strictly on the basis of psychological commitment as we have posited. Second, this variable helps to statistically control for the respondents' possible tendency to lapse into a response pattern throughout the questionnaire describing differences between the present and the Year 2000. For these reasons, the inclusion of Expected Environmental Change as a control allows a far more stringent examination of the respondents' commitment to the *status quo*, *per se*.

### *CEO respondent*

Also included as a control was a dummy variable, coded 1 if the respondent was a COE, and zero if not. It may be the case that CEOs show

greater commitment to the *status quo* than do other executives.

### Industry Discretion

A difficulty in gauging an industry's degree of discretion is that the multiple determinants of discretion posited by Hambrick and Finkelstein (1987) do not necessarily covary. The researcher can only defensibly use industries that are unambiguous in their discretion, i.e., where all (or most) determinants point to essentially the same conclusion. Accordingly, it was decided to examine the discretion proposition through two subsamples carefully selected to represent the extremes of industry discretion. Three industries were selected to represent high-discretion environments. These were foods/beverages, computing equipment, and scientific/measuring equipment (subsample  $n = 44$ ). These industries were the ones that were most consistently toward the extremes of Hambrick and Finkelstein's asserted characteristics of high-discretion environments: low capital intensity, product differentiability, low degree of regulation, and high market growth. Additionally, three industries were selected to comprise a low-discretion subsample: public utilities, natural resources, and telecommunications services ( $n = 70$ ). These industries came closest to Hambrick and Finkelstein's archetypal low-discretion setting: highly capital intensive, commodity products, high degree of regulation, and generally low growth.

### Data analysis

Propositions were tested primarily through multiple regression analysis. As a control for any peculiar industry effects, dummy variables for 29 primary industry categories designated by the respondents were included in the analysis of the total sample. Care was taken not to include multicollinear variables in the same models—a particularly important issue since organizational and industry tenure are highly related (and even definitionally nested). To distinguish between the effects of organizational and industry tenure, we conducted some analyses in which industry tenure was replaced by a created variable, industry tenure minus organizational tenure, or 'Additional Tenure in the Industry.' Tests of differences between high- and low-discretion

industry subsamples were conducted using Arnold's (1982) test for difference in regression coefficients.

## RESULTS

Means, standard deviations, and correlations for all variables, based on the total sample, are presented as Table 1.

The simple correlations in Table 1 suggest, as hypothesized, that current performance is marginally related to both Leadership CSQ and Strategy CSQ; organizational tenure is positively related to both CSQ measures; and industry tenure is positively related to both CSQ measures. However, because of the intercorrelations among these variables, as well as the control variables, these results are only suggestive, awaiting multivariate analysis.

Table 2 reports regression results for several alternative models, constructed so as to avoid problems of multicollinearity. Coefficients for the industry dummy variables are not shown. We will report the results for Leadership CSQ first, from the first four columns of the table.

The results indicate that current performance was positively related to Leadership CSQ in all models. Hence, high performance was associated with a strong executive belief that the firm's leadership characteristics should remain as they are. Similarly, the control variable, expected environmental change, was negatively associated with Leadership CSQ in all models.

The remaining variables need to be examined more pointedly. As Model I indicates, organizational tenure was significantly associated with Leadership CSQ; however, when the CEO respondent dummy variable was included, as in Model II, it became clear that organizational tenure was not the determining factor, but rather that the current CEOs (who, as shown in Table 1, tended to have understandably long organizational tenures) had relatively high levels of CSQ—believing that the firm's future leadership should have their characteristics and behaviors.

When we broadened to an examination of industry tenure effects, significant results were observed. Model III includes both organizational tenure and additional tenure in the industry (industry tenure minus organizational tenure),

Table 1. Means, standard deviations, and correlations

	Mean	S.D.	Leadership CSQ	Strategy CSQ	Current performance	Organizational tenure	Industry tenure	Additional tenure in industry	Expected environmental change
Leadership CSQ	3.39	0.32							
Strategy CSQ	3.52	0.32	0.30***						
Current performance	3.10	0.84	0.07*	0.07*					
Organizational tenure	15.47	12.33	0.12***	0.07*	0.15***				
Industry tenure	20.15	12.08	0.16***	0.10**	0.04	0.74***			
Additional tenure in industry	5.31	8.26	0.04	0.04	-0.16***	-0.38***	0.29***		
Expected environmental change	0.49	0.41	-0.08*	-0.08*	0.06	-0.07*	-0.06	0.03	
CEO respondent	0.49	0.50	0.31***	0.03	-0.01	0.19***	0.33***	0.18***	-0.06

\* $p < 0.10$ ; \*\* $p < 0.05$ ; \*\*\* $p < 0.01$ ;  $n = 690$

Table 2. Multiple regression results—total sample

Variable	Leadership CSQ				Strategy CSQ			
	I	II	III	IV	I	II	III	IV
Intercept	3.333*** (0.060)	3.185*** (0.060)	3.270*** (0.063)	3.168*** (0.061)	3.456*** (0.061)	3.440*** (0.644)	3.420*** (0.066)	3.420*** (0.066)
Current performance	0.022* (0.016)	0.037*** (0.015)	0.039*** (0.015)	0.038*** (0.015)	0.021 (0.016)	0.023* (0.016)	0.025* (0.016)	0.022* (0.016)
Organizational tenure	0.003*** (0.001)	0.001 (0.001)	0.002 (0.001)		0.001 (0.001)	0.000 (0.001)	0.002 (0.001)	
Additional tenure in industry			0.002* (0.001)				0.003** (0.002)	
Industry Tenure				0.002** (0.001)				0.002** (0.001)
Expected environmental change	-0.056* (0.030)	-0.044* (0.029)	-0.045* (0.029)	-0.044* (0.029)	-0.043 (0.031)	-0.042 (0.031)	-0.044 (0.031)	-0.042 (0.031)
CEO respondent		0.202*** (0.026)	0.191*** (0.027)	0.191*** (0.027)		0.023 (0.028)	0.008 (0.029)	0.008 (0.029)
R <sup>2</sup>	0.10***	0.18***	0.19***	0.19***	0.06*	0.07*	0.08*	0.08*

\*p &lt; 0.10; \*\*p &lt; 0.05; \*\*\*p &lt; 0.01; n = 690

but only the latter industry measure is associated with Leadership CSQ ( $p < 0.10$ ). Model IV, in which industry tenure is the only tenure variable included, corroborates the results of Model III. Namely, industry tenure is significantly associated ( $p < 0.05$ ) with Leadership CSQ (even after controlling for CEO respondent status). Moreover, although not obvious at a glance, the  $R^2$  for Model IV is significantly greater (by  $F$ -test) than the  $R^2$  for Model II. Thus, organizational tenure was not in itself associated with Leadership CSQ, but industry tenure was a significantly positive predictor, as hypothesized.

The results for Strategy CSQ, shown on the right half of Table 2, bore several similarities to those for Leadership CSQ. Current performance was consistently positively associated with Strategy CSQ, and expected environmental change had a consistently negative (though not significant) relationship. Moreover, the results for the tenure variables were very similar to those above: organizational tenure was not consistently related to Strategy CSQ, however industry tenure was. Again, Model IV was a significant improvement (by  $F$ -test) over Model II, indicating that industry tenure was a stronger predictor of Strategy CSQ than was organizational tenure.

Unlike the results for Leadership CSQ, CEO respondents did not show any disproportionate tendency toward a high level of Strategy CSQ. Perhaps not surprisingly, incumbent CEOs appear to be more open-minded about changes of effect than changes of leadership profiles.

Our proposition was that the association between current performance and CSQ would be greater in the high-discretion industries than in the low-discretion industries. Table 3 reports regression results for the high- and low-discretion industry subsamples. Visual inspection suggests support for our proposition, with significant positive coefficients for the high-discretion group and nil coefficients for the low-discretion group. Based on Arnold's (1982) test for differences in regression coefficients, the performance coefficients for Leadership CSQ differed (between the high- and low-discretion industry samples) at the 0.10 level, and the coefficients for Strategy CSQ differed at the 0.001 level. Thus, our proposition was supported.

Beyond this hypothesized difference, the results for the two industry groups were generally similar. Although organizational and industry

tenure were significantly related to Strategy CSQ in the high-discretion sample but not in the low-discretion sample (and the pattern was the reverse for Leadership CSQ), and one is tempted to attach meaning to these differing indications of significance, the only coefficients that differed significantly between the two industry subsamples were those for industry tenure in explaining Strategy CSQ ( $p < 0.05$ ). Specifically, additional tenure in the industry was a stronger predictor of Strategy CSQ in the high-discretion than in the low-discretion industries.

## DISCUSSION

### Tenure effects

Perhaps the most noteworthy finding of this study is that an executive's tenure in the industry appears to affect significantly his or her commitment to the *status quo*. Membership in an industry inserts a person into a social setting in which actions, contexts, and outcomes are subjected to a shared interpretation (Burrell and Morgan, 1979). Those individuals who have participated in this 'social construction of reality' for the longest time are most convinced of its correctness. In fact, they may have difficulty even conceiving of alternative logics (Huff, 1982).

While an understanding of 'industry wisdom' may have some beneficial effects, taken to extreme it reduces a management's open-mindedness toward change. Therefore, top management teams composed of a mixture of individuals, some with long industry tenures and some with short industry tenures, may be best situated to adapt to an environment that simultaneously has elements of continuity and change. Such teams may be ideal for retaining useful industry knowledge while incorporating divergent, fresh insights. Of course, there may be some contexts where industry recipes provide solutions that are superior to those produced by executive teams with extra industry experiences.

Interestingly, in this study, industry tenure surmounted organizational tenure in shaping an executive's commitment to the *status quo*. This provides some testimony to the strength of industry conventions, 'recipes,' and 'common bodies of knowledge' (Spender, 1989; Hambrick, 1982). Accordingly, previous findings that executives' organizational tenures are associated with



Table 3. Multiple regression results: High- vs. Low-discretion industries

	High-discretion ( <i>n</i> = 44)		Low-discretion ( <i>n</i> = 70)	
	Leadership CSQ	Strategy CSQ	Leadership CSQ	Strategy CSQ
Intercept	2.879*** (0.237)	2.716*** (0.241)	3.091*** (0.165)	3.533*** (0.154)
Current performance	0.114* (0.070)	0.216*** (0.074)	0.000 (0.048)	-0.017 (0.045)
Organizational tenure	0.002 (0.005)	0.010** (0.005)	0.011*** (0.004)	0.004 (0.003)
Additional Tenure in industry	0.012 (0.009)	0.029*** (0.009)	0.009* (0.005)	0.006 (0.004)
Expected environmental change	-0.156 (0.110)	-0.210* (0.111)	-0.166* (0.095)	-0.157* (0.089)
CEO respondent	0.129 (0.115)	-0.274** (0.117)	0.172* (0.095)	0.078 (0.089)
<i>R</i> <sup>2</sup>	0.15	0.37***	0.29***	0.10

\**p* < 0.10; \*\**p* < 0.05; \*\*\**p* < 0.01

strategic persistence (e.g., Finkelstein and Hambrick, 1990) may need to be examined in a new light. Since all tenure in an organization is also tenure in the industry, it may be that these prior studies were actually observing an industry-tenure effect. In general, researchers of executive leadership need to be more mindful of the effects of intraindustry experiences and networks in shaping executive beliefs and other psychological orientations.

It is important to note that our evidence does not necessarily suggest that an industry's wisdom will result in all firms in an industry looking and behaving the same way. (In fact, as would be expected, executives in a given industry tended to show variation in their descriptions of their current leadership and strategies.) However, industry wisdom may accumulate about the ideal profiles of different subclasses of firms within the industry (e.g., regional airlines, money-center retail banks, large ethical pharmaceutical firms), such that their chosen strategies are largely 'scripts' for their widely-accepted roles in the industry.

An unexpected finding was that industry tenure had a significantly greater effect on Strategy CSQ in high-discretion than in low-discretion industries. Assuming that high-discretion industries are characterized by a great deal of ambiguity

and uncertainty (Hambrick and Finkelstein, 1987), it may be that their executives tend to grasp onto industry 'strategic recipes' (Spender, 1989) as a way of dealing with, or reducing, that uncertainty. And, the greater their tenures in the industry, the more this manifests itself in strengthened executive convictions (regarding current organizational profiles). Such behavior would be very consistent with DiMaggio and Powell's (1983) argument that mimetic behavior is most likely to occur in situations of great ambiguity.

It might be asked whether industry tenure is simply a proxy for an executive's age, which might be the stronger force behind CSQ. In a separate analysis (not reported here), we found that executive age was not statistically related to CSQ, after controlling for industry and organizational tenure. Thus, evidence points away from physiological or personal life-cycle interpretations of CSQ, and, once again, toward the effects of a deeply shared 'social construction of reality' (Burrell and Morgan, 1979) in affecting the executive's open-mindedness toward change.

### Performance effects

As expected, the current performance of the organization appears to have a role in determining

an executive's commitment to the *status quo*. High performance provides validation of current strategies and leadership profiles, while poor performance creates doubt about their wisdom. However, even though statistically significant, the association between current performance and CSQ was not strong in an absolute sense. (The partial  $r$  for the total sample was less than 0.10.) There may be several reasons for such limited support of a seemingly commonsense proposition. First, it may be that cumulative or continuing poor performance, rather than just currently poor performance, is required to lessen an executive's commitment to the *status quo*. Second, some of our executives in poorly performing firms may have very recently changed their strategies and leadership profiles and thus did not associate these new approaches with current problems as much as with hoped-for successes. Unfortunately, our data do not allow us to test for these possibilities.

A third interpretation is that the modest result must be taken at face value: current performance is not a dominating influence on executive commitment to the *status quo*. Other factors may be far more influential, with some executives perceiving little or no link between current performance and the need for strategic or leadership change.

This conclusion takes us to our finding that executives in low-discretion settings seem to be among those for whom this psychological 'disconnect' between performance and CSQ occurs. Specifically, executives in the low-discretion industries exhibited no connection between current performance and CSQ, apparently seeing performance as largely tied to matters outside managerial control. Conversely, in the high-discretion industries, there was a strong link between performance and a conviction that current managerial approaches would be correct (or incorrect) for the future.

Our findings regarding executives in high- and low-discretion industries may have implications well beyond those envisioned by Hambrick and Finkelstein (1987). Suggesting to a group of executives that they may not have much leeway or influence over their organizations is a sure way to get them upset (as anyone who has done it knows); however, their own beliefs, as revealed here, suggest that executives are not uniformly convinced that their decisions and actions are

instrumental to the firm's successful adaptation. Moreover, their industries tend to matter in this regard.

### **Tendency toward CEO self-cloning**

The finding that CEO respondents revealed quite strong Leadership CSQ is of too much potential significance to go undiscussed, even though the CEO respondent variable was initially included strictly as a statistical control. In this result, we observed the tendency for leaders to try to 'clone' themselves, believing that their own qualifications, experiences, and behaviors are fully ideal for the company's future leaders as well.

Before discussing this issue further, it is fair to ask whether the CEO respondents were expecting to remain in office through the Year 2000 and hence were simply indicating that they saw no need to change their own leadership approaches. As a way of testing for this possibility, we conducted a supplementary analysis. Using data on the respondents' indications of their planned retirement ages, we were able to separately examine those CEOs who expected to retire before the Year 2000 and those who planned to stay in office at least that long. When dummy variables for these two categories were included in multiple regression analysis, the results were strongly consistent: The dummy variables for both types of CEOs were highly significantly ( $p < 0.001$ ) associated with Leadership CSQ, and the coefficients themselves were nearly identical (0.18 vs. 0.22). That is, even CEOs who acknowledged that they were describing eventual successors other than themselves indicated their belief that those successors ideally should have the same characteristics as them. It can reasonably be expected that these beliefs come to be reflected in the companies' executive selection, development, and succession processes, with the result being the homogenization and cloning of the executive cadre.

The tendency for successive CEOs to resemble each other has been previously documented (Smith and White, 1987; Vancil, 1987). Such a pattern can stem in part from political factors and simple inertia (Pfeffer, 1981). However, our data indicate that this tendency toward 'homosocial reproduction' (Kanter, 1977) may be due in part to incumbent CEOs who believe

that *their* repertoires are what should be sought in future CEOs. Levinson's (1974) wisdom, 'Don't Pick Your Own Successor,' was based on precisely this fear. Boards of directors may be well advised to take heed of it.

Interestingly, CEOs did not show the same disproportionate commitment to the *status quo* in terms of their companies' strategies. That is, the CEOs showed as much open-mindedness about future strategies as did other, non-CEO respondents. The strategy arena, more technoeconomic and impersonal than the realm of executive qualities, does not seem to elicit the same sense of personal identity and ownership.

Overall, our data indicate that CEOs are as open-minded about changing the firm's strategy as are other executives. However, to repeat, the same cannot be said for their open-mindedness about changing their firms' top leadership profiles. The latter appears to be an area where vigilance and direct action from the board of directors may be important.

## SUMMARY AND FUTURE RESEARCH

This study provides new information about how executives may become committed to the *status quo*. Among the first investigations to directly gauge this important executive psychological phenomenon, our inquiry indicates that tenure in the industry is a pronounced, robust determinant of CSQ and is significantly more so than organizational tenure. Therefore, researchers may wish to focus more attention on the role of industry level networks and stimuli in shaping executive psychological orientations.

As expected, the firm's current performance was found to be positively related to executive CSQ; the better the performance, the more executives thought the firm's strategy and leadership profile should remain unchanged. However, this relationship was far stronger in high-discretion industries (where beliefs about managerial influence over outcomes are presumed to be great) than in low-discretion industries (where performance is presumed to be seen as largely outside managerial control). So, here again, industry factors seem to significantly affect executive beliefs.

Finally, the study reveals the very strong tendency for incumbent CEOs to believe that

their eventual successors should be just like them. This cloning phenomenon may have considerable implications for organizational adaptation; and, it is likely to be reflected in executive selection, development, and succession practices of companies.

As is always the case, particularly early in the research stream, this project is limited in its scope and empirical definitiveness. These limitations, in turn, suggest an agenda for future research. For example, future studies should attempt additional means for gauging commitment to the *status quo*—both scaled psychometric and qualitative approaches. Similarly, asking executives to rate their degree of discretion, their satisfaction with their company's performance, or other relevant constructs, may allow insights well beyond those achieved through our approach. Additionally, considerable work needs to focus on the conceptual and empirical linkages among discretion and commitment to the *status quo*. An improved understanding of these heretofore disparate conceptual schemes may allow researchers to integrate them into a coherent whole. Finally, future research has the opportunity to extend our findings for the level of the individual executive to a focus on the entire top management team. Beliefs are greatly affected by social processes, and such dynamics need to be examined among the full executive constellation.

We write the final revision of this paper at the end of a week in which two visible executives—America's President George Bush and Robert Stempel of General Motors—have been given their walking papers. While many interpretations of their falls could be offered, a common one is that each of these men was overly committed to the *status quo*, not understanding or appreciating how much change was called for by their environments or constituencies. Namely, executive commitment to the *status quo* is of profound and central significance to all our institutions.

If top executives are often obstacles to change, then an understanding of what causes such resistance, or commitment to the *status quo*, is of paramount importance for strategy and organization researchers. A great deal more research and theory development are needed if we are to achieve an understanding of the origins and implications of executive mindsets. Eventually, such research could lead to more informed corporate policies regarding executive

staffing, development, incentives, and top-team composition.

## ACKNOWLEDGEMENTS

This research was supported by the Management Institute of Columbia Business School. Sylvia Black, Warren Boeker, and Ming-Jer Chen made valuable suggestions on early versions of the paper.

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## APPENDIX: SURVEY ITEMS AND SCALING METHOD

### Leadership CSQ

#### A. CEO Expertise

1. Accounting/finance
2. Marketing/sales
3. Production/operations
4. Science/technology/R&D
5. International economics and politics
6. Human resource management
7. Foreign languages
8. Media skills/public speaking
9. Negotiation and conflict resolution
10. Strategy formulation
11. Computer literacy

#### B. CEO Behaviors

1. Frequently communicates with employees
2. Frequently communicates with customers
3. Personally makes all major decisions
4. Promotes management training and development
5. Rewards loyalty and length of service
6. Actively plans for executive succession
7. Closely links compensation to individual performance
8. Readily reassigns/terminates individuals who do not meet objectives
9. Frequently uses outside consultants
10. Delegates substantial authority
11. Frequently visits outlying plants/offices
12. Is personally involved in community public affairs
13. Emphasizes international outlook
14. Maintains lean staff
15. Sets personal example of cost-consciousness



*Strategy CSQ*

A. Competitive Edge

1. Low price
2. Quality products/services
3. Premium image
4. New products/services
5. Customer service
6. Distribution network
7. Promotion/advertising
8. Timely/reliable delivery
9. Product styling/features
10. Technology
11. Productivity

B. Growth Strategies

1. Acquisitions in industries new to the firm
2. Acquisitions in industries the firm already participates in
3. Internal development of new businesses
4. Internal development of new products/services in existing businesses
5. Development of new geographic (including international) markets
6. Increased market share in existing products/markets
7. Joint ventures with other firms

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For purposes of scaling, the Competitive Edge, Growth Strategies, and CEO Expertise sections all employed a forced choice scaling system, with possible scores ranging from 1 to 5. In answering Competitive Edge and Growth Strategy items, respondents were asked to select which three alternatives were more important, and which three were less important to their firms in years 1988 and 2000. From those items selected respondents then identified which single option was most, and which least important. These choices, respectively, received scores of 5 and 1. The other two selections noted as more important received a score of 4, while the remaining less important items received a value of 2. Finally, those items not identified as either very important or not important, hence of average importance, scored a value of 3.

The CEO Behaviors segment was scaled in a Likert-type manner, also employing a 5-point scale. In this section, respondents were asked to describe how closely the questionnaire items described the current CEO and the ideal CEO (for the same firm) of the year 2000: Given alternatives ranged from ‘not at all,’ which received a score of 1, to ‘extremely’ applicable, with a score of 5.