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EARTHQUAKE OR GLACIER? HOW CEO CHARISMA MANIFESTS IN FIRM STRATEGY OVER TIME

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Numerous studies have focused on CEO charisma as an antecedent to firm performance, but this literature has largely overlooked the possibility that charisma manifests in more proximal strategic initiatives that (unlike performance) are largely under the CEO's control. In this study, we integrate perspectives from the upper echelons and charismatic leadership literatures to argue that CEO charisma influences year-over-year strategic change, the degree to which strategies deviate from industry central tendencies, and the degree of emphasis on corporate social responsibility. We also theorize that, depending on the outcome in question, the effects of charisma can become both amplified and diminished as CEO tenure advances. Employing a novel data collection approach for a sample of 113 S&P 500 CEOs, we find broad support for our theory.

INTRODUCTION

Through their words and actions, charismatic leaders are thought to influence others around them by engendering excitement toward a common cause (House, 1977). Charismatic leaders pursue courses of action that challenge the status quo (Bass, 1985), favor unconventional means for achieving change (Conger and Kanungo, 1987), and promote ideologies that appeal to prosocial values (Shamir, House, and Arthur, 1993). A wealth of micro-level research has focused on the effects of leader charisma on subordinate followers (Conger, 1999; Yukl, 1999), and studies have consistently shown that charismatic leaders are perceived as more effective (for a meta-analysis, see Lowe, Kroeck, and Sivasubramaniam, 1996). In short, the collective evidence suggests that charismatic leaders can meaningfully influence their work environments.

In virtually any organization, no leader is more influential than the chief executive officer (CEO) (Finkelstein, Hambrick, and Cannella, 2009). CEOs play central roles in the formulation and implementation of firm strategies (Chandler, 1962), they create a context (through staffing, incentive systems, and culture) that influences decision making at every level of the organization (Yukl, 2008), and they convey symbols to internal and external onlookers who attribute meaning to the CEO's actions (Pfeffer, 1981). Operating at the boundary of the organization and the external environment (Thompson, 1967), CEOs are uniquely positioned to engage constituents both within and outside of their firms. The CEO thus plays a central role in

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setting the overall direction for the organization. This is particularly important given that CEOs' values, personalities, and motives are manifested in their strategic decisions and leadership behaviors, an idea that forms the basis of upper echelons theory (Hambrick and Mason, 1984). To the extent that charisma is associated with certain values and behaviors, charismatic CEOs would seemingly have profound effects on the form and fate of their organizations.

It is thus surprising that the implications of CEO charisma for firm strategy remain largely unknown. This is not to say that scholars have ignored the organizational consequences of charisma, as numerous studies have examined whether charismatic CEOs deliver better firm performance than their less charismatic CEO peers. Results in this domain have varied: some studies show a positive link between charisma and performance (e.g., de Luque *et al.,* 2008; Waldman *et al.,* 2001), whereas others report no significant relationship (e.g., Agle *et al.,* 2006; Tosi *et al.,* 2004). But firm performance is arguably too distal an outcome, as it can be influenced by many factors beyond a CEO's control (Hambrick and Quigley, 2014; Hannan and Freeman, 1977; Lieberson and O'Connor, 1972). It is much more plausible that charisma (or any CEO attribute) will have its clearest effects on more proximal outcomes that CEOs can control—which is, of course, a central premise of upper echelons theory (Finkelstein *et al.,* 2009). Yet with few exceptions (e.g., Waldman, Javidan, and Varella, 2004; Waldman, Siegel, and Javidan, 2006), research on CEO charisma has overlooked the possibility that charisma will manifest in firm strategy.

Our study aims to address this shortcoming by investigating how organizations led by charismatic CEOs gradually take on characteristics of the CEOs themselves over time. We integrate concepts from upper echelons theory (Hambrick and Mason, 1984) and classic charismatic leadership theories (e.g., Bass, 1985; Conger and Kanungo, 1987; Shamir *et al.,* 1993) to argue that charismatic CEOs will favor strategic initiatives that align with the individual values and behavioral tendencies of charismatic leaders. For instance, building on the idea that charismatic leaders value novelty and opposition to the status quo (Conger and Kanungo, 1987), we argue that CEO charisma will manifest in organizational strategies that change rapidly from year to year while also substantially deviating from industry central tendencies. And in keeping with the notion that charismatic leaders infuse their organizations with moral purpose and sensitivity to social goals (Shamir *et al.,* 1993), we propose that highly charismatic CEOs will emphasize corporate social responsibility (CSR) initiatives to a greater extent than will CEOs who lack charisma.

We also theorize that charisma's effects will vary over the course of a CEO's tenure. In doing so, we address a common criticism of leadership studies (e.g., Shamir, 2011), which have largely ignored the dimension of time despite its potentially important role in the leadership process. We argue and show that although a charismatic CEO can have an immediate and substantial impact on his or her firm's strategic trajectory, specifically in terms of initiating strategic change, it takes comparatively longer for CEO charisma to fully manifest in a firm's overall strategic positioning and CSR activities. Interestingly, our results suggest that less charismatic CEOs are also able to initiate major change, but this happens later in their tenures. We thus shed new light on the role of CEO characteristics in shaping how firm strategy unfolds over the course of a CEO's tenure (e.g., Hambrick and Fukutomi, 1991; Miller, 1991).

To test our ideas, we conduct an empirical study of 113 randomly selected CEOs of S&P 500 firms over the period 1993–2011. Following in the footsteps of previous leadership scholars studying hard-to-measure leader attributes (e.g., Deluga, 1997; House, Spangler, and Woycke, 1991; Peterson *et al.,* 2003), we eschew the use of archival proxies in favor of a historiometric approach in which several hundred trained coders use publicly available information to assess CEO charisma. After joining these data with archival financial and CSR data, we test our hypotheses using longitudinal multivariate analyses. Results broadly support our hypotheses.

Our study makes three primary contributions. First, we integrate concepts from the upper echelons and charismatic leadership literatures to demonstrate that top executives' leadership styles have important consequences for firm strategy. Existing studies of charismatic leadership have generally focused on either very proximal outcomes (e.g., how charismatic leaders affect the attitudes and behaviors of subordinate followers) or very distal outcomes (e.g., how charismatic leaders affect firm performance). Although the micro-level evidence supports the notion that charismatic leaders meaningfully influence subordinate followers, the decidedly mixed macro-level evidence regarding the relationship between CEO charisma and firm performance has raised questions about the strategic importance of leadership style. We bridge this divide by showing that CEO charisma manifests in the strategic initiatives undertaken by firms. As such, we develop new insight into the firm-level implications of leader charisma.

Second, we emphasize the temporal component of charismatic leadership by demonstrating that the effects of CEO charisma can become both amplified and diminished over time depending on the outcome in question. Our study is unique in its consideration of time, which has been called an "unexplored dimension in leadership studies" (Shamir, 2011: 307) that is deserving of more attention. In highlighting the dynamic nature of charisma, our model allows for more nuanced predictions about the effects of charismatic leadership in organizations.

Finally, our study offers a methodological contribution by outlining a novel technique for measuring the individual attributes of corporate executives. Upper echelons scholars have advocated a move toward measurement techniques that go beyond the use of archival indicators as proxies for underlying individual attributes (e.g., Hambrick, 2007), and our method can be readily applied to a wide variety of CEO and top executive attributes. Our hope is that future investigations can benefit from using the historiometric method described in our study.

THEORY AND HYPOTHESES

Theory and research on charismatic leadership

Charismatic leaders have been described as individuals who "by the force of their personal abilities are capable of having profound and extraordinary effects on followers" (House and Baetz, 1979: 399). They are thought to be skilled at building a shared organizational identity that motivates employees at all levels of the organization to pursue the leader's vision (House, 1977). As such, the research on leader charisma has largely focused on charisma's effects on leaders' direct subordinates within the firm (Conger, 1999; Yukl, 1999). Some leadership scholars have moved beyond the notion of charisma as a dyadic process by incorporating group and organizational elements into their theoretical models (e.g., Fanelli and Misangyi, 2006; Shamir and Howell, 1999; Shamir *et al.,* 1993; Waldman and Yammarino, 1999), but most studies limit their focus to charisma's effects on subordinates.

Within the context of CEOs, the prevailing focus has been on the relationship between CEO charisma and firm performance. Most of the theorizing in this domain rests on the assumption that charismatic CEOs will have a beneficial effect on performance by raising the job performance of subordinates. As mentioned earlier, the empirical evidence on this issue is mixed—some studies show a positive link between charisma and subsequent performance (e.g., de Luque *et al.,* 2008; Waldman *et al.,* 2001, 2004) while others find no significant relationship (e.g., Agle *et al.,* 2006; Tosi *et al.,* 2004). Agle *et al.* (2006: 169) highlighted this lack of consistency in noting the need for future studies examining more proximal manifestations of charisma that could shed light on what really differentiates charismatic CEOs from their less charismatic peers. Along these lines, strategy scholars have examined how CEO charisma influences the assessments of external observers such as investors (Flynn and Staw, 2004) and securities analysts (Fanelli, Misangyi, and Tosi, 2009), but little research to date has focused on how charismatic CEOs affect the strategic actions taken by firms.

We extend theory on charismatic leadership at the CEO level by arguing that charisma manifests in firm strategy via two complementary mechanisms. First, and consistent with upper echelons theory (Hambrick and Mason, 1984), a charismatic CEO's strategic decisions will be shaped by the underlying individual values associated with charisma. According to the charisma literature, these values include unconventionality, opposition to the status quo, and concern for prosocial ideals (Bass, 1985; Conger and Kanungo, 1987; Shamir *et al.,* 1993). Prior studies have shown that CEO values influence strategic decisions (e.g., Agle, Mitchell, and Sonnenfeld, 1999; Chin, Hambrick, and Treviño, 2013), which suggests that a charismatic CEO's decisions will reveal a predisposition toward unconventionality, opposition to the status quo, and concern for prosocial ideals. We apply this logic to argue that that firms led by charismatic CEOs will be characterized by increased year-over-year strategic change, strategies that deviate substantially from industry central tendencies, and increased emphasis on CSR.

Second, charismatic CEOs will influence firm strategy through their ability to gain the support of organizational constituents tasked with implementing these initiatives (Waldman and Yammarino, 1999). Abundant micro-level evidence suggests

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that charismatic leaders are skilled at gaining the support of followers (Lowe *et al.,* 1996), and a CEO's uniquely boundary-spanning position within an organization provides the CEO an ideal platform for "leveraging" his or her charisma to influence employees throughout the organization. Studies have shown that strategies are implemented more effectively when CEOs are able to achieve buy-in from a wide range of employees below the executive level (e.g., Chadwick, Super, and Kwon, In press; Floyd and Wooldridge, 1992), and charismatic CEOs should be particularly well suited to this task. To the extent that the strategic initiatives described in the previous paragraph require the commitment of employees throughout the organization, firms led by charismatic CEOs will be more unified in their pursuit of the CEO's goals.

We also include a temporal dimension in our theory, as both the upper echelons and the charismatic leadership literatures suggest that the influence of charisma will vary over the course of a CEO's tenure. Going back to Weber's (1947) seminal work, scholars have argued that charisma may have its strongest effects earlier in a leader's tenure. This is particularly relevant when considering change, which often occurs when leaders are relatively new and have the most work to do in molding the firm to fit their visions (Hambrick and Fukutomi, 1991). On the other hand, the path-dependent nature of strategic decision making is such that it can take many years of sequential reinforcing decisions for a CEO's characteristics to be strongly reflected in a firm's strategic profile (Hambrick and Fukutomi, 1991; Miller, 1991). We integrate these seemingly opposing logics by arguing that charismatic CEOs will have a significant *early* impact on their firms in terms of making bold strategic changes (i.e., reallocating resources within the firm), whereas charisma's influence on slower-unfolding initiatives such as strategic nonconformity (i.e., the extent to which the firm's strategy deviates from industry central tendencies) and CSR emphasis (i.e., the extent to which the firm prioritizes a broad array of stakeholders) will be most evident *later* in a CEO's tenure. In the following pages, we outline these ideas in detail.

Challenging the status quo: CEO charisma and strategic dynamism

Leadership scholars argue that charismatic leaders are predisposed toward actions that signal a break from the status quo (e.g., Bass, 1985; Conger and Kanungo, 1987). Translating this idea to the CEO context, we posit that charismatic CEOs will be more likely to alter their firms' strategies on a year-to-year basis. Engaging in strategic change (i.e., strategic dynamism) signals a departure from the existing state of affairs, which is a hallmark of charisma (Conger and Kanungo, 1987). Studies have consistently shown that CEOs have control over the degree to which organizations alter (or persist with) their strategies (e.g., Chatterjee and Hambrick, 2007; Westphal, Seidel, and Stewart, 2001), which suggests that charismatic CEOs will have ample discretion to initiate change in their organizations. And, as discussed above, the charismatic CEO should be ideally suited to gain the commitment of employees throughout the organization who are tasked with implementing the strategic change initiatives (Waldman and Yammarino, 1999).

By pursuing change, charismatic CEOs can move their organizations closer to achieving their visions—which, for charismatic leaders, involves a departure from the status quo. This is consistent with the findings of Waldman *et al.* (2004), who found a positive correlation between CEO charisma and strategic change in a small sample of firms surveyed in 1992. While their investigation was somewhat limited in scope, it supports our prediction that firms led by charismatic CEOs will show a tendency to engage in bold strategic changes. On this point, charismatic leaders have been described as "change agents" who pursue radical reforms to transform their firms to fit their visions (Conger and Kanungo, 1998). We thus offer the following prediction:

Hypothesis 1: The more charismatic the CEO, the greater the strategic dynamism.

We also propose that the change-inducing effect of charisma will be most pronounced earlier in a CEO's tenure when the CEO has the most to do in transforming the organization to fit his or her vision. As time passes and decisions accumulate, the company's strategy will become increasingly aligned with the charismatic CEO's vision. A natural consequence of this process will be a transition from bold, sweeping changes to more incremental changes. Consistent with this idea, scholars have shown that strategic change becomes increasingly unlikely as tenure advances and CEOs become more devoted to established strategies (e.g., Boeker, 1997; Finkelstein and Hambrick, 1990; Wiersema and Bantel, 1992). CEOs who have recently assumed their positions, on the other hand, are less encumbered by old paradigms and more likely to experiment with different strategies (Miller, 1991). But as a CEO's tenure advances and firm strategy coheres around an "enduring theme" (Hambrick and Fukutomi, 1991), strategic configurations become more stable and the rate of change slows. We therefore argue that the relationship between charisma and strategic dynamism will diminish over time:

Hypothesis 2: CEO tenure moderates the relationship between CEO charisma and strategic dynamism. The longer the tenure, the weaker (less positive) the relationship between charisma and strategic dynamism.

Favoring unconventional courses of action: CEO charisma and strategic nonconformity

A distinguishing characteristic of charismatic leaders is their tendency to embrace novelty and pursue unconventional courses of action. Conger and Kanungo noted that charismatic leaders "engage in innovative behaviors that run counter to the established norms of their organizations, industries, and/or societies while leading their followers toward the realization of their visions" (1987: 643). This is consistent with the charismatic ideal of motivating followers by articulating a strategic vision that is highly discrepant from the status quo (Shamir *et al.,* 1993). The predisposition toward dramatic action was highlighted in a recent study by Galvin, Waldman, and Balthazard (2010) showing that the articulation of a bold vision was a defining characteristic of charismatic leaders. Bold strategic visions usually require significant trade-offs that make it difficult for other organizations to replicate the firm's strategy (Porter, 1996). In short, there is ample reason to believe that charismatic CEOs will value uniqueness and unconventionality in their firms' strategies.

We thus posit that charismatic CEOs will pursue nonconformist strategies (Geletkanycz and Hambrick, 1997) relative to their industry competitors. Conceptualizing strategy as a pattern of decisions (Mintzberg, 1978), we expect that charismatic CEOs will deploy their firms' resources in configurations that deviate significantly from industry central tendencies. As such:

Hypothesis 3: The more charismatic the CEO, the greater the strategic nonconformity.

We next argue that this relationship will grow stronger as a CEO's tenure advances. At first glance, this prediction seemingly runs counter to our earlier argument (Hypothesis 2) in which we suggested that charismatic CEOs would pursue the boldest changes earlier in their tenures. But the two outcomes (strategic dynamism and nonconformity) qualitatively differ in the speed with which CEOs can affect them. Change can happen quickly and tends to be most pronounced earlier in CEOs' tenures (Boeker, 1997; Finkelstein and Hambrick, 1990; Wiersema and Bantel, 1992), whereas the overall strategic positioning of the firm is the product of many years of sequential reinforcing decisions. According to Miller (1991: 35), "CEOs evolve unified, internally reinforcing configurations or 'gestalts' among elements of strategy, structure and process … [o]ver time, these become ever more cohesive and entrenched." This is analogous to the "bathtub" metaphor used by Dierickx and Cool (1989) to explain the path-dependent nature of firm knowledge assets. Per their description, the level of water in a bathtub can be likened to a firm's level (the "stock") of know-how at a given point, while the water running through the tap (the "flow") can be thought of as the current rate of research and development (R&D) spending in a given year. Because stocks are the cumulative result of flows over time, they note that "while flows can be adjusted instantaneously, stocks cannot" (Dierickx and Cool, 1989: 1506).

Applying this metaphor to our theory, strategic nonconformity is a stock that represents the cumulative result of resource allocation decisions that deviate from industry norms. (Strategic dynamism, on the other hand, is a flow that reflects year-over-year changes in resource allocations.) As a CEO advances in tenure, his or her organization will increasingly grow to reflect the CEO's paradigm (Hambrick and Fukutomi, 1991; Miller, 1991). This is another way of saying that during the first few years of their tenures, CEOs will not yet have had time to fully make their mark upon the strategic positioning of their firms. But as time passes and a reinforcing pattern of decisions is established, CEO characteristics and preferences will become more and more apparent in organizational strategy, structure, and process (Miller, 1991). We thus propose that the charismatic

CEO's preference for nonconformist strategies will become more strongly reflected in firm resource configurations as time passes:

Hypothesis 4: CEO tenure moderates the relationship between CEO charisma and strategic nonconformity. The longer the tenure, the stronger (more positive) the relationship between charisma and strategic nonconformity.

Appealing to prosocial values: CEO charisma and CSR

Our third outcome of interest, CSR, is relevant because of its close conceptual link to the charismatic ideal of appealing to prosocial values (e.g., Bass and Steidlmeier, 1999; Shamir *et al.,* 1993). Scholars have argued that charismatic leaders tend to espouse prosocial values such as integrity, justice, and maintaining the societal good (Waldman *et al.,* 2006). To the extent that these values shape their overall outlooks, charismatic CEOs will be more likely to consider multiple stakeholders (e.g., employees, the natural environment, the local community, etc.), rather than simply firm shareholders, when making decisions (de Luque *et al.,* 2008). This is another way of saying that charismatic CEOs will place greater emphasis on CSR, which refers to the various practices and initiatives that firms undertake for the benefit of non-shareholder stakeholders (e.g., Donaldson and Preston, 1995; Mackey, Mackey, and Barney, 2007). CEOs are in the unique position of being able to allocate firm resources toward initiatives that are directly aimed at helping stakeholders (e.g., environment-friendly manufacturing plants, employee volunteer programs, diversity-oriented hiring policies, etc.). Prior studies have demonstrated that CEO values are reflected in firms' CSR activities (Agle *et al.,* 1999; Chin *et al.,* 2013), which lends support to the idea that CEO charisma will manifest in CSR.

Charismatic CEOs will also affect CSR through their influence on employees in their organizations. In advocating for initiatives that invoke values, morals, and sensitivity to social goals (Bass and Steidlmeier, 1999; House *et al.,* 1991; Shamir, 1991), charismatic leaders engage followers' self-concepts in such a way that followers internalize the leaders' stated goals (Shamir *et al.,* 1993; Sosik, 2005; Waldman *et al.,* 2006). This motivational aspect of charisma maximizes the odds that charismatic CEOs will be able to create buy-in from employees whose support is integral to making the CSR policies succeed. On this point, researchers have argued that successful CSR implementation depends upon middle managers and lower-level employees developing a sense of identification with the organization's CSR approach (Maon, Lindgreen, and Swaen, 2009; Yuan, Bao, and Verbeke, 2011). Given that charismatic CEOs have a talent for engaging followers' self-concepts, which they can do by appealing to the prosocial values that underlie many CSR initiatives, it follows that firms led by charismatic CEOs will engage in more CSR.

Additionally, a recognized characteristic of charismatic leaders is their ability to identify and act upon the varying needs of followers (Bass, 1985). Formally known as "individualized consideration," this aspect of charismatic leadership stresses the importance of meeting the needs of followers and making followers feel that they are important to the leader (Bass, 1985, 1990). Although the original theoretical concept of individualized consideration focused on direct interactions between leaders and individual followers, scholars have since expanded its scope to include more distant interactions with broad audiences (e.g., Avolio and Bass, 1995). According to Avolio and Bass (1995: 206), "a CEO can exhibit individualized consideration without having directly interacted with a particular follower based on … policies that he or she establishes." This lends additional support to the argument that charismatic CEOs will favor initiatives that benefit a wide array of stakeholders:

Hypothesis 5: The more charismatic the CEO, the greater the CSR.

We likewise posit that it will take time for CEO charisma to fully manifest in CSR activities. CSR initiatives involve the culture of the firm (Crilly and Sloan, 2012), which is difficult to change in a short period of time (Barney, 1986). In other words, CSR represents a stock (rather than a flow) concept, as a firm's CSR profile is the result of accumulated decisions regarding how the organization relates to a broad array of stakeholders including customers, the natural environment, and society generally. These relationships and initiatives take time to develop, and early in their tenures charismatic CEOs will not have had as many opportunities to inculcate their prosocial values into the cultures of their firms.

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We thus argue that charisma's influence on CSR will become more pronounced as CEO tenure advances. As with strategic nonconformity, a firm's CSR profile stems from the reinforcing pattern of decisions that build over time (e.g., Hambrick and Fukutomi, 1991; Miller, 1991). These initiatives also involve the cooperation and support of employees at all levels in the organization (Crilly and Sloan, 2012), which speaks to firm culture—over time, the firm will attract employees that align with the charismatic CEO's prosocial values while shedding employees whose values are not in alignment with those of the CEO (Schneider, 1987). As organizational members gradually internalize the CEO's vision (Shamir *et al.,* 1993), charisma's effect on CSR will become increasingly evident. Accordingly, we predict:

Hypothesis 6: CEO tenure moderates the relationship between CEO charisma and CSR. The longer the tenure, the stronger (more positive) the relationship between charisma and CSR.

RESEARCH METHODS

Sample and measurement of CEO charisma

To build our sample, we began by randomly selecting 150 CEOs from the S&P 500 (which consists of large publicly traded firms), collecting data from 1993 to 2011. This population was appropriate given both our theoretical focus on observable strategic initiatives as well as our measurement of CEO charisma (detailed below), in which we used public media sources to construct dossiers of CEO-related information. The abundant media and analyst coverage of S&P 500 companies ensured that ample material was available for the CEOs in our sample. Owing to our interest in initiatives such as R&D investment and capital intensity (components of strategic dynamism and nonconformity), and consistent with prior strategic management research (e.g., McGahan and Porter, 1997; McNamara, Vaaler, and Devers, 2003), we excluded financial firms from our sample. After excluding CEOs who did not serve at least two years during our sample frame and dropping observations for which key data were missing, our final sample comprised an unbalanced panel of 113 individual CEOs over 802 firm-year observations.

Our primary independent variable, CEO charisma, presents a measurement challenge. Collecting direct measures of CEO attributes is a difficult endeavor (Cycyota and Harrison, 2006), as top executives are often unwilling to submit to lengthy psychological surveys (Bednar and Westphal, 2006). Our sample frame also covered many years, rendering a survey of long-departed executives unfeasible. In light of these limitations, we took an unobtrusive approach (Webb and Weick, 1979) to assessing CEO charisma that we believe taps into the construct without requiring primary data from the CEOs or their subordinates.

Specifically, we used a historiometric technique (e.g., Peterson *et al.,* 2003; Resick *et al.,* 2009) to measure CEO charisma. Because charisma is closely linked to an individual's enduring personality attributes (e.g., Bono and Judge, 2004; Crant and Bateman, 2000; House *et al.,* 1991), we adopted a measurement approach that focused on the expression of charisma that is stable and enduring over time. However, we also included an array of control variables (including prior firm performance) in our models to account for the influence of transient contextual factors that could inflate or deflate perceptions of charisma from year to year. We also ran robustness checks (described below) that included a correction for endogeneity to partial out variance associated with any temporal fluctuation.

At the outset of our data collection, we gathered a dossier of information from public media sources and databases that contained as much detail about each CEO as we could find. Three trained research assistants did the majority of the work in this phase, but were not involved in any subsequent aspects of the study. The primary sources of these data included LexisNexis, Factiva, and Google search results. The research assistants, blind to the research hypotheses, were trained to discriminate between firm- and CEO-focused information, with a particular focus on collecting personality-revealing information. The specific mix of content across the sample of CEOs did vary somewhat due to inherent variability in the source material associated with this qualitative data, but in all cases the content consisted of the most CEO-focused information possible given what was available.

For each CEO, the research assistants were instructed to continue gathering content until they had 10 pages of information or they ran out of effective material to include. This process yielded a rich variety of information on each CEO, including direct CEO quotes, text of speeches by the CEO, descriptions of the CEO given by directors or other employees, background information about the CEO, analyst commentaries or assessments of the CEO, and media stories about the CEO. Although 10 full pages of material were simply not available for every CEO, by the conclusion of this phase we had 10 pages of material for the majority of our dossiers.

Next, we reduced the length of each CEO dossier down to three to five pages of the most targeted, CEO-specific information available. This process of paring down the data was helpful in minimizing the time necessary to evaluate each CEO in the next step. We focused on removing unnecessary filler material from news stories, material unrelated to the focal CEO, and material focused solely on the company rather than the CEO. Importantly, we also removed all mentions of the CEO's and the organization's name from each dossier. CEO names were replaced with "Mr. or Mrs. Smith" and firm names were changed to "this organization." This was done to guard against raters' preconceived notions about firms and/or CEOs influencing their ratings of CEO charisma.

The assessments of charisma were conducted by several hundred independent trained coders, all of whom were undergraduate business students at a large Midwestern university in the United States. Raters received extra credit for participating and were blind to the hypotheses and goals of the study. In this phase, each coder was given a definition of charisma[1] along with a randomly assigned set of 10 scrubbed CEO dossiers. The coders were instructed to read each dossier and evaluate the CEO's charisma using a five-point Likert scale, with five representing the highest level of charisma. They were specifically warned to avoid confounding firm success or size with charisma and to think deeply about the information presented to them. Further, they were given no information about the dependent variables of interest in our study. Each CEO was evaluated by an average of 35 unique coders, with 529 unique coders participating in this phase. Lastly, we aggregated the individual assessments of charisma to generate an overall mean evaluation of each CEO's charisma. We assessed the interrater agreement and reliability of this measure by calculating the intraclass correlation coefficient (ICC[K]), which equaled 0.89. As this supported aggregation (LeBreton and Senter, 2008), we calculated an average for each CEO's level of charisma. Charisma scores ranged from 1.95 to 4.59, with a mean of 3.27.

Dependent variables

Our dependent variables (DVs) were constructed using publicly available archival data.[2] CEO background and pay data, company financial data, and company stock market data were drawn from the ExecuComp, Compustat, and Center for Research in Security Prices (CRSP) databases, respectively. Industries were defined according to four-digit Global Industry Classification Standard (GICS) codes, which have been shown to more accurately explain cross-industry differences (and capture within-industry similarities) than other taxonomies such as SIC or NAICS classifications (Bhojraj, Lee, and Oler, 2003). CSR data were drawn from the Kinder, Lydenberg, Domini & Co. (KLD) database, a common data source for researchers studying CSR issues (e.g., Agle *et al.,* 1999; Hillman and Keim, 2001; Kacperczyk, 2009). KLD is a social research advisory firm that uses independent experts to assess the extent to which firms are strong or weak along a number of categories pertaining to various

[1] The description was as follows: "Charisma has been defined as a characteristic of individuals who 'by force of their personal abilities are capable of having profound and extraordinary effects on followers.' Such individuals often exude confidence, dominance, a sense of purpose, and the ability to articulate a vision for followers to grasp … There is a consensus that charismatic leaders inspire followers to perform above and beyond the call of duty by appealing to their emotions and enduring motives. Based on this broad definition of charisma, to what extent did/does this CEO show evidence of a high level of charisma?"

[2] Although we made an effort to ensure that the CEO dossiers described above did not include information about the DVs in our study, it is theoretically possible that coders could make inferences about the DVs based on the material in the dossiers. To investigate this issue, we conducted a supplementary test in which new coders (who were not involved in any other phase of the research) were asked to read the scrubbed CEO dossiers and do their best to code each of our three DVs from only the information in the dossiers. (We provided coders with definitions of the DVs.) Ninety-nine coders participated in this robustness analysis, and each dossier was evaluated by an average of 7.9 coders. Once the coding was complete, we checked for evidence of interrater agreement. The average ICC across the three DVs was 0.09, indicative of substantial inconsistency between evaluators and well below accepted standards for aggregation (LeBreton and Senter, 2008). This evidence suggests that the coders were not able to consistently evaluate our DVs from the dossiers. Correlational and regression analyses also suggested that the CEO dossiers did not introduce bias associated with our DVs.

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stakeholder groups.[3] All continuous variables were Winsorized at the 1 percent level (Dixon, 1960) to minimize the influence of extreme values.

Strategic dynamism

Following prior research (e.g., Crossland *et al.,* 2014), we calculated this measure by assessing the year-over-year absolute change in six strategic choice variables that are largely under the CEO's control: advertising intensity (advertising expense/sales); R&D intensity (R&D expense/sales); overhead efficiency (SG&A expense/sales); capital intensity (assets/sales); property, plant, and equipment (PP&E) newness (net PP&E/gross PP&E); and leverage (debt/assets).[4] We first calculated the annual within-firm change in each of the six dimensions, standardizing each of these values. We then took the absolute values of the change scores and summed them to create a composite measure of strategic dynamism. This variable was natural log transformed to correct for skew.

Strategic nonconformity

To assess strategic nonconformity, we examined the extent to which a firm deviated from their S&P 500 industry peers on the same six strategic dimensions used in the strategic dynamism measure: advertising intensity, R&D intensity, overhead efficiency, capital intensity, PP&E newness, and leverage (e.g., Geletkanycz and Hambrick, 1997). Taken together, these dimensions offer a window into how firms are configured relative to their industry peers in a given year, with larger deviations indicating increasingly nonconformist strategies. To calculate the measure, we first standardized each of these indicators. We then calculated the absolute difference between the focal firm and the firm's industry average (excluding the focal firm) for that year on the given dimension. Finally, we summed these absolute difference scores to create a composite measure representing the degree to which the focal firm deviated from industry central tendencies in a given year.

Corporate social responsibility

To construct our CSR measure, we followed Hillman and Keim's (2001) approach of aggregating the five KLD categories most closely corresponding to the five primary stakeholder groups discussed in the CSR literature: employee relations; diversity issues, product issues, community relations, and environmental issues (also see Waddock and Graves, 1997). For each of these categories, KLD annually assesses the presence or absence of a number of strengths and concerns. In keeping with prior research (e.g., Choi and Wang, 2009; Hillman and Keim, 2001), we first created net category scores equal to the summed strengths minus the summed concerns for each category. After standardizing the five net category scores, we averaged them to create an overall net score reflecting the level of emphasis on CSR in a given year.

Control variables

We included a comprehensive array of controls to help rule out alternative explanations for our proposed relationships. Unless otherwise noted, all control variables were lagged one year.

For each of the three DVs, we controlled for *pre-entry condition*, which was the value of the relevant DV in the year immediately prior to the CEO taking office (e.g., Crossland *et al.,* 2014).[5] We also controlled for *industry average condition* in year t (i.e., the industry average values of strategic dynamism, strategic nonconformity, and CSR, respectively) to account for the joint influences of industry and time on strategic actions. We calculated these variables by taking the average values of the respective DV (excluding the focal firm) within the focal firm's industry each year. This technique controls for the influence of both industry and time, as well as the interaction between the two, in all of our models. We also included *industry munificence* and *industry dynamism* measures to account for competitive conditions within each industry on an annual basis. These were calculated following the method described by Dess and Beard (1984).

[3] Owing to KLD's widespread use in the literature, we do not describe each category in detail (for a more lengthy description of the dimensions, see Waddock and Graves, 1997).

[4] As other studies have noted, public firms do not consistently report data on all six of these dimensions every year, particularly for advertising and R&D expenses. Following prior research (Crossland *et al.*, 2014), we replaced missing values with the industry mean of the given variable (e.g., R&D intensity) for the focal year.

[5] If pre-entry condition data were unavailable for a CEO, we substituted the sample mean of the relevant measure.

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At the company level, we controlled for *company size* (measured as number of employees, natural log transformed to correct for skew), *company age* (measured as years since inclusion in CRSP, natural log transformed), *company diversification* (calculated using the Palepu [1985] entropy measure), and *recent company performance* (measured as return on assets [ROA] in $t-1$, calculated as net income divided by total assets). These variables collectively control for the fact that company characteristics can influence strategic decision making (e.g., Hoskisson and Johnson, 1992; Li and Greenwood, 2004; Romanelli and Tushman, 1994).

At the CEO level, we incorporated measures of *tenure*, *age*, *duality*, and *pay structure* as controls. Tenure, a moderator variable in our analyses, reflected the time since becoming CEO. Age was drawn from ExecuComp. Duality was a binary variable coded as 1 if the CEO was also board chair in $t-1$, and was included to account for the fact that chair-CEOs may enjoy greater levels of discretion than their non-chair peers (Hambrick and Finkelstein, 1987). Finally, CEO pay structure was measured as equity pay proportion (i.e., the proportion of total annual pay consisting of stock and options). This was included to control for the influence of compensation on CEO behaviors (e.g., Devers *et al.,* 2008; Wowak and Hambrick, 2010), and was calculated by summing *ex ante* pay values of restricted stock and option grants (as valued by ExecuComp) and dividing by total pay (TDC1 in ExecuComp).

Endogeneity

Although our research design and control variables allowed for conservative tests of our hypotheses, we conducted several robustness checks to assess whether endogeneity was a potential problem in our models. First, to explore the possibility that firms in certain situations are inherently more likely to select a charismatic CEO (and/or that charismatic CEOs are inherently drawn to certain situations), we analyzed whether pre-entry conditions predicted the charisma level of the incoming CEO for the subset of our sample for which we had pre-entry year data (e.g., Chatterjee and Hambrick, 2011). This involved regressing CEO charisma on pre-entry year values of firm performance, size, industry, and all three of our dependent variables. None of these variables significantly predicted charisma. We thus find no evidence of an endogenous matching of charismatic individuals and CEO jobs in our sample. Second, a potential concern is whether certain conditions (most notably prior performance) could affect the measurement of charisma and our dependent variables on a yearly basis. Following Wiersema and Zhang (2011), we created a first-stage model regressing CEO charisma on a set of lagged annual predictors that might influence perceived charisma, including firm performance, firm size, and industry munificence and dynamism. Then, in the second-stage model, we used the residuals from this regression as our revised measure of CEO charisma. These yielded qualitatively similar results to the models presented below using the raw measure. In sum, our robustness tests suggest that endogeneity did not bias our results.

Estimation methods

Because our sample consisted of multiple observations over time for each CEO, it was important to use an analytic technique appropriate for longitudinal data. We thus used generalized estimating equations (GEE) to test our hypotheses. GEE models explicitly account for the nonindependence of observations in panel data (Liang and Zeger, 1986), and are often used in studies investigating the effects of CEO characteristics on organizational outcomes over time (e.g., Chatterjee and Hambrick, 2007, 2011). For all models, we specified a Gaussian distribution, an identity link function, and an autoregressive (AR1) correlation structure with the CEO set as the grouping variable. The AR1 structure specifically allows for the fact that our outcomes of interest may be correlated over time within firms. Additionally, in all models we specified robust standard errors, which help account for any misspecification in the correlation structure (Hardin and Hilbe, 2003). We also centered the variables included in the interaction terms (CEO charisma and tenure) to aid in interpretation of results. All analyses were performed in Stata 12.

RESULTS

Descriptive statistics and correlations are shown in Table 1. Means and standard deviations are reported as untransformed and uncentered values, but correlations apply to the transformed and centered variables used in the models.

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Table 1. Descriptive statistics and correlations

Variable	Mean	*S.D.*	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1. Strategic dynamism	0.94	0.77																
2. Strategic nonconformity	3.42	1.71	0.21															
3. CSR	0.16	0.83	−0.04	0.30														
4. Industry average strategic dynamism	0.99	0.42	0.49	0.17	0.09													
5. Industry average strategic nonconformity	3.37	0.87	0.28	0.37	0.38	0.54												
6. Industry average CSR	−0.01	0.16	0.14	0.20	0.39	0.18	0.45											
7. Industry munificence	0.04	0.04	0.18	−0.01	−0.04	0.31	0.11	0.00										
8. Industry dynamism	0.02	0.01	0.19	−0.01	−0.06	0.25	0.04	−0.26	0.09									
9. Company size (000s employees)[a]	52.31	76.02	−0.38	−0.19	0.06	−0.22	−0.12	−0.10	−0.07	−0.24								
10. Company age[a]	36.10	22.77	−0.19	−0.18	−0.07	−0.20	−0.22	−0.24	−0.08	0.07	0.37							
11. Company diversification	0.43	0.47	−0.09	−0.14	−0.06	−0.15	−0.19	−0.18	−0.01	0.04	0.35	0.35						
12. Company performance (% ROA)	6.40	6.67	−0.17	−0.10	0.17	0.01	0.17	0.09	0.12	−0.18	0.03	0.03	−0.14					
13. CEO tenure	7.62	6.57	0.11	0.04	0.05	0.07	0.08	0.05	0.06	0.11	−0.22	−0.03	0.04	−0.04				
14. CEO age	56.22	7.69	−0.04	−0.10	−0.14	−0.02	−0.15	−0.26	−0.08	0.12	0.00	0.16	0.10	−0.06	0.54			
15. CEO duality	0.80	0.40	−0.10	−0.09	−0.05	−0.09	−0.17	−0.26	0.01	0.05	0.20	0.22	0.17	−0.04	0.27	0.32		
16. CEO equity pay proportion	0.55	0.28	0.09	0.06	0.10	0.17	0.23	0.10	0.06	0.03	−0.05	−0.20	−0.07	0.04	−0.21	−0.25	−0.16	
17. CEO charisma	3.27	0.61	0.13	0.27	0.33	0.17	0.27	0.16	0.11	−0.03	0.03	−0.18	−0.10	0.07	−0.10	−0.07	−0.03	0.12

[a] Natural log transformed
Correlations over |0.07| are significant at $p < 0.05$.
$n = 802$ CEO years

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Table 2. GEE models predicting strategic outcomes

	Strategic dynamism			Strategic nonconformity			CSR		
Independent variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Pre-entry condition	0.080	0.067	0.053	0.590^{**}	0.572^{**}	0.580^{**}	0.671^{**}	0.631^{**}	0.633^{**}
	(0.063)	(0.061)	(0.061)	(0.066)	(0.065)	(0.065)	(0.102)	(0.097)	(0.096)
Industry average condition	0.735^{**}	0.722^{**}	0.720^{**}	0.404^{**}	0.398^{**}	0.392^{**}	0.517^{*}	0.539^{**}	0.554^{**}
	(0.080)	(0.081)	(0.081)	(0.098)	(0.099)	(0.099)	(0.205)	(0.205)	(0.207)
Industry munificence	1.180+	1.086	1.074	0.379	0.343	0.428	-1.742^{**}	-1.785^{**}	-1.723^{**}
	(0.672)	(0.671)	(0.661)	(1.257)	(1.264)	(1.270)	(0.425)	(0.429)	(0.417)
Industry dynamism	−0.211	−0.250	−0.626	−1.716	−1.774	−1.546	−0.969	−0.976	−0.813
	(2.757)	(2.718)	(2.740)	(4.777)	(4.751)	(4.720)	(1.573)	(1.570)	(1.548)
Company size	-0.179^{**}	-0.186^{**}	-0.190^{**}	-0.251^{*}	-0.256^{*}	-0.248^{*}	0.062	0.054	0.055
	(0.036)	(0.035)	(0.034)	(0.123)	(0.122)	(0.118)	(0.038)	(0.035)	(0.034)
Company age	0.046	0.056	0.050	0.087	0.101	0.097	−0.042	−0.012	−0.013
	(0.053)	(0.052)	(0.052)	(0.121)	(0.124)	(0.122)	(0.061)	(0.059)	(0.059)
Company diversification	0.044	0.055	0.074	0.071	0.072	0.049	0.028	0.037	0.026
	(0.084)	(0.085)	(0.082)	(0.158)	(0.157)	(0.156)	(0.065)	(0.065)	(0.065)
Company performance	-0.014^{**}	-0.015^{**}	-0.016^{**}	0.000	−0.000	−0.000	0.009^{**}	0.008^{**}	0.009^{**}
	(0.004)	(0.004)	(0.004)	(0.010)	(0.010)	(0.010)	(0.002)	(0.002)	(0.002)
CEO tenure	0.007	0.008	0.008	0.010	0.012	0.013	0.030^{**}	0.032^{**}	0.033^{**}
	(0.006)	(0.006)	(0.006)	(0.016)	(0.015)	(0.014)	(0.008)	(0.008)	(0.008)
CEO age	−0.006	−0.006	−0.006	−0.001	−0.002	−0.003	-0.019^{*}	-0.020^{**}	-0.020^{**}
	(0.006)	(0.006)	(0.006)	(0.017)	(0.017)	(0.016)	(0.007)	(0.007)	(0.007)
CEO duality	−0.049	−0.053	−0.060	−0.089	−0.091	−0.090	0.087+	0.080	0.080
	(0.073)	(0.071)	(0.070)	(0.138)	(0.138)	(0.137)	(0.052)	(0.051)	(0.051)
CEO equity pay proportion	0.055	0.044	0.046	0.064	0.062	0.061	0.052	0.050	0.049
	(0.084)	(0.084)	(0.082)	(0.115)	(0.116)	(0.117)	(0.045)	(0.045)	(0.045)
CEO charisma		0.117^{*}	0.102^{*}		0.166	0.223		0.297^{**}	0.334^{**}
		(0.052)	(0.051)		(0.171)	(0.170)		(0.084)	(0.087)
CEO charisma × tenure			-0.016^{*}			0.049^{*}			0.030^{**}
			(0.008)			(0.020)			(0.011)
Constant	0.958^{**}	1.000^{**}	1.019^{**}	0.654	0.780	0.815	0.997^{*}	1.033^{**}	1.062^{**}
	(0.354)	(0.355)	(0.352)	(1.124)	(1.136)	(1.100)	(0.387)	(0.387)	(0.383)
Observations	802	802	802	802	802	802	802	802	802
Number of CEOs	113	113	113	113	113	113	113	113	113
Wald χ^2	341.7^{**}	332.3^{**}	370.3^{**}	321.4^{**}	318.3^{**}	340.3^{**}	156.1^{**}	209.3^{**}	202.5^{**}

Robust standard errors appear in parentheses.
+$p < 0.10$; *$p < 0.05$; **$p < 0.01$

Table 2 reports the results of our hypothesis tests predicting strategic dynamism (Models 1–3), strategic nonconformity (Models 4–6), and CSR (Models 7–9). Models 1, 4, and 7 consist of controls only; Models 2, 5, and 8 add CEO charisma; and Models 3, 6, and 9 add the interaction of charisma and tenure for each of the three outcomes. In our first hypothesis, we predicted a positive association between charisma and strategic dynamism. As can be seen in Model 2, the main effect of charisma on dynamism is positive and significant ($p < 0.05$). Hypothesis 1 was thus supported. Hypothesis 2 stated that the relationship between charisma and dynamism would diminish (i.e., become less positive) as tenure advanced. The significant negative coefficient ($p < 0.05$) on the interaction term in Model 3 indicates that tenure does indeed moderate the relationship as predicted. To further understand this interaction, we plotted this relationship in Figure 1 at low and high levels (-1 and +1 standard deviation) of charisma and tenure. The plot shows that charisma's influence on strategic dynamism is strongest early in a CEO's tenure and gradually weakens over time. Hypothesis 2 was thus supported. Interestingly, Figure 1 suggests that low-charisma CEOs actually *increase* their rate of strategic change as tenure advances, as by year 5 there is no longer a statistically significant difference between high- and low-charisma CEOs in terms of strategic dynamism. We discuss this somewhat surprising finding later in the paper.

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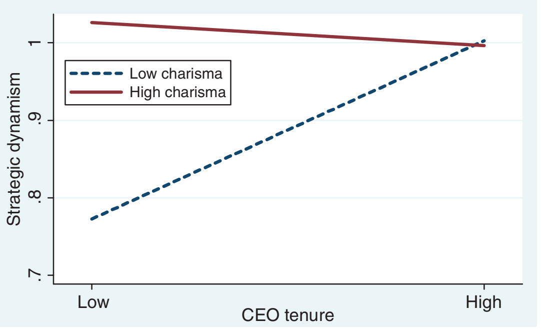

Figure 1. The joint effect of CEO charisma and tenure on strategic dynamism

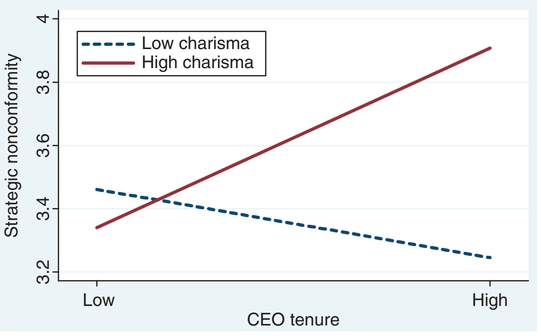

Figure 2. The joint effect of CEO charisma and tenure on strategic nonconformity

Hypothesis 3 proposed a positive association between CEO charisma and strategic nonconformity, but the nonsignificant coefficient on CEO charisma in Model 5 failed to support this main effect prediction. However, in Hypothesis 4 we argued that the relationship between charisma and strategic nonconformity would become more pronounced (i.e., more positive) as tenure advanced, and the positive and significant ($p < 0.05$) interaction term in Model 6 supports this hypothesis. As before, we plotted this interaction in Figure 2 at low and high levels (-1 and +1 standard deviation) of charisma and tenure. The graph illustrates that, early in their tenures, high- and low-charisma CEOs are relatively similar in the extent to which their firms' strategies conform to the rest of the industry; but, as time passes, highly charismatic CEOs tend to increasingly deviate from industry central tendencies.

Hypothesis 5 stated that CEO charisma would positively influence CSR. As can be seen in Model 8, firms led by highly charismatic CEOs showed higher CSR emphasis ($p < 0.01$). Hypothesis 5 was

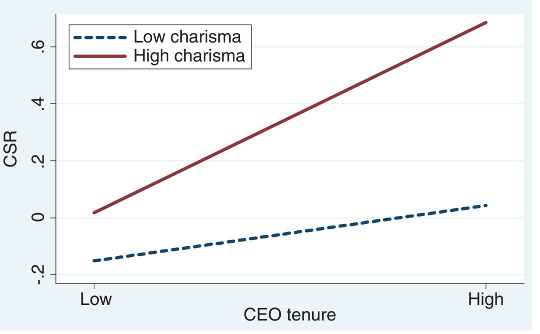

Figure 3. The joint effect of CEO charisma and tenure on CSR

thus supported. Hypothesis 6 predicted that this relationship would become stronger (i.e., more positive) as tenure advanced, and the positive and significant ($p < 0.01$) coefficient on the interaction term in Model 9 shows that the influence of charisma on CSR does indeed grow stronger as tenure advances. Figure 3, which graphs this relationship at low and high levels (-1 and +1 standard deviation) of charisma and tenure, illustrates that charisma's effect on CSR is more positive for longer-tenured CEOs. Hypothesis 6 thus received support.

DISCUSSION

Our aim in this study was to shed new light on the implications of CEO charisma for firm strategy. Strategic management researchers have often focused on whether charismatic CEOs deliver better firm performance, but the mixed results of these investigations have clouded the issue of when and how CEO charisma matters for firms. Integrating perspectives from the upper echelons and charismatic leadership literatures, we show that CEO charisma manifests in more proximal strategic initiatives over which the CEO has greater influence. We also demonstrate that time plays an important moderating role in the charisma-strategy relationship, as the effects of CEO charisma can (depending on the outcome in question) both amplify and diminish over the course of a CEO's tenure. The inclusion of a temporal component in our model addresses an oft-cited criticism of leadership studies, which generally ignore the dimension of time (Shamir, 2011). We show that CEO charisma matters for organizations, but when and how it matters depends on both the outcome in question and the tenure of the CEO.

In this sense, our overarching contribution lies in the development of a more nuanced understanding of executive charisma and its implications for firms. Upper echelons researchers have shown that executive attributes manifest in organizational strategies, and charismatic leadership researchers have demonstrated that charismatic leaders can have important effects on their work environments. Yet, the two literatures have followed distinct, separate paths. We integrate the two domains to develop arguments about how CEO charisma manifests in strategic dynamism, strategic nonconformity, and CSR. Our results indicate that firms led by charismatic CEOs have a tendency to alter their strategies on a year-to-year basis, which is consistent with the idea that charismatic leaders value opposition to the status quo (Conger and Kanungo, 1987). Similarly, we found that firms led by charismatic CEOs tend to engage in higher levels of CSR, which aligns with the idea that charismatic leaders favor initiatives that invoke values, morals, and sensitivity to social goals (House *et al.,* 1991; Shamir *et al.,* 1993). We did not find support for an overall main effect of CEO charisma on strategic nonconformity, but (and as we discuss below) our results do suggest that charisma is positively associated with nonconforming strategies later in CEOs' tenures.

On this point, we predicted that charisma's influence on firm strategy would vary over the course of a CEO's tenure. Building on theories of charismatic leadership (Weber, 1947) and executive tenure dynamics (Hambrick and Fukutomi, 1991; Miller, 1991), we demonstrated that the influence of CEO charisma can both strengthen (in the cases of strategic nonconformity and CSR) *and* diminish (in the case of strategic dynamism) as CEO tenure advances. First, charismatic CEOs were shown to have an immediate and substantial impact on their firms in terms of initiating change; but, as time passes, this relationship gradually weakens. Interestingly (and as shown in Figure 1), we found that less charismatic CEOs make relatively fewer changes earlier in their tenures; but, as time passes, they gradually *increase* their rate of change to the point where they are eventually on par with highly charismatic CEOs. Perhaps these less charismatic CEOs need more time to build power bases within their organizations (e.g., Bigley and Wiersema, 2002; Finkelstein, 1992) that afford them the requisite discretion to initiate bold strategic changes.

Our results also showed that the link between charisma and strategic nonconformity becomes more positive as tenure advances. The overall strategic positioning of a firm is the product of many years of sequential reinforcing decisions, which means that CEO charisma only gradually manifests in strategic nonconformity. As shown in Figure 2, charismatic CEOs tend to move their firms' strategies further from industry norms over time, which is consistent with the idea that strategies gradually cohere around an enduring theme as CEO tenure advances (Hambrick and Fukutomi, 1991).

Relatedly, we found that the positive relationship between charisma and CSR grows stronger over time. Unlike strategic change, which is (by definition) more controllable on a year-to-year basis, CSR is a path-dependent, multiyear effort that involves the culture of the firm and its relationships with society (Crilly and Sloan, 2012). It thus takes relatively longer for charismatic CEOs to raise their organizations' CSR up to a level that is consistent with their prosocial values. Existing models of CEO tenure generally assume that change is most likely to occur early in tenure (Hambrick and Fukutomi, 1991; Miller, 1991), but our results suggest that CEO attributes can play an important moderating role in this relationship.

Limitations and opportunities for future research

As with any study, ours is subject to certain limitations. First, we did not directly measure CEO charisma as perceived by subordinates within the organization. We believe that our measurement approach represents an innovative and promising avenue for assessing hard-to-measure CEO attributes such as charisma, but it is an estimate nonetheless. Recognizing that stakeholder audiences can vary in their perceptions of a leader's charisma (Klein and House, 1995; Waldman and Yammarino, 1999), we believe that future work building on our ideas but using more direct measures of charisma could be fruitful. Further, we proposed two primary mechanisms through which CEO charisma is reflected in organizational outcomes, but future research investigating the organizational "black box" could improve our

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understanding of how CEO charisma affects stakeholders inside and outside the organization.

We also focused exclusively on CEOs of large public firms. While this was logical given our interest in how charisma influences observable strategic initiatives, the process we described may unfold differently in the context of small privately held firms (e.g., Ling *et al.,* 2008). Scholars have argued that context plays a role in both the charismatic leadership process (Bass, 1985; Shamir and Howell, 1999; Shamir *et al.,* 1993) and executive decision making more generally (Nadkarni and Barr, 2008), and future studies examining the interactive combinations of CEO charisma and context could yield interesting findings. It could also be fruitful to integrate our ideas with recent research on CEO discretion, or the extent to which CEOs are able to influence firm strategies and performance (e.g., Blettner, Chaddad, and Bettis, 2012; Hambrick and Quigley, 2014). For instance, charismatic CEOs may have larger absolute effects on performance—for good or for ill—owing to their ability to gain the support of followers, but our theory suggests that this effect may vary over the course of a CEO's tenure.

CONCLUSION

Numerous studies have focused on CEO charisma as an antecedent to firm performance, but this literature has largely overlooked the possibility that charisma will manifest in more proximal strategic initiatives that (unlike performance) are largely under the CEO's control. We show that CEO charisma manifests in firm strategy and that this influence varies over the course of a CEO's tenure. Depending on the outcome in question, the effects of charisma can become both amplified and diminished as tenure advances. In examining the dynamic nature of CEO charismatic leadership, we integrate perspectives from the upper echelons and charismatic leadership literatures to show that executive charisma has important implications for firms.

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