

**Prof. Margarethe F. Wiersema
University of California Irvine
Research Interests**

DO MANAGERS MATTER?

Addressing the question of whether or not managers matter has been the central focus of my research for the past 15 years. My interest in understanding the link between top management and strategy stems from my doctoral dissertation research at the University of Michigan in which I explored the factors that drove strategic redirection among a sample of 200 large, public companies during the 1973-1983 period. During the 1970s and 1980s, large companies became increasingly diversified and lessened their dependence on their traditional core business. I discovered that CEO succession was by far the single most important driving factor underlying major re-directions in corporate strategy.

Subsequently, I have conducted research to address the overall question of “do managers matter, and if so, in what ways?” My research on top management, executive turnover, and the link between managers and organizational outcomes has helped to advance our knowledge and understanding of how executive succession, executive selection and top management team composition influence organizational strategy. The visibility of the company’s top management as well as the increasing pressures placed upon them for enhanced shareholder value makes this an important yet not very well understood research subject. Accordingly, my research continues to make important contributions in understanding whether and how managers influence the companies that they lead.

Top Management Teams and Corporate Strategy

Top Management Team Demography and Corporate Strategic Change. Academy of Management Journal, 1992.

This paper represents a fundamental contribution in the management field by providing a theoretical framework and empirical validation that top management team composition was directly linked to subsequent changes in corporate strategy. In this study, companies were more likely to undergo changes in corporate strategy when their top management teams were characterized by lower average age, shorter organizational tenure, higher TMT tenure, higher educational level, and more scientific educational backgrounds. The paper suggests that top managers’ cognitive perspectives, as reflected in their demographic characteristics, are linked to the propensity to change corporate strategy. This paper has been cited over 160 times in subsequent academic work.

Top Management Team Turnover

Top Management Team Turnover as an Adaptation mechanism: The Role of the Environment. Strategic Management Journal, 1993.

Organizational demography in Japanese Firms: Group Heterogeneity, Individual Dissimilarity and Top Management Team Turnover. Academy of Management Journal, 1993.

Both of these papers examine the issue of turnover within the top management team but from different perspectives. In the first paper, executive turnover is

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examined in US public firms as a form of organizational adaptation to changes in external conditions facing the firm. The study finds that companies that face increased complexity, uncertainty, and turbulence in their economic environments experience higher rates of turnover within their management teams. Turnover is more pronounced among the lower tier of top management than at the apex of the organization.

In the second paper, my co-author and I investigate how dissimilarity and homogeneity may influence the level of turnover within Japanese top management teams. Prior work has shown that turnover can be a function of how dissimilar an individual is to the rest of the work group, with more heterogeneity leading to higher levels of turnover. In our examination of turnover within Japanese companies, we find that heterogeneity resulted in higher levels of turnover within the top management team and that the effect was substantially stronger than comparable US studies, suggesting that factors associated with changes in ethnological context can mediate demographic effects.

Executive Turnover and Corporate Restructuring

Strategic Consequences of Executive Succession within Diversified Firms. Journal of Management Studies, 1992.

Executive Turnover and Composition as Antecedents to Corporate Restructuring. Human Resource Management Journal, 1995.

Both of these papers examine the impact of different types of executive succession and replacement on subsequent corporate strategy. This research contributes to our understanding of the how the nature of executive succession and replacement can influence corporate strategy and portfolio restructuring. The first study examines the nature of executive replacements and finds that companies that select external presidents experience significantly more strategic change post-succession than firms with internally recruited presidents. Given that there were no significant differences in corporate strategic change across firms prior to succession; we can infer that differences in the nature of executive succession explain subsequent differences in the strategic direction of the company. The second paper examines the strategic consequences of routine or retirement related turnover versus involuntary or forced turnover within the office of the CEO. The study finds that companies that underwent non-routine successions within their top management teams experienced significantly more divesting and/or exiting of lines of businesses, greater reduction in the size of the core business, and significantly less growth in revenues than companies that experience normal (e.g. retirement related) executive succession events.

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CEOs as Change Agents

Changing of the Guard: The Influence of CEO Socialization on Strategic Change. Journal of Management Studies, 1997.

In addition to my own research, others have also provided evidence that top executives can substantially alter their organizations and that turnover within their ranks is usually a significant event for the organization. The strong linkage between executive turnover and organizational change led to my interest in more closely examining what it is about changes in the executive team that could lead to such departures in strategic direction for the organization. This paper provides a theoretical framework as to why some CEO successions lead to a change in a company's strategic direction while others do not. Specifically, we propose that intensive organizational socialization is likely to contribute to greater adherence to the status quo. Differences in a CEO's prior work experience, educational background, personal characteristics, and differences in the role's requirement and socialization agents' characteristics, can all serve as forces driving or restraining the likelihood of strategic change. Thus, depending on the CEO's socialization experiences, the organization may or may not undergo strategic change. Subject to these socialization forces, even externally recruited executives are likely to adhere to the status quo.

New CEOs and Corporate Strategic Refocusing: How Experience as Heir Apparent Influences Use of Power. Administrative Science Quarterly, 2002.

My continued interest in gaining a better understanding of the process by which new CEOs can act as agents of change within their organization led to an examination of how new CEOs are likely to use their influence to forestall versus bringing about the strategic refocusing of their companies. The paper examines the link between CEOs and corporate refocusing, whereby a company undergoes a pruning of its business portfolio to focus on a smaller array of businesses. It contributes to our understanding of the influence of executives on their organizations by providing a more comprehensive model and empirical test of the context in which newly appointed executives change the strategic direction of their organizations. Specifically, the study found that both the extent of CEO power and his exposure as heir apparent influence the strategic direction adopted. CEOs with high levels of power and minimal experience as heir apparent are more likely to enact strategies of corporate refocusing. This research found evidence that a change in cognitive perspective at the top was a necessary, but not sufficient condition for change. For strategic refocusing to occur, the CEO had to possess the appropriate cognitive perspective as well as having a sufficient power base by which to enact major strategic change.

The Dialogue of Adaptation in the New Era of Corporate Leadership. Advances in Strategic Management, 2006.

This paper seeks to understand and illuminate how firms have used CEO succession and replacement to allow for organizational transformation in response to external pressures. We show that CEO turnover as a means of

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adaptation in business organizations has changed considerably over the past 20 years due in large part to changes in the contextual conditions facing U.S. firms. Since the 1970s, fundamental changes in global competition, technology, deregulation, and demography have resulted in a more complex and uncertain competitive environment with implications for firm performance, and so might have been expected to dictate an organizational response. However, prior to the mid 1980s, a firm could largely choose to ignore these changes in its business conditions without threat of serious consequences. Only recently have business firms been subject to external pressures that have forced adaptation through a change in leadership. This “New Era” is characterized by significant changes in an important external constituent, the financial community, as well as increased concentration of firm ownership, and changes in the corporate governance structure of the firm. These new contextual conditions emerged in the mid 1980s and have led to greater corporate accountability with heightened expectations over firm performance. As the financial community has grown increasingly visible and vocal, performance shortfalls on the part of the firm increasingly lead to a call for change. Firms, for their part, must be attentive and responsive to these calls for change. Changes in the firm’s leadership—and in particular, CEO dismissal—can be seen, then, as the firm’s response to external calls for organizational adaptation. This paper provides a theoretical framework for understanding how differences in corporate contextual conditions led to the emergence of CEO succession and replacement as a form of organizational adaptation.

CEO Dismissals and Company Financial Performance

Holes at the Top: Why CEO Firings Backfire. Harvard Business Review, 2002.

Replacing a CEO is often a self-inflicted wound, not a silver bullet. Most companies do no better after ousting their CEOs than they did before, but when performance sags, more and more boards fire their CEOs. During the 1990s, 71% of CEO departures at 500 public U.S. companies were involuntary, compared with 13-36% during the 1980s. But does firing a CEO pay off, or do most companies end with little or nothing to show for bringing in a new leader? This study finds that most companies perform no better—in terms of earnings or stock-price performance—after they dismiss their CEOs than they did in the years leading up to the dismissals. The blame for the poor results, my research indicates, lies squarely with boards of directors. Boards often lack the strategic understanding of the business necessary to give due diligence to the CEO selection process. As a result, they rely too heavily on executive search firms, which are even less informed about the business than they are. Concern over restoring investor confidence quickly—rather than doing what’s right for the company—drives the selection process. And board members’ ignorance about the factors that drive company performance undermines their ability to provide strategic oversight after the CEO is dismissed.

Hard Times in the Executive Suite. European Business Forum, 2002/2003.

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Notwithstanding the spate of high profile dismissals involuntary CEO resignations are still less common in Europe than in the US. Differences in corporate governance between Europe and the US largely account for the gap. Among US companies, increasing shareholder performance expectations have had a dramatic impact on the relationship between boards and management. As European companies go down this same road, this paper highlights what can be learned from the experience within US companies. Specifically, the paper proposes that a more proactive stance on the part of the board is required to prevent a performance crisis in the first place and to restore confidence in the leadership and direction of the company.