Core Self-Evaluations and Strategic Choice: A Historiometric Study of CEO Personality

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By sitting atop of the organizational hierarchy, the decisions and actions of Chief Executive Officers (CEOs) impact the overall strategic direction and success of their firms. Because of their role, the personality characteristics of CEOs are central to understanding “why organizations do the things they do or why they perform the way they do” (Hambrick, 2007, p. 334). More specifically, personality provides a lens through which CEOs interpret environmental factors, construe situations, and direct strategic attention (Hambrick & Mason, 1984; Schneider, Goldstein, & Smith, 1995; Zaccaro & Klimoski, 2001). Core self-evaluations (CSE) are one trait gaining increasing prominence in upper echelons research as it provides a comprehensive construct for understanding the firm-level implications of executive self-concept (Hiller & Hambrick, 2005). CSE traits refer to the basic beliefs that people hold about themselves, their ability to succeed, and their sense of control over their lives (Judge, Locke, & Durham, 1997; Judge, Erez, Bono, & Thoresen, 2003). While a small number of studies provide initial empirical support for a link between executive CSE and leadership behaviors (e.g., Resick, Whitman, Weingarden, & Hiller, 2009; Simsek, Heavey, & Veiga, 2010), there is a need to empirically examine the implications of executive CSE for firm strategic choices and performance. In addition, there is a need to understanding how environmental factors impact relationships between CEO CSE and strategic choices.

However, gaining access to executive leaders to obtain primary data for research purposes is extremely difficult (Peterson et al., 2003; Chatterjee & Hambrick, 2007), and such studies have been bounded by low response rates and small sample sizes (see Cycota & Harrison, 2006). To combat these challenges, management researchers have turned to a variety of unobtrusive techniques to develop new, construct valid measures of CEO personality traits using publicly available, archival information. Historiometric techniques, which involve conducting psychological assessments based on historical information, offer a technique that combines the rigor of psychology assessments with unobtrusively obtained information.

The current study examines the relationships between CEO CSE, strategic choices, and firm performance moderated by environmental turbulence using historiometric methods. Strategic persistence refers to the stability of a firm’s strategy over time and strategic conformity refers to the extent to which a firm’s strategy conforms to industry norms. A model of the proposed relationships is summarized in Figure 1. The presentation will review the theoretical rationale for the research and discuss the findings. In addition, the presentation will provide an overview of the historiometric methodology, and discuss the potential benefits of this approach for conducting leader personality research. Time permitting, the presentation will conclude by discussing the applicability of historiometric methods for studying CEO openness to experience.

The hypothesized model is tested among a sample of 111 CEOs from large (> $100 million in sales) and established (10+ years old) manufacturing firms based in the U.S. For the
historiometric assessments, portfolios were created for each executive including narrative and biographical information. Two trained coders independently read each CEO’s portfolio and rated the degree to which 11 adjectives from an adjective-based measure of CSE developed by Resick et al. (2009) characterized the CEO using a 7-point scale. Among coders, the average item-level $r_{wg}$ ranged from .79 (moderately skewed distribution) to .89 (uniform null distribution) demonstrating strong inter-rater agreement; ICC(1) was .65 and ICC(2) was .79 also indicating strong inter-rater reliability. For each CEO, item-level means were calculated and then averaged together to create an overall CSE score. An acceptable level of internal consistency reliability was found ($\alpha = .84$). CEO portfolios contained information published between 1998 to 2000, strategic persistence and strategic conformity data represented 1999 to 2001 and firm performance (index of return on assets, sales, and investment) represented 2000 to 2003. Analyses controlled for CEO age, tenure, and education, firm size, past performance change and industry concentration. As the sample represented panel data of 111 CEOs and firms over five years ($n = 555$), hypotheses were tested using generalized estimating equations (GEE; Liang & Zeger, 1986).

**Figure 1 – Hypothesized Model**

Results generally support the hypothesized model. Turbulence positively moderated the relationship between CEO CSE and strategic persistence ($\beta = 0.82$, $p < 0.05$) such that CSE was positively related to persistence in highly turbulent environments and negatively related to persistence in less turbulent environments. In addition, turbulence negatively moderated the relationship between CEO CSE and strategic conformity ($\beta = -1.73$, $p < 0.01$) such that CSE was negatively related to conformity in highly turbulent environments and positively related to conformity in less turbulent environments. Strategic persistence had a strong positive main effect on firm performance ($\beta = 0.29$, $p < 0.01$), but did not interact with turbulence. In contrast, conformity was positively related to performance in less turbulent environments and negatively related to performance highly turbulent environments. Finally, tests for moderated-mediation indicate an indirect effect of CEO CSE on firm performance through strategic persistence and strategic conformity conditional on environmental turbulence. The results suggest that the relationship between CEO CSE and firm performance is complex, and best understood through strategic decisions and environmental conditions.
References


