

FAST AND RIGOROUS: CONFIGURATIONAL DETERMINANTS OF STRATEGIC DECISION-MAKING BALANCE

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INTRODUCTION

Strategic decisions – acquisitions, divestitures, market entry, new product launches, and other “major intended and emergent initiatives” (Nag, Hambrick, & Chen, 2007: 944) – lie at the intellectual heart of strategic management. Initiatives such as these are complex, often requiring painstaking deliberation, careful consideration of alternatives, and acceptable levels of consensus among key participants. At the same time, though, because firms operate in an increasingly uncertain competitive landscape, decision speed is frequently also critical to firm performance (Forbes, 2005; Judge & Miller, 1991). This creates a paradox. Engaging in thoughtful debate, embracing multiple perspectives, and reconciling divergent ideas – the essence of sound decision-making – usually extends the time to reach consensus (e.g., Fredrickson, 1984; Judge & Miller, 1991; Perlow, Okhuysen, & Repenning, 2002). Yet, some top management teams (TMTs) are able to balance these ostensibly competing objectives. In other words, some executive decision-making teams are able to make decisions that are both fast *and* rigorous.

But which teams are able to achieve this difficult balance? To answer this question effectively, we need to consider the full set of factors that influence team processes – the characteristics of the team, its leader, and the link between the two (Talaulicar, Grundei, & von Weder, 2005). Existing research on the CEO-TMT interface—the “common boundary between these two sets of actors” (Ling, Simsek, Lubatkin, & Veiga, 2008: 558)—examines the nature, extent, sources, and outcomes of the interactions between a CEO and his or her immediate subordinates (Cao, Simsek, & Zhang, 2010; Klimoski & Koles, 2001). The complexity of the interactions among CEOs and TMTs suggests that future gains in understanding this interface lie more in the direction of integration than isolation. A challenge with much of the existing research is that it addresses decision-making antecedents in a somewhat fragmented fashion. Little or no work has gone beyond individual leader and team characteristics to consider the broader impact of the overall configuration of these multiple characteristics on team processes. An exclusive focus on understanding individual factors in isolation means that we run the risk of

“missing the forest for the trees.” A configurational approach is especially helpful when attempting to explain nuanced and paradoxical phenomena, such as the type we consider in our study. Our study thus explores the impact of leader-team configurations on strategic decision-making via the following research question: *How do leader characteristics combine with team structures to create unique configurations that underlie fast and rigorous strategic decisions?*

In answering this question, our study makes several contributions. First, it employs a comprehensive suite of self-report, team-report, and other direct-response data from a sample of almost 100 executive leaders and 300 subordinates from major corporations, across nearly 200 major strategic decisions. In so doing, we avoid the validity challenges associated with the use of archival and/or proxy variables (Cycyota & Harrison, 1994; Pettigrew, 1992). In addition, because we treat a given strategic decision as the relevant unit of analysis, we are able to identify the composition and structure of each decision-making team, recognizing that such teams often vary not only across firms but also within each firm based on the nature of the decision at hand.

Second, to generate novel theoretical insights into the CEO-TMT interface, we rely upon a set-theoretic approach in the form of fuzzy set Qualitative Comparative Analysis (fsQCA). In the absence of an existing typology to guide hypothesis testing, we rely on an inductive approach. Relying on a guiding framework composed of seven different leader- and team-level factors derived from extant literature, we uncover six distinct leader-team configurations (so-called “causal recipes”) associated with a decision property we label *strategic decision-making balance*, which is characterized by: 1) high levels of intra-team debate, 2) comprehensive reconciliation of divergent ideas, and 3) a fast decision-making process. Our work therefore provides new insights into the configurational nature of leader characteristics and team structures that drive strategy in the upper echelons.

Third, beyond our contributions to the literature on the CEO-TMT interface generally, our work also offers more direct insights into several streams of work within strategic leadership research. For example, our study identifies two specific leader-team configurations through which female leaders are able to drive balanced strategic decision-making, along with three quite different recipes specific to male leaders. In addition, our findings reveal two paths through which humble leaders are able to achieve balanced strategic decision-making, which are distinct from the three successful paths we found for low-humility leaders. Similarly, our work offers new theoretical insights regarding the mixed influence of leader self-efficacy on decision-making balance, and the roles of large or hierarchical team structures in decision-making teams.

GUIDING FRAMEWORK

An effective configurational approach to the CEO-TMT interface needs to take account of the full gestalt of interrelations among different types of leaders (who engage in behaviors that are shaped by their unique personal characteristics and values) and different types of teams (made up of a varying number of individuals, with varying backgrounds, in a range of different team structures, who assess leader characteristics and behavior through the prism of privately held leadership prototypes). In our empirical analysis, we explore how seven theoretically derived factors combine into configurations to shape the nature of TMT decision-making. Please refer to Figure 1 for our basic guiding theoretical model.

 Figure 1 about here

METHODS

Sample and Data

For our study, we gathered primary data assessing the decision processes and characteristics of top executives, derived from multiple sources and using multiple data collection methods. Our final sample comprised 96 senior corporate leaders, who were associated with 179 distinct strategic decisions and 298 team members. We had several inclusion criteria for our sample. Executives needed to work for firms with more than US\$20m in annual revenue, to occupy a senior leadership, or ‘upper echelons,’ position (Finkelstein et al., 2009), have had final decision-making authority over the major strategic decision/s they described, and be willing to provide access to the additional data sources we required for our sample (i.e., team members and close friends or relatives). We used several methods of recruiting executives to participate in our study, including utilizing referrals from key advocates for this research, referrals from the development office of a private national university from their alumni network, and soliciting additional participants from recommendations from our prior participants.

With each executive we first conducted an extensive in-person structured interview that focused on two of the most important or complex decisions they had made in their role. We then asked each executive to connect us with the other members of their decision-making team for an online survey of their perspectives as well. We also provided two hard copy surveys to each executive to give to close friends and family who knew them in a personal capacity but were not involved in the decisions they described to us.

Analysis and Calibration

To explore the leader-team interface in a holistic, configurational manner, we rely on a set-theoretic approach in the form of fuzzy set QCA (fsQCA). QCA is a unique hybrid between quantitative and qualitative methods, allowing systematic and reliable inferences (Ragin, 2008), while also allowing for iterations between guiding theory and emergent findings. Fuzzy set QCA, like all set-theoretic tools, is grounded in the broader field of set theory, a branch of mathematics (Smithson and Verkuilen, 2006). In fuzzy set theory, its modern extension, the degree of membership in a given class or set is expressed by a value ranging between 0 and 1 (Zadeh, 1965). Constructs are operationalized in terms of set membership ranging from 0 (fully outside of the set) to 1 (full membership), with multiple degrees of membership in between (e.g., 0.66 would represent “more in than out” and 0.33 “more out than in”). This method relies on Boolean algebra (i.e., AND, OR, NOT operators) and necessity/sufficiency analysis, enabling researchers to uncover paths that consistently lead to a given outcome, or alternatively, the absence of an outcome. Three properties of fsQCA that allow it to capture key elements of causal complexity (Greckhamer, 2016), and make it a promising alternative to regression analysis and its derivatives, are: (1) conjunction – i.e., cases are considered holistically, as configurations of attributes; (2) equifinality – i.e., there may be more than one path to a given outcome; and (3) causal asymmetry – i.e., the paths to “success” are oftentimes very different from the paths to “failure” (Ragin, 2008), allowing for differences in kind rather than simply differences in level, which is typical of regression-based approaches. As such, fsQCA allows researchers to pose and answer many types of research questions that were previously out of reach.

Calibration. As discussed above, fsQCA is rooted in set membership. This means that all

raw variables obtained over the course of our data collection had to be calibrated to enable analysis. Calibration is tied to theory regarding set membership, where final values of each measure range from 0 to 1, with multiple in-between values, and reflect belonging in a given class or set (Zadeh, 1965). This entails the consideration of meaningful “floors,” where 0 represents “fully out” of the set, and meaningful “ceilings,” where 1 represents “fully in” in the set. Following prior work (e.g., Campbell et al., 2016; Fiss, 2011; Greckhamer, 2016; Misangyi and Acharya, 2014), unless otherwise noted we applied the direct method of calibration (Ragin, 2008), where the researcher specifies the “fully out” and “fully in” values, as well as “neither in nor out” (0.50) or the so-called point of maximum ambiguity, and the software performs the calibration based on the log-odds of full membership. Calibration was guided by theoretical and substantive knowledge (i.e., the cases and the context under consideration); as such, consistent with best practices, we evaluated each measure separately and independently. More detail on our calibration thresholds for each measure, as well as details regarding the measures themselves, are available from the authors.

 Table 1 about here

RESULTS

We found one necessary causal condition for strategic decision-making balance: the presence of a non-diverse team – or, in other words, the absence of team diversity (consistency = 0.93; coverage = 0.64). Table 1 summarizes the configurations that we found to be sufficient for balanced decision-making. In line with our theoretical focus on the interdependence of leader and team characteristics, we conceptualize these gestalt configurations, or recipes, in terms of different “systems of governance.”

In line with our theoretical focus on the interdependence of leader and team characteristics, we conceptualize these gestalt configurations, or recipes, in terms of different “systems of governance”. Configuration 1 includes a small, non-diverse team and a humble, high-power leader; we also observe high GSE and male gender in a contributing role. We label this configuration *Small Servant-Kingdom*. This recipe for decision-making balance is the most prevalent in our sample, and suggests a humble leader who admits to his shortcomings, but concomitantly acknowledges the strengths and contributions of others. Although humility has only recently received research attention in the context of CEOs, these findings have shown the important influence leader humility can have on firm processes and performance (Ou et al., 2014; Ou et al., in press). This trait is complemented by high leader GSE, structural power, and male gender (role congruence), all of which should counter-balance the expressions of humility.

Configuration 2 includes a small, non-diverse team and a low-GSE, high power leader; we also see low humility and male gender in a contributing role. Given the unique blend of leader characteristics, we label this configuration *Small Conflicted-Dictatorship*. This recipe for decision-making balance suggests an apparent contradiction – a low-GSE, yet also low-humility leader. This high-power leader appears to be masking his lack of perceived competence with expressions of excessive pride in his own ability and contributions.

Configuration 3 points to a low-GSE, humble, and high-power leader, complemented by a non-diverse, large, and hierarchically-structured team. Reflecting these dynamics, we label this recipe a *Reticent-Leader Bureaucracy*. This configuration includes a leader who appears to doubt

his abilities, and is therefore an atypical, hesitant leader. The absence of high GSE in conjunction with high humility is somewhat surprising, but can perhaps be explained when we consider the team structure. A large, hierarchical team suggests that the decision-making processes may be partially attributed to the clearly defined structural positions of the respective team members.

Configuration 4 includes a non-diverse, large, and flat team at its core, supported by a high-GSE, male leader with low structural power. In this configuration, the leader is perceived as having strong confidence in his ability to do many things well (high GSE) but does not hold the CEO title. In addition to the low structural power of the team leader, a wide and flat team structure further suggests sharing of power. Recognizing these dynamics, we designate this recipe as *Primus Inter Peres* (“First Among Equals”). This is the only configuration where leader characteristics play only a contributing role.

In contrast to the first four configurations that represent teams led by male leaders, the last two configurations both represent female leaders with low levels of humility and high GSE, which—notably—is a combination we did not find in any of the recipes for male-led teams. Both configurations also include high structural power. We label Configuration 5 as a *Flat Queendom* and Configuration 6 as a *Large Queendom*, in recognition that they vary based on the team properties only. Both of these configurations underscore and support earlier findings, which suggest that female leaders often need to exhibit agentic qualities, which convey control and assertiveness, to combat stereotypes about their “innate” communal qualities (Eagly and Carli, 2007). Extensive literature discusses how these displays of control are especially challenging for female leaders, who are simultaneously expected to be kind and considerate to others. Our results highlight that the precarious balance for female leaders can perhaps be achieved with the combination of low humility and high GSE, such that high GSE—and others’ perceptions of competence—can help balance out counter-norm behaviors and attitudes.

DISCUSSION

Returning to our overarching research question, which focused on how leader characteristics combine with top management team structures in different configurations to underlie strategic decisions that are simultaneously fast and rigorous, our results provide a rich set of findings to consider. One notable finding was that a lack of overall diversity was common to all teams achieving decision-making balance, making it a necessary condition for this outcome. Second, we did not find reliable recipes for low (or lack of) decision-making balance. In other words, the causal conditions that drive balanced decision-making do not help us understand the other end of the spectrum. This underscores that team relations are – in QCA parlance – causally asymmetric. Third, our analysis pointed to six unique configurational recipes. This highlights the equifinality inherent in leader-team relations. Instead of finding one best “average” path, our results are able to pinpoint several alternative, equally effective paths. Nevertheless, some paths are more common than others, for various reasons (for instance, as is typical of the top executive population, we have far fewer female leaders than male leaders).

In sum, our results contribute to the theoretical understanding of the CEO-TMT interface, the role of gender in strategic leadership, and work on leadership styles. We hope that this will spur research into a range of new questions that emerge from our work.

REFERENCES AVAILABLE FROM THE AUTHORS

TABLE 1
Summary of recipes for strategic decision-making balance

Configuration label	#	Composition
Small Servant-Kingdom	1	A small team with a humble, high-level leader; High GSE and male gender in a contributing role
Small Conflicted-Dictatorship	2	A small team with a low-GSE, high-level leader; Low humility and male gender in a contributing role
Reticent-Leader Bureaucracy	3	Humble, low-GSE, high-level leader; Hierarchical, large team in a contributing role
<i>Primus Inter Pares</i> (“First among Equals”)	4	A large and flat team; High GSE but low executive level and male gender in a contributing role
Flat Queendom	5	A flat team with a female leader; High GSE, low humility, and high power in a contributing role
Large Queendom	6	A large team with a female leader; High GSE, low humility, and high power in a contributing role

FIGURE 1

A configurational model of the leader-team interface and strategic decision-making balance

