

CEO Career History and Firm Strategy

Research in the *Academy of Management Journal* studied the career histories of CEOs and the effects that they might have on firm strategy. They theorized that CEOs whose career paths included work in more industry sectors, more firms, and more functional areas might pursue different strategies. They reasoned that CEOs with more varied experiences would be more open to change, a wider awareness of strategies, and a broader network. These attributes can lead CEOs to pursue more creative and unique strategies than their counterparts with less broad experiences. This theory was supported by the evidence.

Key Takeaways:

- The career path of a CEO can influence the strategies they pursue.
- CEO career variety comes from experience in more industries, more firms, and more functional areas.
- CEOs with broader experience engaged in more strategic change, pursued strategies that were more unique in their industries, and made more changes to top management.

The researchers examined the careers of 183 CEOs in Fortune 250 firms, and tracked their strategic choices over about 5 years after they assumed the CEO role. CEOs with broader experiences were found to engage in more strategic change, reallocating resources among areas like R&D, advertising, and financial leverage. They also allocated

strategic resources in ways that were less similar to others in their industry. Furthermore, CEOs with a more varied work history were likely to change their top management teams in their first years on the job.

The authors cautioned that the connection between broad experience and strategy might reflect board preferences instead of personal preferences; board members might seek CEOs with broader experience in the face of strategic change. However, they concluded that CEOs with broad experience engage in more strategic change, pursue more unique strategies than industry peers, and make more changes to the top management team.

Crossland, C., Zyung, J., Hiller, N. J., and Hambrick, D. C. (2014). CEO career variety: Effects on firm-level strategic and social novelty. *Academy of Management Journal*, 57: 652-674.

