

Highly organised CEOs can actually be a hindrance when it comes to firm strategic flexibility in volatile environments

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CEOs who prioritise planning and organisation can find their skills make them a hindrance to their organisations when it comes to adapting to external changes, according to new research by Durham University Business School.

The researchers say that this is because organised CEOs tend to be more rigid in their practices, thus making it more difficult for them to change their ways. The researchers also found that CEOs who are anxious and can get stressed easily also make it difficult for the organisation to adapt quickly.

The study was conducted by Lenos Trigeorgis, Professor of Strategy and Finance at Durham University Business School, alongside colleagues from Aarhus University, the Danish Finance Institute and the University of South Florida.

The researchers wanted to understand whether a CEO's personality traits had an impact on how strategically flexible an organisation could be. To do so, the researchers reviewed a sample of almost over 1500 CEOs, across approximately 850 S&P 1500 firms, for the period of 2007-2018.

The researchers measured the personality traits of CEOs using transcripts of speeches made in the Q&A sessions of quarterly earnings conference calls, as these, they suggest, are unedited by PR and hence show the true personality of a CEO. Then, the researchers determined the volatility of the firm's equity by computing the standard deviation of its daily stock returns throughout the given month.

Using this data, researchers were able to measure the organisations' strategic flexibility to volatile changes in the stock price and how they react to them, and whether there was correlation between a CEO's personality traits and how strategically flexible their organisation was to volatility changes.

The researchers found that the conscientiousness of a CEO – described as how organised and planned they are in their work – can have a significant negative impact on how these CEOs adapt to changes in volatile business environments.

Whilst the neuroticism of a CEO – described as being emotionally unstable, likely to be anxious and stressed in working situations – also had a negative impact on how CEOs adapt to external volatile changes.

“Today's business environment is arguably more volatile than it's ever been, whether it is economic, geopolitical or wider global challenges,” says Professor Lenos Trigeorgis. “It's vitally important that organisations are able to be as flexible as possible to deal with the volatility that comes with these challenges, yet clearly some CEOs are better placed than others to deal with this uncertainty”.

Utilising the personality test, the researchers also found that a CEO's openness to experience and extraversion had a positive impact on how they deal with volatility in the business environment.

The researchers caution that this does not necessarily mean that CEOs who are organised and get stressed easily are bad at their jobs, as these personality traits are useful to CEOs in other aspects of their performance.

However, a firm that faces heightened volatility – whether driven by external developments or a change in business strategy – may find it best to seek a CEO who is less conscientious and neurotic, whereas another firm operating in more calm waters might be more inclined to find a CEO who plans more meticulously and is eager to manage even small dangers.

If you would like to receive the full research paper or speak with the researchers, please contact Peter Remon at BlueSky Education – peter@bluesky-pr.com +44 (0) 77 235 228 30.