



Do CEOs shape the process of making strategic decisions? Evidence from Greece

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Making strategic decisions

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Abstract

Purpose – Seeks to investigate the extent to which CEOs shape the process of making strategic decisions (SDs). Despite the significant research interest in this topic, knowledge is still incomplete.

Design/methodology/approach – Using evidence from a sample of 107 SDs, studied in Greece, the present paper explores the influence of CEO personality and demographic characteristics on the process of making SDs. A number of environmental and internal organisational variables are used as control variables measuring the broader context.

Findings – The results suggest that the broader context is on average more influential than the CEO. However, the CEO's demographic characteristics appear to influence several process characteristics (i.e. rationality, hierarchical decentralisation and politicisation). CEO personality characteristics do not appear to have any significant influence on the process.

Research limitations/implications – This paper focuses on only a few personality and demographic characteristics. The use of a different set of CEO characteristics (e.g. functional specialisation, etc.) as well as the characteristics of the top management team is more than welcome. More empirical studies are needed to replicate and extend this study by examining variables not included here.

Practical implications – Conventional wisdom as well as recent empirical evidence holds that the management style of Greek companies tends to be rather centralised, and dominated by one powerful individual. The results contradict this belief. It seems that in order to survive and achieve long-term viability, Greek companies were forced to introduce changes in their management style, including a more team-based style of decision making. In such a context, personality characteristics of the CEO or any other single influential player may not decisively affect the SD process.

Originality/value – Few studies have examined empirically the influence of such a combination of factors on strategic decision processes.

Keywords Decision making, Strategic choices, Strategic planning, Chief executives, Greece

Paper type Research paper

1. Introduction

Over the last two decades, a comparatively new line of research has gained momentum in organisational behaviour and business strategy literatures. It started with the influential work of Hambrick and Mason (1984) and examines the importance of the role of top managers in shaping organisational processes and outcomes (Hambrick, 1989; Lewin and Stephens, 1994). This “upper echelons” or “strategic leadership” perspective complements the strategic choice perspective (e.g. Child, 1972) and has received considerable theoretical and empirical support (Brouthers *et al.*, 2000;



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Eisenhardt and Schoonhoven, 1990; Hrebiniak and Joyce, 1985; Wiersema and Bantel, 1992).

As a result, both the CEO and the TMT are back in the strategy picture. They are now considered as critical nodes in wealth creation and much emphasis has been placed on their influence on:

- corporate strategies (Brouthers *et al.*, 2000; Miller and Toulouse, 1986; Finkelstein and Hambrick, 1990; Michel and Hambrick, 1992);
- innovation (Bantel and Jackson, 1989);
- performance (Haleblian and Finkelstein, 1993; Norburn and Birley, 1988; Eisenhardt and Schoonhoven, 1990; Smith *et al.*, 1994; Waldman and Yammarino, 1999);
- organisational structure (Miller and Droge, 1986); and
- planning formality (Bantel, 1993).

Another important theme in strategy research over the past several decades has been the process of making strategic decisions (Butler *et al.*, 1993; Cyert and March, 1963; Hart and Banbury, 1994; Lu and Heard, 1995; Rajagopalan *et al.*, 1993; Papadakis and Barwise, 1998). This line of research mainly examines the characteristics of the process of making strategic decisions (SDs), as well as its antecedents and consequences (e.g. Dean and Sharfman, 1993, 1996; Dean *et al.*, 1993; Hickson *et al.*, 1986; Papadakis *et al.*, 1998; Rajagopalan *et al.*, 1993).

Despite the profound interest in both themes, there has been little empirical work on the link between the two, i.e. CEO and/or top management team (TMT) and the process of making SDs. Even in the few existing studies (e.g. Papadakis and Barwise, 2002; Miller *et al.*, 1988; Papadakis *et al.*, 1998), no direct comparison is attempted, and no hypotheses are advanced and tested. As Rajagopalan *et al.* (1998, p. 238) stress: “our understanding of how managers can influence the strategic decision making (SDM) process and its ultimate outcomes is very limited”. Others have argued along similar lines (Bantel, 1993; Lewin and Stephens, 1994; Smith *et al.*, 1994). Moreover, as we discuss shortly, the few studies that have been done on the links between CEO and SDM processes have produced mixed results. The influence of CEO on the characteristics of the process of making SDs, therefore remains unclear. If we want to advance our knowledge of the role of top managers, we need a better understanding of their impact (if any) on SDM processes and the underlying characteristics that are important (Smith *et al.*, 1994).

The study reported here aims to clarify some important aspects of this influence. It focuses on the CEO as the central top management figure and the main questions it explores are: “to what extent does the CEO shape the process of making SDs?”. A secondary question is: “which are the characteristics of the CEO that appear more influential in shaping the process?” The present paper complements and extends the one by Papadakis and Barwise (2002) contrasting the role of CEO versus the TMT on the making of SDs. It focuses on the significance of the CEO in shaping SDs, by exploring a number of personality and demographic characteristics of the CEO (e.g. risk propensity, need for achievement, locus of control, education, tenure) as well as a number of dimensions characterising the process of making SDs (e.g. comprehensiveness, formalisation, hierarchical decentralisation, lateral communication, politicisation). In