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Conquerors or cost-cutters? The influence of CEO power on corporate restructuring and aggressive strategic behavior

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CONQUERORS OR COST-CUTTERS? THE INFLUENCE OF CEO POWER ON CORPORATE RESTRUCTURING AND AGGRESSIVE STRATEGIC BEHAVIOR

A Dissertation

by

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ABSTRACT

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How do dominant Chief Executive Officers influence corporate strategic decisions? Do they disproportionately focus on restructuring strategies in an attempt to run an efficient business? Alternatively, do they pursue aggressive strategies that not only expand the scope of the firm but also their personal influence? Current research in corporate governance is ambiguous when it comes to the relationship between CEO power and the choice of conservative vs. aggressive strategies. Most studies use a piece meal approach and examine the influence of CEO power on the emphasis on either conservative or aggressive strategies (e.g. Bigley & Wiersema, 2002). Consequently, there is a need for a research that comprehensively examines the influence of CEO power on both corporate strategies.

This dissertation broadly explored the influence that powerful CEOs had on corporate restructuring and aggressive strategic behavior. Specifically, this dissertation sought to achieve three main objectives. First, it explored the link between CEO power and conservative and aggressive corporate strategies. Second, it explored the governance, organizational, and industry contexts in which CEO power led to higher engagement in either aggressive or conservative corporate strategies. Specifically, the proportion of outside board of directors, organizational

slack resources, and industry munificence were examined. Finally, the link between aggressive and conservative strategies and firm performance was empirically explored. This dissertation drew from prospect and agency theories as its major theoretical foundations to discuss the overarching theme of executive decision-making in the context of risk.

Despite the robust literature on the effect of CEO power, the results of the empirical analyses showed that CEO power did not appear to be a major influence on either type of corporate strategy. However, the composition of the Board did lessen the influence of CEO power on aggressive strategies. Similarly, industry munificence weakened the relationship between CEO power and conservative strategies. Lastly, conservative and aggressive strategies held a mixed impact on firm performance. While retrenchment strategies were found to be positively related to Return on Assets, downsizing was in fact negatively related to Return on Equity. Neither conservative nor aggressive corporate actions were found to influence long-term market performance.

DEDICATION

To my foundation, my motivation, and my biggest supporters, my parents- thank you for teaching me how to fish- and to my best friend Joshua Doan- I like you and I love you.

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INTRODUCTION

1.1 Executive Power and Corporate Outcomes

"[Bob] Nardelli is a classic, GE-trained Six Sigma, command-and-control type CEO…who focused on process—cost and quality" (Nussbaum, 2007).

"[Kozlowski] has become one of the most aggressive CEOs in the land—spending some $53 billion on 120 major acquisitions" (Symonds, 2001).

Proclaimed as one of America's most talented executives, Mr. Robert Nardelli began his tenure as CEO of Home Depot in 2000 with a dramatic overhaul of the maturing firm by instilling a cost-cutting culture that nearly doubled revenues in a mere five year time span (Clothier, 2007; Grow, 2007). Mr. Nardelli was able to do so by squeezing efficiencies out of the retail giant by cutting costs, streamlining operations, and substantially downsizing the workforce (replacing full time employees with part time employees and electronic self-checkouts) (Nussbaum, 2007). Mr. Dennis Kozlowski, the CEO of Tyco International, on the other hand pursued an ambitious goal of improving firm sales to $100 billion through a very aggressive conglomerate acquisitions strategy. In the decade that Mr. Kozlowski spent at Tyco International (1992-2002), he pursued over 120 acquisitions in an effort to become like the conglomerate General Electric (Symonds, 2001). Heralded as a charismatic CEO who helped grow a once small New Hampshire enterprise into a global giant, Mr. Kozlowski had an incredible ability to quickly enhance the value of his firm (Neal, 2013).

The above *'tale of two CEOs*' illustrates how powerful CEOs can influence corporate decision-making in substantially different ways. Both highly visible and prominent, these powerful actors bore unique impact on their firms through the strategic decisions they saw fitting. These actors however differed in the *types* of decisions they pursued where Mr. Nardelli sought strategies designed to obtain efficiency (i.e. downsizing) while Mr. Kozlowski sought strategies to grow his 'empire' (i.e. acquisitions). Powerful leaders often leverage the attention they receive to enhance their impact and shape outcomes in their favor. This is because power or the ability to exert ones will (Finkelstein, 1992), can be exercised across a broad spectrum of choices that include resource allocation decisions. In essence, powerful CEOs shape corporate outcomes through the resources-- both financial and nonfinancial-- they command to pursue their objectives. The decisions these powerful actors employ may reflect aggressive or conservative actions that uniquely contribute to both the firm and the CEO's well-being. Powerful CEOs are often enticed with the option to pursue aggressive strategies. These strategies generally seek to grow the scope of the firm and result in market expansion as illustrated above by Mr. Kozlowski's example. Essentially, these actions allow powerful CEOs to build their "empire". They benefit from such growth because it leads to substantial increases in firm size which in turn provides higher CEO compensation and employment security (Hill, Hitt, & Hoskisson, 1988; Grinstein & Hribar, 2003). While these strategies enhance the CEO's stature and visibility, the firm itself may not necessarily benefit from these risky corporate activities. This is because firms that grow are not necessarily *more* successful suggesting that "bigger is not better". Growth as generally pursued by means of acquisition may sometimes damage a firm's performance, especially if the price paid to acquire the new firm is high (Kroener & Kroener, 1991; Moeller, Schlingemann, & Stulz, 2005; Graebner, Eisenhardt, & Roundy, 2010).

Alternatively, powerful CEOs may opt to pursue less risky, conservative (efficiency-enhancing) strategies. Such strategies may be geared towards improving the firm's efficiency, especially after the firm has become too large from growth initiatives. These efforts generally result in increased short-term performance because the firm is able to increase its productivity. In turn, these improvements reflect positively on the CEO because shareholders stand to benefit. This 'safe bet' in the short run is at the expense of the firm's long-term progress as the firm may struggle to keep pace with future technological changes as was the case with the Home Depot that struggled with major innovation (Clothier, 2007). Additionally, firms that previously cut capacity to become more efficient may lose their market share to firms that added capacity instead as evidenced by Home Depot's primary competitor, Lowes Inc.

The differences that manifest when powerful CEOs choose how to shape a firm's corporate direction are wide-ranging which produce contrasting outcomes (i.e. performance). These differences highlight the vivid nature of CEO power that is necessary for the attainment of corporate objectives. It can be argued that power influences CEOs to focus on more conservative issues so that their firm emulates an efficient operation that pleases stock holders. Alternatively, it can also be argued that the very same spouts of power may drive a CEO to want to build his/her 'empire' and thus be perceived as a market leader. In the following section, the focus shifts to identifying current voids in the intersection between strategic leadership and corporate decision-making research streams.

1.2 Statement of Problem

The role of strategic leadership on organizational outcomes has been a topic of extensive scholarly inquiry. Effective strategic leadership is quintessential for firms seeking to achieve and maintain strategic competitiveness (Ireland & Hitt, 1999) such that the firm's behavior and resulting outcomes can be tied to its executive leaders (Hambrick & Mason, 1984; Finkelstein & Hambrick, 1990). Put differently, organizational outcomes are best understood as preferences that stem from the unique characteristics of their executive leaders possess (Finkelstein & Hambrick, 1990). Similarly, the influence of executive characteristics on strategic choices (i.e. strategic decisions) has also been extensively examined given organizational outcomes stem from such choices. These two prominent streams of research are largely influenced by researchers such as Child (1972) who argued that people, not organizations, play a proactive role in shaping the strategic direction of a firm dependent upon their perceptions and evaluations. Indeed, the CEO, servings as the central figurehead within the firm, holds the most notable influence over these strategic choices and resulting outcomes (Hambrick & Fukutomi, 1991; Papadakis & Barwise, 2002; Daily & Johnson, 1997).

Thus far within these streams, scholars recognize how CEOs directly impact the performance a firm stands to endure through the strategies he/she selects (i.e. strategic choices selected). Furthermore, scholars understand that 5 to 20% of the variance in a firm's profitability can be attributed to its leadership (Crossland & Hambrick, 2007) given that differences in perceptions and evaluations must be accounted for (Child, 1972). However, in addition to understanding these differences, researchers must also account for the power that these actors hold. Essentially, the types of strategies pursued rests in the hands of the CEO because of the very power this actor commands. Power as an executive characteristic is defined as the "capacity

of individual actors to exert their will (Finkelstein, 1992, p. 506). As it relates to CEOs, power serves to amplify the pursuit of goals such that it behaves like a facilitator (Williams, 2014) or executive predictor of strategic actions. Power is understood to accrue from multiple sources such that CEOs manifest varying levels of power in unique combinations (Finkelstein, 1992).

Evidence supports power as an undeniable characteristic of these actors, and yet, there remains theoretical ambiguity as to how different manifestations of power influence the types of strategies chosen. Scholars currently do not understand how a CEO's power influences the types of strategies pursued. Clearly though, different permutations of power speak to the types of strategic actions pursued. Furthermore, little research has fully examined *how* power in its entirety influences CEOs in their wide spectrum of strategic ability. Thus, currently, scholars do not know what types of strategies powerful CEOs are likely to gravitate towards, nor do scholars understand how such strategies will be pursued. By this is meant that scholars still cannot discern whether these powerful actors will be more aggressive or conservative in their strategic decisions. The core of this ambiguity is reduced to how these powerful actors *influence* decision-making and the outcomes that subsequently result.

In addition to not being able to determine the influence power elicits, scholars are unable to distinguish how power influences performance outcomes for firms. This lack of clarity additionally stems from the fact that a CEO's power does not speak to how the CEO translates such power into practical organizational actions. This lack of knowledge is further complicated by the fact that CEOs with high levels of power tend to exhibit extreme performance such that the firm experiences 'big wins or big losses' (Tang, Crossan, & Rowe, 2011).

In sum, how power influences performance thus remains understudied. How do dominant (powerful) CEOs influence corporate strategic behavior? Do they disproportionately focus on

restructuring (cost-cutting or efficiency-enhancing) strategies in an attempt to run an efficient business? Alternatively, do they instead pursue aggressive (domain-creating) corporate strategies (i.e. engage in "empire-building") that not only expand the scope of the firm but also their personal influence? Current research evidence in the corporate governance literature is ambiguous when it comes to the relationship between CEO power and conservative and aggressive corporate strategies. Most studies in the literature use a piece meal approach and examine the influence of CEO power on the emphasis on either conservative or aggressive strategies (e.g. Bigley & Wiersema, 2002; Brown & Sarma, 2007; Chikh & Filbien, 2011; Ang, de Jong & Van der Poel, 2014). Consequently, there is a need for a research that comprehensively examines the influence of CEO power on both corporate strategies. It is important to understand this relationship given that the strategies chosen bear tremendous influence on the firm's performance. The following section thoroughly identifies and explains the primary purpose of this dissertation.

1.3 Purpose of the Dissertation

This dissertation had three main objectives. First, this dissertation empirically explored the link between CEO power and conservative and aggressive corporate strategies. Second, this dissertation explored the governance, organizational, and industry contexts under which CEO power led to conservative or aggressive strategies. Finally, this dissertation empirically explored the link between aggressive and conservative strategies and firm performance. Each objective is thoroughly discussed below.

To fulfill the first objective of this dissertation, I began by thoroughly examining the influence of CEO power on alternative corporate outcomes. In this vein, decision-making was

exclusively examined in the context of corporate strategies. I focused on whether the dimensions of CEO power influenced corporate strategies and whether this influence produced aggressive or conservative outcomes. Accordingly, this dissertation proposed a more holistic view of CEO power in the context of strategic choices made. This is because numerous studies only consider certain aspects of power such as CEO duality or executive compensation. In doing so, such considerations do not fully account for all causal indications of power on strategic choices, and thus do not help in explaining how power entices aggressive or conservative pursuance of such strategies.

In an effort to fulfill the second objective, this dissertation also sought to understand what conditions strengthened or weakened the relationship between CEO power and conservative or aggressive strategies. I examined three levels of influence that impacted both the CEO's strategic choice and resultant firm performance. Specifically, at the industry level, I examined industry munificence and how munificence strengthened or weakened the relationship between CEO power and strategic choice. An environment characterized as munificent holds the capacity to support growth due to an abundance of resources (Dess & Beard, 1984). Similarly, at the organizational level, organizational slack was examined to better understand how these 'extra' resources influence strategic choices in the context of powerful decision-makers. Organizational slack, or the pool of resources held by a firm in excess of the minimum required for output, holds a paradoxical relationship with certain corporate strategies. Lastly, no examination of CEO power and decision-making is complete without considering the influence of governance mechanisms, specifically the composition of the Board, or its outside members to inside members, and their ability to influence key decisions made by the CEO (Adams, Hermalin, & Weisbach, 2010; Fama & Jensen, 1983). A firm's Board of Directors are expected to be *more*

vigilant when CEO power is high to ensure that decisions are not self-interested or merely for profit maximization (Hoskisson, Hitt, Johnson, & Grossman, 2002). As such, this dissertation examined the strategies chosen as a function of contexts that powerful CEOs face and accordingly must interpret in their strategic choices.

The third objective of this dissertation was to empirically explore the link between aggressive (domain-creating) and conservative (efficiency-enhancing) strategies and firm performance. This link allowed us to indirectly examine the influence of CEO power on firm performance. Research evidence thus far remains somewhat inconclusive on the effects of powerful CEOs on firm performance (Tang et al., 2011). This is generally because powerful CEOs are shown to negatively impact firm performance in certain contexts and positively impact firm performance in other contexts (Abebe, Angriawan & Liu, 2010; Tang et al., 2011). In order to properly ascertain the effects of aggressive or conservative strategies on firm performance, researchers must first understand how power influences strategies (first purpose of this dissertation).

This dissertation examined how power influenced strategic choices and how the resultant strategies influenced firm performance. Power is expected to persuade or 'push' CEOs to behave one way or another. In other words, not all CEOs with similar levels of power can be expected to engage in comparable decision-making. For this reason, this dissertation sought to examine two of the most plausible behaviors that are the result of CEO power and how such behaviors influenced strategic choice and in turn, firm performance. In the following section, I examine the research questions this dissertation addressed.

1.4 Research Questions

Broadly, this dissertation sought to understand the relationship between a CEO's power and his/her strategic choices. Past research suggests that powerful CEOs behave both aggressively and conservatively in their strategic choices. I sought to understand how the choice of corporate strategies differed among firms that were led by more or less powerful CEOs. The strategies chosen are important to consider given their influence on the firm's performance. In addition to understanding how power amplifies the types of strategies a CEO will pursue, several factors need to be considered. These factors both internally and externally influence how the firm's CEO makes decisions. As such, this dissertation examined governance, organizational, and industry contexts that were expected to alter corporate decisions. Specifically, I examined the composition of the board of directors, organizational slack, and industry munificence. The following reflects the research questions examined in this dissertation:

Is CEO power associated with domain-creating (aggressive) corporate strategies? If so, why?

Is CEO power associated with efficiency-enhancing (conservative) corporate strategies? If so, why?

What are some governance, organizational and industry contexts that facilitate or hamper the influence of CEO power on conservative and aggressive corporate strategies?

Are efficiency-enhancing and domain-creating strategies related to market and accounting measures of firm performance?

1.5 Significance and Contributions

The purpose of all research is to present findings that explain the phenomena in question in terms that contribute to the field of research and practice alike. As such, the significance and contributions of the current dissertation targeted both the scholarly and practitioner communities.

The best theoretical contributions ensure that our understandings are procured in one of two manners-- incrementally or with an entirely new understanding such that a ground-breaking insight occurs. These contributions must likewise provide both scientific and practical usefulness (Corley & Gioia, 2011). The following contributions will advance and inform current scholars in understanding the relationship between strategic leadership and decision-making such that our understanding is incrementally augmented. Additionally, my findings are spawn from research that is both relevant for practice and rigorous in its domain (Vermuelen, 2005). As such, the following contributions will be of great interest to practioners with the expected rigor to intrigue academics. This is accomplished by ensuring that the research questions posed hold relevance and the method in which the answers are provided maintains rigor (Vermuelen, 2005).

Contributions to Corporate Governance Research

The importance of understanding firm behavior lies at the root of strategic management. How firms behave directly ties to the decisions such firms make which in turn dictates the organizational outcomes one can expect inclusive of their performance. Essentially, the field as a whole seeks to understand the underlying causes that explain why some firms outcompete or perform better than others. This 'competition' is partially fueled by competitive advantages that firms discover and desperately hold on to. While an *exact* prescription is not available by which firms can obtain such advantages, there are numerous avenues for firms to venture down that may aid them in garnering one and achieving optimal performance. The type of corporate strategies a firm pursues may be heralded as one of the most critical determinants of a firm's performance. This decision rests primarily in the hands of the firm's primary decision-maker or the CEO. This actor is influenced by organizational pressures that in turn amount to his/her strategic choices. The primary purpose of this dissertation was to understand how the likely

outcomes of strategic choices are influenced by a CEO's power. While research has already confirmed that CEOs are likely to behave either aggressively or conservatively, this dissertation further addressed how this behavior changes when CEO power is factored into corporate decisions. Furthermore, this dissertation sought to contribute to literature that examines how CEO power is differentially accrued and how such differences influence strategic choice outcomes.

Within the domain of strategic decision-making, vast amounts of research surround the notion that executive characteristics influence strategic choices including cognition (Wally & Baum, 1994) and demographic characteristics (Walters, Kroll & Wright, 2007; Hitt & Tyler, 1991; Song, 1982). Executive characteristics or predictors help us understand how differences within executives shape the outcomes observed (Finkelstein & Hambrick, 1996; Carpenter, Geletkanycz, & Sanders, 2004). Focusing exclusively on the firm's central member, CEO power is important to examine because it stems from and influences the firm's primary decision-maker (Finkelstein, 1992). This relationship is crucial to scrutinize because while every CEO holds at a minimum *some* power, power's implications vary across actors in how they choose to utilize it. As such, it is imperative to understand how this power influences the mindset that CEOs hold.

There are presently several issues that this dissertation helps to clarify. Currently, powerful CEOs are viewed pessimistically because of the influence they hold on firm outcomes (Tang et al., 2011). This outlook fails to properly account for how power is accrued by said CEOs. In other words, CEOs with power are not necessarily always equipped with the best 'knowledge' to make corporate decisions that result in celebrated outcomes. After all, high levels of CEO power can be accrued differentially by CEOs in firms. Understanding that power has the capacity to be accrued differently will allow for a better understanding of power's influence on

firm outcomes. Furthermore, this will allow research to better predict how unique combinations of power influence strategic decision-making, and thus, possibly explain why not all CEOs with similar levels of power engage in ideal corporate decisions.

Another issue this dissertation helps to clarify concerns the types of corporate decisions these powerful actors are *expected* to undergo. Given the media's focus on these 'celebrities,' CEOs of prominent firms are consistently expected to seek growth by any means possible. The alternative to growth, restructuring, has received less attention because of restructuring's negative connotation. This dissertation dispels the negative reputation of this highly useful corporate strategy, and explains how restructuring is actually beneficial to some powerful CEOs in their quest for better performance. In terms of the firm's primary decision-maker, this can be understood as the CEO wanting to either obtain efficiency for the firm or wanting to grow the 'empire'. Once this determination has been addressed, the effects of power on these decisions can be better analyzed. In other words, I examined how power leads CEOs to choose one strategy over the other and whether these choices are truly the result of power or the CEO.

Contributions to Practice

This dissertation equally sought to contribute to practice given that many relevant aspects of practice are addressed in scholarly research. For example, understanding how CEO power influences corporate strategic choices can inform practice concerning executive selection and succession decisions. This is because power is accrued such that powerful CEOs are generally longer tenured signaling their time in office is quickly diminishing. As such, these powerful actors must begin searching for their successor. As Hambrick and Fukutomi (1991) note, recently appointed CEOs focus their efforts on the mandate as specified by the previous CEO, which is likely to follow the previous CEO's strategic behavior. These findings will help to

establish whether powerful CEOs should be limited or more closely monitored in their succession planning given their strategic influences carry over. Additionally, given the close examination of how power accrues, these findings help to inform on how the different levels and sources contribute to an executive's decision-making and in turn, the ideal level of power sought in executive selection.

Additionally, these findings help design better monitoring and oversight mechanisms as well as incentive systems to control a CEO's opportunistic behavior. CEOs with high power often engage in opportunistic behavior at the expense of shareholders (Fama & Jensen, 1983). This is because higher levels of power generally signal less need for Board oversight thus allowing the CEO to engage in whatever behaviors he/she desires (Shen, 2003). Monitoring decreases as CEO power increases, regardless of the sources of power, because the CEO has proven his/her leadership abilities (Shen, 2003). Essentially, power reflects the CEO's ability to hold on to his/her job (Pfeffer & Salancik, 1978). In addition to high levels of discretion that are afforded with such power comes the ability to engage in decisions concerning incentives and compensation. These decisions are influenced by executives who own stock (Cannella & Shen, 2001), hold duality (Daily & Dalton, 1994), and can influence director selection (Westphal & Zajac, 1995). As such, CEOs with high levels of influential power should be carefully monitored given that such decisions in turn dictate the strategies the firm will pursue. Lastly, these findings shed light on how the Board of Director composition helps in mitigating aggressive CEO behavior. By examining how the proportion of outside Directors influences the types of strategies pursued, these findings allow us to gauge the best composition to thwart overly aggressive or overly conservative powerful CEOs. In doing so, powerful CEOs will be more closely monitored as their power increases to ensure adequate decision-making is completed. In

the remaining sections to follow, the key terms to better understand this dissertation are addressed as are the assumptions. Prior to the beginning of Chapter II, a brief note on the organization of this dissertation can be found.

1.6 Definition of Key Terms

The following section provides a brief definition of the major variables and concepts of the dissertation:

CEO Power: "Power is defined as the capacity of individual actors to exert their will" (Finkelstein, 1992, p. 506). Powerful CEOs possess unique characteristics that define their power. These characteristics are structured into four formal sources of power that are captured by objective measures. For example, structural power is captured through CEO duality and executive compensation, ownership power is captured through founder status and equity ownership, expert power is captured through CEO tenure and the number of positions held within the current firm, and prestige power is captured through corporate and nonprofit board appointments and whether the CEO has an 'elite' education (Finkelstein, 1992).

Acquisition: Acquisitions are a growth *"*strategy through which one firm buys a controlling, or 100 percent, interest in another firm with the intent of making the acquired firm a subsidiary business within its portfolio" (Hitt, Ireland, & Hoskisson, 2013, p. 196).

Strategic Alliance: A voluntary cooperative strategy in which firms combine some of their resources and capabilities to create a competitive advantage. This strategy allows for firms to enter new markets by utilizing the distribution networks and knowledge of local partners (Parkhe, 1993; Hitt et al., 2013).

Down-scoping: Down-scoping is a restructuring strategy *"*eliminat[es] businesses that are unrelated to a firm's core businesses." This is generally accomplished by divestitures or spin-offs (Hitt et al., 2013, p. 213).

Divestiture: Divestiture is a type of restructuring strategy that involves "adjustments [to a firm's] ownership and business portfolio via spin-off [which involve the creation of a new publicly traded corporation], equity carve-out, split-up, or unit sell-off [which occur when the divested asset becomes part of another firm's portfolio]" (Brauer, 2006, p. 751; Mulherin & Boone, 2000; Desai, Nixon, & Wiggins, 1999; Rosenfeld, 1984).

Downsizing: Downsizing is a restructuring strategy that involves the "reduction in the number of a firm's employees and, sometimes, in the number of its operating units. It is an intentional, proactive management strategy that may or may not change the composition of businesses in the company's portfolio" (Hitt et al., 2013, p. 213) in an effort to improve efficiency, increase productivity, and competitiveness (Tsai & Yen, 2008; Cameron, 1994). Some well-known examples of downsizing are Hewlett-Packard with 24,600 employees (2008), U.S. Postal Service with 30,000 employees (2010), and Ford with 35,000 employees (2002). The reasons for each firm's downsizing efforts vary from economic recessions to shareholder pressures.

Retrenchment: The reduction of assets (plant closings of divestures) or costs as a means of increasing firm efficiency (Morrow, Johnson, & Busenitz, 2004). This strategy should not be confused with divestments as asset retrenchment completely eliminates the 'asset' instead of selling or spinning it off (Schmidt & Raisch, 2013; Lim, Celly, & Morse, 2013).

Proportion of Outside Directors: The distinction between inside (dependent; directors that are current or retired managers of the firm) and outside (independent; directors who are neither employed nor retired managers of the firm) directors is important when analyzing the function of

the board (Pfeffer, 1972; Zahra & Pearce, 1989). The composition serves as the ratio of outside to inside board members.

Industry Munificence: The extent to which the environment can support sustained growth (Aldrich, 1979; Dess & Beard, 1984). Environments characterized as munificent help organizations buffer themselves from external threats and additionally, help the firm to generate slack resources (Nielson & Nielson, 2013). Less munificent environments force firms to focus less on future growth because of the increasing competition surrounding reduced resource availability (Sahaym, Steensma, & Barden, 2009; Castrogiavanni, 1991).

Organization Slack: Cushion of actual or potential resources which allows an organization to adapt successfully to internal pressures for adjustment or to external pressures for change in policy, as well as to initiate changes in strategy with respect to the external environment (Bourgeois, 1981, p. 30)

1.7 Major Assumptions of the Dissertation

In developing my theoretical arguments and conceptual foundations for my dissertation, I make a number of assumptions. First, consistent with the vast literature on strategic leadership and organizational outcomes, I make the assumption that CEOs are key strategic decision-makers of the firm and significantly influence firm outcomes (Waldman, Ramirez, House & Puranam, 2001; Adams, Almeida & Ferreira, 2005). Thus, CEOs hold the highest power among the top management team and most notable influence on decision-making (Henderson, Miller, & Hambrick, 2006). Second, given the nature of strategic choices, I make the assumption that the CEO has a moderate to high level of managerial discretion. Managerial discretion is defined as "the latitude of managerial action available to a decision maker (e.g. a top manager) in a given situation" (Finkelstein & Hambrick, 1987). Depending on the industry, some CEOs may have

more (less) amount of managerial discretion to develop and implement alternative corporate strategies (Finkelstein & Boyd, 1998; Wangrow, Schepker, & Barker, 2014). Third, it is important to note that I observed different levels of CEO power and not the mere exercise of power as many members of the top management team hold this ability. Furthermore, I considered only explicit exercises of power given that implicit exercises are difficult to capture (Tang et al., 2011; Hardy, 1985; Pfeffer, 1992). As such, I assume the objective measures of power examined herein capture only explicit exercises. Finally, to best examine the influence of CEO power on corporate strategies, I assumed that the subsequent theoretical arguments applied to firms that had relatively stable performance and were not in decline.

1.8. Organization of Dissertation

The remainder of this dissertation is organized as follows. In the following chapter, I present a comprehensive and systematic review of the conceptual and empirical literature pertaining to the conceptualization of CEO power and its relationship with various corporate strategies. This literature review serves to emphasize the uniqueness of my current topic highlighting past studies as well as informing the reader of the current views within the literature. Next, the theory and hypotheses development section is presented in Chapter three. Chapter four presents a detailed description of the research design including discussion on target sample and data sources, variable operationalizations as well as the choice of statistical approach. Chapter five presents the results of the statistical analysis followed by a thorough discussion of the results in Chapter six.

CHAPTER II

LITERATURE REVIEW

The purpose of this chapter is to provide a comprehensive overview of the theoretical and empirical developments in the conceptual domains explored in this dissertation. The literature review chapter of this dissertation will begin with the conceptualizations of CEO power. In this section, I examine the dimensions that comprise of CEO power and how each dimension contributes to a CEO's power. Further, I examine the relationship between the Board of Directors (BOD) and the top management team's (TMT) power and CEO power. This is followed by the antecedents of CEO power in which I examine industry and network determinants of CEO power. Next, I examine the firm level consequences of CEO power followed by the effect that CEO power has on corporate strategies. This section is followed by an overview of efficiency-enhancing and domain-creating strategies. I then conclude chapter two with a summary overview.

2.1 Conceptualization of CEO Power

The examination of executive leadership focuses on the primary party responsible for an organization. Specifically, strategic leadership focuses on individuals, whose characteristics influence actions taken and how those actions influence organizational outcomes (Finkelstein, Hambrick, & Cannella, 2009). The primary focuses within strategic leadership encompass several levels that have resulted in vast amounts of research—individual or the Chief Executive

Officer, group or the top management team, or groups that monitor such as the Board of Directors. Herein I focus on the individual level or the CEO.

The CEO is afforded a great deal of discretion within his/her organization because of the overall responsibility he/she holds for the firm's conduct and performance (Finkelstein, et al., 2009). This discretion generally pertains to the CEO's role of primary decision-maker and thus, strategic choice for the firm. This actor serves as the central figure within the top management team occupying a position of unique influence over firm processes and outcomes which in turn, determine the success of the firm (Daily & Johnson, 1997; Combs, Ketchen, Perryman, & Donahue, 2007).

In addition to holding the highest position with a firm, this actor holds the ability to accrue the most power (Haynes, Campbell, & Hitt, 2014; Finkelstein, 1992). CEO power affords this individual the "capacity…to exert [his/her] will" (Finkelstein, 1992, p. 506) to pursue his/her goals (Combs et al., 2007). CEO power is therefore understood as an executive predictor or determinant of strategic decisions. Power is thus reflected in the CEO's ability to remain in the position of CEO (Shen, 2003). Within any organization, power holds a prominent role (Mannix, 1993) because it highlights the dependency of other actors on the CEO (or other individuals within the firm) (Emerson, 1962). CEOs are bestowed with the most power within a firm because of the role that CEOs play in managing the internal and external sources of uncertainty for the firm (Finkelstein, 1992; Tushman & Romanelli, 1983). As such, the decision-maker that is able to cope with the most uncertainty has the potential to accrue the most power (Pettigrew, 2014; Thompson, 1967).

Power is a necessary tool for enhancing organizational effectiveness (Pettigrew, 2014; Combs et al., 2007; Canella & Monroe, 1997). This is because of power's ability to increase

strategic response times and offer accountability for such decisions (Finkelstein & D'Aveni, 1994). Power must be understood within a particular context (Emerson, 1962). In other words, power holds meaning only in an organizational context (Brown & Sarma, 2007). For example, many conceptualizations of CEO power are vis-à-vis the Board of Directors. This is because powerful CEOs threaten the independent judgment of a Board and thus must be accounted for (Dalton & Kesner, 1987; Haynes & Hillman, 2010). Essentially, while CEO power can manifest in several fashions, I adopt Finkelstein's (1992) conceptualization as "the capacity of individual actors to exert their will" (p. 506).

Despite the various ways that power can be measured, research suggests that the primary basis of power, by which it is measured, is the ability to manage firm uncertainty (Daily & Johnson, 1997; Ocasio, 1994; Finkelstein, 1992). All sources of uncertainty, internal such as the TMT or external such as the task environment, can be effectively reduced with the four dimensions of power (Finkelstein, 1992). As can be seen in Table 1, CEO power consists of four unique dimensions that allow for this actor to accrue increasing power to address firm uncertainty. The ability to increase their power stems from their structural power, ownership power, expert power, and prestige power (Finkelstein, 1992). At a minimum, all CEOs hold some level of power given their position within the firm. The following discussion is summarized in Table 1.

Structural Power

This commonly cited dimension of power pertains to the formal organizational structure (Finkelstein, 1992; Hambrick, 1981) in which the CEO is able to accrue power because of the legislative rights he/she holds in relation to other members of the firm. Given the CEO's legislative right to exert his/her influence, the CEO is viewed as influential above and beyond

other members of the TMT. Such authority allows the CEO to manage uncertainty partly by controlling the behaviors of the individual TMT members. The higher this dimension of power, the greater the control the CEO holds over other members' actions (Pollock, Fischer, & Wade, 2002; Finkelstein, 1992). This source of power is also known as legitimate power or hierarchical power (Hambrick, 1981; French & Raven, 1959).

Among the alternative conceptualizations of power, this particular dimension of power is the most strongly associated with an executive's *perceived* power (Finkelstein, 1992). Because of the hierarchical nature of this dimension, social recognition of the associated power is easy (Brass & Burkhardt, 1993; Daily & Johnson, 1997). Hambrick (1981) found that this dimension of power is the dominant predictor of an executive's power. This dimension of power increases when the CEO holds duality or dual roles of CEO and Chairman of the Board (Daily & Johnson, 1997; Mizruchi, 1983; Occasio, 1994). This is because the Board of Directors, as a governance mechanism, is tasked with the duty to monitor the actions of the CEO and ensure that they align with the desires of the shareholders. CEOs that hold the position of Chairman of the Board are thus allotted additional discretion in their decision-making. Finkelstein and D'Aveni (1994) contend that CEO duality is viewed positively by the Board of Directors because it exemplifies unity in command of the primary decision-maker (CEO) and Chairman of the Board which casts an illusion of strong leadership (Krause, Semadeni, & Cannella, 2014). Such duality additionally holds implications for the Board composition and performance relationship as Combs and colleagues (2007) contend. They note that CEO duality weakens the relationship between proportion of outside Board members and abnormal stock returns following the death of the firm's CEO. Their findings revealed that duality as a source of formal power could only be thwarted by Boards that were in fact outside dominated.

In addition to duality, the composition of the Board of Directors may also indicate a CEO's structural power (Baldenius, Melumad, & Meng, 2014; Boeker, 1991). Boards that hold a greater proportion of inside directors may provide the CEO with higher structural power (Daily & Johnson, 1997). Lastly, CEOs who are compensated more generously than other executives within the firm may hold higher power (Van Essen, Otten, & Carberry, 2012). This generally exemplifies the CEO's ability to influence the Board of Directors in their executive compensation decisions (Albrecht & Jhin, 1978). Within the finance literature stream examining CEO power, many studies rely solely on CEO pay to measure a CEO's power. This is done in several ways including CEO excess pay which exemplifies the CEO's ability to generate higher levels of compensation due to weak governance systems (Dutta, MacAulay & Saadi, 2011). Other studies utilize CEO pay slice (CPS) or the amount of compensation received by the CEO compared to the total compensation of the top five executives (Bebchuk, Cremers, & Peyer, 2011).

Ownership Power

Power is likely to amass to CEOs who maintain ownership within the firm they serve (Finkelstein, 1992). This dimension of power indicates the actor's ability to act on behalf of both management and shareholders alike (Daily & Johnson, 1997; Zald, 1969). Essentially, the strength of the executive's position within the agent-principal relationship governs ownership power (Finkelstein, 1992). This is because CEOs with considerable ownership stakes or those who are principal stockholders are able to better define the direction for the firm (Lilienfeld-Toal & Ruenzi, 2014; Allen, 1981), and are better able to prevent their own dismissal (Pfeffer, 1981). This type of power allows the CEO to more easily implement his/her strategic choices given the reduced Board influence that ownership power enables (Finkelstein, 1992). Thus, ownership

power amasses both formally (equity ownership) and informally (founder status) and rests in the CEO's efforts and ability to reduce uncertainty stemming from the firms Board of Directors. Shen and Cannella (2002) find that ownership is negatively associated with CEO dismissal following inside succession but has no impact on dismissal following outside succession. These findings confirm that ownership power increases a CEO's influence within the top management team. However, ownership power is not without risk as it may increase the likelihood of managerial entrenchment (Kumar & Zattoni, 2014; Morck, Shleifer, & Vishny, 1988).

Ownership power may also be derived from the CEO's status as founder of the firm. Founders hold strong organizational influences over their firms (Boeker, 1989). This influence is *so* significant that departure of a founding CEO increase the firm's likelihood of failure (Fischer & Pollock, 2004; Carroll, 1984).

Expert Power

As noted, power accrues to individuals who are bestowed the task of managing uncertainty in the firm's external environment (Tushman & Romanelli, 1983). CEOs that are able to reach out into their wide net of contacts in the external environment to deal with uncertainty are better able to assist their firm. This is because of the additional information that is available through this net of contacts. The ability to gather such information stems from the exposure the CEO has to various functional areas that in turn allow the CEO to develop these contacts. As such, this dimension of power is characterized primarily by the knowledge a CEO holds relative to the firm's issues and operations. This is because knowledge allows the CEO to deal with environmental contingencies which in turn strengthen the firm's position to be successful (Hambrick, 1981). Therefore, the ability to accrue expert power rests in the CEO's relevant expertise and experience that enhance his/her ability to control contingencies facing the

firm (Shen, 2003; Finkelstein, 1992). This is because experience allows CEOs to fine-tune the cognitive aspect in their decisions in a way that generally produces more successful outcomes (Hitt & Tyler, 1991). Alternatively, some CEOs accrue expert power because they are sought out for their advice (Tushman & Scanlan, 1981) due to the expertise (power) they hold in certain matters.

The ability to apply such experiences is more readily plausible if the CEO holds significant tenure. Tenure via experience is theorized to provide the CEO with the opportunity to accumulate the knowledge which serves as a source for this type of power (Greve & Mitsuhashi, 2007). In a recent study, Greve and Mitsuhashi (2007) found that CEO power measured via tenure is positively related to strategic change initiatives. Additionally, Simsek (2007) also finds a positive relationship between CEO tenure and risk taking. Experience is gathered through tenure as well as the functional background the CEO holds (Hambrick, 1981). CEOs with high power are best able to cope with the primary environmental constraints bestowed upon their firm as a result of their functional area(s) (Hambrick, 1981).

Prestige Power

Prestige power stems from an individual's reputation within the market and in the broader institutional environment. This reputation molds the perceptions other actors hold about the influence of the CEO, which in turn generate power by providing a means for the actor to reduce uncertainty (Finkelstein, 1992). Prestige power is understood as an informal power yet symbolic of power because it allows for information to be obtained concerning resources needed for firm surivival (Grabke- Rudell & Gomez- Mejia, 2002). The influences of informal power are considered analogous to a CEO's formal power (Brockmann, Hoffman, Dawley & Fornaciari, 2004). Informal power is generally drawn from sources that do not depend on the CEO's formal

position in the organization. This type of power can be developed through prestigious contacts in other firms (Chikh & Filibien, 2011; D'Aveni, 1990).

Because prestige is often equated with successful leadership and firm performance, Hengartner (2006) suggests that CEOs with prestige power may be monitored less by non-executive directors. This may allow the CEO to rely on his/her prestige too heavily which can hold negative consequences as Brockmann and colleagues (2004) found for firms facing bankruptcy. This suggests that prestige power may only be beneficial for an executive when the firm is performing well. Research suggests that while prestige may promote executives, it may also protect executives once they become inept and are unable to properly carry out their roles (Brockmann et al., 2004). In addition to a CEO's prestige power, informal power may be acquired through actions such as managing critical organizational problems (Hickson, Lee, Schneck, & Pennings, 1971; Finkelstein & D'Aveni, 1994) or stimulating loyalty within the firm (Pfeffer, 1981). Together, these four dimensions conceptualize CEO power and exemplify how a CEO accrues power through various organizational sources (See Table 1). In addition to these four sources of power, I examine the network basis of power given recent interest in how a CEO gathers power from his/her network.

Network Basis of Power

An additional alternative source of power that warrants discussion concerns how a CEO gathers power from his/her network, or how CEOs are able to derive power from connections that sit external to the firm (Brown, Gao, Lee, & Stathoupoulos, 2009). Large social networks empower CEOs to influence a multitude of decisions such as their compensation (Brown et al., 2009). Brown and colleagues (2009) find a positive relationship between the size of the CEO's network and the level of total pay he/she receives. This is because social networks affect the flow

and quality of information as well as act as a source of reward and punishment that the CEO is able to use to his/her advantage both before and after (decisions are made).

Other studies that have explored a CEO's network basis of power have examined the likelihood of completing an acquisition when the market does not react favorably. Network powerful CEOs are better able to bargain and negotiate due to the additional opportunities they are afforded as are they better positioned to access information more efficiently (El-Khatib, Fogel, & Jandik, 2015). Chikh and Filibien (2011) contend that a CEO's network plays a considerable role in the decision process of whether to complete an acquisition or not. This argument is consistent with Barber and colleagues (1995) who believe that a CEO's network ties increase the likelihood that an acquisition will occur because the CEO's network causes the CEO to overestimate his/her abilities and judgement accuracy. Chikh and Filibien (2011) further argue that these networks provide access to private information which generally leads to competitive advantages and thus is more influential on CEO decisions than public information is. In addition to capturing the number of social ties (i.e. size) of a CEO's network, the CEO's network centrality must also be considered. While network centrality "can be regarded as an additional source of intraorganizatinal power, [it is generally concerned with] an actor's position in the network" (Astley & Sachdeva, 1984, p. 106). In other words, a CEO's network centrality captures his/her strength and extent of his/her personal connections (El-Khatib, Fogel, Jandik, 2015).

For example, network centrality has been examined in the context of merger and acquisition decisions and performance (El-Khatib et al., 2015). CEOs with high network centrality are more likely to pursue mergers and acquisitions because of the increased access to private information and greater bargaining power they hold. The increased access to information

and higher bargaining power allows the CEO to more assertively pursue this type of risky strategy. However, these risky actions are more likely to destroy value and generate lower returns for the firm. These decisions go uncontested because of the additional power that the CEO holds over Board members allowing said CEO to become further entrenched (El-Khatib et al., 2015). This study exemplifies an additional source of power that CEOs are able to manipulate- the firm's Board of Directors. As noted earlier, many conceptualizations of power are vis-à-vis the Board of Directors. Prior to explaining these additional sources, please note that the above conceptualizations of CEO power as set forth by Finkelstein (1992) and the additional network base of power can be found in Table 1 below. The subsequent discussion below pertains to the relationship that power holds with a firm's Board of Directors and the Top Management Team.

Board of Directors and Top Management Team Conceptualizations of CEO Power

It is important to note that power is often conceptualized in reference to the firm's Board of Directors. As such, a CEO's power is gauged by how much excess power the CEO holds over the Board (Tang, Crossan, & Rowe, 2011). Furthermore, the Board's power may reciprocally influence the CEO's power. For example, Zajac and Westphal (1996) examine whose preferences, the CEO's or the Board's, are most likely to influence the selection of the succeeding CEO based on the levels of power each entity holds. The findings reveal that Boards who hold less power over the CEO are less likely to have their preferences reflected in the new CEO choice. Interestingly, if the Board is more powerful than the CEO, the succeeding CEO is likely to exhibit similar demographic characteristics that resemble the profile of the Board. Board power was assessed in relation to the CEO in terms of whether the CEO was also Chair (duality),

Table 1: Conceptualizations of CEO Power

Dimensions of CEO Power	Definition	Operationalization	Representative Work(s)
Structural Power	Structural power is based on a CEO's formal position within a firm stemming from the authority he/she holds over others (Finkelstein, 1992; Daily & Johnson, 1997).	-Duality (Number of additional titles) -Compensation -Board Composition/ Independence	Daily & Johnson (1997); Albrecht & Jhin (1978); Boeker (1991); Finkelstein & D'Aveni, 1994; Bebchuk, Cremers, & Peyer, 2011; Dutta et al., 2011
Ownership Power	Ownership power is based on the strength of the CEO's position within the agent-principal relationship (Finkelstein, 1992).	-Founder or co-founder -Stock ownership (shareholdings)	Carroll (1984); Allen (1981); Combs et al., (2007); Haynes & Hillman (2011); Shen and Cannella (2002)
Expert Power	Expert power stems from a CEO having a comprehensive knowledge and understanding of a firm's operations and environment thereby aiding in uncertainty reduction and decision-making (Finkelstein, 1992).	-Tenure -Positions in firm -Functional areas	Greve & Mitsuhashi (2007) Simsek (2007) Hambrick (1981)
Prestige Power	Prestige power is based on a CEO's reputation within the institutional environment, which allows both the firm and the CEO to accrue legitimacy (Finkelstein, 1992).	-Education -Corporate boards -Nonprofit boards -Average board rating	Finkelstein, 1992; Daily & Johnson, 1997; Wade et al., 2006; Geletkanycz & Boyd, 2011; Brockmann, Hoffman, Dawley & Fornaciari, 2004; D'Aveni, 1990
Network Basis of Power	A CEO is able to obtain power from his/her social network through the formal and informal connections he/she holds (i.e. network ties) (Brown et al., 2009). Additionally, CEOs are able to accrue power from their location within the network or the CEO's network centrality	-Network Centrality -Network Ties	Brown, Gao, Lee, & Stathoupoulos, 2009; Chikh & Filibien, 2011; El-Khatib, Fogel, & Jandik, 2015

	that captures the strength and extent of his/her personal connections (El-Khatib, Fogel, & Jandik, 2015).		

CEO's tenure relative to the Board's average tenure, number of independent outside directors appointed before the CEO began his/her term, and outside director stock ownership. These measures holistically capture the power that the Board may hold over the CEO because they account for the ability to influence and alter the CEO's decision-making abilities.

A similar study examined the CEO-Board power relationship and new Director selection, and how such choices influence subsequent Board decisions concerning CEO compensation (Westphal & Zajac, 1995). In this study, the Board's power was measured in terms of stock ownership to convey how Directors are able to influence strategic decision-making more forcefully given that higher stock ownership conveys additional voting rights (Zald, 1969; Finkelstein, 1992). The findings convey that when the CEO is more powerful than the Board, the newly appointed Director resembles the CEO's demographic profile, whereas when the Board is more powerful, the newly appointed Director resembles the Board's demographic profile. Additionally, the demographic similarity between the Board and CEO is tied to the CEO's compensation such that higher similarity equates to a more generous salary. These findings are consistent with past research that highlights the political maneuvers that CEOs undergo to minimize potential adversity or risk in their decision-making process.

The Board-CEO power relationship has also been examined in the context of risky decision-making. Pathan (2009) examined whether strong Boards (Boards who are able to effectively monitor the CEO for shareholders) and CEO power (CEO's ability to influence the Board's decisions) influence bank risk-taking. The findings revealed that CEO power is actually negatively related to risk-taking because the CEO is unable to diversify his/her wealth inclusive of human capital and fixed compensation. Contrary to expectations, strong Boards hold a negative relation with risk-taking (given that shareholders prefer excessive risk in the context of

banking) suggesting that these members may account for more than simply the shareholder's preferences to include other institutional mechanisms such as depositors and regulators. These findings provide evidence of two implications- CEO power does not always negatively impact firm decision-making because CEO power is contextually influenced.

Closely related to Board power, a firm's TMT also accounts for unique patterns of power within a firm. Smith and colleagues (2006) explore the 'shape' of this power distribution and the implications that this distribution holds on firm performance. They find that TMTs with unequal distributions of power have better performance suggesting that TMT power distribution should be examined as a component of the decision-making process. Success may be the result of having only a few members leverage information instead of all members. Alternatively, when power is equally distributed, TMTs may suffer possibly because of the "inefficiencies of consensus norms" that signal the team groupthinks (p. 628). CEOs in high power distribution teams were demographically different from the second most powerful executive. Specifically, the CEO tended to be older with more industry experience whereas the executive usually held an administrative background. These differences appear to elicit a new perspective that enhances performance. Moreover, this study confirms that the CEO is generally the most powerful individual in a firm. In the next section, I examine the antecedents of CEO power.

2.2 Antecedents of CEO Power

A CEO's power can also be gathered from sources other than those found within the firm such that there exist several additional sources or antecedents of CEO power at the organizational and industry level. These sources include the CEO's compensation and tenure, the industry the CEO operates within, the network the CEO holds and his/her presence within in it,

and one behavioral trait. These antecedents warrant discussion given their growing presence within the literature.

Before discussing industry determinants of CEO power, it is crucial to note that some measures of CEO power also serve as organizational antecedents. In the previous section, a CEO's power is discussed such that expert power can be measured by a CEO's tenure and structural power can be measured by a CEO's compensation. These two measures can also serve as determinants of CEO power as discussed by Daily and Johnson (1997). These authors discuss the relationship between CEO power and performance and question whether performance levels determine the level of CEO power or whether the level of CEO power determines the level of performance. They conclude that this relationship is reciprocal such that some instances of firm performance are caused by specific dimensions of power and some dimensions of power are caused by firm performance. The same reciprocal relationship is applicable to the relationships between CEO power and CEO tenure, and CEO power and CEO compensation.

For example, Grinstein and Hribar (2004) note that CEOs are awarded higher compensation packages when acquisitions are completed successfully (i.e. post-acquisition performance). They additionally note that powerful CEOs influence Board decisions including decisions of compensation because of their high levels of power. These levels of power allow CEOs to control the information that is presented to the Board. Herein lays the question of which comes first- power or compensation? This is because in order for a CEO to make a risky decision such as that of an acquisition, he/she must have sufficient power. Likewise, one manner in which a CEO accrues higher levels of power is through higher compensation. The same can be argued for tenure given that powerful CEOs remain in their positions accruing longer tenure, but can only remain in position if the firm is performing well which indicates the CEO has high power.

As such, does tenure precede power or does power precede tenure? Essentially, the above two organizational determinants of CEO power must be acknowledged for their reciprocal relationships.

Industry determinants of CEO power refer to conditions that exist within an industry that enable some CEOs to become more powerful than others. These determinants are not influenced by firm size, but do hold an impact on corporate decision-making and thus firm performance. For example, managerial discretion or "latitude of action available to managers" differentially impacts how a CEO is able to influence firm outcomes (Wangrow et al., 2014). When executives hold higher levels of discretion, their impact on firm decisions and outcomes is stronger (Hambrick & Quigley, 2014; Finkelstein & Boyd, 1998; Finkelstein & Hambrick, 1990). Such discretion not only stems from the industry (environmental conditions), but also partly from the relationship the CEO holds with the firm, such that a CEO's power base affects his/her discretion (Hambrick & Finkelstein, 1987). For example, in industries with high discretion, the discretion stemming from high levels of CEO power produces performance variability (Adams, Almeida, & Ferreira, 2005). Furthermore, specific dimensions of a CEO's power, such as duality (structural power), may bear influence on this discretion (Kim, 2013) in turn influencing a CEO's commitment to the status quo of the industry (McClelland, Liang, & Barker, 2010).

Within some industries, strategic deviance and risk-taking behavior are rewarded often attracting powerful CEOs. For example, within the financial industry, strategies that pursue subprime lending pose great risk and potential for losses (Lewellyn & Muller-Kahle, 2012). Despite the risks associated with excessive risk taking, CEOs with higher levels of power are more likely to engage in such risk taking. This is partly because CEOs with greater levels of power focus on the potential gains meanwhile ignoring potential losses. Essentially, power

within the financial industry provides a unique explanation for organizational outcomes. These results may be further explained by findings in Li and Tang's (2010) examination of CEO hubris and risk-taking. These authors note that hubris or overconfidence leads a CEO to overestimate their likelihood of achieving their strategic initiative despite the level of risk. These findings are strengthened when the CEO holds high discretion.

The final industry determinant that may attract prominent, powerful CEOs pertains to compensation. By this is meant that some industries as a whole compensate their executives more generously and thus, attract more powerful CEOs. This is generally explained by compensation benchmarking which uses the compensation of peers within the industry to gauge an executive's compensation (Shin, 2013). CEO compensation is complicated by the notion that managerial discretion serves as an important determinant (Finkelstein & Boyd, 1998). This is because high discretion generally increases the CEO's ability to impact organizational outcomes which in turn increases the CEO's ability to influence firm performance directly tied to their compensation. As such, higher performance results when compensation is tied to managerial discretion. Furthermore, certain strategies, such as diversification strategies, that require more liberal amounts of discretion are rewarded with higher pay as a result (Finkelstein & Boyd, 1998). A CEO's power may help to influence this compensation decision given that more powerful actors are able to impose their views on the Board of Directors who are tasked with this decision (Shin, 2013; Bebchuk & Fried, 2005). Use of benchmarking however, may not be as desirable for CEOs who are relatively overpaid in comparison to their peers; the opposite is true of underpaid CEOs who urge Directors to implement benchmarking. These preferences however are not realized if a CEO does not hold adequate levels of power to impose his/her preferences (Shin, 2013). Furthermore, without adequate levels of power, CEOs who are underpaid are less

likely to react to such pay inequity because they are aware of the power and influence over the Board required to remedy such conditions.

Research in strategic management often examines how executive characteristics influence the decisions ultimately made for firms. One common route entails examining the aforementioned dimensions of power. Examining characteristics provides observable evidence of how researchers can expect these decision-makers to behave. However, beyond power lie additional characteristics that influence a CEO's power. For example, hubris or overconfidence influences the manner in which an executive exercises his/her power. As such, executive hubris or overconfidence is a closely related topic when examining CEO power. However, it should be noted that hubris is not an antecedent of power. Hubris is best understood as a consequence or outcome of power. Additionally, hubris has the capacity to influence how a CEO uses his/her power. To clarify, hubris is an intrinsic property of an individual while power is a behavior (Brown & Sarma, 2007). Hubris is discussed further in the following.

Hubris is exaggerated pride or self-confidence (Hayward & Hambrick, 1997; Kahneman & Tversky, 1995). Hubris is evidenced frequently by a manager's overconfident evaluation of his/her firm or when making decisions (Brown & Sarma, 2007). One major source of overconfidence or hubris is the media coverage that these executives are given (Brown & Sarma, 2007). This generally stems from recent organizational success to which the media has the strong propensity to credit leaders with and discredit other possible organizational factors (Hayward & Hambrick, 197). The media praises these executives so much that a type of romance emerges (Meindl, Ehrlich, & Dukerich, 1985) portraying these members as miracle workers or heroes (Hayward & Hambrick, 1997). Past studies have examined hubristic or overconfident CEOs and their likelihood of paying higher acquisition premiums (Hayward & Hambrick, 1997), using

internal versus external financing (Malmendier & Tate, 2005), and engaging in value destroying mergers (Malmendier & Tate, 2006). Additionally, hubristic CEOs are also more likely to undertake risky strategic decisions, especially when their discretion is high (Li & Tang, 2010).

2.3 Firm Level Consequences of CEO Power

Studies examining the influence of powerful CEO's and the resultant outcomes are varied yet vast. This is because there exist two views explaining how CEOs do (positive view) and do not (doubtful view) influence firm outcomes (Adams, Almeida, & Ferreira, 2005; Finkelstein et al., 2009).

The positive view contends that CEOs *do* influence firm performance and as such, executives matter (Hambrick & Mason, 1984; Child, 1972). This is evidenced by firms that have substantially evolved over time at the hands of their executives in terms of new product offerings or new services which influence a firm's profitability. Such changes are the result of strategic choices made by the firm's CEO. These choices vary dramatically because of the differences in experiences, characteristics and dispositions of these executives, which influence their decision-making. The second view contends that executives *do not* matter and thus hold little explanatory ability for firm profitability (Lieberson & O'Connor, 1972; Pfeffer, 1997; Finkelstein & Hambrick, 1996). This view contends that other factors carry more weight on firm outcomes. For example, managers are "exceedingly homogeneous" (March & March, 1977; Finkelstein et al., 2009) and thus are subject to common socialization not allowing them to vary in their thoughts or actions. This dissertation adopts the first view contending that CEOs *do* matter and the choices these actors make help determine a firm's success or failure (Daily & Johnson, 1997).

Firms, for purposes of improving performance, frequently recruit powerful CEOs such that it can be concluded that CEO power is related to firm outcomes (Daily & Johnson, 1997). Daily and Johnson (1997) examine this relationship questioning whether power precedes performance or performance precedes power (i.e. the chicken and the egg). The first view contends that to the extent that a CEO possesses power discloses little about the effect that such power has on a firm's outcomes. The second view contends that a firm's level of performance determines the CEO's level of power. Research evidence supporting each side further complicates this intricate relationship. The following is summarized in Table 2 below**.**

2.3.1 Does Firm Performance Precede CEO Power?

Numerous studies contend that a firm's performance level dictates the level of power an executive holds. For example, powerful executives are less likely, than their less powerful counterparts, to be dismissed when performance is low (Boeker, 1992). This is because blame for low performance is displaced to subordinates who are then replaced while the powerful executive remains. This form of scapegoating allows the CEO to 'buffer' him/herself from taking responsibility for the poor performance, and meanwhile 'compensate' by replacing top managers responsible for reporting to him/her. This scapegoating phenomenon appears to occur at the executive level only when the questionable executive lacks enough power to stop his/her personal dismissal (Gamson & Scotch, 1964). Interestingly enough, CEOs are less likely to be replaced in firms in which the CEO's ownership position is greater (i.e. ownership power), ownership by other members of the firm is dispersed, the board consists of more inside members, or the CEO appointed more inside than outside board members (Boeker, 1992).

In other instances, poor firm performance is associated with increased levels of Board of Director turnover but not CEO turnover (or when duality exists) ultimately suggesting that CEOs

are more powerful than Board chairs (Harrison, Torres, & Kukalis, 1988). This is because when the firm is performing well, a CEO's status and performance are enhanced (Harrison et al., 1988). However, poor performance may reduce the CEO/Chair's influence leading to a separation of the two positions which may lead to appointment of a new CEO. During times of strong performance, the CEO's power is enhanced leading to the possible consolidation of the CEO and Chair positions. Ultimately, turnover is contingent upon whether the position of Chair and CEO are combined or separate (Harrison, et al., 1988) evidenced through the structural power (duality) the CEO holds.

Power may also be directly related to tenure such that CEOs of more profitable firms have longer tenures even after controlling for the effects of performance (Allen & Panian, 1982). Additionally, power is inversely related to the probability of managerial succession during periods of poor performance. Both of these relationships however depend on how much stock ownership is held by the 'controlling family' (as oppose to management controlled firms). As a result, managerial power is essentially a measure of the control configuration of the firm or ownership power. As such, Allen and Panian's (1982) results suggest that CEOs who head profitable firms or are founder-related usually remain in the firm for a longer period of time (tenure), and are less likely to be succeeded when performance falters highlighting the potential influence of ownership power.

In examining the power-performance relationship, it is important to consider how a firm's monitoring mechanism, or its Board of Directors, may influence this relationship. Ocasio (1994) finds that CEO power is greatly reduced under conditions of economic hardship such that the CEO's power shifts to the Board. On the Board, inside directors are more likely to question the CEO's power and subsequent actions than outside directors. This notion challenges

conventional assumptions about the role of inside members. However, while more inside Board members may be necessary to properly evaluate the CEO, it also increases the likelihood of succession because social comparisons occur between the CEO and the inside members shedding light on any possible rivalry. These findings suggest that a CEO's power must be monitored when performance is faltering or else the position may be forfeited (James & Soref, 1981). This study also highlights the importance of a CEO's tenure noting that it takes over a decade for a CEO's legitimacy to influence the likelihood of succession, and that as tenure increases, likelihood of dismissal decreases. These results suggest that the CEO only needs to be concerned with 'acceptable' performance because the CEO's power has become institutionalized within the firm. Essentially, the CEO takes his/her leadership for granted because their authority, via their power, is no longer interrogated (Ocasio, 1994). When firm performance is high, the Board of Directors is more likely to be vigilant when CEO duality is present (Finkelstein & D'Aveni, 1994). These findings suggest that vigilant Boards are less concerned with the illusion of unity of command of the CEO and Chair positions and more with the possibility of CEO entrenchment occurring. The Board's concerns intensify when the CEO's informal power is also high in addition to positive firm performance. In such circumstances, Boards prefer non-duality to limit the possible occurrence of entrenchment.

2.3.2 Does CEO Power Precede Firm Performance?

In examining how an executive's power influences firm performance, Haleblian and Finkelstein (1993) sought to understand this relationship across different environments (turbulent environment and stable environment). Under conditions of stability, one individual (i.e. the CEO) generally determines performance (Hill, 1982), whereas under conditions of turbulence, more information processing must occur (Daft, Sormunen, & Parks, 1988) requiring the input of

more than one individual. As such, in stable environments, CEOs are likely to hold enough information to base their high-quality decisions on (Haleblian & Finkelstein, 1993). It is under conditions of turbulence however that more information is needed often requiring that the CEO confer with his/her top management team (TMT). If power is balanced between the CEO and his/her TMT, information sharing during turbulence is likely to occur increasing firm performance. The findings note that less dominant CEOs with large TMTs are more profitable in turbulent environments than stable environments given this increase in information sharing.

The power- performance relationship has also been examined more specifically in the context of CEO duality under conditions of different environmental uncertainty. Environmental uncertainty pertains to three unique dimensions of munificence, dynamism, and complexity (Dess & Beard, 1984). Boyd (1995) proposes that CEO duality will be positively related to firm performance under conditions of high dynamism, high complexity, and low munificence. His findings reveal that environmental uncertainty does influence CEO duality's effect on performance under certain conditions. These findings integrate the mutually incompatible views of agency and stewardship on CEO duality by suggesting a contingency model. This contingency model addresses under what conditions the consolidation of increased power and decision-making suggested by duality (stewardship perspective) outweighs the inevitable abuses (agency perspective). This study finds that duality is positively related to performance "under the right circumstances" such as high munificence and complexity but not in highly dynamic environments.

Strategies serve to dictate the performance a firm can come to anticipate. Strategic changes within a firm indicate how a firm's strategies differ over time and from industry norms. However, the performance outcomes of many strategic changes are unpredictable (Eisenhardt,

1989) leaving the primary decision-maker or CEO at risk. Haynes and Hillman (2010) contend that powerful CEOs have 'preferences' concerning strategic changes for a firm. One preference pertains to the CEO's commitment to the status quo or the "belief in the enduring correctness of current organizational strategies and profiles" (Hambrick, 1993, p. 402). It is likely that a powerful CEO will remain committed to the status quo because doing so thwarts any unnecessary risks both to the firm and his/her position (Haynes & Hillman, 2010). This is especially relevant when the firm is facing poor performance such that strategic persistence prevails (Westphal & Bednar, 2005). The study finds that in the absence of a powerful CEO, a more heterogeneous Board in terms of human and social capital is likely to opt for more strategic change. Additionally, some firms may actually benefit from the CEO maintaining the status quo if the current strategy works and the firm is in a stable industry.

Powerful CEOs are reluctant to forfeit their power as is generally the case when a private firm goes public through an initial public offering (IPO). The benefits of IPO do not necessarily outweigh the CEO's fear of a change in corporate control which may lead the CEO to remain self-interested and attempt to preserve their private control (Gao & Jain, 2012). However, when the CEO is also founder of the firm, he/she is less likely to undergo change in control after a takeover as a result of his/her entrenchment. Gao and Jain (2012) further indicate that post-IPO, founder led firms are able to better negotiate their premiums when the CEO holds duality. When the firm is led by a non-founder CEO, said CEO will instead utilize his/her power to seize shareholder wealth. As such, outcomes in market for corporate control are highly dependent upon a CEO's founder status and duality. Additionally, Bach and Smith (2007) find that CEO power plays a crucial role in post-IPO survival. Among the numerous managerial factors that influence whether a firm survives after it goes public, CEO power is an important one to

consider. These authors find that when the CEO holds duality, the firm's post-IPO survival is drastically reduced to a mere five years. Alternatively, post-IPO survival increases with high levels of prestige power in the form of education, ownership power in the form of equity ownership and expert power in the form of industry tenure. As such, power discriminates after firm ownership has completed its transformation such that the CEO's power must be carefully considered.

Among the many determinants of firm performance is the Board of Director's composition. This relationship has received much attention (Pearce & Zahra, 1992) with the general outlook noting that firms with more outside directors should experience greater firm performance because outside directors help to protect shareholders from managerial opportunism (Combs, et al., 2007; Fama & Jensen, 1983). However, studies have found that outside dominated Boards hold a small positive relationship with performance (Rhoades, Rechner, & Sundaramurthy, 2000), an inverted U-shaped relationship with performance (Wagner, Stimpert, & Fubara, 1998), or no relationship at all with performance (Dalton, Daily, Ellstrand, & Johnson, 1998). To explain these discrepancies, Combs and colleagues (2007) suggest that CEO power may moderate this relationship. They examine this relationship in the unusual context of CEO deaths and find that CEO power measured via ownership and duality helps to explain the inconsistency of this relationship. When powerful CEOs with more inside Board members and less powerful CEOs with controlling outside dominated Boards passed away, shareholders appeared relieved. This is because powerful CEOs tend to indulge in self-serving actions while their less powerful counterparts remain overly cautious. This calls attention to tenure as Shen (2003) notes that as CEO power grows in conjunction with a CEO's tenure, careful watch by outside dominated boards may be crucial to thwart possible opportunism.

Similarly, Tang and colleagues (2011) examine the effects of dominant CEOs on a firm's strategy and performance in the presence of a 'powerful' Board. They suggest that power or dominance does not always do harm or corrupt. This is because some firms with dominant CEOs enjoy success and because often times, how CEO power is balanced is not accounted for. A more 'balanced' view on dominant CEO's effects is needed to help explain how these powerful actors influence firm performance. These powerful actors tend to deviate their strategies from the industry norm leading to extreme performance (positive or negative). To ensure that performance is positive, dominant CEOs are monitored more closely by powerful Boards to ensure that the chosen deviant strategies will align with positive performance. Essentially, dominant CEOs, as measured via structural and ownership power, coupled with powerful Boards tend to have a positive influence on firm performance, while dominant CEOs with less powerful Boards tend to have a negative influence on firm performance.

It is difficult to conceptualize corporate outcomes as being influenced by individuals independent of industry and market level characteristics. In seeking to explain corporate behavior and performance however, it must be noted that firms evolve primarily because of differences in executive leadership (Hambrick & Mason, 1984; Tushman & Romanelli, 1985). Within executive leadership, much research contends that CEO dominance (CEO power) is a crucial variable that affects numerous corporate outcomes, and as such, must be carefully monitored. Jiraporn and colleagues (2012) do so by examining whether dominant CEOs increase or decrease their leverage when making capital structure decisions. They find that CEO dominance via structural power, determined by the size of the CEO's pay slice as a fraction of the top five compensated executives, holds an inverse association with the degree of leverage such that increases in CEO power correspond to decreases in leverage.

Similarly using CEO pay slice as a proxy for CEO power, Jiraporn and Chintrakarn (2013) explore the association between power and investments in corporate social responsibility (CSR). These authors suggest that one explanation behind a firm's motivation to engage in CSR is a CEO's power. Increases in a CEO's power lead to more CSR engagement suggesting that CEOs may privately benefit from this investment. However, the more powerful the CEO becomes, the less likely he/she is to reap such benefits leading to a decline in engagement. This may be explained by more powerful CEOs wanting to use free cash flows differently in a way that they can more easily exploit. This study highlights the differences in a CEO's level of power such that the question of whether an 'optimal' level of power exists arises. Lee and colleagues (2015) explore whether a normal or 'optimal' level of power exists given that past research has shown a negative relationship between CEO power and firm value. Their results suggest that normal levels of power are positively associated with firm value while excess power (deviations from normal levels) is negatively associated with firm value. This suggests that a more complex relationship exists between power and firm value.

Within firms, decision-making involves the CEO and other executives. When the CEO makes important decisions alone, the risk that emanates from judgment errors is not well balanced. Either very good or very bad decisions stand to be made in which a CEO's power to influence decisions is high. As a result, firm performance exhibits tremendous variability. Adams and colleagues (2005) hypothesize that performance variability increases as CEO power increases because decisions made by powerful CEOs are more likely to have more extreme consequences. These authors find that firm performance is more variable as CEO power increases or becomes more centralized in the hands of the CEO. Additionally, there is no evidence that firms headed by powerful CEOs have on average worse performance than other

firms, but instead, both the worst and best performance. However, these results caution against diluting CEO power because while doing so may result in less variable performance, the chances of 'spectacular' performance are also lowered. In conclusion, performance volatility should be considered at the firm level where understanding managerial characteristics influence on decision-making is possible.

As noted, a CEO's power is drawn from various sources. One source, the CEO's experience, helps to develop and increase the CEO's expert power. Executive experience is especially useful to firms that are in the midst of an acquisition as Cannella and Hambrick (1993) note that the market values the expertise and knowledge held by executives during these events. Loss in the form of executive experience during post acquisition periods is not easily recovered casting negative implications on subsequent performance. Loss is also symbolic as both firm members and external stakeholders are troubled. This can be explained by the status that executives develop from the experiences they accumulate, and how such status via executive continuity may determine long-term performance implications after an acquisition (Cannella & Hambrick, 1993). Executive continuity is more than simply surface knowledge for it entails an in depth understanding of a firm from its values to its strengths, and ultimately symbolizes executive stability for a firm (Pfeffer, 1981; Kotter, 1982; Cannella & Hambrick, 1993). The above two views of CEO power's influence on firm performance can be summarized in Table 2 below.

2.4 Effect of CEO Power on Corporate Strategies

Performance is determined by the strategic choices made within firms (i.e. strategies and other major decisions) (Finkelstein et al., 2009). But where does a firm's strategy emerge from? The current strategic management outlook notes that strategy and other organizational choices

are made by managers, and such managers carry with them their own experiences, motives, and dispositions that influence these strategic choices (Child, 1972; Finkelstein et al., 2009). As such, strategy is the product of a firm's strategists. Within firms, the individuals responsible for formulating strategy comprise of the top management team. The primary decision-maker or strategist is the firm's CEO. In the following, the influence of CEO power on corporate strategies is discussed and summarized in Tables 3 and 4 below.

There is an important distinction within strategic management that delineates corporate and business-level strategies (Wiersema & Bantel, 1992). Business-level strategies concern strategic decisions that focus on obtaining competitive advantages within specific product markets (Hitt et al., 2011) whereas corporate level strategies concern strategic decisions that focus on obtaining competitive advantages by managing different businesses within a portfolio (Wiersema & Bantel, 1992). Corporate strategies include strategic decisions that focus on existing business's restructuring efforts such as downsizing or down-scoping or new business's growth efforts such as acquisitions, mergers, and strategic alliances. Herein, I focus on CEO power's influence on corporate strategies given this type of strategy's influence on firm outcomes such as performance. It is important to examine how CEO power influences these strategic decisions because such decisions reflect the interaction the firm holds with its environment (Elbanna, 2006) and are thus reflective of how well the firm is doing. In the following, I examine the influence of CEO power on two types of corporate strategies that include growth strategies and restructuring (renewal) strategies (Robbins & Coulter, 2012).

Table 2: Firm Level Consequences of CEO Power

Study	Dependent Variable(s)	Independent Variable(s)	Sample	Key Findings
Allen & Panian, 1982	Managerial tenure; Managerial longevity; Managerial succession	CEO Power (control configuration of the firm; three possibilities); Corporate performance	242 major industrial corporations between 1971 and 1980	Managerial power is directly related to both managerial tenure and longevity; power is inversely related to the probability of managerial succession during periods of poor performance. These relationships are contingent on how much stock the controlling (family) party holds.
Harrison, Torres, & Kukalis, 1988	Performance; Turnover	CEO duality; Proportion of outside directions; Age of Chair and CEO; Firm size	671 large manufacturing firms from S&P's COMPUSTAT Annual Industrial data tapes in 1980	CEO turnover and CEO duality depend on firm performance. Specifically, duality is more likely to occur when performance is high whereas when performance is low, separation of these positions as well as turnover is more likely.
Boeker, 1992	CEO & Top management dismissal	Executive successor; Firm performance	67 Semiconductor producers between 1968-1989	A CEO's power is a function of the Board's composition and ownership configuration. CEOs are less likely to be replaced when performance is low if their ownership power is high, greater proportion of inside board members, and if the inside members were appointed by the CEO. This study confirms that voluntary terminations (i.e. retirement) are very different from terminations.
Cannella, & Hambrick, 1993	(Post-Acquisition) Performance	Executive departure, more-senior and less-senior departure, status bestowal, relatedness	96 acquisitions between 1980-1984	Loss, in the form of key executives' experience, is not easily recovered; the market values the expertise and knowledge held by executives; executive continuity may be a key determinant in acquisition performance
Haleblian & Finkelstein, 1993	Firm Performance	TMT Size; CEO Dominance; Environmental Discretion; Environmental Turbulence	47 firms (26 computer and 21 natural gas distribution) between 1978-1982	Environmental turbulence and discretion moderate the association between TMT size and CEO dominance with firm performance. Large teams and teams with less dominant CEOs are more profitable in turbulent environments than in

				stable environments. Also, TMTs in low discretion firms may not predict organizational outcomes such as performance.
Finkelstein & D'Aveni, 1994	CEO duality	Board Vigilance; Informal CEO power; Firm Performance	41 firms in printing industry, 32 firms in computer industry, and 35 in chemical industry from 1984-1986	Performance levels aside, Board vigilance is positively associated with CEO duality. However, under circumstances of low performance and high informal CEO power, Board vigilance shifts from favoring duality to wanting to avoid entrenchment (i.e. vigilance is no longer positively associated with duality).
Ocasio, 1994	CEO Succession/ Executive Succession	Performance; Tenure; Proportion of outside directors; Prior Board Tenure	120 randomly selected U.S. industrial corporations from Moody's Industrial Directory in 1980	CEOs are more likely to be succeeded during their first decade of tenure within the position because it takes over a decade for legitimacy from the position's power to decrease the potential of rival coalitions to emerge. This relationship is mediated by the year that the CEO was appointed. Additionally, when performance is suffering, more inside board members lead to more CEO succession.
Boyd, 1995	Firm Performance	CEO Duality; Environment (munificence, dynamism, and complexity)	192 firms in 12 industries from the 1980 and 1989 editions of Moody's	Environmental munificence moderates both the strength and form of the duality- performance relationship whereas complexity only moderates the strength and dynamism only moderates the form of this relationship. As such, duality is positively related to performance in munificent environments and high complexity environments but not highly dynamic environments.
Daily & Johnson, 1997	Firm financial performance	CEO Power: Structural power; ownership power; prestige power; expert power	100 randomly selected Fortune 500 firms between 1987 and 1990	Firm performance is both an antecedent and outcome of a CEO's power. Also, higher levels of firm performance lead to more directorships for the CEO the following year which in turn leads to higher performance in the following two years, as well as to lower proportions of independent directors in the subsequent year.

Adams, Almeida, & Ferreira, 2005	Performance Variability	CEO Power- founder, ownership, tenure, concentration of titles	Fortune 500 firms in 1998 for the years 1992 to 1999.	Stock returns are more variable (worst performance and best performance) for firms with powerful CEOs because the CEOs holds more decision-making power. These results caution against diluting a CEO's power because although the performance will be less variable, the likelihood of good performance will be lower.
Smith, Houghton, Hood, & Ryman, 2006	Operating Margin; Net revenue (per patient bed)	TMT Power	51 Hospitals out of 306 possible in the US hospital industry in 1993.	Power distributions in a firm's top management team influence firm performance such that power inequality is positively associated with firm performance. Further, these teams are generally led by a CEO and executive that hold differences in their industry experience and functional background.
Bach & Smith, 2007	Post-IPO survival	CEO Power- elite education, industry tenure, duality, percent of total shares owned by CEO	91 computer-related firms that had an IPO during 1997 from The WSJ and IPO Data Systems	CEOs with longer industry tenure, equity ownership, and an elite education enhance a firm's post-IPO survival while duality reduces post-IPO survival by 5 years.
Combs, Ketchen, Perryman, & Donahue, 2007	Abnormal returns	Board Composition; CEO power via tenure, ownership, and duality	92 firms on US stock exchange that experienced an unexpected CEO death between 1978-2001.	CEO power moderates the link between the board composition and firm performance relationship. Outside director dominated Boards are needed mainly for powerful CEOs. Less powerful CEOs can be monitored by other managers which should allow for board members to concentrate on other opportunities to improve the firm.
Haynes & Hillman, 2010	Strategic change via strategic variation and strategic deviation	Board capital breadth; board capital depth; CEO power	236 firms from 97 industries (S&P 500 list) in 1998	A powerful CEO moderates the relationships between board capital and strategic change. This suggests that a powerful CEO acts to limit the effect of board heterogeneity on both strategic variation and deviation. Essentially, a powerful CEO may prefer to remain committed to the

				status quo.
Tang, Crossan, & Rowe, 2011	Performance extremeness, strategic deviance	CEO dominance, board power	51 publicly traded firms from the US computed industry between 1997 and 2003	Firms with powerful CEOs are more likely to have deviant strategies which lead to extreme performance (big wins or big losses). However, firms with powerful boards weaken the likelihood of dominant CEOs towards extreme behavior and improve the chances of big wins versus big losses.
Gao & Jain, 2012	Acquired (firm was acquired or not post -IPO); Acquisition premium	Founder CEO; Board composition, CEO duality; CEO tenure	970 firms that conducted an IPO between 1997-2000 as identified in SDC New Issues Database	A change in CEOs (control) post IPO is lower for firms with founder CEOs because founder CEOs are more likely to entrench themselves. Founder led firms also demand and earn higher acquisition premiums for their shareholders as a result of initial entrenchment.
Lewellyn & Muller-Kahle, 2012	Subprime Lending Specialist	CEO structural power, CEO ownership power, CEO prestige power, CEO expert power	Matched pair sample from financial industry; 74 firms total between 1997-2005	A CEO's expert and ownership power increase the likelihood of engaging in subprime lending. Certain aspects such as outside director tenure or level of equity ownership of the top outside owner reduce the influence CEO power holds making it more difficult for the CEO to pursue risky endeavors.
Jiraporn, Chintrakarn, & Liu, 2012	Leverage level	CEO Dominance (CEO pay slice)	7,888 observations from 1,264 firms from COMPUSTAT between 1992 and 2004	CEO power is critical when capital structure decisions are being made for a firm. When the CEO holds a dominant role, the firm adopts lower leverage to possibly evade the disciplinary mechanisms associated with debt financing. Also, when changes are made to capital structure by powerful CEOs, more negative outcomes on performance occur.
Jiraporn &	Corporate Social	CEO Power (CEO pay	4489 firm year	The likelihood of a CEO investing in CSR is

Chintrakarn, 2013	Responsibility (CSR)	slice)	observations from 1995-2007 from 1370 unique firms	associated with the CEO's power. When less powerful CEOs gain power, the engage in CSR. However, as power increases, CSR investment does not until power reaches a certain level whereby investment decreases.
Lee, Park & Park, 2014	Firm Value	CEO Power (CEO pay slice)	6186 firm-year observations between 1993-2011	Normal or 'optimal' levels of CEO power are positively associated with firm value while higher levels or excess levels of power are negatively associated with firm value.
El-Khatib, Fogel, & Jandik, 2015	Cumulative abnormal returns (CAR); Probability of acquisition deal; CEO Turnover	CEO Centrality	All completed mergers between S&P 1500 acquirers and U.S. public targets from 2000-2009; 464 acquirers and 776 acquisition deals	CEOs with high network centrality are more likely to pursue acquisitions and these deals are more likely to destroy value suggesting that increased access to information is not offset by the increased power over Board members centrality provides. Further, highly centralized CEOs are less likely to be dismissed when the acquisition fails.

2.4.1 Effect of CEO Power and Corporate Growth Strategies

Corporate growth strategies entail strategies that pursue horizontal integration, vertical integration and diversification (Robbins & Coulter, 2012). These efforts result in firm expansion and are commonly realized through mergers, acquisitions, and strategic alliances. The influence of CEO power on these strategies has been exemplified in various studies because of the outcomes that such strategies hold on firms where growth strategies have been shown to both have both positive and negative effects. The following discussion is summarized in Table 3 below.

Evidence continues to support how CEOs influence firm performance, and yet, little remains known about *how* this value is actually created (Custodio & Metzger, 2013). Custodio and Metzger (2013) explore how CEOs use their past industry experience (i.e. CEO career path) to bid on firms (takeover) and create value through higher abnormal announcement returns. This is because CEOs choose to bid on targets that are in industries the CEO has previous experience in. Additionally, these more experienced CEOs pay lower premiums. The outcome of such takeovers is 2-3 times higher returns for shareholders in comparison to CEOs lacking target industry experience. As such, one way to combat high information asymmetry is by ensuring that the CEO is an 'industry insider' and by accounting for the CEO's ability to bargain given their career path.

When firms pursue and complete acquisitions successfully, one outcome that CEOs can expect is a bonus. This bonus decision is highly influenced by the firm's Board of Directors. Powerful CEOs typically influence significant Board decisions inclusive of CEO bonuses (Grinstein & Hribar, 2004). This decision is delegated to the Board because of the significant role that power plays in the decision to acquire. For example, powerful CEOs who put forth *more*

effort in acquisition deals and prove successful (i.e. acquisition is completed) receive higher bonus compensations (Grinstein & Hribar, 2004). Interestingly, there is no relationship between compensation and performance of the completed acquisition. Grinstein and Hribar (2004) highlight the potential for overconfidence to seep into decision-making as more powerful CEOs tend to engage in larger acquisition deals relative to the size of their firms. This in turn causes the market to respond negatively given the increased propensity for failure. This evidence is consistent with the argument that managerial power may be a primary driver behind acquisitions and thus CEO bonuses (Grinstein & Hribar, 2004).

Walters and colleagues (2007) note that the key parties in acquisitions decisions are the CEO and the Board of Directors. This is because it is the CEO that makes the decision to acquire and thus assesses the best target, while the Board ensures that the CEO's decisions align with shareholder's interests. Many strategic decisions, inclusive of the decision to acquire, are driven by a CEO's experiences and more specifically, their length of tenure. Walters and colleagues (2007) examine the relationship between CEO tenure and post-acquisition performance and how vigilant boards strengthen this relationship. Their findings suggest a curvilinear relationship between CEO tenure and performance where performance increases as tenure increases and then deteriorates in later years. This is due to the detrimental effects that increased tenure provides through increased levels of CEO power that are associated with strategic rigidity and entrenchment. Their findings confirm the positive benefit of increased Board vigilance via more independent directors for acquisition success. Furthermore, the ideal tenure associated with shareholder returns is eight years confirming Shen's (2003) argument of increased Board monitoring as CEO tenure increases.

Not all decisions to acquire necessarily entail value-destroying motives as Dutta and colleagues (2011) suggest. The authors find that how the market reacts to announcements for mergers and acquisitions is not related to CEO power. This suggests that not all powerful CEOs purposefully make value-destroying acquisitions because such acquisition announcements are not used as a means for exploiting wealth gains (Dutta, MacAulay & Saadi, 2011). Furthermore, varying levels of CEO power influence the likelihood of acquiring, such that CEOs of acquiring firms have significantly higher levels of power than those of non-acquiring firms. This ultimately suggests that power does influence the decision to acquire. Also, CEOs with higher levels of power make more acquisitions that generally increase the size of the firm thereby allowing these powerful CEOs to demand higher levels of compensation.

Chikh and Filibien (2011) also examine how markets react to acquisition announcements by examining the listening determinants CEOs are likely to rely on when interpreting these reactions. The listening determinants used are based on a CEO's power such that CEOs with higher levels of certain dimensions of power (i.e structural power, expert power, ownership power, and prestige power) are more likely to complete an acquisition. Their findings reveal that a CEO's ownership power generally equates to the CEO agreeing with the market's expressions about the acquisition while structural power can both increase and decrease the probability of an acquisition being completed given the market's reaction. A CEO's prestige power bears high influence on whether the CEO listens to the market or not while increased expert power results in less risk-taking and thus fewer acquisitions. Interestingly, CEOs who are emerged in strong networks and are well-connected tend to complete acquisition deals despite negative market reactions. This is likely because of the overconfidence that such networks provide to the CEO.

Other studies examining CEO power's influence on acquisition decisions have additionally considered the influence of CEO overconfidence (Brown & Sarma, 2007). Brown and Sarma (2007) contend that it is equally important to consider a CEO's hubris as it is his/her ability to impose his/her views on these decisions (i.e. CEO power). Ultimately, these authors find that CEO power is just as significant as overconfidence when CEOs are deciding whether or not to undertake an acquisition. Moreover, power is more important to consider and examine when the acquisition seeks to diversify. This type of acquisition is twice as likely to occur for every 10 percent increase in power. These findings ultimately convey the importance of considering not only power, but also hubris given the magnitude of acquisition decisions on firm outcomes. In terms of hubris, Boards with higher independence help to reduce the effect of hubris on power and thus thwart the acquisition decision. These authors suggest that higher Board independence is the solution to combatting the detrimental effects of the power and hubris combination.

In an effort to grow, firms are also able to pursue joint ventures. Joint ventures represent a major strategic decision because both parties to the venture must determine the amount of equity ownership to be held. This relationship was explored in an international context by Hou and colleagues (2013) who examined level of R&D intensity's effect on the percentage of equity ownership. Their findings reveal that because higher levels of R&D intensity pose more of a risk of losing intellectual property, multinational corporations are likely to take higher equity ownership such that a positive relationship exists between R&D intensity and equity ownership. This relationship however is weakened by CEO tenure and CEO compensation and strengthened by CEO stock options compensation suggesting that strategic decisions pertaining to equity

ownership in international joint ventures are highly influenced by CEO characteristics and must be accounted for by monitoring mechanism such as the Board of Directors.

In addition to examining CEO power's influence on firm growth strategies, it is equally important to examine the influence of power on strategies geared towards restructuring. In the following section, CEO power's influence on restructuring strategies is examined. The above discussion is summarized below in Table 3.

2.4.2 CEO Power and Corporate Restructuring Strategies

Corporate restructuring strategies entail strategies that pursue organizational structure change (Bowman & Singh, 1993, Brauer, 2006). These efforts result in firm renewal by increasing efficiency and effectiveness and are commonly realized through divestments, retrenchment, spin-offs, down-scoping, and downsizing (layoffs) (Johnson, 1996). As with corporate growth strategies, the influence of CEO power on corporate restructuring strategies has been explored in numerous studies. These strategies result in both positive and negative effects for the firm's restructuring goals. The following discussion is summarized in Table 4 below.

Restructuring entails strategic change (Johnson, 1996) or corporate refocusing and is generally the outcome of the firm's CEO who is recognized as the primary catalyst of change (Andrews, 1971; Child, 1972; Bigley & Wiersema, 2002). This relationship is understood to be largely influenced by the power CEO's possess (Child, 1972). Bigley and Wiersema (2002) examined the relationship between CEO power and corporate strategic refocusing (change in firm's level of diversification) in the three years that follow a CEO succession event of the heir

Table 3: CEO Power's Influence on Growth Strategies

Study	Dependent Variable(s)	Independent Variable(s)	Sample	Key Findings
Grinstein, & Hribar, 2004	CEO bonus (award paid to CEO associated with M&A deal)	Performance, managerial power (CEO duality, member of nominating committee, proportion of inside board members to outside board members), effort (deal size, time to complete deal, unrelated acquisition or not)	327 U.S. M&As occurring between 1993 and 1999 whose completed deals amounted to $1 billion or more	Managerial power plays a significant role in determining CEO bonus after successful acquisitions such that more powerful CEOs are able to influence board decisions concerning larger bonuses. More powerful CEOs are also more likely to engage in larger acquisition deals relative to the size of their current firm to which the market tends to react negatively. This evidence suggests that managerial power is the main driver behind merger and acquisition bonuses.
Brown & Sarma, 2007	Acquisition conducted	CEO overconfidence; CEO dominance	All firms in Standard and Poor between 1994 and 2003	CEO dominance is important in explaining the choice of diversifying acquisition conducted. The likelihood of an acquisition being completed is lessened when there is a higher proportion of independent board members because these members lessen the effect of the CEO's power and overconfidence.
Walters, Kroll, & Wright, 2007	Cumulative abnormal returns (CARs)	Independent outside directors; blockholder board member ownership; CEO tenure	100 randomly selected acquisitions of publicly traded firms between 1997 and 2001	Curvilinear association between CEO tenure and acquisition profitability; benefits of CEO experience and detrimental effects of CEO's increased power generally associated with entrenchment and strategic rigidity resulting from lengthy tenure suggests that the optimum tenure for shareholder returns is eight years with board vigilance increasing as tenure increases.
Chikh & Filibien, 2011	M&A success (acquisition completed)	Market reaction for M&A announcements, CEO Power	205 French M&A announcements between 01/01/2000 and	Structural power can either increase or decrease the probability to complete an acquisition deal when market reacts

			12/31/2005	negatively because CEOs who are also chair of the board tend to be more self-confident. A CEO with greater expertise power tends to listen to the stock market while prestige power increases the likelihood that an acquisition will be completed even when not market approved.
Dutta, MacAulay, & Saadi, 2011	Cumulative abnormal returns (CARs)	CEO Power (CEO excess pay determined by cash pay and total pay)	Canadian M&A deals occurring between 1997-2005	More powerful CEOs are likely to engage in more M&As (activity) in an effort to increase the size of their firm when the country's legal system is stronger; CEO power is not related to market reactions of M&A announcements implying that powerful CEOs do not necessarily make value destroying.
Custodio & Metzger, 2013	Abnormal announcement returns, real measures for profitability, and premium	CEO experience profile	4,844 mergers between 1990-2007 conducted by 1,854 different CEOs obtained from ExecuComp and Thomson Financial SDC	When a CEO who bids on a takeover has experience in the target's industry, the abnormal returns are 2-3 times higher than for CEOs with no experience. Additionally, experienced CEOs pay on average lower premiums.
Hou, Li, & Priem, 2013	Equity ownership	R&D intensity; Stock option pay; CEO annual bonus CEO tenure	202 IJVs (international joint ventures) in 30 countries obtaining from the SDC between 1993-2003.	R&D intensity and equity ownership have a positive relationship when MNCs are forming their international joint ventures. Further, the CEO's tenure and bonus compensation both weaken this relationship.

apparent (incoming CEO who previously held a position of President or Chief Operating Officer). Their rationale behind exploring this *particular* event was to examine the cognitive orientation of these newly appointed CEOs, and how they would potentially wield their power to affect corporate strategy given their previous position is understood as one of the background conditions that likely shapes strategic preferences. The results revealed that CEOs who held more heir apparent experience pursued less strategic refocusing based on three indicators of power, compensation, functional expertise, and elite education. This study highlights how heir apparent experience (i.e. the stepping stone position to CEO) is a socialized position which in turn influences their perspectives on strategy. As such, this position can be viewed as an indication of the extent to which a CEO is an insider and further, may actually serve as a better indicator than other background characteristics of the newly appointed CEO when determining their strategic orientation. Lastly, this study shows that not all indicators of power may truly capture the elements of a CEO's power as several indicators (number of titles, stock ownership, and founder status) did not properly discriminate among CEOs when assessing their power (Bigley & Wiersema, 2002).

The relationship between CEO power and other forms of restructuring has also been examined in the context of divestitures (Krishnan & Sivakumar, 2004). In this study, Krishnan and Sivakumar (2004) sought to understand both the influence of power on this restructuring choice and the resulting outcomes of this choice on a CEO's power. They note that because increased diversification (i.e. CEOs who pursue more diversification) enhances a CEO's power and status, divestitures should result in less power to these actors. As such, they predict that less powerful CEOs will likely divest more based specifically on their structural power (i.e. compensation) and that such divestitures would decrease the structural power of these actors.

Their findings reveal that certain indicators of power such as elite educational background and number of titles do not predict divestiture and as such, power or lack thereof does not serve as a predictor. However, the aforementioned indicators of power are considered more 'personal' and differ from a CEO's more recognizable structural power. Indicators of structural power were in fact lower for CEOs who pursued restructuring and likewise remained lower for these CEOs after the divestiture was complete.

The decision to divest is also linked to the CEO's career path such that a CEO's familiarity with a segment (i.e. the segment of the firm that may be divested) influences the likelihood of it being divested (Ang, de Jong, & van der Poel, 2014). Essentially, CEOs faced with the opportunity to divest will be more likely divest segments of their multi-segment firm that they are less familiar with (i.e. have no previous experience in the segment or industry) and retain the segment that they have previous experience (i.e. familiarity) with. This is understood because of the information advantage that CEOs are likely to have for familiar segments which allows for a deeper understanding of the segment. Additionally, CEOs are likely to divest segments that do not complement their skills and thus thwart entrenchment. These decisions are additionally influenced by the political power the CEO holds such that longer-tenured CEOs (those with three or more years in the position) accrue not only more experience (i.e. more familiarity that influences their divestment choices), but also greater ability to persuade and implement their preferential divestment choice. As such, a CEO's career path clearly influences a firm's corporate decisions, especially those for corporate divestments.

In divestment decisions, the CEO is often accompanied by various firm stakeholders such that this decision should be viewed as a negotiation and effort to balance power (Zhang, Xia, & Gong, 2014). Zhang and colleagues (2014) contend that any type of diversification that occurs at

the firm level is the consequence of power being balanced between external securities analysts and the aforementioned individuals. As such, divestitures are the CEO's response to an analyst's earnings pressures (i.e. recommendations for the firm that influence investors' opinions about the firm's share prices; Skinner & Sloan, 2002). However, powerful CEOs are less likely to give into these pressures because powerful CEOs rely more heavily on existing corporate strategies.

In addition to divestitures, other studies have similarly explored this relationship focusing on layoffs and how such actions influence CEO compensation (Henderson, Masli, Richardson, & Sanchez, 2010). Henderson and colleagues (2010) contend that as layoffs increase, firms should alter the compensation afforded to CEOs because of the public scrutiny such events draw attention to. Specifically, they find that a CEO's compensation is 'substituted' away from bonus compensation and toward equity compensation when the CEO increases the magnitude of layoffs to be conducted. However, this relationship is altered when the CEO is powerful such that greater power reduces the change in favor of less bonus reduction and increase in equity. Further, these authors conclude that power is not an important indicator of the post-layoff performance firms can come to expect given no difference was found between firms led by powerful and less powerful CEOs. However, these findings confirm that power does hold a significant impact on the compensation these actors are given.

In addition to the type of restructuring action chosen, CEOs must also be weary of the firm's resulting performance given such strategic efforts are geared towards achieving not only efficiency, but also better firm performance. As such, the environment in which a firm conducts its turnaround efforts to revive the firm is likely to influence a firm's performance as argued by Abebe and colleagues (2010). These authors recognize that CEO power can be understood as a double-edged sword in the context of turnaround (Finkelstein & D'Aveni, 1994) and that this

relationship is further complicated by differences in the environment (i.e. under dynamic and stable environments) (Haleblian & Finkelstein, 1993). Specifically, they argue that the environmental condition a firm operates in can either strengthen or weaken the relationship between a CEO's power and the resulting performance of the turnaround efforts. Findings revealed that CEO power is positively related to turnaround efforts in stable environments, but as environmental dynamism increases, a negative relationship can be expected between CEO power and turnaround performance. This curious finding can easily be explained because powerful CEOs are more likely to restrict the flow of available information to the Board and remaining top management team members (Eisenhardt & Bourgeois, 1988). These restrictions may in turn compromise the quality of decisions made concerning resources which ultimately thwarts turnaround efforts. In the following section, I focus exclusively on the types of strategies that can be pursued under efficiency-enhancing and domain-creating corporate strategies. The above discussion of CEO power's influence on restructuring strategies is summarized in Table 4 below.

2.5 Efficiency-Enhancing and Domain-Creating Corporate Strategies

Efficiency-enhancing and domain-creating strategies are two types of strategies that broadly encompass the most widely recognized corporate strategies. As their names may suggest, efficiency-enhancing strategies aim to improve a firm's efficiency and financial position by restructuring while domain-creating strategies aim to expand the scope of the firm and its product market through innovation and/or diversification. Each of these broad strategies is discussed more thoroughly below.

Table 4: CEO Power's Influence on Restructuring Strategies

Study	Dependent Variable(s)	Independent Variable(s)	Sample	Key Findings
Bigley & Wiersema, 2002	Corporate strategic refocusing- percentage reduction of the firm's level of diversification in 3 year period following CEO succession	CEO power- number of titles, compensation, stock ownership, family link to founders, functional expertise, elite education, and number of outside board memberships	61 firms from Forbes 500 between 1990 and 1994 were identified that had a CEO succession event	The relationship between heir apparent experience (time spent as president or COO prior to becoming CEO) and compensation, functional expertise, and elite education interact to predict the extent of corporate strategic refocusing. There was no relationship between a CEO's number of titles, stock ownership, and family link to founders and corporate strategic refocusing. Overall, how a CEO uses his/her power is influenced by their heir apparent experience when predicting the level of corporate strategic refocusing.
Krishnan & Sivakumar, 2004	Divestitures (asset sales and spin-offs)	Top manager's power (personal power and structural power)	36 sales and 10 spin-offs between 1993-1995 found in Mergers and Acquisitions Almanac.	Firms with less powerful top managers in terms of structural power are more likely to divest. Two years after the divestiture occurs, structural power decreases.

Abebe, Angriawan, & Liu, 2010	Corporate turnaround performance	CEO Power- ratio of total cash compensation to average compensation of other TMT members, CEO duality, number of CEO's corporate and nonprofit board appointments, founder status; Degree of environmental dynamism	98 U.S. manufacturing firms that experienced serious performance decline and performance turnaround between 1990 and 2000 identified from COMPUSTAT	Results support a negative relationship between CEO power and turnaround performance as the degree of environmental dynamism increases. CEO power is positively related to turnaround performance in stable environment and negatively related to turnaround performance in dynamic environments.
Henderson, Masli, Richardson, & Sanchez, 2010	Magnitude of layoff intensity	CEO compensation: Bonus compensation and equity compensation; CEO power (CEO tenure, duality, centrality)	588 S&P firms that report layoffs between 1992-2004	A CEO's bonus compensation decreases and equity compensation increases as the magnitude of layoffs increases. More powerful CEOs experience less of a decrease in their bonus compensation and a larger increase in equity compensation. Also, there is no difference in post-layoff performance between firms led by more powerful and less powerful CEOs.
Zhang, Xia, & Gong, 2014	Extent of down-scoping/ Change in business segment concentration	Earning pressures; CEO power; mutual fund holdings; director ownership	Firms present on S&P 1500 index for at least one year between 1998-2009	As analyst's earning pressures increase, the extent of down-scoping increases. This relationship is weakened by powerful CEOs.

Ang, de Jong, & van der Poel, 2014	Divestitures (non-familiar segments and familiar segments)	CEO political power; CEO familiarity	266 firm years from 121 firms (134 CEOs total) comprising of 923 segment years from the SDC database between 1996-2004 that have at least two business segments and divested	CEOs are less likely to divest assets with which they hold familiarity or experience with than they are with assets they hold little familiarity with. This effect is stronger when the CEO holds longer tenure (3 or more years) because of the likely political power he/she has accrued. This political power allows the CEO to push his/her preferential decisions concerning which asset to divest.

2.5.1 Overview of Efficiency-Enhancing Strategies

Efficiency-enhancing strategies encompass strategies that seek to restructure the firm. This strategy allows firms to "change its set of business or its financial structure" and thus focus on fewer markets and/or products (Hitt et al., 2013, p. 213). While this strategy is generally utilized by firms that may have acquired erroneously, firms can also restructure when they detect changes in their external environments (Diestre & Rajagopalan, 2011) that they believe may provide ample opportunities. Restructuring consists of "significant and rapid change along one or more of three dimensions: assets, capital structure, or management" (Ruigrok, Pettigrew, Peck, & Whittington, 1999, p. 42). Alternatively, Bowman and Singh (1993) devised a simple framework by which restructuring efforts can be classified: financial restructuring in which the firm's debt, governance structure, and/or relationships held with the firm's shareholders changes; portfolio restructuring in which the firm's scope of businesses change such as divestitures; and organizational restructuring in which the firm's structure, processes, and/or people change. Examples of restructuring efforts within this umbrella strategy consist of downsizing, cost and asset retrenchment, and down-scoping.

Downsizing strategies allow for a reduction in the number of employees a firm has (Hitt et al., 2013). This intentional and purposeful set of activities allows management to improve organizational efficiency, productivity and/or competitiveness by reducing the workforce and processes (Cameron, Freeman, & Mischra, 1993). This proactive strategy allows for firms to regain efficiency and improve organizational performance through the reduction in redundancies and inefficiencies (Cameron et al., 1993). Firms may also choose to retrench or reduce the costs and/or eliminate assets (Robbins & Pearce, 1992). There are two means by which firms can retrench that include asset retrenchment and cost retrenchment. Asset retrenchment is the

reduction of assets (such as plant closings) while cost retrenchment is a reduction in costs (such as cost of goods sold or interest expenses) (Morrow, Johnson, & Busenitz, 2004).

Finally, a firm can choose to down-scope. Down-scoping refers to "eliminating businesses that are unrelated to a firm's core businesses" and is generally accomplished by divestitures or spin-offs (Hitt et al., 2013, p. 213). Some conditions that precede down-scoping include changing environmental conditions and ineffective strategy as well as poor firm performance (Johnson, 1996).As such, like downsizing, down-scoping allows the firm to improve its performance and gain efficiency because the firm is able to refocus on its core business (Nicolai, Schulz, & Thomas, 2010; Johnson, 1996). This strategy includes divestitures or the sale of an existing business, sell-offs which occurs when the divested assets become part of another firm's portfolio, and spin-offs which involves the creation of a new publicly traded corporation (Desai, Nixon, & Wiggins, 1999; Rosenfeld, 1984).

2.5.2 Overview of Domain-Creating Strategies

Domain-creating strategies consist of strategies that seek to grow the firm by expanding the firm's scope into new geographic and/or product markets or through innovation. Common growth strategies include mergers and acquisitions or strategic alliances such as joint ventures. A merger strategy enables two firms to "integrate their operations on a relatively coequal basis" while an acquisition strategy enables a firm to "buy a controlling or 100 percent interest in another firm" (Hitt et al., 2013, p. 195-196). Firms pursue mergers and acquisitions (hereafter simply acquisitions) for four primary reasons. These reasons include value creation, value destruction (i.e. managerial self-interest), environmental factors, and firm characteristics (Haleblian, Devers, McNamara, Carpenter, & Davison, 2009). Value creation reasons include desire for market power or more value for customers, efficiency or reduce the costs associated

with value creation, resource redeployment, and market discipline (discipline ineffective management). Value destruction (i.e. destruction of shareholder value) stems from management's preoccupation with maximizing self-interest, and includes reasons such as compensation and managerial hubris. Environmental factors that drive acquisition behavior include environmental uncertainty and regulation, imitation and resource dependence, and network ties. Lastly, some firm characteristics that motivate acquisitions include acquisition experience and firm strategy and position.

Whereas mergers and acquisitions provide permanent access to other firm's resources, strategic alliances provide temporary access for partners (Das & Teng, 1999). Strategic alliances "are voluntary cooperative inter-firm agreements aimed at achieving competitive advantage for the partners" through the exchange or sharing of resource and capabilities (Das & Teng, 2000, p. 2000, 1999; Gulati, 1995, 1998). This strategy is more commonly pursued when a firm finds it too costly or difficult to conduct business on its own. This strategy is generally viewed as risky however with success that is often unrelated to either partner's efforts (Das & Teng, 1999). Essentially, firms pursue alliances to help strengthen their competitive position which is achieved by enhanced market power (Kogut, 1991), increased efficiency (Ahuja, 2000), access to new capabilities and/or resources (Rothaermel & Boeker, 2008), and entrance into new markets (Garcia-Canal, Duarte, Criado, & Lanneza, 2002).

2.6 Chapter Summary

The power distribution among a firm's top executives is unequal such that a firm's CEO is allotted the most power (Finkelstein, 1992). Power is a necessary and crucial component for CEOs that allows them to exert their direct influence over strategic decisions concerning the firm. CEO power is comprised of four unique dimensions that allow the CEO to combat the most

uncertainty, both externally and internally (Finkelstein, 1992). Because each dimension accrues differently, each affords the CEO distinctive opportunities to influence their strategic decision-making (see Table 1). Initially, a CEO's structural power was thought to be the greatest contributing source to a CEO power (Hambrick, 1981). However, as more recent studies have revealed, all dimensions must be considered and accounted for when determining a CEO's influence via his/her power. In examining the antecedents of CEO power, both industry and network determinants are identified as is the relationship between CEO power and Board power. These antecedents shape the consequences of CEO power such that power is understood to directly influence firm performance (see Table 2). CEO power influences more than just performance however as numerous studies have explored the effect of CEO power on corporate strategies. In this chapter, I reviewed two primary corporate strategies, growth and restructuring, and the influence that power has on them (see Table 3). Understanding the influence of power on both strategies and resulting outcomes (i.e. performance) allows for a comprehensive understanding of power's influence on a firm. In the next chapter, the comprehensive research model along with the associated hypothesized relationships will be discussed.

CHAPTER III

THEORY AND HYPOTHESES DEVELOPMENT

This chapter presents the major theoretical foundations and research model of the dissertation. In the next section, the theoretical foundations of the dissertation will be discussed with a specific emphasis on prospect and agency theories. Following that, the formal research model of the dissertation including the relationships among CEO power, alternative corporate strategies and firm performance will be presented in section 3.2. Sections 3.3 and 3.4 include discussion of specific hypotheses among the major concepts in the dissertation. The relationship between alternative corporate strategies and firm performance will be discussed in Section 3.5. Finally, the chapter concludes with a summary of proposed hypotheses.

3.1 Theoretical Foundations

This dissertation draws from two theoretical perspectives in order to discuss the overarching theme of executive decision-making in the context of risk. The term risk is used to describe situations in which both outcomes and the probabilities that those outcomes may occur are known (Knight, 1921; Holmes, Bromiley, Devers Holcomb, & McGuire, 2011). Individuals vary significantly in their attitudes toward risk (Child, 1974; Eisenhardt, 1989). This theme draws from the prospect and agency theories that have been shown to be complementary (Wiseman & Gomez-Mejia, 1998).

3.1.1 Prospect Theory: Executive Decision-Making under Risk

The prospect theory is both a behavioral and decision-making theory that seeks to explain how an individual's decision-making likely deviates from normative models of decision-making (Einhorn & Hogarth, 1981; Holmes et al., 2011) in the context of risk. These normative models outline how individuals *should* make decisions and the *actual* decisions that are made. This deviation highlights the differences that occur under risk such that firms operating in the domain of losses are risk seeking whereas firms that are trying to protect their gains are risk averse (Kahneman & Tversky, 1979). In this sense, risk seeking is the preference towards probabilistic outcomes with greater expected value and risk aversion is the preference towards sure outcomes to probabilistic outcomes with greater expected value (Kahneman & Tversky, 1979; Holmes et al., 2011).

The prospect theory helps to explain how firms that are experiencing performance distress (i.e. when performance falls below acceptable levels) behave or react to the perception of threat or decline due to the psychological consequences brought on by such distress (Bowman, 1982; Fiegenbaum, 1990). Essentially, decision makers that are facing losses (below the target return level) are risk seeking whereas decision makers that are facing gains (above the target level) are risk averse (Kahneman & Tversky, 1979; Tversky & Kahneman, 1981). In other words, decision makers that are facing losses are more likely to engage in risk seeking behavior. This is best explained as firms behave as risk takers when their performance falls below a particular mark (Bowman, 1982; Fiegenbaum & Thomas, 1988). Essentially, individuals "do not like to lose" (Edwards, 1954; p. 396). This reflects an additional assumption of the prospect theory that says that individuals are loss averse, or prefer minimizing losses instead of

maximizing equivalent magnitude gains (Holmes, et al., 2011). In other words, individuals weigh gains and losses asymmetrically (Acharya & Pollock, 2013).

Evolving from findings of earlier behavioral decision research, the prospect theory emphasizes the biases that individuals introduce into decision-making as they depart from the confines of bounded rationality. Prior to the prospect theory, no theory had rationalized *individual* risk taking (Holmes et al., 2011). Moreover, the application of prospect theory to higher levels of aggregation is cautioned against (Holmes et al., 2011). As such, this theory is a descriptive theory, not a normative theory (Tversky & Kahneman, 1992), emphasizing individual behavior and not behavior of organizations (Holmes, et al., 2011). However, while this theory predicts behavior, it is fairly silent on the underlying cognitive processes behind them (Holmes et al., 2011).

Behavioral models of decision-making (i.e. prospect theory) assume that the risk preferences and risk-taking behavior of individuals change as problems change (i.e. the framing of the problem) (Wiseman & Gomez-Mejia, 1998; Kahneman & Tversky, 1979; Lant, 1992; Sitkin & Weingart, 1995). Essentially, individuals adopt a mixture of risk-averse and risk-seeking behaviors meaning they are not uniformly risk averse (Fiegenbaum & Thomas, 1988). Alternatively, agency theory assumes choices and behaviors remain consistent across all problems. In other words, where prospect theory assumes that individuals *sometimes* evidence risk-seeking behavior/choices rather than risk-averse behavior/choices when returns are below target, agency theory assumes that decision-makers are risk averse consistently (Wiseman & Gomez-Mejia, 1998; Holmes et al., 2011). Essentially, prospect theory replaces the assumption that agents are risk averse with the assumption of loss aversion (Wiseman & Gomez-Mejia, 1998).

3.1.2 Agency Theory: Decision-Making and Managerial Opportunism

Agency theory concerns the relationship that develops when a principal (i.e. shareholders; owners) grants authority to an agent (decision makers; top management) to act on behalf of the principal's best interest such that the principal becomes affected by the decisions of the appointed agent (Jensen & Meckling, 1976). This theory suggests that the principal's welfare may not be maximized because the agent and the principal hold different predispositions toward risk (Wright, Ferris, Sarin, & Awasthi, 1996). This is because principals are generally risk-neutral whereas agents are risk averse (Eisenhardt, 1989). Like the prospect theory, this theory focuses on the individual (Wright, Mukherji, & Kroll, 2001).

Essentially, the agent-principal parties hold different preferences toward risk, which means they may desire different actions thus becoming problematic (Eisenhardt, 1989; Shapiro, 2005). Principals remain risk-neutral given their ability to diversify their holdings across various firms (Wiseman & Gomez-Mejia, 1998) while agents remain risk averse because their employment and compensation are undoubtedly tied to the firm's wellbeing (Donaldson, 1961). In other words, when agents or managers endure too much risk, they become risk averse in an effort to reduce uncertainty in the firm's performance thereby not affecting their managerial position (Holmstrom, 1979; Wright, et al., 2001; Shapiro, 2005). However, this separation of ownership and control can potentially lead to agents indulging in self-interested actions as a result of the additional firm-specific knowledge and expertise such agents likely hold over far removed principals (Mizruchi, 1988). These actions may benefit only the agent and not the principal hence, many modern corporations implementing monitoring mechanisms to ensure this does not occur. One of these mechanisms is the Board of Directors (Fleischer, Hazard, & Klipper, 1988).

Both prospect and agency theories are useful in explaining decisions made by managers. For example, one such decision concerns executive compensation and why compensation does not always guarantee that executive behavior will align with shareholders' interests. Normally, this stream of research adopts an agency perspective in which agency theorists advise shareholders to tie a portion of the executive's compensation to the firm's returns in an effort to discourage executive risk aversion (Devers, Cannella, Reilly, & Yoder, 2007; Jensen & Meckling, 1976). Eisenhardt (1989) however suggests that the prospect theory may help to inform agency theorists on executive compensation given that individuals sometimes exhibit risk-seeking behavior as noted by the prospect theory (Holmes et al., 2011). Interestingly, Wiseman and Gomez-Mejia (1998) integrated these two theories into the behavioral agency model (BAM) to help explain how executives are actually loss averse. In terms of their compensation packages, executives utilize these plans to create reference points in which they determine whether the firm is experiencing gains or losses from their incentives that are tied to the stock price.

Other studies that incorporate these two theories have examined the decision to "escalate commitment to failing projects" or abandon a project (Sharp & Salter, 1997). The findings suggest that the inclination of a manager to escalate a project is partly determined by culture such that individualistic cultures can be explained by agency conditions whereas collectivistic cultures cannot. Agency and prospect theory have also been used to explain organizational bankruptcy (D'Aveni, 1989). One study proposed a model in which firms (i.e. debtors) with low liquidity and high leverage signal to others that they are unpredictable partners. In order for these firms to survive, an acceptable level of financial and managerial (i.e. managerial prestige) assets must be maintained. Firms that are unable to do so cause creditors to withdraw their support. Agency

theory explains that bankruptcy is the result of shareholder-creditor conflict that is left unresolved. Alternatively, prospect theory suggests that when firms fall below the minimum level of required assets, not all firms must declare bankruptcy. Instead, bankruptcy can be delayed by developing hope. This strategy is successful because creditors, in an effort to avoid significant losses, will take on more risk in a firm than they may have otherwise. In the next section, the formal research model and two primary ways through which CEO power influences strategic decision-making and firm performance are discussed.

3.2 Dissertation Research Model

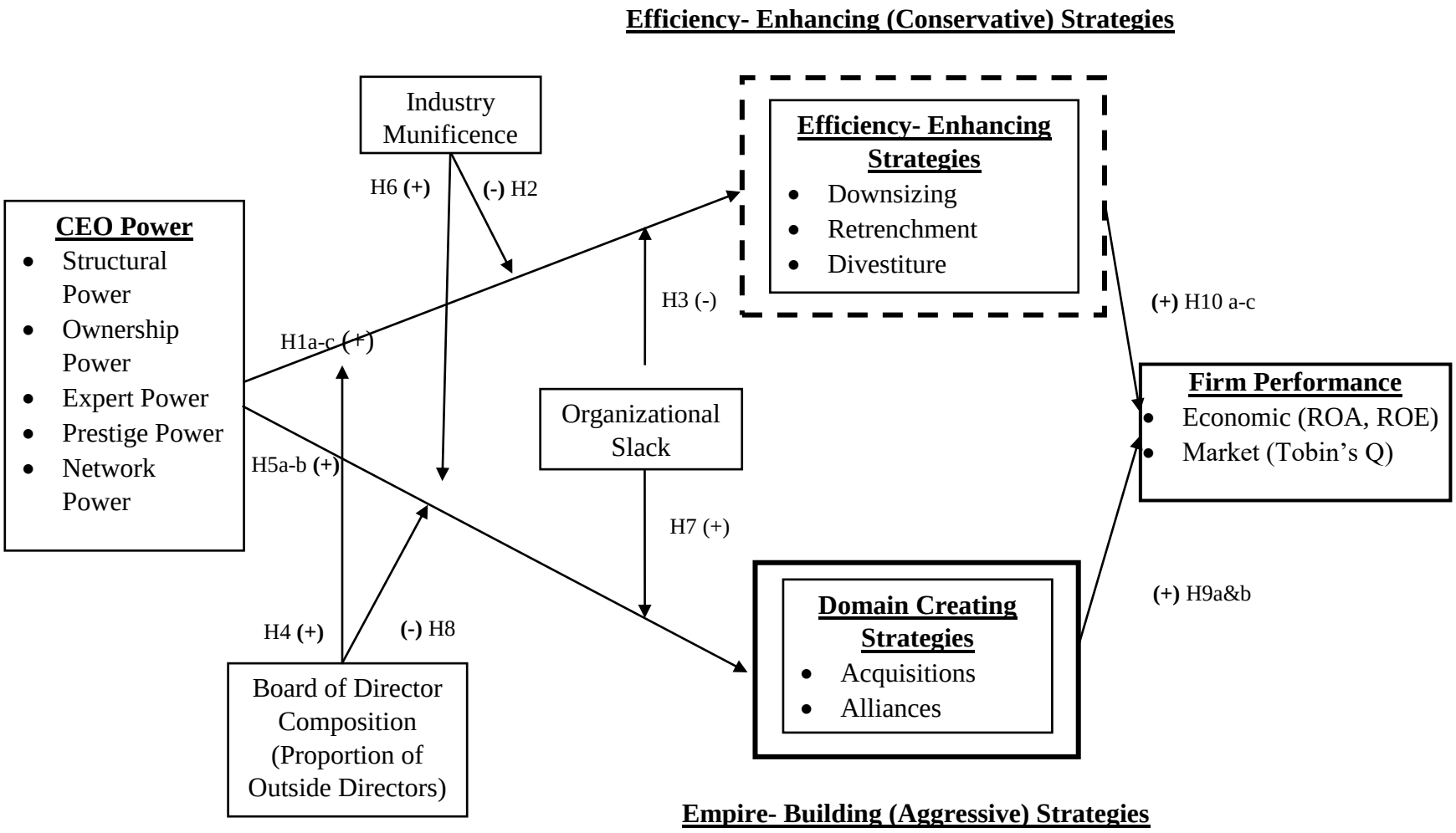
Figure 1 below presents the dissertation's research model. In this dissertation, I argue that CEO power influences decision-making and corporate strategy such that powerful CEOs are inclined to emphasize either efficiency-enhancing strategies or domain-creating strategies. This choice in turn influences both economic and market measures of performance. Moreover, such choices change when certain contextual factors are accounted for such that decision-making can be interpreted under perceptions of risk. It must be noted that powerful CEOs accrue their power not only through their positions within the firm (i.e. structural power) or their equity ownership (i.e. ownership power), but also in part through the decisions they make. As such, powerful CEOs tend to disproportionately narrow their focus on specific strategies such that these strategies can be understood as either achieving efficiency or growth for the firm. In explaining how powerful CEOs choose which type of strategies to pursue, I delineate two perspectives that exemplify how power likely influences decisions made. These two perspectives are efficiency-enhancing (conservative) and empire-building (aggressive). Below, focus is drawn first to efficiency-enhancing strategies followed by domain-creating strategies.

3.3 CEO Power and Efficiency-Enhancing (Conservative) Strategies

CEOs, especially those that are regarded as powerful, are generally expected to behave opportunistically in an effort to both remain powerful and accrue *more* power (Fama & Jensen, 1983). These opportunistic efforts generally manifest because of differences between the CEO's and the shareholders' desires. Such behaviors *generally* seek to grow the firm and result in poor firm performance. However, as evidenced in Tables 3 and 4, behavior undertaken by powerful CEOs is not restricted to one type of strategy. As such, the behavior that results from powerful actors should not be thought of in the previously limited scope of growth but expanded to increase behaviors that seek more conservative strategies as well. For example, Bertrand and Mullainathan (2003) contend that not all managers in the absence of adequate monitoring (i.e. increased Board vigilance) pursue goals that do not align with shareholders' interests. This is because managers under 'reduced discipline' may actually prefer "to enjoy the quiet life" and avoid risk (i.e. not increase firm size via acquisitions) (Bertrand & Mullainathan, 2003, p. 1043). This suggests that powerful CEOs may actually avoid certain strategies that in turn produce outcomes necessitating higher levels of monitoring. This risk avoidance has been evidenced in investment strategy choices as CEOs sometimes adopt 'more conservative' strategies in an effort to protect their personal interests at the expense of potentially high returns desired by shareholders (Lambert & Larcker, 1985).

While past research contends that more tenured CEOs are likely to have more conservative attitudes and thus adopt a more conservative strategic outlook (Musteen, Barker, & Baeten, 2006; Puffer & Weintrop, 1991), I contend that this view is limited and does not include the full scope of a CEO's power and the influences such power hold on strategic decision-making. Instead, conservative CEO actions should be understood as taking on a "narrower view

Figure 1: Dissertation Research Model



of [the] firm, centered on the creation of financial value for shareholders" (Briscoe, Chin, & Hambrick, 2014). As such, powerful CEOs are more likely to behave conservatively in an effort to retain and further grow their power. Past research argues that aggressive managers pursue strategies that do not necessarily create value for the firm (Masulis et al., 2007; Jensen, 1986). By this reasoning, CEOs that are conservative should generally pursue strategies that *do* create value for the firm. However, this contention does not account for a CEO's power. Powerful CEOs do not wish to hinder their power because power "plays a key role in decision-making…[as] executives' preferences are expressed when they hold powerful positions" (Haynes & Hillman, 2010, p. 1151). Essentially, in order for a CEO to be able to be aggressive or conservative in their actions, they must hold power. Next, I explain why powerful actors are likely to pursue more conservative strategies such as restructuring strategies.

I propose that as CEOs become more powerful, they are more likely to pursue efficiency-enhancing strategies. This is because these powerful CEOs are focused on the firm's short-term orientation (Rappaport, 2005). This focus yields quicker outcomes for the firm's financial position which in turn helps to improve shareholder value. As such, powerful CEOs are less likely to be questioned by shareholders if their actions seek conservative strategies. These efficiency strategies include "cost-cutting strategies" and "asset reduction strategies" (Hofer, 1980; Hambrick & Schecter, 1983). I term these types of strategies 'efficiency-enhancing' because they seek to accomplish the opposite of growth (i.e. the firm contracts or consolidates). As such, these efficiency-enhancing strategies constitute restructuring strategies. Restructuring strategies focus on improving the firm's short-term gains which aligns with the short-term orientation that powerful CEOs hold. Many past restructuring efforts arose because firms became too large or too diversified (overexpansion and over-diversification) to the point that the original

structure of the firm was no longer efficient (Bethel & Liebeskind, 1993). Research also highlights that restructuring generates value for the firm's stockholders because improvements are made to the firm's operating performance, reductions in agency costs, and alterations to managerial incentives (Smart & Waldfogel, 1994).

Three types of restructuring strategies are considered, downsizing, retrenchment, and divestitures. Downsizing is the "set of managerial actions taken by firms aiming to adjust to environmental changes, overcome management difficulties, improve efficiency, increase productivity, and competitiveness" (Tsai & Yen, 2008, p. 368; Cameron, 1994). This strategy reduces the firm's size by altering the workforce, costs, and or work processes (Cameron, 1994). This type of restructuring "is a deliberate organizational decision to reduce the workforce that is intended to improve organizational performance" (Appelbaum, Lavigne-Schmidt, Peytchev, & Shapiro, 1999, p. 437). Tsai and Yen (2008) contend that these efforts reflect a firm's desire to increase its competitive advantages and develop technologies. Essentially, downsizing may be undertaken in a proactive and anticipatory effort by the firm's primary decision-maker (Cameron, 1994).

Downsizing can also be pursued in an effort to be perceived as legitimate via institutionalized norms (Tsai & Yen, 2008) suggesting that firms downsize because other firms within the industry are doing so. This argument would support a powerful CEO's downsizing efforts as powerful CEOs, more so than less powerful CEOs, seek legitimacy in the external environment (Finkelstein, 1992). Increases in downsizing efforts have begun to highlight "the value of smallness and minimalism, the value of reductions in size and resources in order to achieve effectiveness, and the value of continuous downsizing as an ongoing and unavoidable organizational strategy" (Cameron, Freeman, & Mishra, 1993, p. 24). Downsizing improves

worker competencies and more efficiently utilizes employee capabilities (Appelbaum et al., 1999) as well as cause share prices to significantly increase because of reductions in payroll and other costs. Furthermore, "executives are able to better predict future costs than future revenues" so lowering costs is a good starting point done through downsizing (Cascio, 1993, p. 538). Downsizing as an efficiency-enhancing strategy is accompanied by retrenchment.

Retrenchment is "the reduction of costs and/or the elimination of assets as a means of increasing firm efficiency" (Morrow, Johnson, & Busenitz, 2004, p. 190; Robbins & Pearce, 1992). There are two types of retrenchment, cost and asset. Cost retrenchment overlaps with layoffs (i.e. downsizing) as it is a reduction in cost. Asset retrenchment is defined as a reduction in assets, long-term and/or short-term, and consists of plant closings and reduction in property, equipment, or inventory (Morrow et al., 2004; Robbins & Pearce, 1992). In this strategy, assets are completely eliminated thereby increasing firm efficiency and focus (Morrow et al., 2004). This strategy is especially useful in gaining back efficiency as lack of efficiency is easily generated from underperforming assets and unnecessary capacity.

Lastly, powerful CEOs may choose to pursue restructuring strategies that result in divestitures, or the sale of an existing business. This strategy differs from asset retrenchment in that the entire business segment is eliminated. Interestingly, divestitures result in increased product prices for all firms in a market and are thus commonly pursued by competing conglomerates that hold complementary product lines (Tan & Yuan, 2003). Such divestiture actions have also been positively associated with a manager's career loyalty (Vijh, 2002; Brauer, 2006). As such, this strategy may be especially useful to conservative and powerful CEOs who wish to regain their firm's efficiency and prove their commitment to the firm (Brauer, 2006).

The above argues that not all powerful CEOs will pursue aggressive strategies as some are likely to pursue more conservative strategies. This is because powerful CEOs focus on short-term outcomes and short-term gains (Rappaport, 2005). This focus aligns with the short-term focus of restructuring strategies. Accordingly, these conservative efforts will thus result in pursuance of efficiency-enhancing strategies. I contend that coupled with power, these conservative CEOs will choose strategies that are geared towards improving the firm's efficiency and performance in an effort to yield quicker outcomes for the firm's financial position. This is especially likely because positive performance aides powerful CEOs in both the maintenance and growth of their power. After all, power entails getting something done the way one wants it to be done (Salancik & Pfeffer, 1977). Furthermore, pursuing strategies that improve shareholder value makes the CEO a less likely candidate for shareholder opposition. Thus, powerful CEOs who are conservative in their strategic efforts will pursue efficiency-enhancing strategies as follows:

H1: The degree of CEO power is positively related to the use of efficiency-enhancing (conservative) strategies.

Specifically,
H1a: The degree of CEO power is positively related to the use of downsizing strategies.
H1b: The degree of CEO power is positively related to the use of retrenchment strategies.
H1c: The degree of CEO power is positively related to the use of divestiture strategies.

3.3.1 Industry, Organizational and Governance Moderators

Several factors have been shown to influence both decision-making and levels of risk taken (Goodstein, Gautam, & Boeker, 1994; Singh, 1986; Bourgeois, 1981). Attention is drawn to these factors because of their potential to enhance or constrain performance implications.

Below, a brief overview of the industry, organizational, and governance level contexts are provided as follows.

3.3.2 Industry Level: Industry Munificence

Munificence refers to the extent to which an environment can support growth (Dess & Beard, 1984). Environments with greater levels of munificence hold fewer constraints on firms than environments with resource constraints (Tushman & Anderson, 1986). Because this type of environment does not suffer from lack of available resources, competition within the industry is relaxed (Caves, 1977; Boyd, 1990). Furthermore, firms within this type of environment generally hold higher profitability and are able to generate slack resources (Nielsen & Nielsen, 2013; Keats & Hitt, 1988). Likewise, firms within industries that exhibit low munificence face high competition because such industries have limited growth potential and limited resources (Stoel & Muhanna, 2009; Castrogiovanni, 1991).

Previous studies have found that munificent environments present opportunities for firm expansion despite competition being more relaxed (Keats & Hitt, 1988). Furthermore, munificence influences the type of foreign entry mode a firm chooses given the required equity of each mode and availability of resources (Kuzmicki & Kramer, 1994). Chen and Martin (2001) find that the choice of international expansion is first determined by whether the domestic market holds sufficient expansion opportunities (i.e. munificence). Priem and colleagues (1995) suggest that less than optimal decisions made by a firm's top management team in munificent environments receive fewer penalties than in non-munificent environments. This suggests that the decision process should be altered or modified to fit the type of environment.

I propose that environmental munificence weakens the relationship between the degree of CEO power and efficiency-enhancing strategies for the following reasons. In munificent

environments, CEOs recognize the ample growth opportunities available given the increase in resources the firm can obtain (Caves, 1977; Boyd, 1990). Furthermore, firms within this type of environment are generally more profitable (Nielsen & Nielson, 2013; Keats & Hitt, 1988). This suggests that the firm is operating in the domain of gains as oppose to the domain of losses (Kahneman & Tversky, 1979). Pursing strategies that seek to restructure the firm may be construed as unnecessary given the general inclination of the industry is growth. This is especially true given that CEOs in this type of environment can more easily increase their power by pursing growth strategies rather than by pursuing restructuring strategies. While growth strategies may be construed as risky in general, the environment is more forgiving under conditions of high munificence (Priem et al., 1995).

This is not to suggest that all firms in munificent environments will pursue growth strategies. Instead, I merely suggest that pursing efficiency-enhancing strategies may not be as attractive as a strategy for a powerful CEO given the environment allows for such growth opportunities. CEOs in munificent environment should view their firm as operating in the domain of gains (Kahneman & Tversky, 1979). As such, CEOs in munificent environments can be expected to be risk averse in that they will try to protect the firm's gains (Kahneman & Tversky. 1979). Pursuing efficiency-enhancing strategies may therefore jeopardize the firm's gains. Furthermore, these actors do not want to forfeit the position they worked so hard to obtain. Essentially, these powerful individuals do not want to *lose* such that they become loss averse in an effort to minimize potential losses (Holmes et al., 2011). As such, under conditions of high munificence, it is less likely that powerful CEOs will choose to pursue efficiency-enhancing strategies. Essentially, in a munificent environment, the relationship between CEO

power and efficiency is weakened because these actors may not see such strategies as necessary or desirable.

Engaging in efficiency-enhancing strategies may actually hinder their power. It should be noted that while pursuing efficiency-enhancing strategies *should* grant the firm 'gains', loss aversion notes that individuals prefer minimizing any possible losses (Holmes et al., 2011) which may result in high munificent environments. As explained earlier, when firm performance is high, it is likely that the CEO's power is also high (Combs et al., 2007). In an effort to protect his/her power and the firm's gains, this actor is expected to become risk averse (Kahneman & Tversky, 1979). This means that these actors will not pursue strategies that place them or their firms in jeopardy. Thus, when levels of industry munificence are high, the relationship between a CEO's power and efficiency-enhancing strategies will be weakened. Accordingly, I propose the following hypothesis:

H2: The level of industry munificence negatively moderates the relationship between degree of CEO power and efficiency- enhancing strategies such that under levels of high industry munificence, powerful CEOs will be less likely to pursue efficiency-enhancing strategies.

3.3.3 Firm Level: Organizational Slack

Slack is defined as "the cushion of actual or potential resources which allows an organization to adapt successfully to internal pressures for adjustment or to external pressures for change in policy, as well as to initiate changes in strategy with respect to the external environment" (Bourgeois, 1981, p. 30). Essentially, slack is the pool of resources within a firm that are in excess of the minimum necessary to produce a given level of output (Nohria & Gulati, 1996). As such, slack serves several functions that include providing resources for conflict resolution, ability to deploy a buffer when the firm is facing risk (Singh, 1986), and greater

political activity (Bourgeois & Singh, 1983). Slack allows firms to "hang in there" during turbulent times (Sharfman, Wolf, Chase & Tansik, 1988) such that it absorbs fluctuations in the external environment (Singh, 1986).

A firm's slack also serves as a facilitator of strategic behavior such that slack allows for creative behavior to ensue such as experimentation with new strategies (Hambrick & Snow, 1977) that result in new products or services. More recent studies have tied a firm's slack to its innovative efforts finding that too much or too little slack hinders innovation (Nohria & Gulati, 1996). This finding confirms suspicions of a paradox where slack is both a form of inefficiency yet essential for innovation. As such, slack holds a curvilinear relationship with innovation. Similarly, Tan and Peng (2003) find a curvilinear relationship between slack and performance. This is explained by the additional separation of slack into absorbed and unabsorbed. Absorbed slack pertains to slack that is tied up in the firm's current operations thus making it difficult to redeploy, while unabsorbed slack pertains to resources that are not yet committed otherwise and thus easily deployable (Sharfman et al., 1988).

In addition to industry munificence, powerful CEOs must also account for the firm's level of organizational slack. This is because slack allows the firm to experiment with new strategies (Hambrick & Snow, 1977) given that slack serves as a buffer should the firm face any risks (Singh, 1986). Furthermore, firms that hold slack are understood to be performing well (Tan & Peng, 2003; Cyert & March, 1963) and thus are able to pursue a multitude of different strategies. As such, slack is generally present in firms that compete in munificent industries indicating that ample growth opportunities are available for such firms (Nielsen & Nielsen, 2013; Keats & Hitt, 1988). Essentially, these firms should they choose to do so, are able to pursue

growth strategies for two reasons: the environment supports such growth and the firm has ample resources to do so.

When slack is high, not all strategies may be attractive to a powerful CEO. For example, efficiency-enhancing strategies are desirable when seeking to overcome efficiency problems (Hofer, 1980) or to improve organizational performance (Appelbaum et al., 1999). Alternatively, these strategies may be pursued when the firm wants to increase its competitive advantages or develop new technologies. Although efficiency-enhancing strategies (such as retrenchment) are universally necessary and desirable (Pearce & Robbins, 1993), there exist certain conditions that do not necessitate the use of this type of strategy—when the firm has sufficient slack already. This is especially true given that this type of strategy reduces a firm's resources.

The above is not intended to imply that a firm with high levels of slack will pursue growth strategies (i.e. the opposite of efficiency-enhancing strategies) necessarily. Instead, it merely suggests that a powerful CEO may be less inclined to pursue efficiency-enhancing strategies when slack is high. After all, efficiency-enhancing strategies seek to reduce the size of the firm in order to increase the firm's performance. The CEO may decide that retrenchment, divestitures and downsizing are not necessary for the firm at this time given that high levels of slack serve to indicate the firm is performing well (i.e. above target). In an effort to protect the firm's gains, the powerful CEO will become risk averse (Kahneman & Tversky, 1979) and thus not pursue any strategy that may offset the firm's performance. This avoidance may include strategies that seek to reduce the size of the firm such as efficiency-enhancing strategies. As such, high levels of organizational slack will weaken the relationship between CEO power and efficiency-enhancing strategies. Accordingly, I propose the following hypothesis:

H3: The level of organizational slack negatively moderates the relationship between degree of CEO power and efficiency- enhancing strategies such that under high levels of organizational slack, powerful CEOs will be less likely to pursue efficiency-enhancing strategies.

3.3.4 Governance Level: Proportion of Outside Directors

Finally, another context that must be considered when examining powerful CEOs and their influence on decision-making is the proportion of outside members on the Board of Directors. Past research is mixed on the relationship between Board composition and firm performance. There does appear to be some consensus that more outside directors help to curtail CEO power (Beatty & Zajac, 1994; Westphal & Zajac, 1995; Lewellyn & Muller-Kahle, 2012). This relationship is sometimes interpreted as higher Board independence suggests CEOs have less power (Lewellyn & Muller-Kahle, 2012). Furthermore, past literature suggests that as CEO power increases, more stringent vigilance by the firm's Board of Directors lessens (Walters et al., 2007). This is because more powerful CEOs are viewed as legitimate and more capable of attending to the competitive demands and contingencies of the firm (Pfeffer & Salancik, 1978).

A firm's Board of Directors is tasked with ensuring the CEO's decisions, among other efforts, align with shareholder interests. The literature on the composition of a firm's Board of Directors is somewhat mixed on what proportion of inside members to outside members should exist for optimal firm performance (Dalton, Daily, Ellstrand, & Johnson, 1999). One view contends that effective Boards will contain greater proportions of outside directors (Dalton, Daily, Ellstrand, & Johnson, 1998). This is because outside directors are believed to provide greater benefits to the firm given their independence from the firm's management. While support for this argument exists (Ezzamel & Watson, 1993), an opposing view suggests that because inside directors are more trustworthy (Donaldson, 1990), a higher proportion of inside directors

(as oppose to outside directors) would be more beneficial (Kesner, 1987). And yet there remains argument that no optimal mix exists in relation to both decision-making and firm performance as several studies have concluded (Daily & Dalton, 1992, 1993).

The Board's composition of outside members to inside members is crucial to consider because of its implications for firm decision-making, more specifically the ability of the CEO to make decisions (Adams, Hermalin, & Weisbach, 2010). The Board of Directors serves as a source of information for a firm's shareholders to ensure that top executive opportunism is monitored (Fama & Jensen, 1983). As such, boards serve as monitoring devices that ensure CEO and shareholder interests align (Finkelstein & D'Aveni, 1994). This is especially because "a powerful CEO threatens the independent judgment of the Board" (Haynes & Hillman, 2010, p. 1150; Dalton & Kesner, 1987). Current executives within the firm comprise of the inside directors, and are generally considered allies of the CEO (Weisbach, 1988; Withers, Hillman, & Cannella, 2012). These members are appointed by the current CEO while outside directors are only nominated by the current CEO (Boeker, 1992). Outside members differ in their vigilance. This is because their focus lies on financial performance in the form of stock market data to evaluate top management's performance making them more likely to dismiss a CEO following poor performance (Combs, et al., 2007; Finkelstein & D'Aveni, 1994). This proportion varies per firm because the level of discretion afforded to each CEO varies such that CEO power is negatively related to the level of monitoring (Finkelstein et al., 2009). This is because the proportion of outside members increases with the level of CEO power (Fama & Jensen, 1983) given that Boards that host a higher proportion of inside members allow the CEO to accrue stronger bases of power (Daily & Johnson, 1997). Outside Board members tend to rely more heavily on short-term accounting and stock market data when evaluating a CEO's performance.

This provides the CEO with a strong incentive to avoid investments that have long-term paybacks or high risk (Combs et al., 2007; Baysinger & Hoskisson, 1990).

An outside-dominated Board is considered more capable of acting against a powerful CEO because their employment is not linked to the firm (Combs et al., 2007). By this is meant that outside members are not hesitant to question the strategic choices of a powerful CEO regardless of how much power said CEO holds. Johnson and colleagues (1993) note that outside Directors are actually more likely to suggest 'controversial decisions' such as significant divestitures. These authors contend that as the ratio of outside members to total members on the Board increases, so too does the Board's probability of involvement in restructuring decisions. In general, there exists a positive relationship between the proportion of outside Board members and Board involvement in major strategic decisions (Johnson, Hoskisson & Hitt, 1993; Judge & Zeithaml, 1992). Higher outside Board membership generally indicates that the TMT holds lower levels of equity in the firm. In an effort to ensure that adequate monitoring is preserved, more outside members are appointed to the Board. This suggests that outside members will be more apt to approving efficiency-enhancing strategies in an effort to ensure that the desires of stockholders are met accordingly.

Hoskisson and colleagues (1994) contend that outside Directors heighten a manger's risk aversion such that managers should pursue strategies that are not construed as risky. This is because outside Directors generally focus more on the financial outcomes of the firm and are thus less likely to understand the complexity of strategic decision-making. As a result, managers are forced to accept more of the risk in their decisions. In other words, managers are less likely to pursue strategies that outside members may deem risky. It can be argued that efficiency-enhancing strategies are better understood and accepted by outside Board members because of

the outcomes that these strategies produce for the firm and the firm's stakeholders. Essentially, Board members are less likely to question strategies that yield efficiency such as downsizing and retrenchment. Because these two efficiency-enhancing strategies generate value for the firm's stockholders as well as reduce agency costs (Smart & Waldfogel, 1994), Board of Director members, especially outside, are likely to approve. I argue that powerful CEOs do not want to attract additional attention from the Board of Directors, especially if the Board is comprised of more outside members. Therefore, it is unlikely that powerful managers will pursue strategies that signal to the Board of Directors that an increase in vigilance is needed. Strategies that attract the Boards attention may include those geared towards growth. Additionally, as noted earlier, Boards comprised of outside members increase a CEO's risk aversion. Therefore, it can be argued that CEOs will pursue strategies that are construed by these members are less risky. This conception of less risky in the eyes of outside Directors equates to strategies that they are able to understand as increasing performance, or those such as efficiency-enhancing which increase the firm's short-term performance through firm size reduction. Therefore, pursuing efficiency-enhancing strategies is less likely to alarm outside members. As such, the proportion of outside members will strengthen the relationship between CEO power and efficiency-enhancing strategies as follows:

H4: The proportion of outside to inside members on the Board of Directors positively moderates the relationship between degree of CEO power and efficiency-enhancing strategies such that under higher proportions of outside members, powerful CEOs will be more likely to pursue efficiency-enhancing strategies.

3.4 CEO Power and Domain-Creating (Aggressive) Strategies

Given power, CEOs are presented with two contrasting options of how to exercise their power where some powerful CEOs choose to avoid risk and increased Board vigilance in an effort to seek efficiency, and other powerful CEOs choose to grow their firm. The powerful actors that choose growth over efficiency are generally less concerned with risk and vigilance as they continually and consciously disregard the interests of the firm's shareholders (Jensen, 1986). CEOs that pursue growth in this manner engage in *empire-building* through the misuse of the firm's free cash flow (i.e. organizational slack) (Stoltz, 1990). One common tool for empire builders is expanding the firm's assets through mergers and acquisitions (Baumol, 1959). Hope and Thomas (2008) note that excessive growth and investment are two forms of empire building that a firm can undergo. For example, conglomerate mergers are frequently explained in terms of empire-building motives (Amihud & Lev, 1981).

"Empire-building preferences predict heightened managerial acquisitiveness" (Malmendier & Tate, 2008, p. 4). This can be understood given the outcomes of acquisitions for CEOs that include higher compensation. A CEO who acquires in an effort to 'empire-build' prefers larger targets because a CEO's compensation is determined by the size of the firm (Morch, Schleifer, & Vishny, 1990) or because said CEO is likely to gain more power and prestige (Avery, Chevalier, & Schaefer, 1998). Empire-building is generally reflective of an executives' "hunger for status, power, compensation, and prestige" (Hope & Thomas, 2008, p. 6). As noted, empire-building is not simply motivated by growth maximization as Rhoades (1983) introduces two alternative motivations of profit and power as possible explanations for this type of behavior. Additionally, in an effort to remain as the firm's primary decision-maker, CEOs may engage in empire building to negate the possibility of being dismissed (Hill, Hitt, &

Hoskisson, 1988). As such, empire-building may be tied to a CEO's characteristics (Wulf, 2004) such as CEO power. Given that the CEO is the primary decision-maker responsible for combating the most uncertainty for a firm, empire-building may be related to the degree of uncertainty the firm is facing (Kannianinen, 1998). By this is meant that firms facing higher degrees of uncertainty may provide better incentives for CEOs to pursue empire-building. Because this dissertation examines powerful CEOs, empire-building is determined to be motivated by CEO power. Accordingly, managers that pursue strategies that are geared towards growth are generally considered aggressive (Mausulis et al., 2007; Stultz, 1990). This is especially true for powerful CEOs who derive their motivation to empire build from their level of power. Empire builders engage in domain creating strategies (Ford, 1985). Ford (1985) contends that decision-makers choose this type of external response strategy when they seek to focus on domain manipulation. Specifically, domain creation "supplements current domains with new domains through acquisitions, joint ventures, or geographical expansion (Miles, 1982)" (Ford, 1985, p. 772). Domain-creating strategies are thus strategies that seek growth through acquisitions and alliances.

An acquisition is a strategy whereby a firm buys a controlling or 100 percent interest in another firm with the intent of making the firm a subsidiary (Hitt, Ireland, Hoskisson, 2005). Acquisitions significantly influence the future path of an organization as a growth strategy because they are understood as a means of value creation, value destruction (managerial self-interest), or the result of environmental factors (Haleblian, McNamara, Carpenter, & Davis, 2009). All acquisitions are inherently risky as some are successful and others fail. Despite this, acquisitions continue to thrive as a popular vehicle for expansion because they hold the ability to radically transform the size and profile of a firm (Grant, 2001; Barney, 1991). Acquisitions are

driven by both synergistic and managerial motivations. Synergistic acquisitions occur when the combined value of the two firms is greater than the sum of the individual firms (Bradley, Desai, & Kim, 1988; Seth, 1990). This type of acquisition fuels gains through increases in efficiency and may allow a CEO to become a market leader from increases in market power. Alternatively, acquisitions motivated by managerialism occur to maximize the utility of the CEO instead of the firm's shareholders. This occurs because CEOs are afforded discretion to embark on empire building reflective of the CEOs self-interest (Hope & Thomas, 2008).

Another viable option for empire-builders is to pursue strategic alliances. A strategic alliance is a type of cooperative strategy in which firms combine their resources and capabilities so as to create a competitive advantage (Hitt, Ireland, Hoskisson, 2005). Like acquisitions, alliances carry their own risk (Das & Teng, 2001). Alliances fail significantly more than single firms do because of the required cooperation between the firms and the possible emergence of managerial opportunism (Das &Teng, 2000, 2001). Despite the inherent risk of both acquisitions and alliances, empire-builders are more concerned with growing the size of the firm rather than maximizing returns (Marris, 1964; Aoki, 1984; Jensen, 1988). Coupled with power, empire-builders are more likely to seek aggressive strategies such as domain-creating strategies that allow the CEO to increase the size of the firm. This is especially true given that executive characteristics influence the strategic decisions made withing the organization (Boeker, 1997; Wally & Baum, 1994; Hitt & Tyler, 1991; Hambrick & Mason, 1984). Given such power, empire-building CEOs are especially apt to pursuing aggressive domain-creating strategies as follows:

H5: The degree of CEO power is positively related to the use of domain-creating (aggressive) strategies.

Specifically,

H5a: The degree of CEO power is positively related to the use of acquisition strategies.

H5b: The degree of CEO power is positively related to the use of alliance strategies.

3.4.1 Industry, Organizational and Governance Moderators

As with conservative CEOs, empire-builders must also consider certain factors that may influence their decisions and levels of risk they are likely to take (Goodstein, Gautam, & Boeker, 1994; Singh, 1986; Bourgeois, 1981). At the industry level, munificence is examined, at the organizational level, slack and at the governance level, proportion of outside directors is examined.

3.4.2 Industry Level: Industry Munificence

Whereas munificence weakens the relationship between conservative CEOs and efficiency-enhancing strategies, it has a different influence on empire builders pursuing domain-creating strategies. Whether an industry is munificent or not affects how firms grow and whether they survive (Aldrich, 1979; Castrogiovanni, 1991; Dess & Beard, 1984). This is because munificent environments support growth and have abundant resources available to firms (Dess & Beard, 1984). These resources are especially useful in domain-creating strategies because of the growth potential these aggressive strategies seek. Munificent environments enable firms to accrue slack resources, which may help to fund strategic activities (Wan & Hoskisson, 2003) such as growth. Essentially, the level of munificence dictates the available strategic choices for a firm's decision-maker (Castrogiovanni, 1991; Rajagopalan, Rasheed & Datta, 1993).

For example, munificent markets are viewed as "especially attractive" during acquisition waves (McNamara, Haleblian, & Dykes, 2008). Because firms desire growth, acquiring during

high levels of munificence is ideal. Empire-builders may also be more likely to acquire in this type of environment given that less than ideal outcomes are more likely to be forgiven (Priem et al., 1995). Alliances are also attractive in munificent environments because of the increased availability of resources for firms to share. Alliances are also perceived as 'easier' in this type of environment because resource competition is low (Park & Mezias, 2005). Agency theorists view acquisitions as reflections of managerial opportunism because top managers pursue acquisitions in an effort to retain their positions. This is especially likely when the firm has large free cash flows (i.e. more available resources or slack) because the firm itself becomes an attractive target (Mitchell & Lehn, 1990). Thus, CEOs in munificent environments are likely to utilize their additional resources to acquire so as to not become a target (Palmer & Barber, 2001). As such, the relationship between powerful empire-builders and domain-creating strategies is strengthened in munificent environments as follows:

H6: The level of industry munificence positively moderates the relationship between degree of CEO power and domain-creating strategies such that under high levels of industry munificence, powerful CEOs will be more likely to pursue domain-creating strategies.

3.4.3 Firm Level: Organizational Slack

Like munificence, organizational slack is also expected to strengthen the relationship between CEO power and domain-creating strategies. Past research suggests that the level of slack has a direct or moderating influence on a firm's strategic actions (Cheng & Kesner, 1997). For example, Jensen (1986; 1993) contends that firms with high levels of slack often pursue unrelated acquisitions or other forms of investment. This is easy to understand because slack serves as a buffer if the firm is facing risk (Singh, 1986). Essentially, firms with ample levels of slack are able to retain some resources to serve as a buffer meanwhile pursuing aggressive

growth strategies such as acquisitions and alliances. Powerful CEOs are likely to pursue such strategies because these strategies lead the firm to become a market leader, and thus allow the CEO to accrue more power and fulfill empire-building motives. However, higher levels of slack such as high cash flow make the firm an attractive candidate for a takeover because once acquired, the firm's cash can be used to pay off any financing used to fund the takeover (Davis & Stout, 1992). As such, with higher levels of slack, a powerful empire-builder will pursue more domain-creating strategies so as to not become a target. Pursuing more acquisitions and alliances will increase the size of the firm making it more difficult to takeover meanwhile reducing some of the firm's available slack. As with munificence, this pursuance is generally aggressive and not in line with the desires of the firm's shareholders. As such, given organizational slack, the relationship between degree of CEO power and domain-creating strategies will be stronger as follows:

H7: The level of organizational slack positively moderates the relationship between degree of CEO power and domain-creating strategies such that under high levels of organizational slack, powerful CEOs will be more likely to pursue domain-creating strategies.

3.4.4 Governance Level: Proportion of Outside Directors

Lastly, the proportion of outside directors is examined to determine their influence on domain-creating strategies. The board of directors holds a prominent role in the decision process for both acquisitions and alliances in addition to the role of the CEO (Walters et al., 2007). This is because of potential agency issues in which powerful CEOs utilize their power to fulfill acquisitions that may not be in the best interest of the shareholders. This agency problem may be alleviated by the Board of Directors given that these members serve as a source of information

for shareholders to ensure that top executive opportunism is monitored (Fama & Jensen 1983). As noted, outside directors help to combat CEO power (Beatty & Zajac, 1994) given the higher levels of discretion over decision-making these actors hold. These outside directors are likely to monitor the CEO more carefully because empire-builders pursue risky strategies (i.e. acquisitions and alliances). As a result, the presence of outside members is likely to decrease the pursuance of these risky strategies. Thus, the proportion of outside members of the Board of Directors will weaken the relationship between CEO power and domain-creating strategies as follows:

H8: The proportion of outside to inside members on the Board of Directors negatively moderates the relationship between degree of CEO power and domain creating strategies such that under higher proportions of outside members, powerful CEOs will be less likely to pursue domain-creating strategies.

3.5 Domain-Creating Strategies and Firm Performance

CEOs, as the firm's primary decision-maker, are tasked with the duty to not only formulate the firm's strategies, but to also ensure that the chosen strategies result in promising performance. As such, this relationship can be understood as the CEO choosing a strategy (i.e. strategy formulation) that he/she believes will result in optimal performance (i.e. above-average returns) (Hitt et al., 2013). Therefore, understanding the relationship that the chosen strategy is *expected* to have on firm performance is necessary. Below, I discuss the reasons why powerful CEOs pursue domain-creating strategies to influence firm performance.

Scholars can expect powerful CEOs to pursue domain-creating strategies for several reasons. The primary reason stems from the expectation of this type of strategy to increase the size of the firm. Essentially, growth (i.e. diversification) positively influences firm performance

(Walters et al., 2007; Frienstein & Hribar, 2004; Dutta et al., 2011) which in turn contributes to the CEO's level of power (Daily & Johnson, 1997). Additionally, firms pursue growth strategies because of their ability to increase the firm's market power (Hitt et al., 2013; Haleblian et al., 2009). Increased market power may additionally provide for power to the CEO given the increased size of the new firm. If enough market power is obtained, said firm may become a market leader (Hitt et al., 2013). Market leading CEOs may be able to gather additional power from the prestigious recognition of this position.

Not all growth strategies however are driven by the desire to create value for the firm. Sometimes, growth strategies are pursued to fulfill managerial self-interest such as compensation needs (Haleblian et al., 2009). As discussed (refer to Table 1), a CEO's compensation contributes to his/her structural power which affords the CEO more discretion over matters concerning the firm. This is because growth strategies increase the size of the firm and larger firms command more compensation for the CEO. While powerful CEOs recognize the inherent risk in such growth strategies, this risk is lower when compared to developing new products (Hitt et al., 2013). Powerful CEOs do not necessarily want to encounter situations where they cannot estimate the outcomes easily, especially because a part of their power is derived from good firm performance. As such, it is easier to gauge the potential outcomes for acquisitions than it is for new product development (Hitt et al., 2013). Additionally, acquisitions provide more immediate 'gratification' and visibility for the CEO by which the CEO can command higher levels of power.

Firms may also opt to pursue growth strategies because of the additional slack that follows. By this is meant, that better performance produces more slack (Singh, 1986) which in turn may allow powerful CEOs to engage in other higher risk strategies (Iyer & Miller, 2008).

These extra resources can potentially help outweigh the costs associated with new product development should the firm decide to pursue internal and external growth simultaneously. Lastly, growth strategies allow the firm to enter both foreign and new product markets more easily with less risk. Through joint ventures or cross-border acquisitions, firms are able to partner or enter different countries more easily given the increased global competitiveness (Hitt et al., 2013). Given the above arguments, I suggest that domain-creating strategies will positively influence a firm's performance as follows:

H9: Domain-creating strategies will be positively related to firm performance.

Specifically,

H9a: Acquisition strategies will be positively related to firm performance.

H9b: Alliance strategies will be positively related to firm performance.

3.6 Efficiency-Enhancing Strategies and Firm Performance

The influence of a powerful CEO on firm performance has been extensively examined in the strategic management literature (Adams et al., 2005; Combs et al., 2007; Haynes & Hillman, 2010). This is because a CEO's power stems partly from firm performance (Daily & Johnson, 1997) because CEOs who remain in office are understood to be 'doing something right' and are thus afforded the opportunity to increase their power. This relationship is realized because CEOs, as the firm's primary decision-maker, are tasked with choosing the firm's strategy and as such, directly influence the firm's performance (Finkelstein, 1992). Efficiency-enhancing strategies, such as downsizing, retrenchment, and divestitures are expected to positively influence a firm's performance.

This is because these strategies aim to reduce a firm's costs (Cameron, 1994) and improve efficiency (Tsai & Yen, 2008). Essentially, cost-cutting improves the firm's financial

'bottom line' which in turn provides better returns for shareholders. Combined, these actions improve the firm's performance as are the firm's share prices expected to significantly increase (Appelbaum et al., 1999). Together, these actions can be expected to also increase a CEO's level of power.

For example, downsizing efforts that seek efficiency have a positive outcome on sales growth, corporate reputation, labor productivity, and even R&D investments (Datta et al., 2010). More specifically, downsizing results in improved performance (i.e. ROA) (Yu & Park, 2006; Espahbodi, John & Vasudevan, 2000). Such layoffs even increase a CEO's compensation (Henderson et al., 2010) which is tied to the CEO's structural power (see Table 1). Similarly, if the firm is not performance optimally, pursuing divestitures may help to restore corporate efficiency and thus improve performance (Brauer, 2006). Divestitures may ensue if the firm is excessively diversified because the firm is no longer efficient and thus produces negative synergies (Bergh, 1995, 1997). Restructuring strategies help the firm achieve efficiency and even, in some cases, regain financial health. As such, I expect efficiency-enhancing strategies to be positively related to frm performance. These improvements and expectations for a firm as a result of efficiency-enhancing strategies will be related to how a firm performs as follows:

H10: Efficiency-enhancing strategies will be positively related to firm performance.

Specifically,

H10a: Downsizing strategies will be positively related to firm performance.

H10b: Retrenchment strategies will be positively related to firm performance.

H10c: Divestiture strategies will be positively related to firm performance.

3.7 Chapter Summary

In this chapter, I explore two alternate manners in which CEO power influences strategic decision-making and further, how three specific contexts influence this decision. I contend that powerful CEOs may engage conservatively or aggressively in their strategic decisions. Specifically, I hypothesize that powerful CEOs who are conservative are likely to pursue efficiency-enhancing strategies whereas powerful CEOs who are aggressive are likely to pursue domain-creating strategies. These relationships are altered when industry munificence is high, organizational slack is high, and the proportion of outside members of the Board of Directors is high. Both efficiency-enhancing and domain-creating strategies positively affect the firm's performance.

CHAPTER IV

METHODOLOGY

In the following chapter, I discuss the methodological issues of this dissertation. This discussion will include all research design techniques used including but not limited to the target sample and sampling procedures, variables measures and operationalizations, estimation techniques, as well as the statistical assumptions and checks that must be consulted to gauge the appropriateness of the selected procedures. Ensuring that the appropriate methodology is used allows for proper testing of the hypotheses and generalizability of the findings to occur.

4.1 Research Approach

The first choice when determining the proper research approach is to assess whether the study will use a quantitative or qualitative research design. In the current study, I employ a quantitative research design and thus use empirical data for my analysis. This type of research design allowed me to generate causal explanations. Using a qualitative design is inappropriate given hypotheses have already been generated and is thus not exploratory (Kerlinger & Lee, 2000). Additionally, my findings are generalizable whereas in qualitative research, the research is subjective and not generalizable. As such, my study is confirmatory in which my objective was to explain and predict not explore and discover as in exploratory research.

Next, I determined whether I had to collect primary or secondary data. There are several differences between these types of data including how the data are collected (i.e. surveys or secondary data) and the purpose for its collection. Furthermore, these differences vary according to whether the data are quantitative or qualitative. As noted, my study will employ a quantitative research design. Accordingly, I used secondary data sources for two reasons. First, secondary data provides the necessary data to answer my research questions. The choice of data sources has to fit with the research questions under consideration. Second, secondary data are relatively inexpensive to obtain and can be gathered in reasonably short time period because the data sources already exist. Finally, secondary data is more appropriate for examining a longitudinal dataset as I do in my study. Primary data is unnecessary given that my variables are measured objectively.

4.2 Target Sample and Sampling Procedures

In order to determine my sample population for this study, I first examined the samples of closely related studies. Many strategic management studies derive their populations from one of two indices- the Fortune 500 or Standard & Poor 500 (S&P 500). These two indices are commonly used because they contain a wide range of large firms and industries that are characterized by substantial variation in strategies pursued and profitability. Essentially, both lists contain a mixture of manufacturing and service firms. This is important to consider given the nature of my study. By this is meant that some variables may be less appropriate or common for service firms (i.e. domain-creating strategies). Within each list, there are manufacturing firms that are known for pursuing both efficiency-enhancing and domain-creating strategies. I will briefly explain the composition of each index below.

The Fortune 500 is a list of the 500 largest U.S. firms by annual sales. While no firms on this list are subsidiaries, not all firms are publicly-traded (A total of 9 firms are privately held). Fortune magazine ranks these firms according to their total revenue during each fiscal year. The resulting list is a combination of the largest public and private firms ordered by their gross revenue. The composition of this list currently is as follows: 93 firms (45%) are in manufacturing sectors (SIC codes 20-39), 22 firms (11%) are in service sectors (SIC codes 70-89), 21 firms (10%) are in transportation and public utilities (SIC codes 40-49), 43 firms (21%) are in wholesale and retail trade (SIC codes 50-59), and 16 firms (8%) are in finance, insurance and real estate (SIC codes 60-67). Because of the low level of corporate strategic activities, I do not utilize agriculture, forestry and fishing or mining and construction.

In contrast, the S&P 500 includes the 500 largest publicly-traded firms listed on the New York Stock Exchange or Nasdaq Composite according to eight primary criteria. These criteria include liquidity, sector classification, length of time publicly traded, market capitalization, domicile, public float, listing exchange, and financial viability. The composition of this list currently is as follows: 103 firms (51%) are in manufacturing sectors (SIC codes 20-39), 22 firms (11%) are in service sectors (SIC codes 70-89), 19 firms (9%) are in transportation and public utilities (SIC codes 40-49), 29 firms (14%) are in wholesale and retail trade (SIC codes 50-59), and 16 firms (8%) are in finance, insurance and real estate (SIC codes 60-67). Because of the low level of corporate strategic activities, I do not utilize agriculture, forestry and fishing or mining and construction.

4.2.1 Final Sample

In order to ensure that my sample consisted of an appropriate combination of both service and manufacturing firms, I created a customized dataset that drew from both the S&P 500 and

Fortune 500 indices. This allowed me to maximize my chances of obtaining a sufficient number of firms for my sample. It should be noted that many firms overlapped in these two indices. As such, after eliminating overlapping firms, 653 firms remained. The following steps were taken to further finalize my sample:

- The first elimination step included ensuring all firms had an SIC Code between 2000-8999. This ensured that firms in the 'Agriculture, Forestry, and Fishing' (SIC Code 0100-17999) as well as 'Public Administration' (SIC Code 9100-9999) sectors were eliminated. This eliminated 46 firms.
- The next step for the remaining 607 firms consisted of determining the firm's age. Because the time period began in 2003, firms that were incorporated after 1998 were eliminated as they are at the very early stage of development and therefore are less likely to pursue large scale corporate strategies. Consequently, 221 firms were removed from the sample.
- The remaining 386 firms were next examined for the study's independent variable (CEO Power). This was done by downloading information on sample firms' CEOs for the time period 2003-2006 (Time Period 1). Firms that either had no CEO data available, missing CEO data, or more than 2 CEOs during this time period were removed. This resulted in 107 firms being eliminated from the sample.
- The next step consisted of gathering the control variable data for the remaining 279 firms. Due to missing or insufficient data, 44 firms were additionally removed. This resulted in my final sample of 235 firms.

Accordingly, my final sample met the following criteria:

- All sample firms are U.S-based. Firms must be U.S.-based to avoid heterogeneity in my sample (i.e. homogeneity is desirable). Homogeneity in my sample allows for better comparability across firms especially given that this sample consists of both manufacturing and service firms.
- All sample firms are active and publicly-traded in the major stock exchanges during the time of data collection. Firms had to be publicly-traded so that I had better access to information on corporate governance and performance. Additionally, private firms may pursue different objectives than public firms.
- The sample included both manufacturing and service firms to ensure that both domain-creating and efficiency-enhancing strategies are observed as manufacturing and service firms tend to emphasize the use of certain strategies more than others.
- All sample firms were at least five years or older. It is important to ensure that firms were at least 5 years of age in the sample so that they would likely pursue either corporate strategy.

The final sample of 235 firms comprise of 132 unique 4 digit SIC Codes. Within the sample, 109 firms were present with SIC Code 2000-3999 "Manufacturing' (46.38% of total sample, 28 firms from SIC Code 4000-4999 'Transportation, Communications, Electric, Gas and Sanitary Services' (11.91% of total sample), 45 firms from SIC Code 5000-5999 'Wholesale Trade' (19.15% of total sample), 36 firms from SIC Code 6000-6799 'Finance, Insurance, and Real Estate' (15.32% of total sample), and lastly, 17 firms from SIC Code 7000-8999 'Service' (7.23% of total sample). While the sample was heavily weighted with 'Manufacturing' firms (46.38%), this is not surprising given the composition of the Fortune 500 and S&P 500 are 45% and 51% 'Manufacturing'.

4.2.2. Sampling Time Window

Due to the nature of my study, I had two time periods spanning from 2003 to 2007 in which data was collected (See Figure 2). I choose this time frame to ensure that I would have ample time to observe the hypothesized relationships. It is important to note that I stopped my data collection time window at 2007 because of the recessionary time period that began at the end of 2007 (December 2007). During periods of recession, corporate strategies are likely to be affected such that growth strategies will decline and restructuring strategies will increase. For example, given economic hardship faced by firms in all industries, layoffs (i.e. restructuring strategy) are more likely to occur (BLS, 2012). In an effort to ensure that my data was free from external influences in the external environment, I stopped data collection in 2007. Period 1 drew from 2003- 2006 and period 2 used data from 2007.

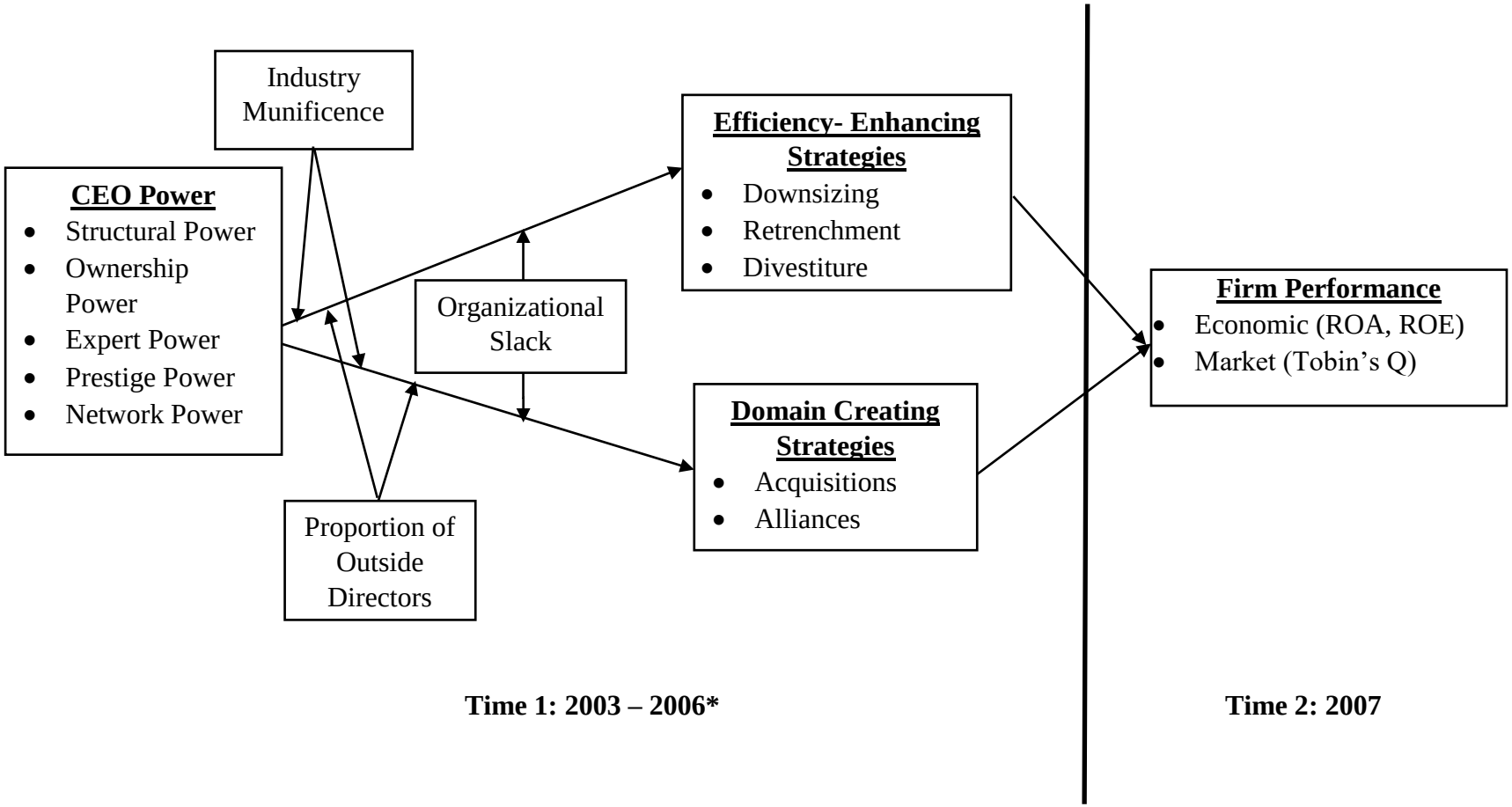
4.3 Measures and Variable Operationalizations

Figure 2 below presents the time period within which each variable's data was collected. I begin with the variables to be measured in Time 1, followed by Time 2. This discussion is summarized in Table 6 below. Before each period is examined, I explain why these two time periods were chosen. Much strategy literature notes that in order to properly determine the effects of strategic leadership on strategic decisions (i.e. strategies), a time lag is needed to properly observe these effects (Mitchell & James, 2001). The same rationale applies for observing the effects of strategies on a firm's performance. As such, the time lag between Time 1 and Time 2 is one year. A one-year lag has been shown as adequate time to observe the effects of leadership on decision-making and decision-making on performance. In this time period, data was collected for CEO Power, Industry Munificence, Organizational Slack, Proportion of

Outside Directors, efficiency-enhancing strategies, and domain creating strategies. The time frame is four years total. The length for this window will be explained later in this section.

CEO Power. Power has multiple sources such that it is considered multifaceted (Finkelstein, 1992). It is important to note that these formal sources of power are objective and thereby easier to capture. The dimensions of power used herein were conceptualized and empirically validated by Finkelstein (1992) using archival sources. There exist four total dimensions of power that include structural, expert, ownership, and prestige power. The aforementioned dimensions of power have been used by various researchers (see Table 1). In this dissertation, I use these four dimensions as well as one additional dimension of network power. As discussed in section 2.1 (and evidenced in Table 1), CEO's are able to additionally accrue power from their network. The network basis of power allows CEOs to gather power from connections that sit external to the firm (Brown et al., 2009). This dimension is operationalized by a CEO's network centrality and network ties. I contend that this dimension is different from a CEO's prestige power. Prestige power captures education and both corporate and nonprofit Board membership of the CEO. I further argue that when Finkelstein (1992) derived these original four dimensions, little research had focused on network power and as such, was not considered a viable dimension. Given the increasing interest in networks, I captured the network basis of CEO power in addition to the four dimensions. As such, separating prestige power to include only CEO's elite education and not their external Board appointments in other organizations.

Figure 2: Data Collection Window for Study Variables



*Control variables were collected prior to Time 1 in 2002

memberships, will allow me to better capture the effects of a CEO's network and interpret this dimension of power accordingly. This is especially true given the differences that a CEO's elite education and external board appointments hold. Accordingly, for this dissertation, I measured CEO power as structural power, expert power, ownership power, prestige power, and network power. The following discussion on the individual measures for each dimension follows beginning with structural power.

Structural Power. The measures used to capture a CEO's structural power are CEO duality and CEO compensation. CEO duality is present when the CEO is also the Chairperson of the Board; it represents a form of formal authority (Finkelstein, 1992). I used a dummy variable with a value of 1 if the CEO is also a Chairperson of the board of directors and a 0 otherwise (duality = 1) (Boyd, 1995; Daily & Dalton, 1994; Abebe et al., 2010). The duality literature notes that CEOs who are also Chairperson command higher levels of power (Daily & Johnson, 1997) and hold more influence over strategic decision-making (Adams et al., 2005). This is because these actors are able to manipulate and control information accessed by board members which consequently influences decisions. Additionally, these actors may be able to form alliances within the Board that make vigilance difficult (Finkelstein & D'Aveni, 1994). The second measure used to capture a CEO's structural power was CEO compensation (Boyd, 1994; Westphal & Zajac, 1994; Daily & Johnson, 1997; Bigley & Wiersema, 2002). This measure captured the pay differential present between the CEO and other top managers (Finkelstein, 1992). Higher levels of CEO compensation relative to other top members signals increased levels of power over the Board of Directors because the Board determines the CEO's pay (as well as the pay of other executives) (Boyd, 1994). CEO compensation was measured by dividing the cash compensation of the CEO by the cash compensation of the next highest paid executive in

the firm (Bigley & Wiersema, 2002). Cash compensation was measured as the sum of the actor's (CEO or executive) bonus and salary (Finkelstein, 1992). Higher values signify higher levels of CEO power. Data for these measures were collected for each firm between 2003 and 2006. These measures are part of a composite score for power. All measures were obtained from each firm's proxy statements, *Mergent Online and ExecuComp databases.*

Ownership Power. The measure used to capture a CEO's ownership power was founder status. Founder status exerts massive influence over firms (Boeker, 1989) such that CEOs who are founders or co-founders gain implicit control over the Board (Finkelstein, 1992). This dummy variable took a value of "1" if the CEO was also the founder (or one of the founders) of the firm and "0" otherwise (Daily & Johnson, 1997). Data for this measure were collected for each firm between 2003 and 2006. These measures were part of a composite score for CEO power. All measures were obtained from each firm's proxy statements for each year from *Mergent Online database.*

Expert Power. The measure used to capture expert power was CEO tenure. Expert power captures a CEO's ability to respond to competitors in the market by interpreting market signals (Finkelstein, 1992). CEOs with more experience are better able to do so where experience is gathered through tenure (Walters et al., 2007; Chikh & Filbien, 2011). Longer tenure has been linked to a CEO's risk aversion (Bertrand & Schoar, 2003) and stronger control over the Board of Directors (Daily & Johnson, 1997). CEOs with longer tenure are thus expected to remain within the status quo and not pursue strategies that may be externally perceived as negative (Hambrick & Fukutomi, 1991; Finkelstein & Hambrick, 1996). CEO tenure was measured as years within the current CEO position within the firm (Chikh & Filbien, 2011). Data for this measure was collected for each firm between 2003 and 2006. This measure was part of a

composite score for power. All measures were obtained from each firm's proxy statements for each year from *Mergent Online database.*

Prestige Power. The measure used to capture prestige power was education. Prestige power captures the informal nature of a CEO's power through his/her external sources of information (Finkelstein, 1992; Brockman et al., 2004). Such sources begin forming when individuals are obtaining their formal education. Obtaining an elite education grants access to other members who also obtained an elite education and thus are highly regard as prestigious (Daily & Johnson, 1997; Chick & Filbien, 2011). Additionally, recognition accompanies this accomplishment as many Board members have attended elite educational universities (Useem, 1979). This dummy variable took a value of "1" if the CEO is received an elite education and a "0" if the CEO did not receive an elite education (Daily & Johnson, 1997). I use Finkelstein's (1992, p. 538) list of elite college and universities to create this variable. Data for this measure were collected for each firm between 2003-2006 from *Mergent Online database, www.*Zoom Info.com, or Bloomberg Businessweek Executive Profile (http://www.bloomberg.com/research/people/overview/overview.asp).

Network Power. The measure used to capture network power was the number of outside Boards the CEO held membership on. Network power draws from sources outside of the firm (Brockman et al., 2004). As such, this dimension of power becomes stronger with multiple CEO outside Board appointments. CEOs who sit on outside Boards are considered 'more connected' because they provide service to other firms along with other high-ranking individuals (Bigley & Wiersema, 2002) and are able to obtain information from these powerful acquaintances (Grabke-Rundell, Gomez-Mejia, 2002). This in turn signals membership in an elite 'club' (D'Aveni, 1990). Number of outside Boards was measured as the total number of outside directorates a

CEO held on corporate boards (Lewellyn & Muller-Kahle, 2012; Bigley & Wiersema, 2002). Data for these measures were collected for each firm between 2003-2006. This measure was part of a composite score for CEO power. Data for this measure was obtained from each firm's proxy statements for each year from *Mergent Online database.*

As noted, all measures for CEO power were obtained from each firm's proxy statements for each year from *Mergent Online database*. All data was then standardized and summed allowing for an index of CEO power to be created (Haynes & Hillman, 2010). The composite approach to CEO power is typically used in management studies (Haynes & Hillman, 2010; Abebe et al., 2010; Haleblian & Finkelstein, 1993). However, an equally plausible alternative is to include the individual components (dimensions) as independent variables. This approach is generally used in a number of corporate finance studies of CEO power. As such, I conducted both analyses. Specifically, I used a composite measure of CEO power first and as a supplementary analysis, I also performed the individual dimension analysis.

Industry munificence, organizational slack, and proportion of outside directors are the moderating variables in this dissertation. These three variables are expected to alter the primary relationships between CEO power and the two major types of corporate strategic choices (i.e. efficiency-enhancing and domain-expanding strategies). Moderators help us understand the generalizability of our findings to subgroups within the population of study. All data for these variables were collected during Time 1 (2003-2006).

Industry Munificence. This moderating variable captures an industry's capacity to support growth due to an abundance of resources (Dess & Beard, 1984). This variable was calculated for each year in Time 1 (2003-2006). This was done by regressing the annual average sales for each industry (measured using the 4 digit SIC code) over the five years which contains the principal

year as a midpoint (for example, munificence calculated for 1998 is based on the regression of sales between 1996 – 2000). From this regression, the slope coefficient is then divided by the mean value of the sales for those years (Dess & Beard, 1984; Misangyi, Elms, Greckhamer, & Lepine, 2006). I used the 4 digit SIC code to ensure I was able to capture the entire sector for each industry. Data for these measures were obtained from *Mergent Online database.*

Organizational Slack. This moderating variable captures the actual or potential resources that allow a firm to adapt (Tan & Peng, 2003; Bourgeois, 1981). Tan and Peng (2003) highly caution to differentiate between absorbed and unabsorbed slack because of the differences each type of slack holds on a firm's performance. Absorbed slack refers to resources that are not easy to redeploy because they are tied up in current operations. Unabsorbed slack refers to discretionary, uncommitted resources that are more easily redeployed. For purposes of this study, unabsorbed slack was captured since it reflected available resources that can be utilized by powerful CEOs in their decision-making. Organizational slack was operationalized using the debt to equity ratio (Cheng & Kesner, 1997; Davis & Stout, 1992; Wan & Yiu, 2009). I captured this measure for each year in Time 1 (2003-2006) using *Mergent Online database.*

Proportion of Outside Directors. This moderating variable pertains to Board of directors' composition (Mallette & Fowler, 1992). Outside directors are defined as all non-management members serving on the board of directors (Johnson, Daily, & Ellstrand, 1996). This measure was intended to capture the relative independence of the board given that inside director dominated boards are less independent given their employment relationships. I captured these measures for each year in Time 1 (2003- 2006) using *Mergent Online database*. In the next section, I explain how efficiency-enhancing and domain-creating strategies are measured.

E*fficiency-Enhancing Strategies.* To capture efficiency-enhancing strategies, I examined the firm's restructuring efforts through *downsizing, divestitures,* and *retrenchment intensity*. *Downsizing* is conceptually distinct from other forms of restructuring in that it is a reduction in the number of permanent employee (Freeman & Cameron, 1993). For each year, I counted the number of layoff announcements by each firm. In order to be considered downsizing, five percent or more of the firm's workforce had to be laid off (Ahmadjan & Robinson, 2001). The second type of restructuring action is divestitures. *Divestitures* result in the reconfiguration of a firm's portfolio (Bethel & Liebeskind, 1993). Divestiture was measured as the number of sales of existing business units (Desai et al., 1999) through sell-offs, buyouts, or equity carve-outs (Hoskisson, Johnson, & Moesel, 1994). Finally, *retrenchment intensity* was operationalized using *asset retrenchments* because cost retrenchment overlaps with downsizing (i.e. layoffs) (Morrow, et al., 2004). *Asset retrenchment* was captured by observing a change (decrease) in a firm's asset base. The asset base was calculated as the sum of cash and cash equivalents, accounts receivable, inventories and gross property, plant and equipment (Robbins & Pearce, 1992; Morrow et al., 2004). The asset base was calculated yearly to observe any change. The change in asset base provides evidence of asset retrenchment. All data were collected for each firm between 2003- 2006 from *Mergent Online database*.

Domain-Creating Strategies. Domain-creating strategies include acquisitions and strategic alliances. *Acquisitions* was operationalized as the number of acquisitions completed during the sampling time period. Similarly, *strategic alliances* were captured as the number of alliances completed during the sampling time period (Rothaermel & Boeker, 2008). All data were collected for each firm between 2003- 2006 from *Mergent Online database.* In the next section, I examine Time Period 2 in which firm performance is measured. One of the

assumptions of this model is that corporate strategies take time to influence firm's performance. For this reason, Time Period 2 is lagged one year after Time Period 1 in which the two types of corporate strategies were observed.

In time period 2, data was collected for each firm's performance in 2007. Firm performance is a multidimensional construct (Gentry & Shen, 2010; Richard, Devinney, Yip, & Johnson, 2009) that assesses whether firms fulfill their economic goals (Barney, 2002). In order to properly understand the corporate strategy-firm performance relationship, various dimensions of financial performance are needed (Simerly & Li, 2000). As a result, both market-based and accounting-based measures of financial performance were measured. Market-based measures reflect future or long-term financial performance while accounting-based measures reflect past or short-term financial performance (Gentry & Shen, 2010; Hoskisson, Johnson, & Moesel, 1994; Keats & Hitt, 1988).

Market-based Measure of Firm Performance. Market-based financial performance was measured with *Tobin's Q*. This variable is defined as the ratio of the market value of the firm's assets to the replacement value of the assets (Tobin, 1969; Lu & Beamish, 2004). Tobin's Q is a forward-looking measure captures the value of the whole firm rather than the sum of its parts. Furthermore, this measure compares the firm's market value with its corresponding book value (Morrow et al., 2004). As such, this measure appropriately indicates whether the firm's strategy is able to achieve the required returns for its investors (Woo, Willard, & Daellenbach, 1992). *Tobin's Q* was operationalized as the sum of the market value of equity, the book value of debt, and deferred taxes divided by the book value of total assets minus intangible assets (Morrow et al., 2004). All data were collected for each firm for 2007 from *Mergent Online database.*

Accounting-based Measure of Firm Performance. Accounting-based financial performance was measured using *Return on Assets (ROA)* and *Return on Equity (ROE)*. ROA was operationalized as net income divided by total assets plus depreciation while ROE was operationalized as net income divided by common stock holders' equity (Gentry & Shen, 2010). All data were collected for each firm for 2007 from *Mergent Online database.*

Control Variables

I controlled for several governance, organizational, and industry level variables in order to account for a number of alternative explanations to the research model. All measures were captured for the year 2002.

Governance Controls. I controlled for *Board of Director size, Top Management Team (TMT) average tenure, CEO outsider status, and CEO functional area*. *Board of Director size* is measured as the number of directors on the Board (Chikh & Filibien, 2011). Large boards benefit from increased access to external information (Combs et al., 2007) which may influence growth and restructuring strategies. Additionally, while larger boards have more stringent monitoring mechanisms, they fail to effectively control CEOs (Chikh & Filibien, 2011). The firm's *TMT* is defined here as all managers at the Vice-President level or higher (Wagner, Pfeffer, & O'Reilly, 1984; Hambrick & D'Aveni, 1992). *TMT average tenure* is measured as the average number of years that TMT members had been working in a firm (Cruz, Gomez-Mejia, & Becerra, 2010; Ling, Simsek, Lubatkin, Lyon, & Vega, 2008). This measure is generally used as a proxy for managerial power and discretion (Finkelstein & Hambrick, 1990). *CEO outsider status* is a dummy variable that takes the value of '1' if the CEO was appointed from within the firm and a '0' if the CEO was appointed from outside of the firm. Research shows that when the firm is performing well, an internal candidate is appointed CEO to maintain the firm's vision, mission,

and chosen strategies (Hitt et al., 2013). Lastly, I control for the *CEO's functional area* categorized as either 'throughput' or 'output' functions. Throughput functions consist of production, process engineering, and accounting. These backgrounds emphasize improving efficiency (Hambrick & Mason, 1984). Output functions consist of marketing, sales, and product R&D and emphasize growth and opportunities in new domains (Hambrick & Mason, 1984). It is important to account for these functional areas given the nature of domain-creating and efficiency-enhancing strategies whereby domain-creating strategies seek growth into new domains (i.e. output functions) and efficiency-enhancing strategies seek efficiency (i.e. throughput functions). Essentially, as Hambrick and Mason (1984) contend, these backgrounds influence the likely strategies a CEO will pursue. CEOs with throughput functional backgrounds take the value of '1' while CEOs with output functional backgrounds take the value of '0'.

Organizational Controls. I control for *firm size, past performance, firm age, past acquisition intensity and level of diversification.* I control for the size of the firm because larger firms are more likely to complete acquisitions (Chikh & Filibien, 2011) such that firm size may be related to acquisition activity (Hoskisson et al., 1994). Size may also influence the firm's structure and decision-making capabilities which ultimately influence the firm's performance (Bluedom, 1992). I measure firm size as the natural log of total number of employees (Brockmann et al., 2004; Daily, 1995).[1] *Past performance* may reflect an 'outgoing' CEO's ability to impact the firm's financial statement such that they are able to 'cover up' possible deteriorating financial returns (Bigley & Wiersema, 2002). This cover up could potentially explain a CEO's decision to engage in efficiency-enhancing strategies instead of domain-creating strategies or vice versa. Additionally, a firm's performance influences the power

[1] While there are other ways of measuring firm size such as changing the measurement unit, I chose to utilize this measure to be consistent with similar empirical work in my area of study.

dynamics between the CEO and the Board (Boeker & Goodstein, 1993; Shen & Cannella, 2002). Past performance is measured using the average ROA and ROE of sample firms during 2000-2002 (Hitt, Hoskisson, & Kim, 1997). *Firm age* is an important determinant for a firm's risk-taking behavior (Carpenter, Pollock, & Leary, 2003). Furthermore, a firm's age may impact how much power a CEO holds (Lewellyn & Muller-Kahle, 2002) such that CEOs in older firms hold less power (Fredrickson, Hambrick, & Baumrin, 1988). Firm age is measured as the age since the firm was initially incorporated as of 2015[2]. *Past acquisition intensity* accounts for the number of acquisitions the firm completed in the previous year. This control variable helps account for a firm's increased (decreased) likelihood of pursuing acquisitions. It is important to note that this control is included only in analyses where acquisitions are examined. I control for *level of diversification* by counting the total number of unique 4 digit SIC Codes the firm operates in. This measure accounts for the overall scope of the firm's business operation. This control serves to ensure that firms that use acquisitions as their diversification strategy are controlled (Devers et al., 2013). Additionally, a *firm's level of diversification* may influence their restructuring (Johnson, Hoskisson, & Hitt, 1993; Hoskisson, Hitt, & Hill, 1991).

Industry Controls. I control for *industry fixed effects* and *industry average performance*. I control for *industry fixed effects* using the 4 digit SIC code (Hotchkiss, 1995). It is important to control for industry effects because of the potential impact they may hold on managerial discretion (Finkelstein & Hambrick, 1990; Brockman et al., 2004). Industry fixed effects were included in the analysis for the top five four-digit SIC codes that represent a significant number of sample firms. Additionally, I use an *industry dummy* where '0' captures a service firm and '1'

[2] While there are other ways of measuring firm age such as changing the measurement unit, I chose to utilize this measure to be consistent with similar empirical work in my area of study.

captures a manufacturing firm. Lastly, I control for the *industry's average performance* measured as the 2-year average of industry ROA. The above discussion on predictor and outcome variable operationalizations is summarized below in Table 5:

Table 5: Summary of Variable Operationalizations

Variable	Definition	Operationalization
CEO Duality	CEO is also Chairperson of the Board	Dummy variable; 1=CEO is also a chairperson of the board; 0= Otherwise
CEO Compensation	Pay differential between the CEO and other top managers	Cash compensation of CEO divided by the cash compensation (bonus and salary) of next highest paid executive
CEO Stock Ownership	Amount of firm stock owned by CEO	Percentage of equity owned by the CEO
CEO Founder Status	The CEO is also a founder or co-founder of the firm	Dummy variable; Value of 1=Founder or co-founder; Value of 0=Not a founder
CEO Tenure	The amount of time the CEO has been in the firm in the position of a CEO	Years within the current firm as CEO
Number of Outside Boards	The number of outside directorates the CEO holds on both profit and nonprofit boards	Total number of director appointments in other for profit and non-profit organizations
Industry Munificence	Industry's capacity to support growth due to an abundance of resources	Average of annual sales for each industry over five years is regressed; slope coefficient from regression is then divided by mean value of sales
Organizational Slack	"The cushion of actual or potential resources which allows an organization to adapt successfully to internal pressures for adjustment or to external pressures for change in policy, as well as to initiate changes in strategy with respect to the external environment" (Bourgeois, 1981, p. 30)	Composite measure of debt-to-equity; Cash flow divided by sales for each firm
Proportion of Outside Directors	Board of Directors composition of inside and outside members	Number of outside directors divided by total number of directors

Downsizing	An organizational restructuring strategy that reduces the number of permanent employees	Decrease of 5% or more in permanent employees = 1; No change or less than 5%= 0 The number of layoff announcements during sample period
Divestitures	A portfolio restructuring strategy that reduces the number of existing business units	Sale of existing business unit through sell-offs, buyouts, or equity carve-outs and the number of divestiture announcements
Retrenchment Intensity	Change in firm's asset base	Asset base decrease (change) where asset base is calculated as the sum of cash and cash equivalents, accounts receivable, inventories, and grow property, plant and equipment
Acquisitions	The number of acquisitions completed	Number of acquisitions completed
Strategic Alliances	The number of strategic alliances formed	The number of strategic alliances completed
Performance	Whether the firm fulfills its economic goals	Tobin's Q, ROA, and ROE

4.4 Statistical Techniques and Model Estimation

In this section, I discuss what statistical tools I employed and the reasons for doing so. First, I must address my data by explaining what type of data I gathered. Prior to choosing the statistical tool, one must observe and thoroughly understand the type of data to be collected. The most frequently used type of data in strategy research is cross-sectional data in which several variables are observed at a given point in time (Certo & Semadeni, 2006; Bowen & Wiersema, 1999). In this type of data set, each observation represents a firm (or individual). Alternatively, time series data observes one or more variables over time. In this type of data set, each observation represents a separate period. The inclusion of observed variables at one given point in time and over time describes pooled cross-sectional data. Essentially, this type of data set may have cross sections for different time periods. The last type of data set is panel data more

commonly known as longitudinal data. This data set consists of a time series for each cross-sectional variable of interest, or multiple observations of each sampling unit. This is accomplished by pooling time-series observations across a variety of cross-sectional units (Baltagi, 1995). Essentially, the same cross-sectional units (i.e. firms or CEOs) are followed over a given time period where the modeling assumption is that the units are mutually independent of one another, but for a given unit, observations are mutually dependent. Thus, panel data allows us to describe change over time meanwhile estimating causal models. The primary difference between panel data and pooled cross-sectional data is the inclusion of time.

In this dissertation, I examine how CEO power influence strategic choices (i.e. efficiency-enhancing strategies and domain-creating strategies) and in turn, how such choices influence firm performance. Hence, two time periods or panels were observed in my data set (i.e. Time 1 and Time 2) such that multiple observations were made for multiple variables. As such, this data was classified as a panel data set. The advantages of this type of data set are numerous. For example, panel data provides the researcher with a large number of data points which increase the degrees of freedom, reduces the collinearity among the independent variables, and allows for more variability (Hsiao, 1986, 2003). In addition, panel data allows one to control for variables that are not observable or cannot be measured, as well as variables that change over time but not across individual subjects. Lastly, panel datasets also allow for control of individual heterogeneity (Baltagi, 1995). Unit heterogeneity states that not all units are equal within a sample. This is pertinent in strategy research given the goal of strategy research concerns understanding how unique characteristics of firms lead to difference in firm performance (Certo & Semadeni, 2006). By modeling firm heterogeneity, researchers are able to acknowledge that samples assume all firms are equal and consider alternatives. This allows us to rule out

alternative explanations when interpreting our results. Use of panel data is not without limitations however. Panel data suffers from distortion due to measurement errors that while found in cross-sectional studies, are magnified in panel studies (Baltagi, 1995). Next, I discuss what estimation technique was appropriate given the nature of my data.

Ordinary Least Squares (OLS) regression model has several assumptions which may be violated by the use of panel data (Certo & Semadeni, 2006). As noted, most research in strategic management relies on cross-sectional data (Certo & Semadeni, 2006; Bowen & Wiersema, 1999). The most popular estimating technique for use of this type of data is ordinary least squares (OLS) regression (Certo & Semadeni, 2006; Bowen & Wiersema, 1999). When using OLS, it is important to observe several assumptions to ensure that results are unbiased. These assumptions are that errors terms hold equal variances (i.e. homoscedastic) and are not correlated with one another (i.e. error terms are spherical) (Certo & Semadeni, 2006). Homoscedasticity describes a situation in which error terms (i.e. random disturbances or noise present in the relationship between independent and dependent variables) are the same across all values for the independent variable. Error terms that are not correlated (i.e. lack of autocorrelation) means that errors of a particular unit are not correlated across time.

A priori, I expect the data to violate the assumption of spherical error terms given that panel data contain several observations per unit (Certo & Semadeni, 2006). As such, use of OLS in this dissertation for panel data is inappropriate. Instead, the generalized estimating equation (GEE) approach can be used to estimate more efficient as well as unbiased regression parameters in comparison to OLS (Ballinger, 2004). GEE is especially useful in testing hypotheses that contain negative binomial variables collected within subjects across time (Ballinger, 2004). The

estimates that GEE produces are the same as those of OLS regression when the dependent variable is normally distributed and no correlations within responses is assumed.

Given the nature of the nature of measures I use, I employ a combination of estimation techniques to empirically test my hypotheses. For example, the measure for domain-creating strategies is a simple count of the number of acquisitions and alliances. As Nadolska and Barkema (2014) explain, count variables take on only nonnegative integer values (Hess & Rothaermel, 2011). However, many firms may not have chosen to pursue domain-creating strategies thus resulting in '0'. This value of '0' violates the linear regression model assumption of homoskedatic, normally distributed error terms (Nadolska & Barkema, 2014). Therefore, I employ negative binomial regression. Using negative binomial regression estimates heterogeneity as well (Hess & Rothaermel, 2011; Cameron & Trivedi, 1986; Hausman, Hall & Griliches, 1984). The use of negative binomial is not appropriate however for all dependent variables. Specifically, retrenchment is a continuous variable. As such, a panel regression is appropriate.

Firms are likely to have time invariant characteristics (e.g. culture or gender). For example, whether 'CEO A' or CEO B' is CEO of Firm A, Firm A will retain some characteristics that do not change over time. Some of these characteristics can be controlled for in regressions such as firm size. Other characteristics however, cannot be controlled and thus additional corrections are needed. The two correction options available are fixed effect and random effect estimations. In order to determine which estimator to use, a specification test that is based on the difference between these estimates is needed. This test is called the Hausman test where the null hypothesis is that the preferred model to be used is random effects (Green, 2008). If the null hypothesis is rejected, the researcher can conclude that random effects are inconsistent

and that the fixed effects model is preferred. If the null hypothesis cannot be rejected however, the random effects model is preferred. Both fixed effects and random effects are useful techniques in analyzing panel data. The differences are explained below.

A researcher should use fixed effects when he/she is interested in analyzing the influence of variables that vary over time. This model explores the relationship between independent and dependent variables within an entity (i.e. firm). Each firm carries its own characteristics that may or may not influence the independent variable. For this reason, fixed effects models assume that something within each subject (i.e. firm) will bias the independent or dependent variables and as such, needs to be controlled for. This explains why correlation between the firm's error term and independent variables are expected. Fixed effects estimates remove the effect of the characteristics that vary with time so that the net effect of the independent variable can be assessed on the dependent variable. Additionally, these varying individual characteristics are assumed to be unique to that firm and thus should not be correlated with any other firm's characteristics. Next, I examine the random effects model. A researcher should use a random effects model when the variation across firms is assumed to be random and uncorrelated with the dependent and independent variables. This is the primary distinction between fixed and random effects (Green, 2008). The advantage of using random effects is that it allows the inclusion of time invariant variables that are otherwise absorbed by the intercept in fixed effects models. In random effects, the firm's error term is not correlated with the independent variable which allows time invariant variables to play a role as independent variables. This is possible because the researcher must specify the characteristics that may or may not influence the independent variables.

As noted above, the Hausman test allows researchers to determine which estimation is appropriate. The results of the Hausman test determined that the use of fixed effects was not appropriate for my model. Accordingly, I employed a population- averaged random effect estimation. Population- averaged random effect models use General Estimating Equations (GEE). This method is "a conceptual middle ground between fixed and random effects" (Hillman, Shropshire, & Cannella, 2007). Therefore, I used population-averaged random effect negative binomial regressions and population-averaged random effects regressions where appropriate. The above discussion serves to explain what estimation techniques were used for hypotheses 1 – 8. The remaining two hypotheses however did not use panel data. Specifically, the remaining two hypotheses examine the use of either domain creating or efficiency-enhancing strategies on firm performance (observed in a one-year time frame). Therefore, in order to use regression appropriately, the five strategy variables were averaged over the sampling period and were used as independent variables. Next, supplementary analysis of CEO power is discussed.

4.5 Supplementary Analysis

In addition to the main analyses in which I used a composite measure of CEO power to examine the hypothesized relationships, I conducted a series of supplementary analyses that used the individual dimensions of CEO power (structural, expert, prestige, ownership and network) as predictors of strategic choices.

It should be noted that much of the strategic management literature does not examine CEO power in this manner because it is difficult to separate the effects of each dimension on the strategic decisions CEOs make. Further, research has cautioned against using a single indicator or power as power has been shown to be multidimensional (Finkelstein, 1992). However, in an effort to better understand how the individual dimensions contribute to the likelihood of pursuing

efficiency-enhancing or domain-creating strategies, I examined five total dimensions (network, prestige, structural, ownership, and expert). Consistent with the above discussion for hypotheses 1-8, I utilized population-averaged random effect negative binomial regression and population-averaged random effects regression where appropriate.

4.6 Chapter Summary

This chapter served to identify how and what type of data were collected and the subsequent analysis techniques used. It is important to ensure that each and every step of this process is justified and done correctly or else the results may be biased and/or inefficient. In the above, I made several significant decisions concerning how the hypotheses in this dissertation were examined. For example, I identified the type of research this is (quantitative research) and the type of data that were collected (secondary, archival data). I also identified where my sample was derived from (*Fortune 500* and *S&P 500*) and the rationale behind this choice given the feasible alternatives. The years for my study were identified as were the databases used to collect this dataset. Next, I explained how my variables for each time period were operationalized. Following the explanation of the controls I used, I examined the type of data collected and how this type differs from the more commonly used cross-section data. Upon highlighting the strengths and limitations of panel data, I explained how my data violated the assumptions of OLS. Instead, I needed to use a General Estimating Equation (GEE) population-averaged models in the data analyses. In the next chapter, I present the results of the study broken down into three major sections—the effect of CEO power corporate strategic choices, the influence of the three moderating variables, and strategy's relationship with firm performance- followed by analysis of the individual dimensions of CEO power on corporate strategic choices.

CHAPTER V

RESULTS

This chapter presents the results of the data analyses. The chapter is organized into five major sections. The first section provides the means, standard deviations and correlations of the study's variables. The second section reports the results of the main analyses on the effect of CEO Power on corporate strategic choices (efficiency-enhancing and domain creating). The third section presents the results of the influence of the three moderating variables (organizational slack, proportion of outside directors, and industry munificence), the fourth section reports the results of strategy's relationship with firm performance, and the last section reports a supplementary analysis on two components of CEO power.

5.1 Descriptive Statistics

Table 6 below presents the means, standard deviations and correlations of the study's variables. There are a number of significant correlations among the study's variables. For example, CEO power is negatively correlated with firm size (r = -.13, $p < .01$), CEO insider/outsider status (r = -.07, $p < .05$), and acquisitions (r = -.09, $p < .05$). Acquisitions is positively correlated with CEO insider/outsider status (r = .08, $p < .05$) and past performance (r = .07, $p < .05$), and negatively correlated with firm age (r = -.08, $p < .05$). The proportion of outside directors on the Board is positively correlated to board size (r = .13, $p < .01$), firm age (r = .11, $p < .01$), and diversification (r = .07, $p < .05$). Lastly, retrenchment is negatively correlated to Board

size (r = -.10, p <.01), firm age (r = -.12, p <.01), firm size (r = -.08, p <.05), and CEO dominant functional area (r = -.07, p <.05).

Table 6: Means, Standard Deviations and Correlations

	Variables	Mean	SD	1	2	3	4	5	6	7	8	9
1	Board Size	11.35	2.25	1								
2	Firm Age	58.54	40.54	0.23+	1							
3	Firm Size[1]	54.08	107.82	0.23+	0.06*	1						
4	Industry Dummy[2]	0.45	0.50	-0.10+	0.28+	-0.05	1					
5	Diversification	4.16	2.08	0.26+	0.26+	0.10+	0.14+	1				
6	TMT Average Tenure	17.19	10.33	0.17+	0.36+	0.12+	0.15+	0.18+	1			
7	CEO Outsider Status	0.88	0.33	-0.10+	-0.10+	0.01	-0.10+	-0.01*	0.05	1		
8	CEO Functional Area[3]	0.55	0.50	0.06*	-0.04	0.13+	-0.11+	-0.09**	-0.04	-0.05	1	
9	Past Performance	0.11	0.15	0.13+	0.16+	0.07**	0.20+	0.15+	0.05*	-0.12+	0.06**	1
10	Organizational Slack	0.75	24.71	-0.00	-0.01	-0.01	-0.02	-0.00	-0.01	0.00	-0.02	0.01
11	Firm Acquisition Experience	0.92	1.47	.00	0.06*	-0.06*	-0.04	0.04	0.10+	0.01	0.02	-0.01
12	Strategic Alliances	0.26	0.67	0.01	0.03	0.00	0.11**	-0.01	-0.03	-0.01	0.02	0.01
13	Acquisitions	0.61	1.27	-0.02	-0.08**	-0.04	-0.02	-0.03	-0.01	0.08**	-0.03	0.07**
14	Retrenchment Intensity	6.46	10.03	-0.10+	-0.12+	-0.08**	0.04	-0.12+	-0.05	0.03	-0.07**	-0.10+
15	Downsizing	0.09	0.35	0.07**	0.07**	0.12+	0.10+	0.12+	0.02	-0.03	0.01	0.03
16	Divestitures	0.20	1.24	0.03	0.03	0.01	-0.02	-0.02	0.01	0.02	0.03	-0.01
17	Industry Munificence	0.33	0.49	-0.03	-0.03	-0.01	-0.08**	-0.06*	0.02	0.09**	0.07**	0.02
18	Proportion of Outside Directors	0.85	0.15	0.13+	0.11+	0.01	0.05	0.07**	-0.05	-0.03	-0.03	0.02
19	ROA	0.13	0.16	-0.13+	0.01	-0.06*	0.29+	-0.06*	0.03	-0.03	-0.10+	0.12+
20	ROE	0.31	2.30	-0.03	0.04	-0.02	0.08**	0.01	-0.04	0.03	0.05	-0.02
21	Tobin's Q	4326.98	13730.58	-0.09**	0.01	-0.10+	0.01	-0.17+	-0.04	0.03	-0.04	-0.36+
22	CEO Power	7.41	3.07	-0.01	0.03	-0.13+	-0.05	0.04	0.01	-0.07**	0.04	0.01

**p < 0.10, **p < 0.05, + p < 0.01, [1]Log of number of employees, [2]Coded 0= Service, 1= Manufacturing, [3]Coded 0= Output, 1=Throughput*

Table 6: Means, Standard Deviations and Correlations Continued

		10	11	12	13	14	15	16	17	18	19	20	21
10	Organizational Slack	1											
11	Firm Acquisition Experience	0.00	1										
12	Strategic Alliances	-0.03	0.01	1									
13	Acquisitions	-0.00	0.03	0.01	1								
14	Retrenchment Intensity	-0.01	0.03	0.01	0.14^{+}	1							
15	Downsizing	-0.09^{+}	-0.02	0.02	-0.03	-0.08**	1						
16	Divestitures	0.02	-0.03	0.02	-0.02	0.20^{+}	0.03	1					
17	Industry Munificence	0.01	-0.02	-0.03	-0.06*	-0.07**	-0.01	0.00	1				
18	Proportion of Outside Directors	0.02	-0.03	0.05	-0.00	-0.02	0.04	0.04	0.03	1			
19	ROA	-0.01	0.02	0.06*	0.15^{+}	0.12^{+}	-0.05*	-0.04	0.01	-0.03	1		
20	ROE	0.01	0.08**	0.03	-0.01	-0.03	-0.02	-0.01	0.09**	-0.01	0.02	1	
21	Tobin's Q	-0.01	0.06*	0.03	-0.02	0.21^{+}	-0.06*	-0.02	-0.06*	-0.01	0.11**	-0.01	1
22	CEO Power	-0.01	-0.06*	0.02	-0.09**	-0.01	-0.03	-0.01	-0.02	0.03	-0.11^{+}	0.03	-0.02

**p < 0.10, **p < 0.05, + p < 0.01*

5.2 Effect of CEO Power on the Choice of Corporate Strategies

In this section, the main effect results are presented on the relationship between CEO power and efficiency-enhancing and domain-expanding strategies respectively. I begin with efficiency-enhancing strategies first followed by domain creating strategies.

5.2.1 Effect of CEO Power on Efficiency- Enhancing Strategies- Main Effects

H1: CEO Power and Efficiency-Enhancing Strategies

Hypothesis 1 predicted that CEO power would be positively related to efficiency-enhancing strategies. In order to empirically test this relationship, efficiency-enhancing strategies must be broken down into the three specific component strategies. Therefore, I will present the results of data analyses for each respective strategy separately beginning with downsizing strategies.

H1a: CEO Power and Downsizing Strategies

H1a predicted a positive relationship between CEO power and the use downsizing strategies. Table 7 below presents the results. As can be seen in Model 2, the coefficient for CEO Power predicting Downsizing was not statistically significant (B= -.03, n.s.). Accordingly, CEO Power was not found to be a statistically significant predictor of Downsizing. Hence, H1a was not supported.

H1c: CEO Power and Divestiture Strategies

H1c predicted a positive relationship between CEO power and the use of divestiture strategies. Table 7 below presents the results. As can be seen in Model 2, the coefficient for CEO Power predicting Divestitures was not statistically significant (B = -.04, n.s.). Accordingly, CEO

Power was not found to be a statistically significant predictor of Divestitures. Hence, H1c was not supported.

Table 7: CEO Power and Divestitures & Downsizing- Panel Negative Binomial Regression[1]

	No. of Divestitures		No. of Downsizing Announcements	
Variables	Model 1	Model 2	Model 1	Model 2
Constant	-3.46 (0.68)***	-3.51 (0.70)***	-4.40 (0.95)***	-4.42 (0.95)***
Board Size	0.11 (0.05)**	0.11 (0.05)**	0.08 (0.07)	0.08 (0.07)
Firm Age	0.01 (0.00)**	0.01 (0.00)**	0.00 (0.00)	0.00 (0.00)
Firm Size[2]	-0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)***	0.00 (0.00)***
Industry Dummy[3]	-0.11 (0.23)	-0.13 (0.23)	0.85 (0.33)**	0.83 (0.33)**
Level of Diversification	-0.07 (0.05)	-0.06 (0.05)	0.15 (0.07)**	0.16 (0.07)**
TMT Average Tenure	-0.00 (0.01)	-0.00 (0.01)	-0.01 (0.01)	-0.01 (0.01)
CEO Outsider Status[4]	0.43 (0.35)	0.44 (0.36)	-0.17 (0.38)	-0.17 (0.38)
CEO Functional Area	0.35 (0.21)*	0.36 (0.21)*	-0.05 (0.28)	0.06 (0.28)
Past Performance	-0.47 (0.67)	-0.45 (0.67)	-0.28 (0.79)	-0.28 (0.79)
Organizational Slack	0.00 (0.00)*	0.00 (0.00)*	-0.01 (0.00)**	-0.01 (0.00)**
Industry Effects	Included	Included	Included	Included
CEO Power		-0.04 (0.03)		-0.03 (0.05)
Wald Chi-Square	29.55**	31.54**	37.73***	37.87***
N	935	935	935	935

**p < 0.10, **p < 0.05, ***p < 0.01, Standard errors are in parentheses, [1]GEE Population- Averaged Estimation used, [2]Log of number of employees, [3]Coded 0= Service, 1= Manufacturing, [4]Coded 0= Output, 1=Throughput*

H1b: CEO Power and Retrenchment Strategies

H1b predicted a positive relationship between CEO power and the use of retrenchment strategies. Table 8 below presents the results. As can be seen in Model 2, the coefficient for CEO Power predicting Retrenchment was not statistically significant (B = .03, n.s.). Accordingly, CEO Power was not found to be a statistically significant predictor of Retrenchment. Hence, H1b was not supported.

H1: CEO Power and Efficiency-Enhancing Strategies

Hypothesis 1 predicted a positive relationship between CEO Power and efficiency-enhancing strategies. Given the above results, H1 was not supported.

Table 8: CEO Power and Retrenchment Intensity - Panel Regression[1]

	Retrenchment Intensity	
Variables	Model 1	Model 2
Constant	12.33 (2.51)***	-.23 (0.20)***
Board Size	-0.23 (0.20)	-0.23 (0.20)
Firm Age	-0.03 (0.01)**	-0.03 (0.01)**
Firm Size[2]	-0.00 (0.00)	-0.00 (0.00)
Industry Dummy[3]	1.70 (0.88)*	1.71 (0.88)*
Level of Diversification	-0.46 (0.21)**	-0.47 (0.21)**
TMT Average Tenure	-0.01 (0.04)	-0.01 (0.04)
CEO Outsider Status	1.16 (1.20)	1.18 (1.20)
CEO Functional Area[4]	-1.48 (0.78)*	-1.49 (0.78)*
Past Performance	-5.14 (2.58)**	-5.14 (2.58)
Organizational Slack	-0.00 (0.01)	-0.00 (0.01)
Industry Effects	Included	Included
CEO Power		0.03 (0.12)
Wald Chi-Square	48.11***	48.18***
N	935	935

**p < 0.10, **p < 0.05, ***p < 0.01, Standard errors are in parentheses, [1]Random Effects used, [2]Log of number of employees, [3]Coded 0= Service, 1= Manufacturing, [4]Coded 0= Output, 1=Throughput*

5.2.2 Effect of CEO Power on Domain-Creating Strategies- Main Effects

H5: CEO Power and Domain-Creating Strategies

Hypothesis 5 predicted that CEO power would be positively related to domain-creating strategies. In order to empirically test this relationship, I specifically examined its two components (i.e. acquisitions and strategic alliances). Therefore, I examine each respective strategy separately beginning with acquisitions followed by strategic alliances.

H5a: CEO Power and Acquisition Strategies

H5a predicted a positive relationship between CEO power and the use of acquisition strategies. Table 9 below presents the results. As can be seen in Model 2, the coefficient for CEO Power predicting Acquisition was not statistically significant (B = -.04, $p < 0.10$). Hence, H5a was not supported.

H5b: CEO Power and Strategic Alliance Strategies

H5a predicted a positive relationship between CEO power and the use of strategic alliance strategies. Table 9 below presents the results. As can be seen in Model 2, the coefficient for CEO Power predicting strategic alliance was not statistically significant (B = .01, n.s.). Accordingly, CEO Power was not found to be a statistically significant predictor of Strategic Alliance. Hence, H5b was not supported.

Table 9: CEO Power and Strategic Alliances & Acquisitions- Panel Negative Binomial Regression[1]

	No. of Strategic Alliances		No. of Acquisitions	
Variables	Model 1	Model 2	Model 1	Model 2
Constant	-2.32 (0.65)***	-2.32 0(.65)***	-0.76 (0.51)	-0.76 (0.52)
Board Size	0.07 (0.05)	0.07 (0.05)	-0.01 (0.04)	-0.01 (0.04)
Firm Age	0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)**
Firm Size[2]	-0.00 (0.00)	0.00 (0.00)	-0.00 (0.00)	-0.00 (0.00)*
Industry Dummy[3]	0.47 (0.22)**	0.47 (0.22)**	-0.09 (0.17)	-0.11 (0.17)
Level of Diversification	0.03 (0.05)	0.03 (0.05)	-0.03 (0.04)	-0.02 (0.04)
TMT Average Tenure	-0.02 (0.01)**	-0.02 (0.01)**	0.01 (0.01)	0.01 (0.01)
CEO Outsider Status	0.21 (0.30)	0.21 (0.30)	0.67 (0.27)**	0.62 (0.28)**
CEO Functional Area[4]	0.15 (0.19)	0.15 (0.19)	-0.15 (0.15)	-0.13 (0.15)
Past Performance	-1.07 (0.65)	-1.07 (0.65)*	1.63 (0.48)***	1.61 (0.48)***
Organizational Slack	-0.00 (0.00)	-0.00 (0.00)	0.00 (0.00)	0.00 (0.00)
Industry Effects	Included	Included	Included	Included
Firm Acquisition Experience			0.04 (0.05)	0.04 (0.05)
CEO Power		0.01 (0.03)		-0.04 (0.02)*
Wald Chi-Square	34.74***	34.80***	37.76***	40.16***
N	935	935	935	935

**p < 0.10, **p < 0.05, ***p < 0.01, Standard errors are in parentheses, [1]GEE Population- Averaged Estimation used, [2]Log of number of employees, [3]Coded 0= Service, 1= Manufacturing, [4]Coded 0= Output, 1=Throughput*

H5: CEO Power and Domain-Creating Strategies

Hypothesis 5 predicted a positive relationship between CEO Power and domain creating strategies. Given the above results, H5 was not supported.

5.3 Moderating Effects of Organizational Slack, Proportion of Outside Directors, and Industry Munificence on Firm Strategies

In this section, the results for the moderating effects of organizational slack, proportion of outside directors, and industry munificence on the relationship between CEO power and efficiency-enhancing and domain-creating strategies is presented.

5.3.1 The Moderating Effect of Organizational Slack on Efficiency-Enhancing Strategies

H3: Organizational Slack and Efficiency-Enhancing Strategies

Hypothesis 3 predicted that the level of organizational slack would negatively moderate the relationship between CEO power and efficiency-enhancing strategies. In order to empirically test this relationship, efficiency-enhancing strategies must be broken down into specific components. Therefore, I will present the results of data analyses for each strategy separately beginning with divestitures.

Table 10: The Moderating Effect of Organizational Slack on Divestitures- Panel Negative Binomial Regression[1]

	No. of Divestitures	
Variables	Model 1	Model 2
Constant	-3.51 (0.70)***	-3.45 (0.69)***
Board Size	0.11 (0.05)**	0.12 (0.05)**
Firm Age	0.01 (0.00)**	0.01 (0.00)**
Firm Size[2]	-0.00 (0.00)	-0.00 (0.00)
Industry Dummy[3]	-0.13 (0.23)	-0.11 (0.23)
Level of Diversification	-0.06 (0.05)	-0.07 (0.06)
TMT Average Tenure	-0.00 (0.01)	-0.00 (0.01)
CEO Outsider Status	0.44 (0.36)	0.44 (0.35)
CEO Functional Area[4]	0.36 (0.21)*	0.35 (0.21)*
Past Performance	-0.45 (0.67)	-0.53 (0.67)
Industry Effects	Included	Included
Organizational Slack	0.00 (0.00)*	
CEO Power	-0.04 (0.03)	
CEO Power X Organizational Slack		0.00 (0.00)
Wald Chi- Square	34.54**	25.32*
N	935	935

**p < 0.10, **p < 0.05, ***p < 0.01, Standard errors are in parentheses, [1]GEE Population- Averaged Estimation used, [2]Log of number of employees, [3]Coded 0= Service, 1= Manufacturing, [4]Coded 0= Output, 1=Throughput*

Organizational Slack and Divestiture

For the first strategy within the efficiency-enhancing strategies of H3, I predicted that the level of organizational slack would negatively moderate the relationship between CEO Power and Divestitures such that under high levels of organizational slack, powerful CEOs would be less likely to pursue divestitures. Table 10 above presents the results. As can be seen in Model 2, the cross product (interaction) term of CEO Power and Organizational Slack was not statistically significant (B = .00, n.s.). Accordingly, organizational slack was not found to be a statistically significant moderator of the relationship between CEO Power and Divestiture. Hence, no support was found for divestiture.

Organizational Slack and Downsizing Strategy

For the second strategy within the efficiency-enhancing strategies of H3, I predicted that the level of organizational slack would negatively moderate the relationship between CEO Power and Downsizing such that under high levels of organizational slack, powerful CEOs would be less likely to pursue downsizing. Table 11 below presents the results. As can be seen in Model 2, the cross product (interaction) term of CEO Power and Organizational Slack was not statistically significant (B = .00, n.s.). Accordingly, organizational slack was not found to be a statistically significant moderator of the relationship between CEO Power and Downsizing. Hence, no support was found for downsizing.

Table 11: The Moderating Effect of Organizational Slack on Downsizing- Panel Negative Binomial Regression[1]

	No. of Downsizing Announcements	
Variables	Model 1	Model 2
Constant	-4.42 (0.95)***	-4.60 (0.94)***
Board Size	0.08 (0.07)	0.09 (0.07)
Firm Age	0.00 (0.00)	0.00 (0.00)
Firm Size[2]	0.00 (0.00)***	0.00 (0.00)***
Industry Dummy[3]	0.83 (0.33)**	0.87 (0.33)**
Level of Diversification	0.16 (0.07)**	0.15 (0.07)**
TMT Average Tenure	-0.01 (0.01)	-0.01 (0.01)
CEO Outsider Status	-0.17 (0.38)	-0.16 (0.38)
CEO Functional Area[4]	0.06 (0.28)	0.09 (0.27)
Past Performance	-0.28 (0.79)	-0.45 (0.80)
Industry Effects	Included	Included
Organizational Slack	-0.01 (0.00)**	
CEO Power	-0.03 (0.05)	
CEO Power X Organizational Slack		-0.00 (0.00)
Wald Chi-Square	37.87***	34.04***
N	935	935

**p < 0.10, **p < 0.05, ***p < 0.01, Standard errors are in parentheses, [1]GEE Population- Averaged Estimation used. [2]Log of number of employees, [3]Coded 0= Service, 1= Manufacturing, [4]Coded 0= Output, 1=Throughput*

Organizational Slack and Retrenchment Intensity

For the third strategy within the efficiency-enhancing strategies of H3, I predicted that the level of organizational slack would negatively moderate the relationship between CEO Power and Retrenchment Intensity such that under high levels of organizational slack, powerful CEOs would be less likely to pursue retrenchment. Table 12 below presents the results. As can be seen in Model 2, the cross product (interaction) term of CEO Power and Organizational Slack was not statistically significant (B = .00, n.s.). Accordingly, organizational slack was not found to be a statistically significant moderator of the relationship between CEO Power and Retrenchment Intensity. Hence, no support was found for retrenchment strategies.

H3: Organizational Slack and Efficiency-Enhancing Strategies

Hypothesis 3 predicted that the level of organizational slack would negatively moderate the relationship between CEO power and efficiency-enhancing strategies. Given the above results, H3 was not supported.

Table 12: The Moderating Effect of Organizational Slack on Retrenchment Intensity- Panel Regression[1]

	Retrenchment Intensity	
Variables	Model 1	Model 2
Constant	12.32 (2.51)***	12.31 (2.51)***
Board Size	-0.23 (0.20)	-0.23 (0.20)
Firm Age	-0.03 (0.01)**	-0.02 (0.01)**
Firm Size[2]	-0.00 (0.00)	-0.00 (0.00)
Industry Dummy[3]	1.71 (0.88)*	1.70 (0.88)*
Level of Diversification	-0.47 (0.21)**	-0.46 (0.21)**
TMT Average Tenure	-0.01 (0.04)	0.01 (0.04)
CEO Outsider Status	1.18 (1.20)	1.17 (1.20)
CEO Functional Area[4]	-1.49 (0.78)*	-1.47 (0.78)*
Past Performance	-5.14 (2.58)**	-5.26 (2.60)**
Industry Effects	Included	Included
Organizational Slack	-0.00 (0.01)	
CEO Power	0.03 (0.12)	
CEO Power X Organizational Slack		0.00 (0.01)
Wald Chi-Square	48.18***	48.34***
N	935	935

**p < 0.10, **p < 0.05, ***p < 0.01, Standard errors are in parentheses, [1]Random Effects used, [2]Log of number of employees, [3]Coded 0= Service, 1= Manufacturing, [4]Coded 0= Output, 1=Throughput*

5.3.2 The Moderating Effect of Organizational Slack on Domain Creating Strategies

H7: Organizational Slack and Domain Creating Strategies

Hypothesis 7 predicted that the level of organizational slack would positively moderate the relationship between CEO power and domain creating strategies. In order to empirically test this relationship, domain creating strategies must be broken down into specific components. Therefore, I will present the results of data analysis for each strategy separately beginning with acquisitions.

Organizational Slack and Acquisitions

For the first strategy within the domain creating strategies of H7, I predicted that the level of organizational slack would positively moderate the relationship between CEO Power and Acquisitions such that under high levels of organizational slack, powerful CEOs would be more likely to pursue acquisitions. Table 13 below presents the results. As can be seen in Model 2, the cross product (interaction) term of CEO Power and Organizational Slack was not statistically significant (B = .00, n.s.). Accordingly, organizational slack was not found to be a statistically significant moderator of the relationship between CEO Power and Acquisitions. Hence, no support was found for acquisitions.

Table 13: The Moderating Effect of Organizational Slack on Acquisitions- Panel Negative Binomial Regression[1]

	No. of Acquisitions	
Variables	Model 1	Model 2
Constant	-0.97 (0.53)*	-0.96 (0.52)*
Board Size	0.01 (0.04)	0.01 (0.04)
Firm Age	-0.00 (0.00)	-0.00 (0.00)
Firm Size[2]	-0.00 (0.00)	-0.00 (0.00)
Industry Dummy[3]	0.04 (0.18)	0.05 (0.18)
Level of Diversification	-0.04 (0.04)	-0.04 (0.04)
TMT Average Tenure	0.01 (0.01)	0.01 (0.01)
CEO Outsider Status	0.55 (0.28)**	0.59 (0.27)**
CEO Functional Area[4]	-0.12 (0.15)	-0.14 (0.15)
Past Performance	0.86 (0.51)*	-0.89 (0.51)*
Firm Acquisition Experience	0.03 (0.05)	0.03 (0.05)
Industry Effects	Included	Included
Organizational Slack	0.00 (0.00)	
CEO Power	-0.04 (0.02)*	
CEO Power X Organizational Slack		0.00 (0.00)
Wald Chi-Square	59.55***	56.13***
N	935	935

**p < 0.10, **p < 0.05, ***p < 0.01, Standard errors are in parentheses, [1]GEE Population- Averaged Estimation used, [2]Log of number of employees, [3]Coded 0= Service, 1= Manufacturing, [4]Coded 0= Output, 1=Throughput*

Organizational Slack and Strategic Alliances

For the second strategy within the domain creating strategies of H7, I predicted that the level of organizational slack would positively moderate the relationship between CEO Power and Strategic Alliances such that under high levels of organizational slack, powerful CEOs would be more likely to pursue strategic alliances. Table 14 below presents the results. As can be seen in Model 2, the cross product (interaction) term of CEO Power and Organizational Slack was not statistically significant (B = .00, n.s.). Accordingly, organizational slack was not found to be a statistically significant moderator of the relationship between CEO Power and Strategic Alliances. Hence, no support was found for strategic alliances.

H7: Organizational Slack and Domain Creating Strategies

Hypothesis 7 predicted that the level of organizational slack would positively moderate the relationship between CEO power and domain creating strategies. Given the above results, H7 was not supported.

Table 14: The Moderating Effect of Organizational Slack on Strategic Alliances- Panel Negative Binomial Regression[1]

	No. of Strategic Alliances	
Variables	Model 1	Model 2
Constant	-2.27 (0.64)***	-2.28 (0.64)***
Board Size	0.06 (0.05)	0.07 (0.05)
Firm Age	-0.00 (0.00)	0.00 (0.00)
Firm Size[2]	-0.00 (0.00)	-0.00 (0.00)
Industry Dummy[3]	0.44 (0.22)**	0.44 (0.22)**
Level of Diversification	0.04 (0.05)	0.04 (0.05)
TMT Average Tenure	-0.02 (0.01)**	-0.02 (0.01)**
CEO Outsider Status	0.23 (0.30)	0.23 (0.30)
CEO Functional Area[4]	0.13 (0.19)	0.14 (0.19)
Past Performance	-0.97 (0.65)	-1.00 (0.65)
Industry Effects	Included	Included
Organizational Slack	-0.00 0(.00)	
CEO Power	0.01 (0.03)	
CEO Power X Organizational Slack		0.00 (0.00)
Wald Chi-Square	35.35**	34.23**
N	935	935

**p < 0.10, **p < 0.05, ***p < 0.01, Standard errors are in parentheses, [1]GEE Population- Averaged Estimation used, [2]Log of number of employees, [3]Coded 0= Service, 1= Manufacturing, [4]Coded 0= Output, 1=Throughput*

5.3.3 The Moderating Effect of Proportion of Outside Directors on Efficiency-Enhancing Strategies

H4: Proportion of Outside Directors and Efficiency-Enhancing Strategies

Hypothesis 4 predicted that the proportion of outside to inside members on the Board of Directors would positively moderate the relationship between CEO power and efficiency-enhancing strategies. In order to empirically test this relationship, efficiency-enhancing strategies must be broken down into specific components. Therefore, I will present the results of data analyses for each strategy separately beginning with divestitures.

Proportion of Outside Directors and Divestitures

For the first strategy within the efficiency-enhancing strategies of H4, I predicted that the proportion of outside to inside members on the Board of Directors would positively moderate the relationship between CEO Power and Divestiture such that under higher proportions of outside members, powerful CEOs would be more likely to pursue divestiture. Table 15 below presents the results. As can be seen in Model 2, the cross product (interaction) term of CEO Power and Proportion of Outside Directors was not statistically significant (B= -.05, n.s.). Accordingly, the proportion of outside to inside members on the Board of Directors was not found to be a statistically significant moderator of the relationship between CEO Power and Divestiture. Hence, no support for divestiture was found.

Table 15: The Moderating Effect of Proportion of Outside Directors on Divestitures- Panel Negative Binomial Regression[1]

	No. of Divestitures	
Variables	Model 1	Model 2
Constant	-7.92 (1.47)***	-3.52 (0.70)***
Board Size	0.09 (0.05)*	0.12 (0.05)**
Firm Age	0.01 (0.00)**	0.01 (0.00)**
Firm Size[2]	-0.00 (0.00)	-0.00 (0.00)
Industry Dummy[3]	-0.09 (0.23)	-0.13 (0.23)
Level of Diversification	-0.07 (0.05)	-0.06 (0.05)
TMT Average Tenure	0.00 (0.01)	-0.00 (0.01)
CEO Outsider Status	0.42 (0.35)	0.45 (0.36)
CEO Functional Area[4]	0.38 (0.21)*	0.36 (0.21)*
Past Performance	-0.42 (0.65)	-0.45 (0.66)
Organizational Slack	0.00 (0.00)	0.00 (0.00)*
Industry Effects	Included	Included
Proportion Outside Directors	5.43 (1.54)***	
CEO Power	-0.05 (0.03)	
CEO Power X Proportion Outside Directors		-0.05 (0.04)
Wald Chi-Square	40.70***	31.79**
N	934	934

**p < 0.10, **p < 0.05, ***p < 0.01, Standard errors are in parentheses, [1]GEE Population- Averaged Estimation used, [2]Log of number of employees, [3]Coded 0= Service, 1= Manufacturing, [4]Coded 0= Output, 1=Throughput*

Proportion of Outside Directors and Downsizing

For the second strategy within the efficiency-enhancing strategies of H4, I predicted that the proportion of outside to inside members on the Board of Directors would positively moderate the relationship between CEO Power and Downsizing such that under higher proportions of outside members, powerful CEOs would be more likely to pursue downsizing. Table 16 below presents the results. As can be seen in Model 2, the cross product (interaction) term of CEO Power and Proportion of Outside Directors was not statistically significant (B= -.03, n.s.). Accordingly, the proportion of outside to inside members on the Board of Directors was not found to be a statistically significant moderator of the relationship between CEO Power and Downsizing. Hence, no support for downsizing was found.

Table 16: The Moderating Effect of Proportion of Outside Directors on Downsizing- Panel Negative Binomial Regression[1]

	No. of Downsizing Announcements	
Variables	Model 1	Model 2
Constant	-7.27 (1.96)***	-4.43 (0.95)***
Board Size	0.06 (0.07)	0.08 (0.07)
Firm Age	0.00 (0.00)	0.00 (0.00)
Firm Size[2]	0.00 (0.00)***	0.00 (0.00)***
Industry Dummy[3]	0.87 (0.33)**	0.85 (0.33)**
Level of Diversification	0.15 (0.07)**	0.15 (0.07)**
TMT Average Tenure	-0.01 (0.01)	-0.01 (0.01)
CEO Outsider Status	-0.14 (0.39)	-0.16 (0.38)
CEO Functional Area[4]	0.07 (0.28)	0.06 (0.28)
Past Performance	-0.28 (0.78)	-0.27 (0.79)
Organizational Slack	-0.01 (0.00)**	-0.01 (0.00)**
Industry Effects	Included	Included
Proportion Outside Directors	3.45 (2.03)*	
CEO Power	-0.03 (0.05)	
CEO Power X Proportion Outside Directors		-0.03 (0.05)
Wald Chi-Square	39.17***	37.63***
N	934	934

**p < 0.10, **p < 0.05, ***p < 0.01 Standard errors are in parentheses [1]GEE Population- Averaged Estimation used, [2]Log of number of employees, [3]Coded 0= Service, 1= Manufacturing, [4]Coded 0= Output, 1=Throughput*

Proportion of Outside Directors and Retrenchment

For the third strategy within the efficiency-enhancing strategies of H4, I predicted that the proportion of outside to inside members on the Board of Directors would positively moderate the relationship between CEO Power and Retrenchment such that under higher proportions of outside members, powerful CEOs would be more likely to pursue retrenchment. Table 17 below presents the results. As can be seen in Model 2, the cross product (interaction) term of CEO Power and Proportion of Outside Directors was not statistically significant (B= .01, n.s.). Accordingly, the proportion of outside to inside members on the Board of Directors was not found to be a statistically significant moderator of the relationship between CEO Power and Retrenchment. Hence, no support for retrenchment was found.

H4: Proportion of Outside Directors and Efficiency-Enhancing Strategies

Hypothesis 4 predicted that the proportion of outside to inside members on the Board of Directors would positively moderate the relationship between CEO power and efficiency-enhancing strategies. Given the above results, H4 was not supported.

Table 17: The Moderating Effect of Proportion of Outside Directors on Retrenchment Intensity- Panel Regression[1]

	Retrenchment Intensity	
Variables	Model 1	Model 2
Constant	12.47 (2.30)***	12.30 (2.51)***
Board Size	-0.23 (0.20)	-0.23 (0.20)
Firm Age	-0.03 (0.01)**	-0.03 (0.01)**
Firm Size[2]	-0.00 (0.00)	-0.00 (0.00)
Industry Dummy[3]	1.72 (0.88)*	1.71 (0.88)*
Level of Diversification	-0.46 (0.21)**	-0.46 (0.21)**
TMT Average Tenure	-0.01 (0.04)	-0.01 (0.04)
CEO Outsider Status	1.20 (1.20)	1.18 (1.20)
CEO Functional Status[4]	-1.48 (0.78)*	-1.48 (0.78)*
Past Performance	-5.14 (2.59)**	-5.13 (2.59)**
Organizational Slack	-0.00 (0.01)	-0.00 (0.01)
Industry Effects	Included	Included
Proportion Outside Directors	-0.25 (2.21)	
CEO Power	0.03 (0.12)	
CEO Power X Proportion Outside Directors		0.01 (0.14)
Wald Chi-Square	48.25***	48.18***
N	934	934

**p < 0.10, **p < 0.05, ***p < 0.01 Standard errors are in parentheses [1]Random Effects used, [2]Log of number of employees, [3]Coded 0= Service, 1= Manufacturing, [4]Coded 0= Output, 1=Throughput*

5.3.4 The Moderating Effect of Proportion of Outside Directors on Domain Creating Strategies

H8: Proportion of Outside Directors and Domain Creating Strategies

Hypothesis 8 predicted that the proportion of outside to inside members on the Board of Directors would negatively moderate the relationship between CEO power and domain creating strategies. In order to empirically test this relationship, domain creating strategies must be broken down into specific components. Therefore, I will present the results of data analysis for each strategy separately beginning with acquisitions.

Proportion of Outside Directors and Acquisition

For the first strategy within the domain creating strategies of H8, I predicted that the proportion of outside to inside members on the Board of Directors would negatively moderate the relationship between CEO Power and Acquisitions such that under higher proportions of outside members, powerful CEOs would be less likely to pursue acquisition. Table 18 below presents the results. As can be seen in Model 2, the cross product (interaction) term of CEO Power and Proportion of Outside Directors was statistically significant (B = -.05, $p < .05$). Accordingly, the proportion of outside to inside members on the Board of Directors was found to be a statistically significant moderator of the relationship between CEO Power and Acquisition. Hence, support was found for acquisitions.

Table 18: The Moderating Effect of Proportion of Outside Directors on Acquisitions- Panel Negative Binomial Regression[1]

	No. of Acquisitions	
Variables	Model 1	Model 2
Constant	-1.41 (0.73)*	-0.98 (0.53)*
Board Size	0.01 (0.04)	0.01 (0.04)
Firm Age	-0.00 (0.00)	-0.00 (0.00)
Firm Size[2]	-0.00 (0.00)	-0.00 (0.00)
Industry Dummy[3]	0.04 (0.18)	0.04 (0.18)
Level of Diversification	-0.04 (0.04)	-0.04 (0.04)
TMT Average Tenure	0.01 (0.01)	0.01 (0.01)
CEO Outsider Status	0.55 (0.28)**	0.55 (0.28)**
CEO Functional Area[4]	-0.12 (0.16)	-0.12 (0.15)
Past Performance	0.88 (0.51)*	0.86 (0.51)*
Organizational Slack	0.00 (0.00)	0.00 (0.00)
Acquisition Average	0.03 (0.05)	0.03 (0.05)
Industry Effects	Included	Included
Proportion Outside Directors	0.57 (0.65)	
CEO Power	-0.04 (0.02)*	
CEO Power X Proportion Outside Directors		-0.05 (0.03)**
Wald Chi-Square	59.93***	59.68***
N	934	934

**p < 0.10, **p < 0.05, ***p < 0.01 Standard errors are in parentheses [1]GEE Population- Averaged Estimation used, [2]Log of number of employees, [3]Coded 0= Service, 1= Manufacturing, [4]Coded 0= Output, 1=Throughput*

Proportion of Outside Directors and Strategic Alliances

For the second strategy within the domain creating strategies of H8, I predicted that the proportion of outside to inside members on the Board of Directors would negatively moderate the relationship between CEO Power and Strategic Alliances such that under higher proportions of outside members, powerful CEOs would be less likely to pursue strategic alliances. Table 19 below presents the results. As can be seen in Model 2, the cross product (interaction) term of CEO Power and Proportion of Outside Directors was not statistically significant (B= .01, n.s.). Accordingly, the proportion of outside to inside members on the Board of Directors was not found to be a statistically significant moderator of the relationship between CEO Power and Strategic Alliances. Hence, no support for strategic alliances was found.

H8: Proportion of Outside Directors and Domain Creating Strategies

Hypothesis 8 predicted that the proportion of outside to inside members on the Board of Directors would negatively moderate the relationship between CEO power and domain creating strategies. Given the above results, H8 was partially supported.

Table 19: The Moderating Effect of Proportion of Outside Directors on Strategic Alliances- Panel Negative Binomial Regression[1]

	No. of Strategic Alliances	
Variables	Model 1	Model 2
Constant	-3.54 (1.15)***	-2.38 (0.64)***
Board Size	0.06 (0.05)	0.07 (0.05)
Firm Age	-0.00 (0.00)	0.00 (0.00)
Firm Size[2]	0.00 (0.00)	0.00 (0.00)
Industry Dummy[3]	0.51 (0.22)**	0.52 (0.22)**
Level of Diversification	0.03 (0.05)	0.03 (0.05)
TMT Average Tenure	-0.02 (0.01)*	-0.02 (0.01)**
CEO Status	0.20 (0.30)	0.23 (0.30)
CEO Dominant Function[4]	0.15 (0.19)	0.14 (0.20)
Past Performance	-1.02 (0.65)	-1.05 (0.66)
Organizational Slack	-0.00 (0.00)	-0.00 (0.00)
Industry Effects	Included	Included
Proportion Outside Directors	1.57 (1.20)	
CEO Power	0.00 (0.03)	
Power X Out Directors		0.01 (0.03)
Wald Chi-Square	34.68***	33.61***
N	934	934

**p < 0.10, **p < 0.05, ***p < 0.01 Standard errors are in parentheses [1]GEE Population- Averaged Estimation used, [2]Log of number of employees, [3]Coded 0= Service, 1= Manufacturing, [4]Coded 0= Output, 1=Throughput*

5.3.5 The Moderating Effect of Industry Munificence on Efficiency- Enhancing Strategies

H2: Industry Munificence and Efficiency-Enhancing Strategies

Hypothesis 2 predicted that the level of industry munificence would negatively moderate the relationship between CEO power and efficiency-enhancing strategies. In order to empirically test this relationship, efficiency-enhancing strategies must be broken down into the three specific component strategies. Therefore, I will present the results of data analyses for each respective strategy separately beginning with downsizing strategies.

Industry Munificence and Divestitures

For the first strategy within the efficiency-enhancing strategies of H2, I predicted that the level of industry munificence would negatively moderate the relationship between CEO Power and Divestiture such that under levels of high munificence, powerful CEOs would be less likely to pursue divestiture. Table 20 below presents the results. As can be seen in Model 2, the cross product (interaction) term of CEO Power and Industry Munificence was statistically significant (B = -.09, p <.05). Accordingly, the level of industry munificence was found to be a statistically significant moderator of the relationship between CEO Power and Divestiture. Hence, support was found for divestiture.

Table 20: The Moderating Effect of Industry Munificence on Divestitures- Panel Negative Binomial Regression[1]

	No. of Divestiture	
Variables	Model 1	Model 2
Constant	-3.52 (0.70)***	-3.44 (0.69)***
Board Size	0.11 (0.05)**	0.11 (0.05)**
Firm Age	0.01 (0.00)**	0.01 (0.00)**
Firm Size[2]	-0.00 (0.00)	-0.00 (0.00)
Industry Dummy[3]	-0.13 (0.23)	-0.10 (0.23)
Diversification	-0.06 (0.06)	-0.07 (0.06)
TMT Average Tenure	-0.00 (0.01)	-0.01 (0.01)
CEO Outsider Status	0.44 (0.36)	0.41 (0.35)
CEO Functional Area[4]	0.35 (0.21)*	0.36 (0.21)*
Past Performance	-0.46 (0.67)	-0.55 (0.67)
Organizational Slack	0.00 (0.00)*	0.00 (0.00)*
Industry Effects	Included	Included
Industry Munificence	0.03 (0.18)	
CEO Power	-0.04 (0.03)	
CEO Power X Industry Munificence		-0.09 (0.04)**
Wald Chi-Square	31.56**	35.46***
N	935	935

**p < 0.10, **p < 0.05, ***p < 0.01 Standard errors are in parentheses [1]GEE Population- Averaged Estimation used, [2]Log of number of employees, [3]Coded 0= Service, 1= Manufacturing, [4]Coded 0= Output, 1=Throughput*

Industry Munificence and Downsizing

For the second strategy within the efficiency- enhancing strategies of H2, I predicted that the level of industry munificence would negatively moderate the relationship between CEO Power and Downsizing such that under levels of high munificence, powerful CEOs would be less likely to pursue downsizing. Table 21 below presents the results. As can be seen in Model 2, the cross product (interaction) term of CEO Power and Industry Munificence was not statistically significant (B = -.10, $p < .10$). Accordingly, the level of industry munificence was not found to be a statistically significant moderator of the relationship between CEO Power and Downsizing. Hence, no support was found for downsizing.

Table 21: The Moderating Effect of Industry Munificence on Downsizing- Panel Negative Binomial Regression[1]

	No. of Downsizing Announcements	
Variables	Model 1	Model 2
Constant	-4.43 (0.96)***	-4.42 (0.96)***
Board Size	0.08 (0.07)	0.08 (0.07)
Firm Age	0.00 (0.00)	0.00 (0.00)
Firm Size[2]	0.00 (0.00)***	0.00 (0.00)***
Industry Dummy[3]	0.83 (0.34)**	0.88 (0.34)**
Level of Diversification	0.16 (0.07)**	0.16 (0.07)**
TMT Average Tenure	-0.01 (0.01)	-0.02 (0.01)
CEO Outsider Status	-0.18 (0.38)	-0.21 (0.38)
CEO Functional Area[4]	0.06 (0.28)	0.06 (0.28)
Past Performance	-0.29 (0.79)	-0.42 (0.81)
Organizational Slack	-0.01 (0.00)**	-0.01 (0.00)**
Industry Effects	Included	Included
Industry Munificence	0.05 (0.31)	
CEO Power	-0.03 (0.05)	
CEO Power X Industry Munificence		-0.10 (0.05)*
Wald Chi-Square	37.86***	39.18***
N	935	935

**p < 0.10, **p < 0.05, ***p < 0.01 Standard errors are in parentheses [1]GEE Population- Averaged Estimation used, [2]Log of number of employees, [3]Coded 0= Service, 1= Manufacturing, [4]Coded 0= Output, 1=Throughput*

Industry Munificence and Retrenchment

For the third strategy within the efficiency-enhancing strategies of H2, I predicted that the level of industry munificence would negatively moderate the relationship between CEO Power and Retrenchment such that under levels of high munificence, powerful CEOs would be less likely to pursue retrenchment. Table 22 below presents the results. As can be seen in Model 2, the cross product (interaction) term of CEO Power and Industry Munificence was not statistically significant (B = .31, $p < .10$). Accordingly, the level of industry munificence was not found to be a statistically significant moderator of the relationship between CEO Power and Retrenchment. Hence, no support was found for retrenchment.

H2: Industry Munificence and Efficiency-Enhancing Strategies

Hypothesis 2 predicted that the level of industry munificence would negatively moderate the relationship between CEO power and efficiency- enhancing strategies. Given the above results, H2 was partially supported.

Table 22: The Moderating Effect of Industry Munificence on Retrenchment Intensity- Panel Regression[1]

	Retrenchment Intensity	
Variables	Model 1	Model 2
Constant	12.98 (2.50)***	12.43 (2.49)***
Board Size	-0.20 (0.19)	-0.17 (0.19)
Firm Age	-0.03 (0.01)**	-0.03 (0.01)**
Firm Size[2]	-0.00 (0.00)	-0.00 (0.00)
Industry Dummy[3]	1.31 (0.87)	1.32 (0.86)
Level of Diversification	-0.52 (0.20)**	-0.51 (0.20)**
TMT Average Tenure	-0.01 (0.04)	-0.02 (0.04)
CEO Outsider Status	1.22 (1.19)	1.21 (1.18)
CEO Functional Area[4]	-1.50 (0.77)*	-1.57 (0.76)**
Past Performance	-5.15 (2.55)	-5.11 (2.55)**
Organizational Slack	-0.00 (0.01)	-0.00 (0.01)
Industry Effects	Included	Included
Industry Munificence	-1.04 (0.76)	
CEO Power	0.05 (0.12)	
CEO Power X Industry Munificence		0.31 (0.19)*
Wald Chi-Square	55.89***	56.81***
N	935	935

**p < 0.10, **p < 0.05, ***p < 0.01 Standard errors are in parentheses [1]Random Effects used, [2]Log of number of employees, [3]Coded 0= Service, 1= Manufacturing, [4]Coded 0= Output, 1=Throughput*

5.3.6 The Moderating Effect of Industry Munificence on Domain Creating Strategies

H6: Industry Munificence and Domain Creating Strategies

Hypothesis 6 predicted that the level of industry munificence would positively moderate the relationship between CEO power and domain creating strategies. In order to empirically test this relationship, domain creating strategies must be broken down into specific components. Therefore, I will present the results of the data analysis for each strategy separately beginning with acquisitions.

Industry Munificence and Acquisitions

For the first strategy within domain creating strategies of H6, I predicted that the level of industry munificence would positively moderate the relationship between CEO Power and Acquisitions such that under levels of high munificence, powerful CEOs would be more likely to pursue acquisition. Table 23 below presents the results. As can be seen in Model 2, the cross product (interaction) term of CEO Power and Industry Munificence was not statistically significant (B= -.01, n.s.). Accordingly, the level of industry munificence was not found to be a statistically significant moderator of the relationship between CEO Power and Acquisition. Hence, no support was found for acquisitions.

Table 23: The Moderating Effect of Industry Munificence on Acquisitions- Panel Negative Binomial Regression[1]

	No. of Acquisitions	
Variables	Model 1	Model 2
Constant	-0.71 (0.52)	-0.75 (0.51)
Board Size	-0.01 (0.04)	-0.01 (0.04)
Firm Age	-0.00 (0.00)**	-0.00 (0.00)**
Firm Size[2]	-0.00 (0.00)*	-0.00 (0.00)
Industry Dummy[3]	-0.11 (0.17)	-0.09 (0.17)
Level of Diversification	-0.02 (0.04)	-0.03 (0.04)
TMT Average Tenure	0.01 (0.01)	0.01 (0.01)
CEO Outsider Status	0.63 (0.28)**	0.66 (0.28)**
CEO Functional Area[4]	-0.12 (0.15)	-0.15 (0.15)
Past Performance	1.59 (0.48)***	1.62 (0.48)***
Organizational Slack	0.00 (0.00)	0.00 (0.00)
Firm Acquisition Experience	0.04 (0.05)	0.04 (0.05)
Industry Effects	Included	Included
Industry Munificence	-0.23 (0.17)	
CEO Power	-0.04 (0.02)*	
CEO Power X Industry Munificence		-0.01 (0.03)
Wald Chi-Square	41.73***	37.84***
N	935	935

**p < 0.10, **p < 0.05, ***p < 0.01 Standard errors are in parentheses [1]GEE Population- Averaged Estimation used, [2]Log of number of employees, [3]Coded 0= Service, 1= Manufacturing, [4]Coded 0= Output, 1=Throughput*

Industry Munificence and Strategic Alliances

For the second strategy within the domain creating strategies of H6, I predicted that the level of industry munificence would positively moderate the relationship between CEO Power and Strategic Alliances such that under levels of high munificence, powerful CEOs would be more likely to pursue strategic alliances. Table 24 below presents the results. As can be seen in Model 2, the cross product (interaction) term of CEO Power and Industry Munificence was not statistically significant (B= .06, n.s.). Accordingly, the level of industry munificence was not found to be a statistically significant moderator of the relationship between CEO Power and strategic alliances. Hence, no support was found for strategic alliances.

H6: Industry Munificence and Domain Creating Strategies

Hypothesis 6 predicted that the level of industry munificence would positively moderate the relationship between CEO power and domain creating strategies. Given the above results, H6 was not supported.

Table 24: The Moderating Effect of Industry Munificence on Strategic Alliances- Panel Negative Binomial Regression[1]

	No. of Strategic Alliances	
Variables	Model 1	Model 2
Constant	-2.31 (0.65)***	-2.38 (0.64)***
Board Size	0.07 (0.05)	0.07 (0.05)
Firm Age	0.00 (0.00)	0.00 (0.00)
Firm Size[2]	2.52 (0.00)	0.00 (0.00)
Industry Dummy[3]	0.47 (0.22)**	0.47 (0.22)**
Level of Diversification	0.03 (0.05)	0.03 (0.05)
TMT Average Tenure	-0.02 (0.01)**	-0.02 (0.01)***
CEO Outsider Status	0.22 (0.30)	0.25 (0.30)
CEO Functional Area[4]	0.15 (0.19)	0.15 (0.19)
Past Performance	-1.07 (0.65)*	-1.05 (0.65)
Organizational Slack	-0.00 (0.00)	-0.00 (0.00)
Industry Effects	Included	Included
Industry Munificence	-0.04 (0.22)	
CEO Power	0.01 (0.03)	
CEO Power X Industry Munificence		0.06 (0.06)
Wald Chi-Square	34.91**	35.70***
N	935	935

**p < 0.10, **p < 0.05, ***p < 0.01 Standard errors are in parentheses [1]GEE Population- Averaged Estimation used, [2]Log of number of employees, [3]Coded 0= Service, 1= Manufacturing, [4]Coded 0= Output, 1=Throughput*

5.4 Corporate Strategies and Firm Performance

5.4.1 Efficiency- Enhancing Strategies and Firm Performance

H10: Efficiency-Enhancing Strategies and Firm Performance

Hypothesis 10 predicted a positive relationship between efficiency-enhancing strategies and firm performance. In order to empirically test this relationship, efficiency-enhancing strategies must be broken down into specific components. Additionally, firm performance is broken down into three specific components- ROA, ROE, and Tobin's Q. Therefore, I will present the results of the data analysis for each strategy separately beginning with downsizing.

H10a: Downsizing Announcements and Firm Performance

H10a predicted a positive relationship between Downsizing and Firm Performance. Table 25 below presents the results. As can be seen in Model 2, the relationship between downsizing and ROA was not statistically significant (B = .09, n.s.). As can be seen in Model 4, the relationship between downsizing and ROE was statistically significant but in the opposite predicted direction (B = -4.81, p <.05). Lastly, as can be seen in Model 6, the relationship between downsizing and Tobin's Q was not statistically significant (B = -.11, n.s.). Hence, no support for was found for H10a.

Table 25: Downsizing Announcements and Firm Performance

	ROA		ROE		Tobin's Q	
Variables	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Firm Size[1]	0.00 (0.05)	-0.00 (0.06)	-0.02 (0.45)	0.27 (0.47)	-0.32 (0.12)***	-0.31 (0.12)**
Firm Age	0.00 (0.01)	0.00 (0.00)	-0.00 (0.01)	-0.00 (0.01)	0.00 (0.00)	0.00 (0.00)
Past Performance	0.88 (0.40)**	0.89 (0.41)**	-3.49 (3.42)	-3.77 (3.41)	-2.14 (0.89)**	-2.15 (0.89)**
Board Size	-0.13 (0.03)	-0.13 (0.03)**	0.14 (0.26)	0.14 (0.26)	0.05 (0.07)	0.05 (0.07)
TMT Average Tenure	0.00 (0.01)	0.00 (0.01)	0.05 (0.05)	0.05 (0.05)	-0.02 (0.01)	-0.02 (0.01)
CEO Outsider Status	-0.13 (0.18)	-0.13 (0.18)	0.32 (1.56)	-0.03 (1.56)	0.61 (0.41)	0.60 (0.41)
Level of Diversification	-0.01 (0.03)	-0.01 (0.03)	0.06 (0.27)	0.12 (0.27)	0.03 (0.07)	0.03 (0.07)
CEO Functional Area[2]	-0.11 (0.12)	-0.11 (0.12)	0.78 (1.02)	0.68 (1.01)	0.30 (0.27)	0.30 (0.27)
Industry Effects	INCLUDED	INCLUDED	INCLUDED	INCLUDED	INCLUDED	INCLUDED
Downsizing		0.09 (0.29)		-4.81 (2.39)**		-0.11 (0.63)
R^2	0.33	0.37	0.33	0.09	0.21	0.21
ΔR^2		0.04		-0.24		0.00
N	217	217	231	231	231	231

**p < 0.10, **p < 0.05, ***p < 0.01 Standard errors are in parentheses, [1]Log of number of employees, [2]Coded 0= Output, 1=Throughput*

H10b: Retrenchment Intensity and Firm Performance

H10b predicted a positive relationship between Retrenchment Intensity and Firm Performance. Table 26 below presents the results. As can be seen in Model 2, the relationship between retrenchment intensity and ROA was statistically significant (B = .19, p <.05). As can be seen in Model 4, the relationship between retrenchment intensity and ROE was not statistically significant (B = -.47, n.s.). Lastly, as can be seen in Model 6, the relationship between retrenchment intensity and Tobin's Q was not statistically significant (B = .03, n.s.). Hence, partial support was found for H10b.

Table 26: Retrenchment Intensity and Firm Performance

	ROA		ROE		Tobin's Q	
Variables	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Firm Size[1]	0.00 (0.05)	0.08 (0.06)	-0.02 (0.45)	-0.25 (0.47)	-0.32 (0.12)***	-0.24 (0.12)*
Firm Age	0.00 (0.01)	0.00 (0.00)	-0.00 (0.01)	0.00 (0.01)	0.00 (0.00)	0.01 (0.00)**
Past Performance	0.88 (0.40)**	0.89 (0.41)**	-3.49 (3.42)	-2.83 (3.23)	-2.14 (0.89)**	-2.18 (0.84)**
Board Size	-0.13 (0.03)	-0.13 (0.03)***	0.14 (0.26)	0.13 (0.26)	0.05 (0.07)	-0.06 (0.07)
TMT Average Tenure	0.00 (0.01)	0.01 (0.01)	0.05 (0.05)	0.04 (0.05)	-0.02 (0.01)	-0.02 (0.01)*
CEO Outsider Status	-0.13 (0.18)	-0.26 (0.20)	0.32 (1.56)	0.06 (1.66)	0.61 (0.41)	-0.25 (0.43)
Level of Diversification	-0.01 (0.03)	0.00 (0.03)	0.06 (0.27)	-0.02 (0.26)	0.03 (0.07)	0.01 (0.07)
CEO Functional Area[2]	-0.11 (0.12)	-0.06 (0.12)	0.78 (1.02)	0.33 (0.99)	0.30 (0.27)	0.30 (0.26)
Industry Effects	INCLUDED	INCLUDED	INCLUDED	INCLUDED	INCLUDED	INCLUDED
Retrenchment Intensity		0.19 (0.07)**		-0.47 (0.55)		0.03 (0.14)
R^2	0.33	0.41	0.33	0.08	0.21	0.25
ΔR^2		0.08		-0.25		0.04
N	217	203	231	213	231	213

**p < 0.10, **p < 0.05, ***p < 0.01 Standard errors are in parentheses, [1]Log of number of employees, [2]Coded 0= Output, 1=Throughput*

H10c: Divestitures and Firm Performance

H10c predicted a positive relationship between Divestiture and Firm Performance. Table 27 below presents the results. As can be seen in Model 2, the relationship between divestiture and ROA was not statistically significant (B = -.15, n.s.). As can be seen in Model 4, the relationship between divestiture and ROE was not statistically significant (B = -.39, n.s.). Lastly, as can be seen in Model 6, the relationship between divestiture and Tobin's Q was not statistically significant (B = -.23, n.s.). Hence, no support was found for H10c.

H10: Efficiency-Enhancing Strategies and Firm Performance

Hypothesis 10 predicted a positive relationship between efficiency- enhancing strategies and firm performance. Given the above results, partial support was found.

Table 27: Divestitures and Firm Performance

	ROA		ROE		Tobin's Q	
Variables	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Firm Size[1]	0.00 (0.05)	0.00 (0.05)	-0.02 (0.45)	-0.02 (0.45)	-0.32 (0.12)***	-0.32 (0.12)**
Firm Age	0.00 (0.01)	0.00 (0.00)	-0.00 (0.01)	-0.00 (0.01)	0.00 (0.00)	0.00 (0.00)
Past Performance	0.88 (0.40)**	.087 (0.40)**	-3.49 (3.42)	-3.52 (3.44)	-2.14 (0.89)**	-2.16 (0.89)**
Board Size	-0.13 (0.03)	-0.13 (0.03)***	0.14 (0.26)	0.15 (0.26)	0.05 (0.07)	0.06 (0.07)
TMT Average Tenure	0.00 (0.01)	0.00 (0.01)	0.05 (0.05)	0.05 (0.05)	-0.02 (0.01)	-0.02 (0.01)
CEO Outsider Status	-0.13 (0.18)	-0.13 (0.18)	0.32 (1.56)	0.34 (1.57)	0.61 (0.41)	0.62 (0.41)
Level of Diversification	-0.01 (0.03)	-0.00 (0.03)	0.06 (0.27)	0.07 (0.27)	0.03 (0.07)	0.03 (0.07)
CEO Functional Area[2]	-0.11 (0.12)	-0.11 (0.02)	0.78 (1.02)	0.79 (1.02)	0.30 (0.27)	0.31 (0.27)
Industry Effects	INCLUDED	INCLUDED	INCLUDED	INCLUDED	INCLUDED	INCLUDED
Divestitures		-0.15 (0.18)		-0.39 (1.48)		-0.23 (0.38)
R^2	0.33	0.37	0.33	0.07	0.21	0.21
ΔR^2		0.04		-0.26		0.00
N	217	217	231	231	231	231

**p < 0.10, **p < 0.05, ***p < 0.01 Standard errors are in parentheses [1]Log of number of employees, [2]Coded 0= Output, 1=Throughput*

5.4.2 Domain-Creating Strategies and Firm Performance

H9: Domain-Creating Strategies and Firm Performance

Hypothesis 9 predicted a positive relationship between domain creating strategies and firm performance. In order to empirically test this relationship, domain creating strategies mist be broken down into specific components. Additionally, performance is broken down into three specific components- ROA, ROE, and Tobin's Q. Therefore, I will present the results of the data analysis for each strategy separately beginning with downsizing.

H9a: Acquisitions and Firm Performance

H9a predicted a positive relationship between Acquisitions and Firm Performance. Table 28 below presents the results. As can be seen in Model 2, the relationship between acquisitions and ROA was not statistically significant (B = .19, n.s.). As can be seen in Model 4, the relationship between acquisitions and ROE was not statistically significant (B = .53, n.s.). Lastly, as can be seen in Model 6, the relationship between acquisitions and Tobin's Q was not statistically significant (B = .22, n.s.). Hence, no support was found for H9a.

Table 28: Acquisitions and Firm Performance

	ROA		ROE		Tobin's Q	
Variables	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Firm Size[1]	0.00 (0.05)	0.01 (0.05)	-0.02 (0.45)	-0.00 (0.45)	-0.32 (0.12)***	-0.31 (0.12)**
Firm Age	0.00 (0.01)	0.00(0.00)	-0.00 (0.01)	-0.00 (0.01)	0.00 (0.00)	0.01 (0.00)
Past Performance	0.88 (0.40)**	0.86 (0.40)**	-3.49 (3.42)	-3.58 (3.44)	-2.14 (0.89)**	-2.18 (0.89)**
Board Size	-0.13 (0.03)	-0.13 (0.03)***	0.14 (0.26)	0.14 (0.26)	0.05 (0.07)	0.05 (0.07)
TMT Average Tenure	0.00 (0.01)	0.00 (0.01)	0.05 (0.05)	0.05 (0.05)	-0.02 (0.01)	-0.02 (0.01)
CEO Outsider Status	-0.13 (0.18)	-0.18 (0.19)	0.32 (1.56)	0.20 (1.58)	0.61 (0.41)	0.56 (0.41)
Level of Diversification	-0.01 (0.03)	-0.00 (0.03)	0.06 (0.27)	0.07 (0.27)	0.03 (0.07)	0.03 (0.07)
CEO Functional Area[2]	-0.11 (0.12)	-0.11 (0.12)	0.78 (1.02)	0.78 (1.02)	0.30 (0.27)	0.30 (0.27)
Industry Effects	INCLUDED	INCLUDED	INCLUDED	INCLUDED	INCLUDED	INCLUDED
Acquisitions		0.19 (0.12)		0.53 (1.01)		0.22 (0.26)
R^2	0.33	0.38	0.33	0.07	0.21	0.22
ΔR^2		0.05		-0.26		0.01
N	217	217	231	231	231	231

**p < 0.10, **p < 0.05, ***p < 0.01 Standard errors are in parentheses [1]Log of number of employees, [2]Coded 0= Output, 1=Throughput*

H9b: Strategic Alliances and Firm Performance

H9b predicted a positive relationship between Strategic Alliances and Firm Performance. Table 29 below presents the results. As can be seen in Model 2, the relationship between strategic alliances and ROA was not statistically significant (B = .27, p <.10.). As can be seen in Model 4, the relationship between strategic alliances and ROE was not statistically significant (B = -.63, n.s.). Lastly, as can be seen in Model 6, the relationship between strategic alliances and Tobin's Q was not statistically significant (B = .28, n.s.). Hence, no support was found for H9b.

H9: Domain-Creating Strategies and Firm Performance

Hypothesis 9 predicted a positive relationship between domain creating strategies and firm performance. Given the above results, H9 was not supported.

Table 30 below provides a summary of the hypotheses and whether (partial) support was found or not. As Table 30 indicates, several hypotheses received partial support. Given the nature of both efficiency-enhancing and domain-creating strategies, individual strategies were tested thus producing partial support for a several relationships.

Table 29: Strategic Alliances and Firm Performance

	ROA		ROE		Tobin's Q	
Variables	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Firm Size[1]	0.00 (0.05)	-0.01 (0.05)	-0.02 (0.45)	0.00 (0.45)	-0.32 (0.12)***	-0.33 (0.12)**
Firm Age	0.00 (0.01)	0.00 (0.00)	-0.00 (0.01)	-0.00 (0.01)	0.00 (0.00)	0.00 (0.00)
Past Performance	0.88 (0.40)**	0.95 (0.40)**	-3.49 (3.42)	-3.61 (3.45)	-2.14 (0.89)**	-2.09 (0.89)**
Board Size	-0.13 (0.03)	-0.13 (0.03)***	0.14 (0.26)	0.14 (0.26)	0.05 (0.07)	0.05 (0.07)
TMT Average Tenure	0.00 (0.01)	0.00 (0.01)	0.05 (0.05)	0.05 (0.05)	-0.02 (0.01)	-0.02 (0.01)
CEO Outsider Status	-0.13 (0.18)	-0.15 (0.18)	0.32 (1.56)	0.36 (1.57)	0.61 (0.41)	0.59 (0.41)
Level of Diversification	-0.01 (0.03)	-0.01 (0.03)	0.06 (0.27)	0.07 (0.27)	0.03 (0.07)	0.03 (0.07)
CEO Functional Area[2]	-0.11 (0.12)	-0.11 (0.12)	0.78 (1.02)	0.78 (1.02)	0.30 (0.27)	0.30 (0.27)
Industry Effects	INCLUDED	INCLUDED	INCLUDED	INCLUDED	INCLUDED	INCLUDED
Strategic Alliances		0.27 (0.16)*		-0.63 (1.35)		0.28 (0.35)
R^2	0.33	0.38	0.33	0.07	0.21	0.21
ΔR^2		0.05		-0.26		0.00
N	217	217	231	231	231	231

**p < 0.10, **p < 0.05, ***p < 0.01 Standard errors are in parentheses [1]Log of number of employees, [2]Coded 0= Output, 1=Throughput*

Table 30: Summary of Hypotheses Tests

Hypotheses				Result
H1	CEO Power	+	Efficiency-Enhancing Strategies	Not Supported
H1a	CEO Power	+	Downsizing Strategies	Not Supported
H1b	CEO Power	+	Retrenchment Strategies	Not Supported
H1c	CEO Power	+	Divestiture Strategies	Not Supported
H2	Industry Munificence	-	CEO Power & Efficiency-Enhancing Strategies	**Partially Supported**
H3	Organizational Slack	-	CEO Power & Efficiency-Enhancing Strategies	Not Supported
H4	Proportion of Outside Directors	+	CEO Power & Efficiency-Enhancing Strategies	Not supported
H5	CEO Power	+	Domain-Creating Strategies	Not Supported
H5a	CEO Power	+	Acquisition Strategies	Not Supported
H5b	CEO Power	+	Strategic Alliance Strategies	Not Supported
H6	Industry Munificence	+	CEO Power & Domain-Creating Strategies	Not Supported
H7	Organizational Slack	+	CEO Power & Domain-Creating Strategies	Not Supported
H8	Proportion of Outside Directors	-	CEO Power & Domain-Creating Strategies	**Partially Supported**
H9	Domain-Creating Strategies	+	Firm Performance	Not supported
H9a	Acquisition Strategies	+	Firm Performance	Not Supported
H9b	Strategic Alliance Strategies	+	Firm Performance	Not Supported
H10	Efficiency-Enhancing Strategies	+	Firm Performance	**Partially Supported**
H10a	Downsizing Strategies	+	Firm Performance	Not Supported
H10b	Retrenchment Strategies	+	Firm Performance	**Partially Supported**
H10c	Divestiture Strategies	+	Firm Performance	Not Supported

5.5 Supplementary Analyses- Dimensions of CEO Power

As discussed in previous Chapter, I additionally examined the impact of CEO power on both efficiency-enhancing and domain-creating strategies using the individual dimensions of CEO power. Essentially, in addition to the main analysis above, I include two additional tables that show the results of ownership power on divestitures followed by expert power on downsizing. Please note that all dimensions (structural, ownership, expert, prestige, and network) were run initially. For purposes of this supplementary analyses, only statistically significant results are shown.

5.5.1 Ownership Power and Divestitures

In this section, I provide the analysis of ownership power and divestiture strategy. Ownership power is operationalized as CEO founder status. Table 31 presents the results below. As can be seen in Model 2, the relationship between ownership power and divestiture strategy is negatively statistically significant (B = -1.78, $p < .01$). Therefore, ownership power is negatively related to divestitures strategy.

Table 31: Ownership Power and Divestitures- Panel Negative Binomial Regression[1]

	No. of Divestitures	
Variables	Model 1	Model 2
Constant	-3.45 (0.67)***	-3.05 (0.69)***
Board Size	0.12 (0.05)**	0.12 (0.05)**
Firm Age	0.01 (0.00)**	0.00 (0.00)*
Firm Size[2]	-0.00 (0.00)	-0.00 (0.00)
Level of Diversification	-0.08 (0.05)	-0.08 (0.05)
TMT Average Tenure	-0.01 (0.01)	-0.00 (0.01)
CEO Outsider Status	0.43 (0.35)	0.26 (0.35)
CEO Functional Area[3]	0.36 (0.20)*	0.39 (0.20)*
Past Performance	-0.54 (0.65)	-0.43 (0.62)
Organizational Slack	0.00 (0.00)*	0.00 (0.00)
Industry Effects	INCLUDED	INCLUDED
Ownership Power (CEO Founder Status)		-1.78 (0.60)***
Wald Chi-Square	26.70	32.48
N	935	935

**p < 0.10, **p < 0.05, ***p < 0.01 Standard errors are in parentheses [1]GEE Population- Averaged Estimation used, [2]Log of number of employees, [3]Coded 0= Output, 1=Throughput*

5.5.2 Expert Power and Downsizing

In this section, I provide the analysis of expert power and downsizing strategy. Expert power is operationalized as CEO tenure. Table 32 below presents the results. As can be seen in Model 2, the relationship between expert power and downsizing strategy is negatively statistically significant (B = -.07, p <.05). Therefore, expert power is negatively related to downsizing strategy.

Table 32: Expert Power and Downsizing- Panel Negative Binomial Regression[1]

	Downsizing	
Variables	Model 1	Model 2
Constant	-3.81 (0.91)***	-3.31 (0.95)***
Board Size	0.05 (0.07)	0.04 (0.07)
Firm Age	0.00 (0.00)	0.00 (0.00)
Firm Size[2]	0.00 (0.00)***	0.00 (0.00)***
Level of Diversification	0.18 (0.07)**	0.18 (0.07)**
TMT Average Tenure	-0.01 (0.01)	-0.01 (0.01)
CEO Outsider Status	-0.22 (0.38)	-0.27 (0.39)
CEO Functional Area[3]	-0.06 (0.28)	-0.03 (0.28)
Past Performance	0.10 (0.75)	0.13 (0.75)
Organizational Slack	-0.01 (0.00)**	-0.01 (0.00)
Industry Effects	INCLUDED	INCLUDED
Expert Power (Tenure)		-0.07 (0.04)**
Wald Chi-Square	32.95	34.13
N	935	935

**p < 0.10, **p < 0.05, ***p < 0.01 Standard errors are in parentheses [1]GEE Population- Averaged Estimation used, [2]Log of number of employees, [3]Coded 0= Output, 1=Throughput*

5.6 Chapter Summary

This chapter presented the results of data analyses divided into three major sections. First, the results of the main analyses on CEO power and efficiency-enhancing and domain-creating strategies were presented. Second, the results of moderator analyses (organizational slack, proportion of outside directors, and industry munificence) were presented. Lastly, the influence of efficiency-enhancing and domain-creating strategies on firm performance were presented. Additionally, the supplementary findings for the two dimensions of power are presented. Table 30 summarizes the overall findings of my dissertation noting which hypotheses were supported and not supported. In the next chapter, I discuss these findings in depth and provide implications for both practice and research. I conclude the chapter with limitations of the dissertation as well as future research avenues.

CHAPTER VI

DISCUSSION AND CONCLUSION

In this chapter, I begin my discussion with the purpose of this dissertation. I then discuss the major results of my study with specific focus on interpretations and possible alternative explanations. Implications for both research and practice are then discussed followed by the limitations of the dissertation. Lastly, future research avenues are discussed.

6.1 Purpose

This dissertation sought to explore the influence of CEO power on the choice of both aggressive and conservative corporate strategies, and how such choices influence firm performance. Additionally, this dissertation examined the strategic choices as a function of contexts that these powerful actors face. The differences that may potentially manifest when powerful CEOs choose one strategy versus the other are vastly different because they produce such contrasting outcomes on the scope of firm's operation. This study had three main objectives: (1) empirically examine the link between CEO power and conservative and aggressive strategies, (2) examine the governance, organizational, and industry contexts under which CEO power would lead to conservative or aggressive strategic choices, and (3) lastly, examine the link between aggressive and conservative strategies and firm performance. I chose to examine two of the most popular types of strategies that firms engage in. As such, I examined

efficiency-enhancing strategies (i.e. downsizing, divestiture, and retrenchment), as well as domain-creating strategies (acquisitions and strategic alliances). Because certain contexts are expected to alter strategic choices of a CEO, I further examined the influence of organizational slack (i.e. organizational context), proportion of outside directors (i.e. governance context), and industry munificence (i.e. industry context) on these strategic choices. These contexts both internally and externally influence how a powerful CEO makes his/her strategic choices. These decisions are important to consider given the influence they bear on firm performance. Accordingly, I then examined the influence that such strategies held on firm performance.

6.2 Major Results

In this section, I will begin by discussing the major findings of each objective outlined above beginning with the relationship between CEO power and conservative and aggressive strategies, followed by the influence that organizational slack, proportion of outside directors, and industry munificence bears on this relationship, and lastly, the influence that such strategies chosen have on firm performance.

6.2.1 Relationship between CEO Power and Strategic Choices

As the empirical analysis in the previous chapter indicates, CEO power does not appear to be a major influence on either aggressive or conservative strategic choices. This finding is interesting given that research thus far has shown that power is expected to push CEOs to behave one way or another. Past studies provide ample evidence that CEO power influences both aggressive and conservative strategy choices. For example, Brown and Sarma (2007) find that CEO power is pertinent to consider when a CEO is deciding whether or not to undergo an acquisition, especially an acquisition that results in diversification. This is primarily because

CEOs who pursue more diversification are able to better enhance their power (i.e. grow their power) (Krishnan & Sivakumar, 2004). This is important to consider when observing a CEO's strategic choices because we expect powerful CEOs to behave opportunistically in an effort to not only remain powerful, but also accrue additional power (Fama & Jensen, 1983).

However, behavioral choices manifested in strategies undertaken by powerful CEOs are not restricted to only aggressive strategies such as acquisitions. These powerful individuals, as I argued in this dissertation, may be inclined to pursue more conservative strategies that aim for enhanced efficiency. The rationale behind such choices focuses on the fact that strategies that seek growth simultaneously require higher levels of monitoring. Thus, CEOs may actually adopt more conservative strategies in an effort to protect their personal interests (Lambert & Larcker, 1985) and avoid hindering their power given that power plays a key role in strategic choices (Haynes & Hillman, 2010). Despite the robust literature on the effect of CEO power on strategies, CEO power was not shown to be a predictor of either type of aforementioned strategic choice. This lack of empirical support may be due to the nature of CEO power and its multiple dimensions.

Despite Finklestein's (1992) contention that CEO power is multifaceted thereby consisting of four unique dimensions, a closer look at the individual dimensions of CEO power in the supplementary analysis tells us that certain dimensions do in fact influence strategic choices. This is consistent with several studies that have examined the individual dimensions of power. For example, Chikh and Filbien (2011) found that examining a CEO's expert power can reveal a CEO's decreased likelihood of pursuing acquisitions while their level of structural power can both increase and decrease the probability of an acquisition being completed. Similarly, Bigley & Wiersema (2002) find that not all indicators of power are capable of truly

capturing the elements of a CEO's power. They note that several indicators, such as founder status, did not properly discriminate among CEOs in their sample when assessing their level of power. This suggests the possibility that CEO power should also be considered from the perspective of its individual dimensions. Chapter 5's supplementary analysis therefore took a closer look at CEO power's individual dimensions.

In the supplementary analysis, the relationship between expert power, operationalized as CEO tenure, and efficiency-enhancing strategies was examined. Interestingly, while not supported for each of the three strategies (downsizing, retrenchment, and divestiture), a statistically negative relationship emerged between expert power and downsizing announcements. Accordingly, this result suggest that CEO's who have remained in their position for longer periods of time (i.e. higher levels of expert power) tend to pursue less downsizing. This finding may be the result of CEOs becoming 'stale in the saddle' such that these longer tenured CEOs begin to "ignore their environments" (Miller, 1991, p. 34). This may be due to the fact that longer tenure generally means the CEO has enjoyed a robust past performance (Miller, 1991), most likely through domain-creating strategies thus reinforcing the CEO's commitment to a status quo or a particular way of doing something because it has been well established (Hambrick & Fukutomi, 1991).

As Hambrick and Fukutomi (1991) pointed out, longer-tenured CEOs enter into a stage of dysfunction where their decision-making slows down and becomes more reliant on "highly distilled information" (p. 731). Thus, longer tenured CEOs may not realize the need of strategic choices that enhance efficiency. Additionally, of the three efficiency-enhancing strategies examined, downsizing rests heavily on institutionalized norms (Tsai & Yen, 2008). Tsai and Yen (2008) contend that downsizing efforts are undergone in an effort to be perceived as legitimate

(i.e. firms downsize because other firms in the industry are doing so). Therefore, CEOs may choose to not engage in downsizing if other firms in the industry are not doing so out of fear of what this strategy will signal. In other words, engaging in downsizing efforts when the rest of the industry is not may signal that the firm is in trouble. Furthermore, powerful CEOs with longer tenure may choose to engage in less downsizing because they do not seek legitimacy in their external environments (Finklestein, 1992) the way newly appointed, less powerful CEOs may. Thus, the need to pursue similar strategies of other firms in the same industry is of little to no concern.

In addition to CEOs with high levels of expert power pursuing less downsizing, the supplementary analysis also revealed that CEOs with high levels of ownership power, operationalized as founder status, pursue fewer divestitures. As noted in Chapter 3, divestiture is an especially useful tool for powerful CEOs who wish to prove their commitment to the firm (Brauer, 2006). Divestitures, along with other efficiency-enhancing strategies, help powerful CEOs capitalize on short-term gains (Rappaport, 2005) and thus improve the firm's immediate financial performance and position. However, CEOs who are also founders are unique in the sense that they tend to prioritize the firm's long-term survival over the short-term (Feldman, Amit, & Villalonga, 2014). Founder-CEOs thus may choose to pursue fewer divestitures because divestitures are commonly conceived as signs of weakness and/or failure (Dranikoff, Koller, & Schneider, 2002). Evidence supports this view as divestitures have been shown to follow underperformance (Shimizu & Hitt, 2004; Hayward & Shimizu, 2006). As such, founder-CEOs may not be inclined to pursue divestitures because doing so signals an attempt to reverse a past error. Furthermore, founder CEOs may not feel the pressure to show their "commitment" to the firm given their founder status.

The lack of empirical evidence for the relationship between CEO power and domain-creating strategies suggests that "empire builders", or CEOs who grow their firms, may do so for other reasons than to grow their power as examined in the current study. While the media may draw constant focus on powerful CEOs of prominent firms due to their growth strategies, the current findings suggest that these efforts are not driven by CEO power. This lack of empirical evidence for the relationship between CEO power and both aggressive and conservative strategies may suggest the presence of complex contingency variables not previously considered. Next, I examine the influence of organizational, governance and industry context that may alter the relationship between CEO power and strategic choices.

6.2.2 Organizational, Governance, and Industry Moderators

In Chapter 3, I hypothesized that certain contexts would influence the relationship between CEO power and the choice of aggressive and conservative strategies. For example, the composition of the Board of Directors appears to be an important governance factor that lessens the influence of CEO power on domain-creating strategies. More specifically, the proportion of outside directors on the board significantly weakens the relationship between CEO power and the number of acquisitions such that higher numbers of outside directors lead to fewer acquisitions. This finding is a strong indicator of the monitoring role that independent (outside) directors play in corporate governance. After all, Board of Directors hold a crucial role in approving major strategic decisions proposed by top management, especially those that concern acquisitions (Walters et al., 2007), such that these members serve to mitigate CEO power (Beatty & Zajac, 1994) and ensure that executive opportunism is closely monitored (Fama & Jensen, 1983). In other words, outside directors are more likely to keep careful vigilance over CEOs who tend to engage in "empire-building" tendencies. This finding therefore confirms the need for

additional outside members to be present when a powerful CEO establishes an external growth policy thereby pursuing risky strategies in an effort to grow both their power and the firm. The lack of empirical evidence for the proportion of outside directors influencing CEO power and strategic alliances may be explained by the differences in risk that are associated with acquisitions versus strategic alliances. Firms that choose to pursue strategic alliances share not only the risk but also resources with other parties of the strategic alliance depending on the type of strategic alliance pursued. Outside Board members therefore may view this strategy as less risky and thereby not requiring additional vigilance. Additionally, this type of growth strategy may not be perceived as a means of "empire-building" given such risk is shared.

Contrary to earlier studies that note that monitoring decreases as CEO power increases (Shen, 2003), the current findings suggests that monitoring increases as CEO power increases. Previous finding suggest that monitoring decreases regardless of the sources of power because the CEO has already proven his/her leadership abilities (Shen, 2003). The current study alternatively suggests that monitoring is instead highly contingent on the type of strategies the powerful CEO is pursuing. Interestingly, although not statistically significant, higher proportions of outside directors negatively influence a CEOs pursuance of both downsizing and divestiture. These results are unusual given that such strategies seek efficiency. As Hoskisson and collegues (1994) note, this may be because outside directors are less likely to understand the complexity of strategic choices, especially that of downsizing and divestiture.

Similarly, upon examining the industry environment, specifically industry munificence, there appears to be a strong influence on the relationship between CEO power and efficiency-enhancing strategies. More specifically, the finding that industry munificence significantly lessens the number of divestitures suggests that the level of industry growth has a much more

significant role on strategic choices than executive power. This finding is consistent with the work of Haleblian and Finklestein (1993) that suggests that managerial discretion over strategic choices may be constrained by the firm's environment. In other words, one of the major factors that determines a CEO's discretion is the degree to which the environment allows for change to occur (Hambrick & Finklestein, 1987). In this sense, when the environment is highly munificent, a CEO's predispositions become less important as environmental factors become more significant in influencing organizational outcomes. The lack of empirical support for the influence of industry munificence on the relationship between CEO power and domain-creating strategies may be explained by the nature of munificence. In other words, when an industry has high levels of munificence, firms are more profitable (Nielsen & Nielsen, 2013) and more easily able to generate slack resources (Keats & Hitt, 1998). Under highly munificent environments where slack resources are more easily obtainable, powerful CEOs may opt to not obtain such resources via strategic alliance or acquisition strategies but instead through other available avenues.

Lastly, despite the lack of empirical support for the influence of organizational slack, the results indicate that slack appears to have minimal to no influence on either domain creating or efficiency-enhancing strategies. This finding suggests that powerful CEOs' strategic choices are not as influenced by the firm's availability of "buffer" resources as we initially presumed. This lack of empirical evidence may be explained by past research on higher levels of organizational slack that notes that such levels can essentially place a takeover target on the firm's back (Davis & Stout, 1992). Consequently, powerful CEOs may opt to purposefully keep slack to a minimum.

Taken together, the above results suggest that certain contexts hold more influence than CEO power dependent upon the type of strategy pursued by the CEO. Next, I discuss the influence that such strategic choices have on firm performance.

6.2.3 Corporate Strategies and Firm Performance

The last part of my dissertation model examined the influence that both aggressive and conservative strategies had on firm performance. Understanding performance is perhaps the most important construct within strategic management research (Rumelt, Schendel, & Teece, 1994) and often what distinguishes strategic management from other fields of management (Meyer, 1991). Specifically, I sought to understand the influence that strategies had on both market-based and accounting-based measures of performance where market-based reflects future or long-term performance and accounting-based reflects past or short-term performance (Gentry & Shen, 2010; Hoskisson, Johnson, & Moesel, 1994; Keats & Hitt, 1988).

As evidenced in Chapter 5, efficiency-enhancing strategies hold a mixed impact on firm performance. Specifically, the degree of retrenchment was found to increase short-term performance (ROA) while the frequency of downsizing seemed to reduce it (ROE). Lastly, domain-creating strategies, specifically strategic alliances, were found to increase short-term performance (ROA). Taken together, these findings bear tremendous implications for the types of strategies a CEO may opt to choose. Armed with the knowledge of how both conservative and aggressive strategies influence both short and long-term performance, CEOs may selectively choose which strategies to pursue as they seek to increase their power. This is because performance is highly indicative of a CEO's power for several reasons. For example, firms that perform well often keep the CEO thus increasing the CEO's tenure (i.e. expert power). Additionally, firms that perform well are likely to award the CEO with higher pay or bonuses or

both thus contributing to the CEO's compensation (i.e. structural power). The CEO power-performance relationship has been previously examined and determined to be a reciprocal one in which there exists some instances where performance causes specific dimensions of power to increase and vice versa (Daily & Johnson, 1997).

Efficiency-enhancing strategies are aimed at improving the firm's short-term performance which in turn helps improve shareholder value. This makes sense given that CEOs are incentivized to avoid investments that produce long-term paybacks (Combs et al., 2007; Baysinger & Hoskisson, 1990). Additionally, pursuing this type of strategy pleases outside board members who tend to rely more heavily on short-term accounting measures when evaluating a CEO's performance. However, as the data shows, downsizing appears to hold a negative relationship with firm performance. This finding is supported by past studies that note that downsizing, "more often than not, tends to negatively impact firm performance" (Guthrie & Datta, 2008, p. 110). Guthrie and Datta (2008) suggest that this negative relationship therefore may be contingent on contextual factors. They find the deleterious effects of downsizing are more pronounced in R&D intensive industries as well as faster-growing industries. They note that managers need to pay careful attention to the industry context when making decisions related to downsizing. Interestingly, they note that downsizing study results may be influenced by how researchers measure performance. They note that market-based measures (i.e. Tobin's Q) are more distant from workers thus possibly explaining the non-findings in the current study.

In contrast to the efficiency-enhancing strategy of downsizing, retrenchment holds a positive relationship with firm performance (ROA). This finding supports the notion that retrenchment should lead to performance improvements because of the increased efficiencies and financial savings it produces (Morrow et al., 2004). However, past studies do not necessarily

consider both types of firm performance. Thus, unique to the current study is the operationalization of firm performance that includes both market- and accounting- based measures. No relationship was found for the market-based measure of firm performance. In sum, not all types of efficiency-enhancing strategies can be expected to produce positive firm performance. Furthermore, despite their intentions of growth, both types of domain creating strategies do not produce positive firm performance. Therefore, when CEOs are formulating strategies, it is important that they keep both the aim of the strategy as well as the strategy's influence on firm performance in mind.

6.3 Scholarly and Practical Implications

In this section, I discuss what the above findings mean for both researchers and practioners alike. This dissertation has a number of scholarly implications. First, I believe the findings of this dissertation make important contributions to corporate governance research. The type of corporate strategy chosen is perhaps considered the most critical determinant of a firm's performance. As such, examining the influence of the firm's primary decision-maker is an important aspect to consider. Furthermore, considering how this individual's power, or ability to get things done, influences such decision-making is crucial. As such, this dissertation sought to empirically determine the outcomes of strategic choices as influenced by a CEO's power. The lack of empirical evidence supporting the direct influence of CEO power on either aggressive or conservative strategies suggests that perhaps a contingency relationship is occurring. Additionally, while past research has suggested that CEO monitoring can be relaxed as power increases, the findings of the current study caution against such and instead, suggest that monitoring should be contingent upon not only CEO power but also the type of strategy chosen as mandated by the CEO's agenda. While CEO power does influence past performance success

and leadership ability (Shen, 2003), we still do not know enough about CEO power's influence on strategic choices. Powerful CEO's such as Mr. Larry Page of Google and Mr. Jeffrey Immelt of General Electric clearly exercise their power across a broad spectrum of corporate decisions that thereby shape the corporate outcomes of their firms. However, as the *'tale of two CEOs'* illustrates, both CEOs pursue unique corporate strategies. The findings of this dissertation suggest that neither domain-creating nor efficiency-enhancing strategies are particularly vulnerable to a powerful CEO's disposition. This suggests that powerful CEOs may not be particularly opportunistic in their corporate strategic decisions as agency theorists suggest and thus utilize their power, or their ability to get things done, elsewhere thereby influencing firm performance. In fact, the findings evidence that powerful CEOs pursue less acquisitions suggesting that powerful CEOs may opt to grow their power by others means than 'empire building'. Perhaps the biggest implication of these findings is that powerful CEOs do not necessarily engage in corporate behavior that manifests in risky strategic choices. This finding is similar to that of Victoravich and colleages (2011) who find that more powerful CEOs may actually engage in reduced risk-taking evidenced in the banking industry.

As the findings suggest, certain contexts may bear more influence on corporate strategic decisions than a CEO's power. For example, when powerful CEOs pursue efficiency-enhancing strategies such as divestitures, careful consideration for industry influences must be accounted for such as industry munificence. Under circumstances where a powerful CEO establishes a strategic agenda aimed at growth, via acquisition strategy, the proportion of outside directors should be carefully examined. In other words, CEO power should match the firm's industry as well as Board composition to ensure that a powerful CEO's agenda is kept under vigilant watch. Additionally, Boards of Directors when fulfilling their monitoring role, should not always

consider a CEO's power holistically. Rather, as the current study's findings suggest, a CEO's power should be examined via each dimension given certain dimensions influence specific strategies. For this reason, it is important that corporate governance researchers consider how influential individual dimensions of power can be. This is especially crucial given that CEO power is amassed uniquely by each CEO. For example, one CEO may be considered powerful because of his/her founder status and duality while another CEO may be viewed as equally powerful due to his/her compensation and tenure. As the findings suggest, these two actors will utilize their power differentially when pressed with the need for efficiency-enhancing strategies.

These findings hold implications for practioners as well. Popular press has consistently pegged powerful CEOs as the main reason for firm failure. These findings refute this notion and instead, suggest that a CEO's power may not be solely to blame. CEOs with more power, or those that are deemed powerful, do not necessarily engage haphazardly in strategies that grow the firm or reduce it. As such, the notion that too much power nested in the hands of a firm's CEO is dangerous, is misleading. Furthermore, the conception that power must be capped or limited should also be rethought. Essentially, powerful CEOs are not a ticking time bomb for firms.

Additional implications revolve around CEO tenure and CEO founder status. Both of these measures of CEO power indicate a decreased likelihood of pursuing two valuable corporate strategies of downsizing and divestitures. This bears tremendous implications for firms that are over-diversified and underperforming as a result given that a powerful CEO is less likely to pursue these strategies. Additionally, firms need to pay close attention to the manner in which their CEO has accrued their power to ensure that certain aspects of this powerful individual do not hold an overbearing role that may prevent him/her from pursuing needed strategies (i.e.

founder status and decreased divestitures). These findings may also help members of hiring committees understand the likely strategies these individuals may pursue. For example, the findings suggest a positive relationship between CEO outsider status and acquisitions as well as CEO functional background area and divestitures. As such, a CEO hired externally to the firm may be inclined to pursue acquisitions while a CEO with a throughput functional background may be inclined to pursue divestitures. These two CEO "traits" have no bearing on his/her power yet appear to influence the type of corporate strategy chosen. These "traits", given their visibility, should be considered by hiring committees when determining the fit of the CEO with the current status of the firm.

6.4 Limitations and Future Research Avenues

As with all empirical studies, this dissertation has several limitations that must be considered when interpreting the above findings. To begin, I address possible issues with my sample. Given my sample came from two indices that consist of the largest publicly-traded firms, generalizability to small and medium firms as well as private firms is limited. Future research should consider how CEOs of nascent firms as well as small and medium firms influence strategic choices. Research into these firms may additionally provide missing answers into the potential relationship that organizational slack holds on CEO power and corporate strategies. The nature of CEO power is such that it also holds more difficult to capture characteristics that were not accounted for by the objective measures I utilized. For example, the measure for network power as captured by the number of Boards the CEO holds membership on, does not offer insight into the complexity that these relationships hold with the CEO. No consideration was given for the possibility that the CEO's membership may have deterred specific strategies. Future research should determine the benefit that the CEO reaps as a result of each membership

he/she holds. Additionally, the social aspect of a CEO's power was not considered. A framework was set forth by French and Raven (1959) detailing five additional social bases of power such as reward power and legitimate power. These bases may help to capture additional aspects of a CEO's power that are more difficult to observe. Future research should consider these additional bases when examining a CEO's power.

In addition to using proxy variables for CEO power, other variables such as proportion of outside directors additionally relied on easily accessible proxy information. Use of such limits the implications for the findings that the proportion of outside directors bears on CEO power and corporate strategies. These findings do not account for the relationship that outside directors hold with the CEO. Nor do they distinguish between the roles that these members hold on the board. Future research should consider whether outside members serve as monitors on behalf of shareholders or as resource providers (Hillman & Dalziel, 2003). This additional insight may bear tremendous implication on the role the Board of Directors hold in monitoring CEO power and strategic choices.

An additional limitation of the dissertation concerns the manner in which domain-creating strategies were operationalized. For the two domain-creating strategies of acquisitions and strategic alliances, I used a frequency count for each strategy. This method does not allow for a detailed examination of the types of acquisitions and strategic alliances that each firm completed. For example, past research notes that acquisitions can be seen as a means of value creation (synergy), value destruction (managerial self-interest), or the result of environmental factors (Haleblian, Devers, McNamara, Carpenter, & Davis, 2009). Further, different types of acquisitions, such as domestic versus international or related versus unrelated, carry varying degrees of risk. A more in-depth approach to capturing the risk each acquisition completed holds

is needed to accurately examine the influence of CEO power on acquisition strategy. Additionally, examining the type of strategic alliances pursued will help inform the relationship between CEO power and strategic choices. Firms that pursue strategic alliances share both the risks and resources required to enter a market. This type of cooperative strategy includes several major types such as joint ventures, equity strategic alliances, and non-equity strategic alliances. Each of these vary in the ownership arrangements agreed upon by the firms in the strategic alliance. Future research should examine the type of acquisition and strategic alliance pursued by powerful CEOs to better understand the influence of a CEO's power.

While the dissertation examined acquisitions and strategic alliances for measuring domain-creating strategies, there are a number of other measures that can be used such as new product introductions, market expansions and new patent citations that additionally capture a firm's growth. Future research should consider including these additional operationalizations to fully capture all domain-creating strategies available to a powerful CEO. In Chapter 2, the recursive relationship between CEO power and firm performance was explained. This relationship questions whether CEO power precedes firm performance or whether firm performance precedes CEO power. Research evidence thus far supports both views further complicating this intricate relationship. While the current study was unable to shed definitive light on this relationship, future research should continue to seek answers that help to clarify which leads to which. Finally, within this dissertation, each context (organizational slack, proportion of outside Directors, and industry munificence) was examined separately to ascertain its influence on the relationship between CEO power and domain-creating and efficiency-enhancing strategies. Having done so this way however may introduce multicollinearity issues

due to use of the same independent and control variables. Future research should examine these contexts simultaneously to control for the effects of the other contexts (moderators).

6.5 Conclusion

This study sought to empirically examine the relationship between CEO power and corporate strategies, the moderating influences of organizational slack, proportion of outside directors, and industry munificence, and corporate strategies and firm performance. The findings suggest that CEO power does not appear to be a major influence on either aggressive or conservative strategic choices. However, upon closer examination of CEO power, individual dimensions that compositely form CEO power do appear to influence strategic choices. Both a CEO's expert and ownership power appear to influence efficiency-enhancing strategies. Furthermore, the relationship between CEO power and corporate strategies is moderated by two contexts. The proportion of outside directors significantly weakened the relationship between CEO power and acquisitions providing a strong indicator of the monitoring role that outside directors play in the capacity of their corporate governance role. Additionally, the industry environment appeared to be a strong influence on the relationship between CEO power and corporate strategies. Specifically, industry munificence lessened the number of divestitures powerful CEOs pursued suggesting that the level of industry growth has a much more significant role than executive power on strategic choices. Lastly, the influence of corporate strategies on firm performance was mixed. Specifically, efficiency-enhancing strategies both increased and decreased short-term firm performance while domain-creating strategies increased short-term performance. These findings contribute to ongoing corporate governance research that examines the influence that a firm’s primary decision-maker has on firm strategy and firm performance.

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