Toward a Configurational Perspective on the CEO: A Review and Synthesis of the Management Literature

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Management literature offers substantial insight about many aspects of CEO-related phenomena. Whether it involves aspects of the position of CEO, personal characteristics of the CEO, or the environment in which the CEO operates, research about the CEO has yielded a number of important findings. Despite the proliferation of research regarding the CEO, we find that the literature as a whole is fragmented. By this, we mean that the CEO is often used as a context to test discrete theories. In this article, we contend that the fragmentation in the literature is a result of scholarship existing within theoretical fault lines and rarely venturing to incorporate theories beyond a given domain. This fragmentation results in inconsistent and inconclusive findings in the CEO-related literature. We propose an integrative framework, which we call the configurational perspective on the CEO, to help resolve this fragmentation problem. The configurational perspective on the CEO highlights three separate CEO-related research domains: the position, the person, and the environment. In taking stock of research in each of these...
domains, we address how they can be integrated in different configurations to help reduce the fragmented nature of the literature.

**Keywords:** chief executive officer; CEO; configurational theory; literature review

Scholars have been studying CEOs for more than 40 years (e.g., Berg & Smith, 1978; Lieberson & O’Connor, 1972). Extant research on CEOs covers an array of related topics and phenomena, including boundary spanning (e.g., Markóczy, Sun, Peng, Shi, & Ren, 2013), power and influence (e.g., Daily & Johnson, 1997), decision making (e.g., Arendt, Priem, & Ndofor, 2005), attributions (e.g., Hayward & Hambrick, 1997), identity (e.g., Boivie, Lange, McDonald, & Westphal, 2011), reputation (e.g., Zajac & Westphal, 1996), and celebrity (Wade, Porac, Pollock, & Graffin, 2006), among others. While much research also examines top management teams and boards of directors, within which CEOs are nested, research specifically focusing on CEOs has proliferated and shows no signs of abating.

Given the vast literature on CEOs, as well as the growth that the literature will undergo in the future, it is important to take stock of what is known. Doing so requires asking the initial question: Why do we study CEOs? The motivation provided in much of the literature seems to suggest that CEOs are simply a convenient context—one in which data are readily available to test theory that applies to a much broader set of phenomena. Even when testing predictions derived from upper echelons theory, which specifically relates to the impact of strategic leaders on firm behavior and outcomes (Hambrick, 2007; Hambrick & Mason, 1984), CEOs remain a subset of the theory’s domain, a convenient context from which scholars can generalize to the broader population of corporate leaders. For other theories used to study CEOs, the theoretical connection may be even more tenuous, with most theories applicable to all organizational managers (e.g., resource dependence theory) or even to all individuals (e.g., agency theory).

The scholarly treatment of CEOs as a convenient context for testing theory rather than a subject of unique theoretical interest has produced a wealth of findings. Those findings remain fragmented along theoretical fault lines, however, and, as a result, have yet to be integrated into a more comprehensive understanding of CEOs. This fragmentation persists because scholars view CEOs as a context for testing broader theories rather than as a theoretically distinct phenomenon. This approach can be useful for contributing to more established theories of organization and individual behavior, but it also risks ignoring the influence of factors unique to CEOs—factors that complicate the testing of theories that are not specifically tailored for the study of CEOs. We thus argue that any literature studying CEO-related phenomena and using theories from a single domain to predict outcomes is creating a fragmentation. The use of theories from that single domain represents the fault lines that exist in the literature. At the end of this article, we provide some specific examples of how those fault lines have fostered fragmentation and how the configurational perspective may enhance or even change corresponding predictions about the CEO.

For example, consider agency theory, which is frequently tested by using CEOs (Eisenhardt, 1989; Hillman & Dalziel, 2003). One of the theory’s straightforward predictions is that agents will perform more efficiently and effectively when monitored by the principal, all else being equal. Research testing this prediction, however, has failed to demonstrate any
consistent effect of monitoring of the CEO on firm performance (Dalton, Hitt, Certo, & Dalton, 2007). Looking outside agency theory’s boundaries, though, reveals that monitoring is more effective at controlling agency costs when industry uncertainty is low (Boyd, 1995), when the firm’s reliance on innovative knowledge assets is low (He & Wang, 2009), and when CEO identification with the organization is low (Boivie et al., 2011). Only in the context of CEOs is it feasible for a relationship between a board/CEO-level attribute (i.e., monitoring) and a firm-level outcome (i.e., performance) to vary with industry-, firm-, and individual-level constructs, with hypotheses derived from contingency theory (Dess & Beard, 1984), the resource-based view (Barney, 1991), and identity theory (Ashforth, Harrison, & Corley, 2008), respectively. So many theories focusing on different levels of analysis produces what might be called “theoretical endogeneity.” In other words, any given perspective that does not account for alternative theoretical frameworks beyond its boundaries misses important residual effects that may help to explain CEO-related phenomena.

Recent work suggests that CEOs are unique as individuals and because of their unique position and context (Lange, Boivie, & Westphal, 2015). If we consider all of the extraneous factors that affect CEOs but do not affect the broader population for which the theory was designed (e.g., public visibility, considerable personal and professional risk, complicated financial incentives), we might ask how the results of a study on CEOs could possibly contribute knowledge generalizable to a broader context. At the same time, we do not intend to suggest that theories applied to other individuals aside from the CEO—those that have generally been used to study CEO-related phenomena—are irrelevant for studying the CEO. Instead, we argue that in addition to contributing to broader theories about individuals and organizations, research on CEOs has produced—and will continue to produce—knowledge that should be integrated into a more general understanding specific to CEOs.

In this article, we delve into the accumulated research on CEOs in order to begin the process of integration. On the basis of a review of research on or related to CEOs, we introduce a new framework—which we call the configurational perspective on the CEO—in order to help future scholarship expand theoretical boundaries and cross theoretical fault lines. The configurational perspective on the CEO is used to act both as a guiding framework to categorize extant CEO scholarship (thereby illuminating fragmentation in the literature) and as a means of addressing future questions. We propose three overarching CEO domains, which together compose the configurational perspective: the position, the person, and the environment. We contend that much of the research on CEOs falls under one or more of these domains but that clear fault lines exist between each of the three.

The purpose of this article is to explain how research conducted in any one of these three areas of the configurational perspective is incomplete if it does not incorporate theoretical perspectives taken from the other two areas. While it would be ideal to identify fragmenting fault lines in each of the literatures, and then address how the configurational perspective would reduce the resulting fragmentation, this is neither feasible nor fruitful as there are innumerable combinations of literatures that can intertwine to create configurations that extend beyond a single theoretical perspective. Instead, we suggest that fault lines exist any time a literature does not incorporate theory from other relevant domains (like the ones we highlight in our configurational approach). To aid scholars in identifying fragmentation and applying the configurational perspective, we provide two specific examples in the final sections of this paper. In the coming sections, we expound on each of these three domains in the
configurational perspective and discuss how, viewed collectively, they provide an integrated body of knowledge unique to the CEO.

The Configurational Perspective on the CEO

In order to address the fragmentation that exists in the CEO literature—owing to the fault lines dividing theoretical perspectives—we develop a framework that we call the configurational perspective on the CEO. The central premise of this perspective is that the extant research on CEOs can be categorized according to three broad and interrelated domains: the position, the person, and the environment. These domains are depicted in Figure 1. In describing the configurational approach toward organizations, Meyer, Tsui, and Hinings note that configurations “denote any multidimensional constellation of conceptually distinct characteristics that commonly occur together” and that “numerous dimensions” (1993: 1175) cluster into configurations that can ultimately change outcomes. Research on CEOs fits this description, in that many theoretical permutations of the three domains we identify can be found in the literature. The ways in which these permutations are configured may change how scholars conceptualize CEOs. It is important to note here the distinction between a contingent perspective on the CEO and our configurational perspective; in our framework, we
are not arguing that a relationship between two constructs is dependent on a third (i.e., a contingency). Instead, we propose that the antecedents and consequences of CEO-related phenomena are best understood by exploring interrelationships of theories from each of the domains rather than from just one. This is evidenced by a recent article, which underscores the importance of a configurational approach toward understanding outcomes associated with CEO compensation (Greckhamer, in press).

The configurational perspective on the CEO comprises three broad domains. The first of these is the position of CEO. By position, we mean the role and structure of the CEO job. This domain includes research on governance mechanisms, the CEO as the primary decision maker in the firm, how firm performance informs CEO performance, CEO selection mechanisms, and a boundary spanning role that is inherent in all of this research. Here, we consider research that explores how the structure of the position influences CEO-related outcomes, such as CEO compensation influencing risk-taking behavior (e.g., Devers, Cannella, Reilly, & Yoder, 2007; Gray & Cannella, 1997).

The second domain on which we focus is the CEO as a person. This pertains to personal characteristics of the CEO and his or her self-perceptions. This domain includes the CEO’s identification with the firm, self-attributions of performance, the CEO’s perceived peer and referent groups, and CEO individual differences. Here we consider research that focuses on both objective and perceptual characteristics of the CEO as a person, such as CEO personality and temporal focus (e.g., Nadkarni & Chen, 2014; Nadkarni & Herrmann, 2010).

The third and final domain we review is the environment. This domain involves how others perceive the CEO. Here, we discuss attributions of firm performance to the CEO, the general agency theoretic assumptions associated with the CEO, and the vast attention the CEO receives. While the environment in which the CEO operates clearly includes aspects like the country (e.g., Crossland & Hambrick, 2011) and industry (e.g., Hambrick & Quigley, 2013) in which the CEO operates, we focus our review of this domain on environmental factors that vary by CEO, such as external social evaluations. An example of these social evaluations is the perception of CEOs as celebrities (Hayward, Rindova, & Pollock, 2004; Wade et al., 2006). In other words, the traditional environment (e.g., industry, location) in which the CEO operates is important but is identical for all CEOs who are included in that environment. Instead, we focus this section on environmental aspects that can be unique to each CEO. This is not to discount the importance of industry or cultural context but, rather, to shift the focus to areas that do not uniformly apply to CEOs.

Taken together, these three domains of CEO-related management research and their interplay describe a framework of mutually reinforcing factors. Almost all of the extant work pertaining to the CEO can be designated to one of the three broad dimensions, which is ultimately our driving force for assigning the position, the person, and the environment as the three dimensions in the framework. Although it is possible that other domains might exist, we contend that the three included here are comprehensive enough to address problems associated with fragmentation in the literature.

Next, we turn to core aspects and assumptions of our configurational framework. The first aspect of the framework is the notion of mutually reinforcing theories that exist under each of the three overarching domains. In other words, the first aspect of the configurational perspective on the CEO is that theories from each domain are recursive. We contend that this is a necessary aspect because of the “theoretical endogeneity” in the CEO literature, wherein any given theoretical perspective that does not incorporate key configurations from other
neighboring perspectives will be incomplete. A core assumption of our framework is that the fragmentation in the CEO literature results, in part, from this theoretical endogeneity.

The recursive nature of the configurational perspective means that each of its domains informs and reinforces the others. The configurational perspective on the CEO adapts the concept that behavior is informed by states, traits, and the contextual environment by arguing that the CEO is situationally embedded. In other words, the recursive element of the framework underscores the unique paradigm associated with being a CEO. Whereas a given theory may help to explain behavior in the broader population, we contend that the situational embeddedness of the CEO requires that theories from each of the three domains be considered simultaneously. This is consistent with both the “conjunction” and the “asymmetry” elements inherent in a configurational approach (Greckhamer, in press). Conjunction and asymmetry refer to the notions that any individual approach may be insufficient and that there may not be direct reciprocal or inverse causal effects of the different components in a given configuration, respectively (Greckhamer; Ragin, 2008; Wagemann & Schneider, 2012).

The second key aspect of the configurational perspective is that it represents an indeterminate starting point. We are not proposing a causal or temporal structure between theories in each of the domains but, rather, that there are mutual interdependencies between them. This aspect is essential to distinguishing the configurational framework from a contingent framework. The configurational perspective offers permutations and combinations of theoretical perspectives in no predetermined order (Meyer et al., 1993). This is consistent with the equifinality assumption inherent in configurational research (Doty, Glick, & Huber, 1993; Fiss, 2007; Greckhamer, in press). We suggest that it is important to consider how theory from other domain(s) may inform the theory and phenomenon being examined in a specific study, whether by creating contingencies, path dependencies, new understandings, or new groupings. Rather than offering a specific causal chain, this approach allows scholars to consider why their theory applies, how perspectives from the other domains may enhance their models, and what conditions from the other domains may transform their focal theory.

In total, the configurational perspective on the CEO features three recursive domains—the position of CEO, the CEO as a person, and the environment in which the CEO operates—which we propose will create time-indeterminate configurations that minimize the theoretical endogeneity that fragments extant CEO literature. We propose that if scholars adopt this configurational framework, future work will not only uncover relationships that would have otherwise remained dormant but also clarify some of the inconsistencies in extant work.

In the following sections, we review literature related to the CEO and highlight areas where fragmentation exists. Each of the domains in the configurational perspective on the CEO—the position, the person, and the environment—features subsections that focus on different phenomena and theoretical lenses. We selected each of these literature streams on the basis of their pervasiveness in each of the domains within our configurational perspective. In other words, while we attempt to be as comprehensive as possible in covering CEO-related research, our goal is to provide an overview of the wide range of topics studied in the fragmented literature on CEOs. The topics included below represent the most widely studied in each of the domains. These widely studied areas from each of the domains feature distinct findings, theories, and paradigms, which are summarized in Tables 1, 2, and 3.
<table>
<thead>
<tr>
<th>Categories</th>
<th>Subcategories</th>
<th>Main Findings</th>
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<tbody>
<tr>
<td>Corporate Governance Mechanisms</td>
<td>Compensation</td>
<td>1. Performance-contingent pay improves CEO performance (Gray &amp; Cannella, 1997; Makri, Lane, &amp; Gomez-Mejia, 2006).</td>
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<td></td>
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<td>2. Aggregate studies show no substantive link between compensation and performance (e.g., Daily, Dalton, &amp; Cannella, 2003; Devers, Cannella, Reilly, &amp; Yoder, 2007).</td>
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<td></td>
<td>Board of Directors</td>
<td>3. Combined CEO/chairs result in positive (e.g., access to insider resources) and negative (agency costs) outcomes (e.g., Boyd, 1995; Dalton, Daily, Ellstrand, &amp; Johnson, 1998). Overall, no evidence of systematic performance links seems to exist (e.g., Krause, Semadeni, &amp; Cannella, 2014).</td>
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<td>4. The success of board influence on CEO behavior is related to social influence the CEO has (e.g., Dalton &amp; Dalton, 2011), board member independence (e.g., Joseph, Ocasio, &amp; McDonnell, 2014), and board member efficacy (e.g., Finkelstein, Hambrick, &amp; Cannella, 2009).</td>
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<tr>
<td>CEO Strategic Influence</td>
<td>CEO as the Primary Decision Maker</td>
<td>1. CEOs have strong influence over organizational outcomes (e.g., Crossland &amp; Hambrick, 2011), and this influence is increasing over time (Quigley &amp; Hambrick, 2015). These studies suggest performance variance is attributed between 20% and 40% to the CEO.</td>
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<td>2. CEOs have very little influence over organizational outcomes, and environmental factors mean much more (e.g., Fitza, 2013). These studies suggest approximately 5% performance variance attributable to the CEO.</td>
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<td>3. There is a reciprocal relationship between CEO power and influence (e.g., Daily &amp; Johnson, 1997).</td>
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<td>4. When CEOs’ skills and experience align with firm needs, they have a stronger and more successful influence (e.g., Beal &amp; Yasai-Ardekani, 2000; Gamache, McNamara, Mannor, &amp; Johnson, 2015).</td>
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<td>CEO Selection</td>
<td>General Selection</td>
<td>1. Having relevant skills or working under a celebrity CEO increases the probability of being selected as CEO (e.g., Daily, Certo, &amp; Dalton, 2000; Graffin, Wade, Porac, &amp; McNamee, 2008).</td>
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<td>2. Heirs apparent under powerful CEOs are likely to be promoted to CEO (e.g., Cannella &amp; Shen, 2001). Heirs apparent tend to have more power early in their tenure than non–heirs apparent (e.g., Bigley &amp; Wiersema, 2002).</td>
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<td>3. Interim CEOs are used during times of uncertainty (e.g., Mooney, Semadeni, &amp; Kesner, in press) and are associated with negative performance (e.g., Ballinger &amp; Marcel, 2010).</td>
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<td>Ascension Process</td>
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<td>4. Tournament theorists suggest more capable CEOs are found when competition for the job is high and when rewards are large (e.g., Connelly, Tihanyi, Crook, &amp; Gangloff, 2014; Conyon, Peck, &amp; Sadler, 2001). Still, this does not appear to be empirically verified (e.g., Connelly et al.).</td>
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Methodology and Articles Reviewed for the Configurational Perspective on the CEO

It is important to identify how we located and categorized articles for our review. The process was multitiered and inductive. First, we searched the predominant management...
### Table 3

**The Environment: Research and Main Findings**

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<tr>
<th>Categories</th>
<th>Subcategories</th>
<th>Main Findings</th>
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<tr>
<td>Attributes of Firm Performance</td>
<td>Performance Attributions</td>
<td>1. CEOs receive credit and blame for firm performance. When the firm is performing well, CEOs can be conferred “celebrity” status (e.g., Wade, Porac, Pollock, &amp; Graffin, 2006). When performing poorly, CEOs are often among the first dismissed (e.g., Crossland &amp; Chen, 2013).</td>
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<td>2. Some scholars have questioned whether performance attributions are biased. They suggest the CEO has very little control over firm outcomes and strategic control is an “illusion” (e.g., Meindl &amp; Ehrlich, 1987; Salancik &amp; Meindl, 1984).</td>
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<td>Expectations for Succession</td>
<td>3. Expectations for newly hired CEOs are complicated and depend on the status of the previous CEO and whether the new CEO has relevant experiences (e.g., Graffin, Boivie, &amp; Carpenter, 2013).</td>
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<td>4. The stock market appears to influence CEO expectations and succession. It reacts favorably when the CEO has relevant experience (e.g., Gomulya &amp; Boeker, 2014) but can prompt turnover during poor performance (e.g., Wiersema &amp; Zhang, 2011).</td>
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<td>Assumptions About the CEO</td>
<td>Agency Theory in Evaluations</td>
<td>1. Conventional thinking suggests external parties perceive agency costs associated with CEOs’ power and control (e.g., Eisenhardt, 1989; Finkelstein, Hambrick, &amp; Cannella, 2009).</td>
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<td>2. Work has questioned whether uniform perceived agency costs are productive (e.g., Agle, Mitchell, &amp; Sonnenfeld, 1999). Similarly, scholars document how CEO interests are highly variable and may not compete with shareholders (e.g., Makri, Lane, &amp; Gomez-Mejia, 2006; Wasserman, 2006).</td>
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<td>External Markets as Governing Forces</td>
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<td>3. Shareholders evaluate CEOs and can influence on the basis of both buying/selling behavior and voting (e.g., Hillman, Shropshire, Certo, Dalton, &amp; Dalton, 2011; Krause, Whitler, &amp; Semadeni, 2014).</td>
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<td>4. Security analysts are powerful external evaluators. Depending on how analysts perceive the CEO’s quality, they can punish and reward the firm (e.g., Y. Zhang &amp; Wiersema, 2009). CEOs can influence this with personal relationships with analysts (Westphal &amp; Clement, 2008).</td>
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<td>Negative Perceptions–Excessive Compensation</td>
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<td>5. There is not much support for a relationship between CEO pay and performance (e.g., Dalton, Hitt, Certo, &amp; Dalton, 2007; Tosi, Werner, Katz, &amp; Gomez-Mejia, 2000). Higher paid CEOs are found to systematically perform better, leading external parties to question whether CEOs are excessively compensated (e.g., Kaplan, 2008).</td>
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<tr>
<td>Attention to the CEO</td>
<td>Attention and the CEO</td>
<td>1. Aside from shareholders, members of the media are highly significant evaluators of the CEO (e.g., Bednar, 2012; Westphal &amp; Deephouse, 2011).</td>
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<td>2. CEOs ingratiate themselves to members of the media in order to avoid negative reports (Westphal &amp; Deephouse, 2011).</td>
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<td>3. CEOs work to make their job look more difficult in order to justify compensation (e.g., Henderson &amp; Fredrickson, 1996).</td>
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<td>4. Attention from the media may cause the CEO to be perceived as a celebrity (e.g., Wade et al., 2006). This can have positive and negative results, where CEOs may become overconfident but may also have better access to resources (e.g., Ketchen, Adams, &amp; Shook, 2008).</td>
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Our raw search resulted in over 220 articles about the CEO, and this article discusses more than half of those (which we use to illustrate the literature rather than exhaustively chronicle it). Our investigation of the CEO-related literature revealed that research about the CEO has increased dramatically in recent years. There were approximately 40% more articles about CEOs published from 2000 to 2009 than there were from 1990 to 1999, and there are already more articles about CEOs published since 2010 than there were in the previous decade.

The Position

The first domain in the configurational perspective on the CEO involves research regarding the role and structure of the position and is perhaps the most studied of the three domains. This domain includes studies on corporate governance mechanisms aimed at the CEO, the CEO as a strategic decision maker, and CEO selection. These are summarized in Table 1.

Corporate Governance Mechanisms

Corporate governance researchers describe how the structures of organizations and markets, by design or by circumstance, constrain or enable CEO self-serving behavior (Daily, Dalton, & Cannella, 2003). This area of research is perhaps the most theoretically uniform of any that we review here, as most of the scholarship in corporate governance has relied on agency theory (Fama & Jensen, 1983). Some of the research employs other theories as well, such as stewardship theory, but these are often used as foils for agency theory (Boyd, 1995). As the primary mechanisms for correcting the principal–agent problem are incentives and monitoring (Jensen & Meckling, 1976), research in this area tends to focus on CEO compensation (e.g., Tosi & Gomez-Mejia, 1994) and board monitoring of the CEO (e.g., Boyd, 1994). Below, we address some of the main areas and findings of corporate governance research as it relates to the CEO.

CEOs compensation. A great deal of management research on corporate governance explores the nature and/or effects of CEO compensation schemes (Coles, McWilliams, &
Nilanjan, 2001; Devers et al., 2007). Early CEO compensation studies sought to understand the high salaries commanded by CEOs (O’Reilly, Main, & Crystal, 1988). More recently, as agency theory has become taken for granted in both corporate governance research and practice (Zajac & Westphal, 2002), research has increasingly explored how compensation schemes might align the interests of CEOs and shareholders (Dalton, Daily, Certo, & Roengpitya, 2003; Zajac & Westphal, 1995). This work generally focuses on the relationship between CEO pay and corporate financial performance (Makri, Lane, & Gomez-Mejia, 2006; Shin & Seo, 2011). Nevertheless, some researchers have looked at how CEO compensation relates to other kinds of outcomes, including corporate social performance (Deckop, Merriman, & Gupta, 2006), environmental performance (Berrone & Gomez-Mejia, 2009), and fraudulent behavior (O’Connor, Priem, Coombs, & Gilley, 2006). Ultimately, most researchers suggest that when compensation is contingent on an outcome, that specific outcome will likely improve (Deckop et al.; Gray & Cannella, 1997). Research that aggregates studies, however, finds little substantive link between CEO compensation and performance, which suggests the underpinnings of the relationship are complex and could benefit from different theoretical perspectives (Daily et al., 2003; Dalton et al.; Finkelstein, Hambrick, & Cannella, 2009).

Numerous CEO compensation studies focus on stock options and other firm performance-contingent types of pay (e.g., Certo, Daily, Cannella, & Dalton, 2003; McGuire & Matta, 2003). This work explores how contingent pay can be thought of as a portfolio that includes the amount of stock options granted to the CEO and the total equity held by the CEO, all relative to the total compensation earned by the CEO (Certo et al.; Devers et al., 2007; Fong, Misangyi, & Tosi, 2010). While the optimal compensation package is difficult to uncover, scholars suggest that CEOs who own more equity are more favorably evaluated by shareholders (Certo et al.). Other work suggests that contingent pay results in strategic change, and this relationship is strengthened when firm performance is lower (e.g., Carpenter, 2000). Management scholars have also found that as firms increase in size and complexity, and when the CEO appears to have more discretion, contingent compensation tends to be a larger proportion of the CEO’s pay (Finkelstein & Hambrick, 1988, 1989).

Some evidence seems to suggest a downside to incentive pay as well. Recent work has begun to examine how performance-contingent pay may provide incentives for CEOs to engage in stock price manipulation or other acts of malfeasance (e.g., Pollock, Fischer, & Wade, 2002; X. Zhang, Bartol, Smith, Pfarrer, & Khanin, 2008). For example, Pollock et al. noted that when option premiums are high, powerful CEOs are more likely to engage in repricing of the options, as opposed to when option premiums are low. Overall, incentive compensation at the CEO level has far more complex consequences than traditional agency theory would suggest.

The board’s monitoring function. A key function of the board of directors is to act as an intermediary between the shareholders and those who are running the firm (Daily & Schwenk, 1996; Johnson, Daily, & Ellstrand, 1996). The board thus represents a primary governance mechanism, establishing the compensation schemes described above and monitoring CEO actions (e.g., Devers, McNamara, Halebian, & Yoder, 2013). Because the CEO sits at the nexus of the board and the firm’s management, research about the board’s monitoring function typically looks at the CEO’s structural position relative to the board and the independence of the board from the CEO (Boyd, 1995; Finkelstein & D’Aveni,
1994). In particular, studies have focused on whether the CEO also holds the board chair position (Krause, Semadeni, & Cannella, 2014) and how many directors have employment or other close ties to the CEO (Deutsch, 2005). However, despite many attempts to find a relationship between these variables and firm performance, the accumulated evidence reveals no systematic performance effect of either CEO–board chair separation or percentage of independent directors (Dalton et al., 1998; Krause, Semadeni, & Cannella). Some evidence does exist, however, to suggest that more proximal outcomes, such as the board’s attention to monitoring, depend on the CEO’s structural authority (Tuggle, Sirmon, Reutzel, & Bierman, 2010).

Changes in the demographics of corporate boards in recent years include a notable increase in the proportion of outside directors, as well as a slight increase in gender and ethnic diversity (Finkelstein et al., 2009; Zhu, Shen, & Hillman, 2014). The increase in the apparent structural independence of the board is in large part a function of regulatory changes, including the Sarbanes-Oxley Act, which emphasize more board accountability. This dominance of independent directors has led to a bizarre scenario in which CEOs are the only inside director on the board and actually enjoy less vigilant monitoring because they have become the sole source of firm-specific information on the board (Joseph, Ocasio, & McDonnell, 2014). In addition, CEO social influence of the board may be on the increase, and CEOs may be able to maneuver around the board constraints that remain (Dalton & Dalton, 2011; Geletkanycz & Boyd, 2011; Scheper & Oh, 2013; Westphal, 1999; Zhu & Westphal, 2014). Recent questions have been raised as to the efficacy of the new board structures, especially given the notion that social ties and CEO social influence appear to be more salient now than before (Finkelstein et al.). Regardless of such complexities, the relationship between the CEO and the board remains of primary interest to governance scholars.

**CEO Strategic Influence**

A central feature of the CEO position is that the CEO is the primary strategic decision maker for the firm. The CEO is at the apex of the firm, and, more than any other organizational member, has the ability to influence the firm’s strategic direction. The ability to influence the strategy of the organization makes the CEO the central target of governance, gives the CEO ideas about his or her own capabilities and influence, and places the CEO at the center of external attention. The CEO’s influence over the strategic direction of the firm is demonstrated through the outcomes the CEO is able to influence (e.g., Hambrick & Quigley, 2013), how compensation reflects the CEO’s influence over the organization (e.g., Finkelstein & Boyd, 1998), and the turnover implications associated with firm performance (e.g., Shen & Cannella, 2002). Again, this area of the CEO literature features conflicting findings and fragmented results depending on the perspective taken.

Studies examining the CEO’s actual influence on firm performance show mixed results (e.g., Crossland & Hambrick, 2011; Fitz, 2013). Some research finds that CEOs have considerable influence over organizational outcomes (e.g., Crossland & Hambrick) and that this effect has increased in recent years (e.g., Quigley & Hambrick, 2015). These studies suggest that 20% to 30% (Crossland & Hambrick) and up to even 40% (Quigley & Hambrick) of the variance in firm performance may be attributable to the CEO. Conversely, other research suggests that CEOs’ influence is relatively limited and that external factors appear to drive
firm performance more than the CEO does, finding that performance variance attributable to the CEO is only approximately 5% (Fitza). Some scholars find that CEOs appear to influence performance and that they gain more power when they do so (e.g., Daily & Johnson, 1997; Hambrick & Quigley, 2013). Beginning to reconcile these two perspectives, and owing at least partially to a configurational approach, complementary work documents that CEOs with experience and skills that align with firms’ needs tend to be more successful (Gamache, McNamara, Mannor, & Johnson, 2015). Others, too, note that CEOs may have influence only under specific conditions, such as when their functional experience aligns with the competitive strategies of the firm (Beal & Yasai-Ardekani, 2000). Similarly, some work finds that CEOs have a stronger influence on the corporate parent than they do on individual business units (Mackey, 2008).

The structural position of CEOs in the firm may also influence their strategic influence over firm-related outcomes. For example, Hambrick and Cannella (2004) document how some CEOs with relatively more operational experience may act both as the CEO and the chief operating officer (COO), giving them more total influence over the firm than if a separate COO were present. Similarly, Marcel (2009) argues that the existence of a separate COO improves information processing while decreasing the influence of the CEO, resulting in a stronger top management team and higher firm performance when information processing demands are high. Y. Zhang (2006) notes that firms with a separate COO are more likely to dismiss the CEO in times of poor performance than are firms with CEOs who act also as the COO, indicating that the COO is seen as having sufficient influence to take over from the departing CEO. A phenomenon somewhat related to the division of responsibilities between a CEO and a COO—albeit much rarer—is the division of responsibilities between co-CEOs. In a recent study, Krause, Priem, and Love (2015) explored the phenomenon, which is most common among family, founder-led, and merged firms; they found that the more evenly power is shared between co-CEOs, the worse firms performed. This work suggests that reducing an individual CEO’s influence over the firm can yield some negative consequences.

While it is clear that the CEO is primarily responsible for the strategic direction of the firm (Finkelstein & Mooney, 2003), it is less clear exactly how much strategic influence the CEO has. We expect future research to continue the trend of looking at the experiences and skills of the CEO and how these appear to align with firm outcomes (e.g., Gamache et al., 2015; Nadkarni & Chen, 2014). If CEOs with skills in the functional areas relevant to firm strategy continually have more favorable outcomes, we may deduce that CEOs genuinely do influence firm strategy and outcomes.

**CEO Selection**

Becoming the CEO is the ultimate goal of many top managers. The allure of the position is strong, and competition to become CEO can be fierce (Connelly, Tihiyani, Crook, & Gangloff, 2014). Researchers in management have studied how individuals rise to the position of CEO. Whether an internal or external candidate is selected, there are a number of variables, involving both external forces and intrafirm dynamics, including internal “tournaments,” that influence who receives the job (Y. Zhang & Rajagopalan, 2004). Consequently, the paradigms associated with CEO selection and succession are highly dependent on a variety of factors. Research on CEO selection is, again, fragmented in the sense that the
situations surrounding the succession of CEOs are highly complex and the forces that influence CEO selection are malleable. While it is clear that CEOs are selected for a variety of reasons under a variety of circumstances, it is less clear when each of these is most salient.

The selection process. Research on CEO selection has generally been focused on three themes: general selection, heirs apparent, and interim status. In terms of general selection, scholars have explored how human capital has a positive effect on being selected as the CEO (e.g., Brady, Fulmer, & Helmich, 1982; Daily, Certo, & Dalton, 2000; Datta & Guthrie, 1994). This work shows that CEOs with experience that aligns with the strategy of the firm are more likely to be selected into the position (Daily et al.; Datta & Guthrie). Other research has found that being a member of a top management team under a celebrity CEO increases the likelihood an executive will be promoted to CEO (Graffin, Wade, Porac, & McNamee, 2008).

A large literature exists on CEO heirs apparent and the antecedents and consequences of heir apparent selection. A CEO heir apparent is an individual who is poised for the job prior to the succession event actually occurring (Cannella & Shen, 2001). In terms of being selected, heirs apparent who work under powerful CEOs are more likely to be promoted (Cannella & Shen). After being selected, an incoming heir apparent tends to have more power in the early days of the position than does a nonheir CEO successor (Bigley & Wiersema, 2002). Similarly, heirs apparent are less subject to compensation-related scrutiny and corresponding negative effects; this is likely due to their higher power (Ridge, Aime, & White, 2015). Incumbent CEOs are affected by the existence of an heir apparent too. Work has shown that incumbent CEOs have shorter tenures when there is an heir apparent (Brady et al., 1982). It is still not entirely clear, however, how being an heir apparent CEO influences performance after being selected (Helfat & Bailey, 2005). Although there is evidence that these CEOs have more power, scholars remain unsure whether this translates into better performance.

Another stream of research regarding the CEO selection process involves interim CEOs. Work on the use of interim CEOs shows they are typically used during times of change or uncertainty, especially when it is difficult for the board to locate the “right” CEO (Mooney, Semadeni, & Kesner, in press). Interim successions are associated with negative performance outcomes, although this is mitigated if the interim CEO also serves as board chair (Ballinger & Marcel, 2010). Some management scholars have documented that interim CEOs are more likely to engage in earnings management shortly after promotion in order to help secure a more permanent CEO status (Chen, Luo, Tang, & Tong, 2015). There is still much work to be done on how, when, and why individuals become interim CEOs. Research can address the market for interim CEOs and how these individuals are perceived differently (internally and externally) from their more permanent counterparts.

The ascension process. The primary paradigm used to study how individuals rise in the organization and become CEO is referred to as tournament theory. Tournament theory has been applied to CEO succession to address the incentives and internal competition that lead to the ascension of one executive to the CEO position (Connelly et al., 2014), as well as to explain why CEOs are paid so much more than other individuals in the firm (Connelly et al.; Conyon, Peck, & Sadler, 2001; Ridge et al., 2015). Tournament theory suggests that individuals compete in a tournament to become CEO (Connelly et al.). This research suggests that
pay disparity exists because organizations want their CEOs to be the most capable employees. Thus, organizations offer a tremendous prize for being the winner of the “tournament” (Becker & Huselid, 1992). A prime contention of tournament theory is that the number of “contestants” to become CEO increases as the reward increases, resulting in a greater probability of finding the most capable individual to become CEO (Conyon et al.). Researchers expect there to be a positive relationship between competition to become CEO and firm performance, although empirical research results suggest very marginal performance outcomes (Connelly et al.).

The existence of selection tournaments has implications for CEOs, markets, and organizations. Much of the work on corporate governance, the influence of the CEO position, and the general role of the job is informed by the notion that the “tournament winner” is superior in some way to others in the organization (Connelly et al., 2014). Below, we argue that this has important implications far beyond the simple question of who gets selected as CEO.

The Person

The second major domain of CEO research we consider pertains to the CEO as a person. In other words, this second domain involves CEOs’ self-perceptions, as well as determinable characteristics of the CEO. We selected this as the second domain in the configurational perspective because work dedicated solely to formal structure of the position does not necessarily include considerations about the CEO as an individual. The CEO as a person, however, is integral to understanding what influences CEOs’ behaviors, especially considering the strong parallels between work in this area and the foundations of upper echelons theory (Carpenter, Geletkanycz, & Sanders, 2004; Hambrick & Mason, 1984). In this section, we focus on work that examines the CEO’s identity and how this manifests in the organization, how the CEO’s personality and characteristics influence behaviors, and how perceived peer and referent groups alter behavior. This work and relevant primary findings are summarized in Table 2.

CEO Identity

It is difficult to discuss the firm-related implications of the CEO’s self-perceptions without first addressing CEO identity and how this permeates the firm. How strongly the CEO identifies with the firm likely influences the degree to which the CEO’s self-perceptions affect CEO behaviors and firm outcomes. The CEO position is thought to be a unique context wherein there is a natural symbiosis between the person and the organization (Lange et al., 2015). Indeed, other individuals in the organization may identify with the firm, but the CEO’s organizational identification likely has a stronger influence on firm outcomes. As such, we discuss the antecedents and consequences of CEO organizational identification.

**CEO identification.** Since performance of the firm is largely attributed to the CEO, the CEO often feels control and ownership over what the firm does (Finkelstein et al., 2009; Lange et al., 2015). CEOs are apt to identify with their organizations because they derive a greater sense of efficacy, belonging, self-esteem, and general purpose in life from the organization than a typical employee does (Lange et al.; Vignoles, Regalia, Manzi, Golledge, &
Scabini, 2006); this identification is amplified for CEOs who are particularly close to their organization, such as firm founders (Arthurs & Busenitz, 2003). In addition, the actions of the CEO are very visible, and this can increase general identification of the CEO with the organization (Hayward et al., 2004; Meindl, Ehrlich, & Dukerich, 1985). The CEO who identifies with the firm will tend to see himself or herself as representing the firm and to see firm performance as a reflection of the CEO as an individual. That sense of ownership over firm outcomes can strengthen the CEO’s identification with the firm. Although CEO identification with the firm has been thought to yield positive outcomes (e.g., Lange et al.), recent work has also suggested that under certain conditions (e.g., narcissistic CEOs), CEO identification can result in negative outcomes (Galvin, Lange, & Ashforth, 2015). More specifically, this work suggests that CEOs who identify with their organizations might see themselves as being too central to the organization.

Much remains unknown, however, regarding how the CEO identifies with the firm. There is evidence to suggest that the role itself is often structured to reduce identification with the organization. That is, some scholars have noted that certain corporate governance mechanisms—particularly those that impose structural limitations on the CEO’s ability to exercise autonomous control—appear to reduce identification (Boivie et al., 2011; Lange et al., 2015). Still, though, aspects of the structure of the position—particularly equity ownership and incentive alignment—may increase identification. This creates a bit of a paradox, wherein CEO identification with the firm reduces opportunistic behavior but governance mechanisms aimed at reducing opportunism also reduce identification (Boivie et al.; Lange et al.). This paradox reflects the fragmentation that exists in the CEO literature and also represents an opportunity for theoretical integration. Applying a configurational approach to understand the interaction of agency and identity influences within the CEO might generate valuable insights.

**CEO identity and the firm.** Recent research has suggested that organizations tend to reflect the image of their CEO (e.g., Briscoe, Chin, & Hambrick, 2014; Chin, Hambrick, & Treviño, 2013; Petrenko, Aime, Ridge, & Hill, in press). For example, one study suggests that narcissistic CEOs are more likely to engage in corporate social responsibility (CSR) activities in order to satiate their own need for attention (Petrenko et al.). There is also evidence that the CEO’s political ideology may influence the firm’s pursuit of CSR, such that firms led by liberal-leaning CEOs tend to engage in CSR activities (Chin et al.). Furthermore, recent research has suggested less salutary influences of CEO identity on firm outcomes. For example, one study finds that CEO political ideologies influence the organization’s likelihood of engaging in tax avoidance (Christensen, Dhaliwal, Boivie, & Graffin, 2015), noting that firms run by conservative CEOs are less likely than those run by liberal CEOs to engage in tax avoidance behaviors. Other work has also shown that CEOs appear to influence the organization via selecting board members who are demographically similar to themselves or who have previously worked with demographically similar individuals (Cannella, Jones, & Withers, 2015; Zhu & Westphal, 2014). The identity of the CEO is also thought to attract employees with similar ideological perspectives (Briscoe et al.).

Scholars investigating how the firm adopts the identity of the CEO will continue to benefit from rich data that have recently been developed and used on CEO traitlike behaviors and dispositions (e.g., Briscoe et al., 2014). We question, though, whether there are more advantages or disadvantages associated with the CEO having such influence over the identity of the
firm. Depending on the theoretical perspective taken, one could argue that firms functioning more like the CEO may open shareholders to greater levels of opportunism. Until this literature begins to incorporate theoretical perspectives from neighboring domains, the impact of CEO identity on the organization will likely remain unclear.

CEO Personality and Characteristics

The personality of the CEO has been the focus of much recent management research (e.g., Herrmann & Nadkarni, 2014; S. J. Peterson, Walumbwa, Byron, & Myrowitz, 2009). Recognizing the important role the CEO plays in shaping the culture and competencies of an organization, scholars have reviewed how CEO characteristics inform organizational activities and outcomes. This research is one of the areas with the greatest degree of theoretical integration. This is likely a function of the difficulty in studying CEO personality and characteristics in a vacuum. As a result, many of the scholars in this area have examined how CEO personality and individual characteristics influence behaviors and firm-related outcomes contingent on environmental and structural aspects of the CEO context. While we still believe that a configurational approach can benefit this literature (perhaps more so than even the contingent-type approach currently taken), it is clear that this area of research is making great strides to minimize fragmentation and recognize the unique nature of the CEO paradigm.

CEO personality. CEO personality research has adopted a more complex approach toward CEO behavior and firm outcomes than most other CEO research areas have. Some scholars in this area have found that CEO personality influences the CEO’s ability to adapt to environmental changes, which, in turn, influences firm performance (e.g., Nadkarni & Herrmann, 2010). Similarly, scholars find that different personality characteristics (from the Big Five) inform how CEOs initiate and determine the performance outcomes of implementing strategic change (Herrmann & Nadkarni, 2014). They find that some personality traits (e.g., extraversion and openness) influence initiation of strategic change, while others (e.g., emotional stability and agreeableness) influence both initiation and performance effects of implementation of strategic change. Other work combines social evaluations with CEO personality. Scholars find that depending on the Big Five personality traits of the CEO, relationships with other top managers will emerge and affect performance (R. S. Peterson, Smith, Martorana, & Owens, 2003).

CEO narcissism is another popular arena of CEO personality research. CEO narcissism has been connected to a variety of outcomes, including strategic outcomes like dynamism and “grandiosity” (Chatterjee & Hambrick, 2007), investing in suboptimal technology (i.e., investing in technology for the sake of proving something instead of technological value) in attempts to prove the CEO’s boldness (Gerstner, König, Enders, & Hambrick, 2013), CEO risk taking (Li & Tang, 2010), CEOs pursuing undesirable outcomes (Patel & Cooper, 2014), and CEOs ignoring negative performance signals (Chatterjee & Hambrick, 2011). Scholars in this domain, too, have employed a contingent approach to understanding how narcissism influences CEO behavior. For example, Chatterjee and Hambrick (2011) have incorporated how social evaluations will act as capability cues for CEOs. When CEOs are narcissistic, however, they tend to pay attention only to those cues that indicate positive social praise, thus making these CEOs more susceptible to pursuing risky strategies (as less narcissistic CEOs will mitigate risky strategies when receiving negative social evaluations).
CEO characteristics. Scholars in management have also successfully applied a similar approach to CEO characteristics beyond personality traits. Delgado-García and De La Fuente-Sabaté (2010), for example, examine CEO affect and emotions in order to understand how CEOs interpret strategic endeavors from competitors. These scholars find that CEOs with negative affect tend to conform to industry strategic norms, whereas CEOs with positive affect deviate from these norms. Additionally, these scholars recognize the recursive nature of CEO affect and the decisions made. Relatedly, Roth (1995) notes that the psychological profile of the CEO (including locus of control and information evaluation style) can positively influence firm performance and other strategic outcomes contingent on a variety of contextual elements. Scholars have also explored how the temporal orientation of the CEO relates to new product introduction and is shaped by characteristics of the industry environment (Nadkarni & Chen, 2014). These scholars find that CEOs’ rates of new product introductions are dependent both on the CEOs’ temporal orientations and on environmental dynamism.

A premier example of research that employs a relatively configurational approach involves CEO regulatory focus and how this influences acquisitions. Gamache et al. (2015) document how CEOs’ regulatory focus is amplified when it aligns with salient environmental and contextual cues; regulatory focus is then related to the quantity and scale of acquisitions contingent on compensation type. This article exemplifies how examining the position (e.g., compensation), the person (e.g., regulatory focus), and the environment (e.g., contextual cues) can uncover novel paradigms. This approach represents a leap forward from the conventional use of demographic characteristics as proxies for CEO disposition (e.g., Priem, Lyon, & Dess, 1999).

Peer and Referent Groups

One aspect of the CEO role that makes it unique in the organizational context is the drastic shift of peer groups that occurs once an individual becomes the CEO. Given the prominence of the position, CEOs are often perceived as celebrities (Hayward et al., 2004; McDonald & Westphal, 2010, 2011). As a result, the CEO’s referents shift to individuals of high status in society. There are implications of this peer group shift for how CEOs see themselves in the organization and in the role. Research in management has studied some of the individual outcomes that result from CEOs seeing new referents for behavior (e.g., McDonald, Khanna, & Westphal, 2008; McDonald & Westphal, 2003). In this section, we review how the CEO becomes a part of the “corporate elite” and acquires a “transcorporate” perspective.

The corporate elite. The term corporate elite refers to those at the top of the organization—both in a single firm and as the collective of all the elites (Jensen & Zajac, 2004; McDonald & Westphal, 2011; Useem, 1984). CEOs often perceive themselves as belonging to an “elite” corporate group (Hayward et al., 2004; Jensen & Zajac; McDonald & Westphal, 2010; Wade et al., 2006). CEOs who consider themselves part of the corporate elite tend to socialize with others whom they deem to be of similar status (McDonald & Westphal, 2011). Research shows that CEOs tend to consider themselves as part of a group that is greater than a single corporation and are apt to help each other avoid negative outcomes like bad press (Westphal, Park, McDonald, & Hayward, 2012). When CEOs perceive themselves this way, they are likely to disseminate strategic practices amongst CEOs of other firms and inform each other of strategic ideas and possibilities (Davis, Yoo, & Baker, 2003; McDonald & Westphal, 2010).
When the CEO identifies with the corporate elite, the firm may have access to a different set of resources than when the CEO does not. For example, research shows that CEOs who are members of the corporate elite are more effective leaders than those who are not members because they receive support and attention from other similar CEOs (McDonald & Westphal, 2011). Conversely, CEO membership in the corporate elite may harm the firm because the CEO will receive flattery and ingratiatory behavior from colleagues, ultimately resulting in overconfidence and anchoring to poor strategies (Park, Westphal, & Stern, 2011).

Although research has documented CEOs’ relationships to other individuals in the corporate elite, the ultimate performance implications of these relationships are relatively unknown. This could be attributed to the fact that little of this work has branched out to incorporate multiple theoretical perspectives. Researchers may wish to examine why some CEOs pursue elite status and what determines the success of such pursuits. Some CEOs may have a stronger desire to be accepted by the corporate elite in order to fulfill personal goals or to secure valuable resources for the firm, while other CEOs may see the corporate elite as frivolous and unnecessary. Another interesting question involves self-licensing (e.g., Klotz & Bolino, 2013) in which CEOs, once ushered into the corporate elite, may begin to engage in devious behavior because they see themselves as less beholden to pedestrian norms of behavior.

The transcorporate perspective. Related to the work above on the corporate elite is the transcorporate perspective, which is a small stream of research but one with potential for future exploration. Coined in the 1980s, the term transcorporate refers to CEOs viewing themselves as having responsibility and ownership for the collective of organizations more so than for the single organization they lead (Useem, 1984). The argument is that these executives perceive themselves in a class higher than the conventional employee (Useem & McCormack, 1981). Studies examining board ties, social ties, and interorganizational actions that occur as a function of CEO relationships draw on this idea of a transcorporate perspective (e.g., Finkelstein et al., 2009). As an example, some research shows that CEOs tend to reconstitute broken informal ties to leaders of firms that control access to necessary resources (Westphal, Boivie, & Chng, 2006).

Interactions between CEOs, board members, and other directors are usually discussed in the realm of corporate governance and board interlocks. Given the transcorporate perspective and how CEOs view themselves as members of a higher-status group, however, there may be implications beyond just interlocks. While current work has focused on how CEOs help each other and provide advice, future work can look further into the outcomes associated with this transcorporate perspective. We propose that a social networks perspective may be valuable here. This would allow scholars to consider how CEOs form “elite” networks and when CEOs include or exclude other CEOs from the networks. This literature stream is an example of one that has progressed largely within its own fault lines. As a result, there are few studies in which diverse theoretical perspectives coalesce on this issue.

The Environment

The third and final domain of CEO research we consider pertains to the environment in which the CEO operates. The environment in which the CEO operates is a broad subject that could encompass a litany of contextual factors. In this review, we limit our scope to
environmental factors that vary by CEO. Many commonly studied environmental variables do not vary by CEO but, rather, by industry (e.g., Hambrick & Quigley, 2013) or country of operation (e.g., Crossland & Hambrick, 2011). As we propose to organize the literature on CEOs into a configurational perspective on the CEO, we focus the literature incorporated in the review on phenomena that vary by CEO. Each CEO has a specific configuration of positional attributes and a specific configuration of personal attributes, but industry and country are broad groupings. These aspects of the environment certainly affect CEOs and have been used extensively as boundary conditions in a number of studies (e.g., Boyd, 1995). We expect these types of environmental elements will likewise constitute constraints on the configurations in our framework. Within the configurational framework, however, the environment domain of the CEO includes research on social and subjective evaluations of the CEO from others in the environment, as these vary from CEO to CEO. These evaluations include others’ attributions of firm performance, the general agency theoretic assumptions about CEO interests, and the vast attention the CEO receives. The findings corresponding to these evaluations are summarized in Table 3.

**Attributions of Firm Performance**

Research has demonstrated that external observers often attribute firm outcomes to the decisions of CEOs, fostering a “romance of leadership” (Meindl et al., 1985). In this section, we address the general attributions of firm performance and the expectations for incoming CEOs in succession instances. In doing so, we note two general tendencies: (1) External parties generally conflate outcomes related to the firm with CEO capabilities, and (2) the CEO is likely to receive both praise for positive outcomes and dismissal for negative outcomes. We discuss each of these in more depth below.

**General attributions of firm performance to the CEO.** CEOs receive a great deal of the credit and blame for firm-related outcomes. When the firm is performing well, researchers show that the CEO is often conferred celebrity status from external parties (Khurana, 2002; Wade et al., 2006). When the firm is performing poorly, however, the CEO is seen as the driver of this outcome and is often dismissed (Crossland & Chen, 2013). Although scholars have found that the performance of the firm is likely to be attributed to the CEO, some note that these attributions are often biased (e.g., Fitza, 2013; Meindl & Ehrlich, 1987). Some scholars even refer to the idea of the CEO having strategic control as an “illusion” (Salancik & Meindl, 1984). Just as CEOs are apt to be praised for positive firm performance (e.g., Hayward et al., 2004), they are also likely to receive the brunt of the blame when the firm is underperforming (e.g., Crossland & Hambrick, 2007). Notwithstanding the illusion arguments, many scholars insist that CEOs tend to influence organizational outcomes, suggesting that performance attributions may be justified (Finkelstein et al., 2009). Hambrick and Finkelstein (1987) note that CEOs do matter but only insofar as they are afforded the discretion to influence outcomes. The amount of discretion CEOs are afforded appears to vary quite widely, especially across international contexts (Crossland & Hambrick, 2011). This suggests that performance is attributed to the CEO more or less depending on who the observers are. Furthermore, the attributions of performance may have tangible effects on how much discretion the CEO actually has.
Expectations during CEO succession. CEOs are likely to receive the brunt of negative evaluations when the firm does not perform well. Perceptions are affected by factors that include the circumstances under which the previous CEO was dismissed, recent firm performance, and insider/outsider status (Finkelstein et al., 2009; Hambrick & Fukutomi, 1991). The perceptions of external parties are more complicated when the CEO is newly hired or promoted (Graffin, Boivie, & Carpenter, 2013). In these situations, expectations of newly hired CEOs are highly differential, depending on whether the previous CEO was considered a star or whether the new CEO has experience in relevant circumstances (Graffin, Boivie, & Carpenter). Work in the CEO dismissal literature has examined how the stock market tends to react to the new CEO announcement (Tian, Halebian, & Raghogopalan, 2011). These scholars generally find positive reactions to a new CEO, but this is contingent on several factors that influence the perceptions of external parties (such as board social capital). Other work has found that the stock market appears to react favorably when the new CEO has experience in turning around poorly performing firms (Gomulya & Boeker, 2014). Some research documents how external parties—such as security analysts—can prompt CEO turnover when firm performance is perceived as being low (Wiersema & Zhang, 2011).

Ultimately, it is difficult to know what characteristics of a new CEO will universally make for a successful transition. Khurana stated that “it is difficult, if not impossible, to know ex ante what characteristics in a CEO are needed to improve performance, [so] directors are left to guess about which criteria are likely to be associated with success” (2002: 102). Recent studies find that there are no clear guidelines for directors when hiring a new CEO (Carpenter et al., 2004; Finkelstein et al., 2009). Since it so difficult to recognize whether a CEO will be successful, the perceptions of external parties become especially important and are a potentially fruitful area for additional research. For example, little work has examined whether the stock market is an accurate predictor of CEO success. Scholars can also review what directors and CEOs can do to avoid unfavorable external perceptions.

Assumptions About CEO Interests

Agency theory is perhaps the most prevalent line of thinking regarding how other parties perceive the CEO. Agency theory includes the notion that firms’ principals must assume that CEOs might exploit their power and privilege their own self-interest at the expense of firm stakeholders (Gomez-Mejia & Wiseman, 2007). In this section, we explore how this general perspective of agency problems pervades external observers’ evaluations of CEOs.

Agency theory in CEO evaluations. Agency theory grew in importance as a line of thinking in the management literature in the late 1980s and early 1990s (e.g., Eisenhardt, 1989; Zajac & Westphal, 1995). This ideology has permeated much of the literature in corporate governance and is perhaps the most prolific notion originating from literature on external evaluations of the CEO (Finkelstein et al., 2009). Although a majority of scholarship in this area takes the assumption that external parties perceive costs associated with agency, some scholars have presented the idea that CEOs have a variety of interests and it may be unproductive to assume that those interests necessarily compete with those of the principals (Aglen, Mitchell, & Sonnenfeld, 1999). Scholars have described how CEO interests vary as
they relate to innovation (e.g., Makri et al., 2006), new ventures (e.g., Wasserman, 2006), and diversification (e.g., Ramaswamy, Li, & Veliyath, 2002). It remains unclear exactly how and when CEO interests will naturally align with those of the principals, as well as how best to capture interest divergence (Wowak & Hambrick, 2010).

**External markets and stakeholders as governing forces.** External markets and stakeholders can also act as a mechanism for CEO governance (Agle et al., 1999; Schepker & Oh, 2013). Management research on these external forces has examined institutional activism (e.g., Chowdhury & Wang, 2009; David, Kochar, & Levitas, 1998), general investors (e.g., Grossman & Cannella, 2006; Y. Zhang & Wiersema, 2009), security analysts (e.g., Wiersema & Zhang, 2011), peers (e.g., Bednar, Love, & Kraatz, in press), and the media (e.g., Bednar, 2012; Bednar, Boivie, & Prince, 2013; Gomulya & Boeker, 2014). Although the board of directors can be seen also as an external governing force, we discussed literature relating to the board in a previous section.

Shareholders affect a firm’s stock price through buying and selling, so they constitute a powerful external governing force. In addition to buying and selling stock, shareholders can impose discipline on a CEO through say-on-pay votes and, indirectly, through director election votes. Some recent work has noted that shareholders tend to withhold director votes when CEO compensation is high (Hillman, Shropshire, Certo, Dalton, & Dalton, 2011) and to vote against a CEO’s compensation when firm performance is poor (Krause, Whittier, & Semadeni, 2014). Although the literature suggests that shareholder votes are more symbolic than substantive in how they influence change (Bebchuk & Weisbach, 2010), they remain a publicly visible form of external discipline on CEOs. Similarly, security analysts hold power via their ability to affect stock prices (Wiersema & Zhang, 2011). These analysts may benefit or punish the firm depending on how they perceive CEO quality (Y. Zhang & Wiersema, 2009). Research shows that analysts tend to perceive CEO shareholdings, external directorships, and tenure as indicators of CEO quality and that analysts will have a more positive view of the firm when they perceive the CEO to be of higher quality (e.g., Y. Zhang & Wiersema). This discipline is not universal, however, as CEOs can interact with security analysts. Stronger CEO-analyst relationships have been associated with more favorable analyst ratings (Westphal & Clement, 2008).

**Negative perspective of the CEO: Excessive compensation.** There is a growing consensus in the management literature that CEO compensation is not aligned with shareholders’ interests (Dalton et al., 2007). In summarizing this literature, Tosi, Werner, Katz, and Gomez-Mejia wrote, “Incentive alignment as an explanatory construct for CEO pay is weakly supported at best” (2000: 329). Such findings are causing external parties to question whether the CEO is excessively compensated (Kaplan, 2008).

Given that external parties are beginning to recognize the relationship (or lack thereof) between compensation and performance, and that they often perceive the CEO as being excessively compensated, it remains important to understand what is fueling this spiral of increased compensation packages. One thought is that it may be the corporate elite acting in a concerted effort to retain high compensation packages (Davis et al., 2003). It is also possible that the CEO is actually becoming more responsible for firm outcomes and that other parties are beginning to recognize this (Quigley & Hambrick, 2015). Of interest is that the same press that criticizes CEO compensation also stimulates high compensation
packages by perceiving CEOs as celebrities (Wade et al., 2006). This is a realm of research with abundant potential for management scholars. We need to be clear about exactly why CEOs are paid so well, how other parties continue to perceive this compensation, and what these parties can do to create a pay equilibrium consistent with maximizing their own interests.

**Attention to the CEO**

The last component of this domain involves the attention the CEO receives from external parties. This may be the single most noticeable way in which CEOs are unique as organizational participants. While the previous sections discussed the results of external parties’ perceptions of the CEO—especially as they relate to expectations and compensation—here we review the literature that directly addresses the attention the CEO receives. Most notably, this literature addresses the demands placed on the CEO from external parties and the expectations of how the CEO should deal with those demands.

In terms of attention directed at the CEO, the external party that has received the most attention in management literature, aside from shareholders, is the media (e.g., Bednar, 2012; Hayward et al., 2004; Westphal & Deephouse, 2011). Research shows that CEOs interact with the media in order to ingratiate themselves and receive positive reports and are conscious of potentially ostracizing the media by engaging in dialogue the media finds undesirable (Westphal & Deephouse). CEOs appear to be especially cognizant of media attention when there is potential for negative reports about the CEO or the firm (Westphal & Deephouse). Additionally, CEOs are shown to be cognizant of the perceptions of shareholders and engage in impression management to attempt to make their job look more difficult in order to justify compensation (Henderson & Fredrickson, 1996).

Another line of research involves how positive praise from the media affects CEO-related outcomes. Bednar (2012) suggests that media praise and favorable coverage may result in higher CEO compensation. Using a similar rationale, Hayward et al. (2004) document that CEOs receiving particularly favorable reports and attention from the media may be perceived as “celebrities.” These scholars posit that CEOs can internalize this, thereby becoming overconfident and hubristic. As a consequence, it appears as though when CEOs are categorized as celebrities, their firms experience longer-term negative performance outcomes (Wade et al., 2006). Ketchen, Adams, and Shook (2008) note that there are both positive and negative implications associated with CEOs receiving this attention from the media and that the delineation between the implications is complicated.

The CEO is visible to external parties beyond the media as well. We have already covered the attention directed at CEOs by shareholders (e.g., Krause, Whittler, & Semadeni, 2014), analysts (e.g., Wiersema & Zhang, 2011), and employees (e.g., Fredrickson, Davis-Blake, & Sanders, 2010). Some research even suggests that customers might focus their attention on CEOs. A recent study by Krause, Filatotchev, and Bruton (in press) shows that when competing in foreign product markets, some firms adjust their CEO’s power to match the predominant cultural attitude toward power distance in those markets. U.S. firms competing in high power-distance cultures (see Hofstede, 1980) were found to exhibit higher CEO power than were U.S. firms competing in low power-distance cultures. This research raises several questions about the role that customers and other nonfinancial market evaluators play in constructing CEOs’ environments.
Although it is clear that numerous external parties direct their attention toward the CEO, there is room for work on understanding how CEOs interpret this attention. Should directors be concerned about how CEOs can handle and even leverage attention from external parties? Given the potential effects of excess CEO exposure associated with media coverage (e.g., Graffin, Bundy, Porac, Wade, & Quinn, 2013), might it be safer in the long run for CEOs simply to avoid media coverage? Furthermore, there is some evidence to suggest that specific types of attention may lead to overconfidence (Hayward & Hambrick, 1997). Are there more advantages or disadvantages associated with the attention CEOs receive—or is this entirely idiosyncratic? It is possible that successful CEOs are able to interpret this attention objectively and leverage it for greater firm performance, while unsuccessful CEOs internalize it too greatly. These questions reflect the fragmentation of the CEO literature. In the following section, we articulate specific examples of how a configuration perspective can aid in integrating that literature.

Applying a Configurational Perspective on the CEO

In the above sections, we specified our configurational perspective on the CEO and then reviewed literature pertaining to each of the domains included in this perspective—the position, the person, and the environment—in order to highlight the central findings in each domain. In doing so, we documented a generally fragmented literature pertaining to the CEO, wherein there are often inconsistent and incompatible findings depending on the perspective taken. We expect the configurational perspective on the CEO to help reduce the fragmentation of the CEO literature because of its two essential tenets: (1) that theories from each of the domains are recursive and (2) that there are varying temporalities for how a paradigm in one domain may affect another.

In this section, we apply our configurational perspective to two central phenomena associated with the CEO—CEO power and CEO influence on firm performance. While not intended to be exhaustive, our discussion focuses on these two phenomena as they pervade research across all three domains in our framework. This is to say that CEO power and CEO influence are necessary in order for the CEO to matter in the firm. In the absence of these, the CEO is irrelevant. While there are other areas of research that are equally integral to the CEOs existence, we selected these two because they are inherent in each of the three domains in our configurational perspective. In the process of discussing these two areas, we suggest some theoretical and methodological ways in which the configurational perspective on the CEO may be applied in future work.

CEO Power

In our review, power clearly plays a role in all three CEO domains. Indeed, CEO power derives from the structure and role of the CEO (e.g., the position), the CEO’s individual characteristics (e.g., the person), and the perceptions of external parties (e.g., the environment). CEO power factors heavily into CEO research both as an antecedent to important organizational outcomes (Daily & Johnson, 1997) and as an important organizational outcome in its own right (Krause et al., in press). While power has garnered considerable research attention via the application of numerous individual theories in specific domains
(e.g., resource dependence theory, agency theory, power circulation theory), it is a multidimensional construct (Finkelstein, 1992) with many recursive and intertemporal elements. In other words, some measures of CEO power reflect an underlying latent construct, while others are sources of power; some types of power generate other types of power, while others are self-reinforcing. Altogether, the CEO power phenomenon is an ideal setting in which to demonstrate the benefits of a configurational perspective on the CEO.

We first turn to a discussion of how the CEO is conferred power. With some exceptions, the CEO is generally the most powerful individual in the organization (Finkelstein, 1992; Pitcher & Smith, 2001). Although few studies have directly sought to uncover exactly why the CEO is powerful, one could trace the roots of this inquiry back to Chester Barnard (1938) and his discussion of the influential roles of top-level managers or to the necessity to separate control of the firm from diffuse owners (Berle & Means, 1932; Fama & Jensen, 1983). Regardless, the CEO garners power from all three domains of the configurational perspective. Clearly, the CEO is granted power by owners who allow the CEO to make decisions and by a board that allows for managerial latitude in decision making (Haynes & Hillman, 2010; Jensen & Meckling, 1976). Variations in title and responsibilities (e.g., CEO duality, the presence of a COO) also affect the CEO’s power. These position-based characteristics provide the CEO with what Finkelstein called “structural power.”

But the power of the CEO extends well beyond the position domain. Individual characteristics like functional experience and educational background, for example, can generate expert and prestige power, respectively (Finkelstein, 1992). In addition, the perceptions of both internal and external stakeholders can confer power on a CEO. When external parties attribute strong firm performance to the CEO’s leadership, this insulates a CEO from discipline and fosters greater CEO power (Finkelstein & D’Aveni, 1994; Ocasio, 1994). Similarly, the mere perception that a CEO is powerful can, in turn, increase a CEO’s power. If external stakeholders (e.g., shareholders, analysts, media, peers) do not perceive the CEO as powerful, necessary interfim interactions and interfacing with stakeholders will be affected.

Similarly, in order to make effective use of the power contained, the CEO must actually wield the power. This is influenced primarily by how CEOs perceive themselves. If they are unsure of their position, uncertain as to the latitude they have, or simply unaware of the extensive power generated by the position, any power they may hold will be irrelevant. For example, work shows that interim CEOs (those who likely possess less power) work diligently to improve perceptions of firm performance (Chen et al., 2015) rather than working to exact actual strategic change. Research also shows that the role and structure of the position and others’ perceptions work to enhance or hinder CEO power. CEOs who are perceived to have power and who are granted power by others are able to exert more influence via their networks (Jensen & Zajac, 2004). Alternatively, CEOs who have stronger governance mandates or board oversight may be less effective in using their discretion in the position (Chen et al.). Furthermore, work has shown that CEOs whose functional experience aligns with the competencies of the firm are able to influence firm-related outcomes more (Beal & Yasai-Ardekani, 2000), suggesting the structure of the role is an important contingency.

CEO power demonstrates the recursive and time-indeterminate effects relating to the configurational perspective. For example, CEOs who perceive themselves as powerful may attempt to structure the board of directors to enable them to exert more influence (Joseph
et al., 2014)—thereby allowing self-perceptions to inform the role and structure of the job. CEOs who attempt to do this and are more closely followed by external parties, however, may be thwarted in their attempts or removed from the firm. In effect, the influence that the CEO has on the firm is driven by factors from all three domains of the configurational perspective. Future work should incorporate the configurational perspective on the CEO when considering CEOs’ power.

One example of how scholars could use this framework to add value to the literature would be to determine which dimensions and forms of CEO power are complements and which are substitutes. Configurational frameworks generally rely on the concept of equifinality, wherein multiple configurations of attributes produce the same result (Fiss, 2007, 2011). In a recent configurational study, Misangyi and Acharya (2014) argue that individual corporate governance mechanisms do not work in a vacuum and must therefore be examined alongside all other corporate governance mechanisms at work. Using qualitative comparative analysis, they identified multiple configurations of governance mechanisms that produce high firm performance. Scholars of CEOs could adopt a similar approach to determining the configurations of CEO attributes and circumstances that, collectively, produce a powerful CEO.

For instance, perhaps the outcome of interest is perception of the CEO as powerful, which is an important reflective aspect of CEO power grounded in the environment domain. It would be interesting to know how position, person, and environment combine to produce a CEO viewed as powerful by outsiders. Perhaps position-related attributes like CEO duality affect the CEO’s perceived power only when combined with the CEO’s own perceptions of power, vis-à-vis narcissism or hubris. Alternatively, maybe position- and person-based power sources are substitutes, such that alone they convey power but together they convey a lack of control. Alternatively, the outcome of interest might be the CEO’s use of power. The concept of scapegoating creates an interesting problem to examine with regard to the use of power. According to Boeker (1992), powerful CEOs scapegoat their subordinates to save their own jobs and improve their power, which is under threat from poor performance. Some power, then, is required to scapegoat, but power must be challenged or decreasing in order for scapegoating to benefit the CEO at all. Identifying which types of power from which domains combine in which ways to generate scapegoating behavior likely requires a configurational perspective.

**CEO and Firm Performance**

As important as power is to the study of CEOs, nothing compares to the effect of CEOs on firm performance. Across the three domains of CEO research, scholars have devoted most of their attention to understanding how CEOs affect firm outcomes (Quigley & Hambrick, 2015). As we have stated above, the theoretical fault lines separating each of the domains have fragmented the literature such that we know much about how individual CEO attributes and circumstances relate to firm performance, but we have little integrated knowledge specifically about CEOs, each of whom represents one particular configuration of these attributes and circumstances. Therefore, to facilitate integrative research on the CEO effect on firm performance, we draw on the literature reviewed in this paper to generate three “CEO types”—or configurations of the CEO—that may result in the CEO having relatively higher
firm performance in particular contexts. In these examples, we focus on how each CEO would outperform in acquiring another firm. As a first example, consider a CEO who was selected to the position as an heir apparent and, as a result, wields considerable influence (e.g., Cannella & Shen, 2001). Because of this person’s experience with the outgoing CEO, the CEO could perceive himself or herself as a part of the “corporate elite” (e.g., McDonald & Westphal, 2011) and thereby would receive extensive help from other CEOs who consider themselves to be included in this transcorporate group. Research has documented how CEOs in the corporate elite tend to help each other in terms of both support/advice (McDonald et al., 2008; McDonald & Westphal) and protection from bad press (Westphal et al., 2012). Such a CEO would be able to leverage this network and knowledge base to generate favorable opinions and reports from security analysts regarding a proposed acquisition (Westphal & Clement, 2008). This CEO is also more likely to draw insight on industry tendencies from the corporate elite network, allowing this CEO to make acquisitions during a favorable time when he or she is more likely to receive shareholder support (Carow, Heron, & Saxton, 2004; McNamara, Halebian, & Dykes, 2008).

As a second example, consider the configuration of a CEO who is highly skilled and was selected for the position from a “tournament” perspective (e.g., Connelly et al., 2014), has begun to structure the organization to function more consistently with his or her preferences (i.e., allows the firm to become a reflection of his or her identity; e.g., Briscoe et al., 2014), and has a “promotion” regulatory focus (i.e., focuses on gains and desire for advancement; e.g., Gamache et al., 2015). In this configuration, it may be that this CEO’s regulatory focus caused him or her to pursue high growth activities when this CEO was lower in the hierarchy, ultimately resulting in this CEO being selected out of all of the other managers for the position. Because of this CEO’s regulatory focus and ascension to the apex of the firm, and because this CEO is structuring the firm to reflect his or her own identity, this CEO may be more inclined or able to influence others in the organization toward also focusing on growth opportunities. As a consequence, this uniform focus on achieving growth may help employees rationalize the merger and acquisition activity and integrate the newly acquired firm, thus increasing performance associated with the acquisition (e.g., Zollo & Singh, 2004).

As a final example, consider a CEO who has considerable discretion (Finkelstein & Boyd, 1998), maybe as a result of simultaneously serving as board chair (Finkelstein & D’Aveni, 1994; Krause, Semadeni, & Cannella, 2014). This CEO may identify strongly with his or her organization (Lange et al., 2015) and could also enjoy very favorable media perceptions that categorize this CEO as a celebrity (e.g., Ketchen et al., 2008). In this configuration, this CEO might identify highly with the organization as a function of his or her powerful position and the media’s attribution of strong performance to the CEO’s leadership (Wade et al., 2006). Given the combination of identification, power, and expectations of high performance, this CEO might be more selective over what firms are considered for acquisition, thereby decreasing acquisition premiums or maximizing synergies between the firms. Similarly, when the acquisition is announced, the stock market might respond especially favorably or less negatively because of the celebrity the CEO has accumulated (Pfarrer, Pollock, & Rindova, 2010).

In each of the above examples, we demonstrate three features of a configurational approach: (1) equifinality, (2) the importance of all domains being included in the configuration, and (3) the recursive and time-indeterminant nature of each theoretical domain. First, equifinality is clear in that higher firm performance during merger and acquisition activity
could have been elicited in a number of CEO configurations. This is consistent with extant work on configurational approaches, which suggests equifinality is a necessary element (e.g., Fiss, 2007, 2011). Second, it is important that all theoretical domains are included in the configurational set. It is not difficult to imagine a configuration that, in the absence of one of the three domains, could be completely changed. For example, CEOs who are heirs apparent and consider themselves part of the corporate elite will still not receive the benefits of belonging to this group unless other peer CEOs have a similar perception. Finally, each of the configurations above is recursive. In other words, any one characteristic in the configuration may result in or be the result of another characteristic. For example, a CEO may be considered as part of the corporate elite because he or she was an heir apparent under a popular outgoing CEO. Alternatively, a CEO may be an heir apparent because he or she has connections and is perceived as a member of the corporate elite. Taken together, these three elements are integral and necessary for our configurational perspective to apply to the CEO.

Conclusion

Although research relating to the CEO has grown substantially over the past few decades, the management literature on CEOs remains fragmented and full of inconclusive findings, inconsistent paradigms, and questions left unanswered. We propose that this fragmentation exists because theoretical and paradigmatic approaches to the CEO rarely extend beyond conventional fault lines, wherein CEO behavior is examined by the same theories that explain behavior for other individuals. However, because the CEO exists in such a unique, embedded situation, we contend that one way to resolve this fragmentation is to integrate theoretical approaches and domains, thereby creating a more complete picture of the CEO.

In this article, we propose a configurational perspective on the CEO in order to expose fault lines, synthesize what we already know as a field, and highlight some of the configurations that may advance the CEO literature in the future. In doing so, we propose that the literature that addresses the CEO can be categorized into three domains: the position of the CEO, the CEO as a person, and the environment in which the CEO operates. In reviewing literature in each of these three domains, we find areas where scholars studying paradigms primarily in one domain can incorporate theories from another.

We realize that our discussion of the configurational perspective may appear to make future research more difficult and complex. Given current methodological and empirical considerations, it is very difficult to conduct studies that have large numbers of joint effects and even more difficult to properly consider recursive effects. Despite these difficulties, we see much value in the configurational perspective. Scholarship using competing configurations will help identify more definitive outcomes, thereby decreasing the necessity for any one specific study to consider all of the possible configurations. Over time, we expect that as scholars adopt this configurational perspective, they will advance knowledge not only with regard to specific theories but also with regard to the ubiquitous and high-profile phenomenon of CEOs.

References


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