

## RESEARCH BRIEFS

# HOW DO PERSONALITY AND LEADERSHIP STYLES OF TOP MANAGERS INFLUENCE ORGANIZATION EFFECTIVENESS?

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### RESEARCH QUESTIONS

It is common knowledge that Steve Jobs and Bill Gates were CEOs of Apple and Microsoft, respectively. Yet, how many of us can name other C-level executives at Apple or Microsoft, two of the most prominent global corporations of the 21<sup>st</sup> century? Compared to CEOs, top management teams (TMTs) get far less attention in academic discourse and everyday conversation. This is a serious problem given that leadership of large, complex corporations is rarely a solo endeavor. Indeed, as Hambrick (2007) noted, corporate management is “a shared activity” undertaken together by the CEO and the TMT.

The interaction between the CEO and TMT is, therefore, an area of great interest to researchers. One such recent study, by Amy Colbert (University of Iowa), Murray Barrick (Texas A&M University), and Bret Bradley (University of Oklahoma), sought to gain a better understanding of how personality traits and leadership of executives (CEOs and TMTs) influence organizational effectiveness.

Acknowledging that CEOs hold a unique position within TMTs, they theorized that CEO and TMT personality traits separately will influence organizational effectiveness. In a similar vein, CEO and TMT transformational leadership were also predicted to influence organizational effectiveness. Transformational leadership was conceived as a conduit between executives' (CEOs and TMTs) personality traits and organizational effectiveness.

The study is unique because it integrates personality and leadership theories with the upper echelons perspective to better understand how key characteristics of TMT influence an organization's effectiveness. Colbert and her colleagues anchored psychological constructs of CEOs and TMTs in the five-factor model of personality from Barrick and Mount (1991). Transformational leadership was

defined as motivating others to go beyond self-interest to work for the good of the group or organization (Bass, 1985). Organizational effectiveness was conceived in terms of financial performance and aggregated employee organizational commitment (referring to individual perception of the psychological bond between employee and organization).

### STUDY DESIGN AND METHOD

Data for this study came from a large dataset that Colbert and her colleagues developed based on information collected from credit unions, which are “essentially financial intermediation cooperatives” where members are consumer-owners who provide “both the demand for and supply of loanable funds” (Smith, Cargill, & Meyer, 1981). A large part of this dataset was hand-collected from CEOs, vice presidents, other senior executives (TMT members), and direct reports to top management in 96 credit unions across the United States. The CEOs provided a list of the TMT members who they relied on to formulate and implement strategic and tactical initiatives as well as direct reports of these TMT members. The CEOs, TMT members, and three randomly selected direct reports of each TMT member were surveyed to collect data. Approximately one year after the collection of survey data, organizational performance was measured using archival sources.

In another notable departure, Colbert and her colleagues measured TMT personality and transformational leadership separately from CEO personality and transformational leadership. Task-oriented (conscientiousness, emotional stability, and openness to experience) and interpersonally oriented (extraversion) personality traits were assessed using the Personal Characteristics Inventory (Mount, Barrick, Laffitte, & Callans, 1999). Transformational leadership was measured using

the Multifactor Leadership Questionnaire (Bass & Avolio, 1995). Organizational effectiveness was measured with objective and subjective measures, including firm-level financial performance (composite measurement of return on average assets, net worth to total assets, delinquent loans to total loans, and net charge-offs to average loans) and employee organizational commitment (Mowday, Steers, & Porter, 1979).

### KEY FINDINGS

Of the personality traits examined in this study (namely, conscientiousness, emotional stability, and openness to experience), only TMT mean conscientiousness and CEO conscientiousness directly affected organizational performance. Unexpectedly, neither CEO personality nor TMT mean personality was related to organizational commitment. The lack of empirical support for personality's effect on commitment is a key finding considering the potential impact of organizational commitment on employee retention and engagement (Griffeth, Hom, & Gaertner, 2000).

There was some support for the link between transformational leadership and organizational effectiveness. Specifically, TMT mean transformational leadership was related to organizational commitment but not organizational performance. CEO transformational leadership, however, affects both organizational performance and organizational commitment.

The role of transformational leadership in translating personality traits into organizational effectiveness was more nuanced than expected. Two personality traits (emotional stability and openness of the CEO) affected organizational performance and commitment through CEOs' transformational leadership. Interestingly, TMT transformational leadership did not show similar mediating characteristics between TMT personality and organizational effectiveness.

A key issue for researchers and practitioners is whether organizational effectiveness is affected more by the collective presence of the CEO and TMT or their separate presence. Colbert and her colleagues found that the combined influence of the CEO and TMT on organizational performance and collective commitment was stronger.

In discussing their results, Colbert and her colleagues identified three limitations of their research. First, they focused on transformational leadership to the exclusion of other forms of leadership, such as ethical leadership (Brown, Treviño, & Harrison,

2005), authentic leadership (Avolio, Zhu, Koh, & Bhatia, 2004), and servant leadership (Greenleaf, 1977). Second, they excluded employees at lower levels of the organization by computing TMT transformational leadership scores only from direct reports of senior executives. Third, Colbert and her colleagues could not eliminate reverse causality as an explanation for their results (i.e., that organizational performance might influence both transformational leadership ratings and lagged performance).

Three other possible limitations are worth mentioning here. First, Colbert and her colleagues did not explore the possible associations between CEO leadership style and TMT behavior (Carmeli, Schaubroeck, & Tishler, 2011; Cruz, Gómez-Mejía, & Becerra, 2010). Second, no theoretical logic was provided for capturing task orientation with three personality traits (openness to experience, emotional stability, and conscientiousness), while interpersonal orientation was proxied with a single personality trait (extraversion). Finally, organizations can be effective in a multitude of ways, and the two indicators of effectiveness considered here—financial performance and organizational commitment—capture only a partial picture of organizational effectiveness (Chakravarthy, 1986).

### CONCLUSIONS AND IMPLICATIONS

The upper echelon perspective (Hambrick & Mason, 1984) started an influential conversation about the potential impact of executives' experiences, values, and personalities on strategic choices and performance of the organization. Over time, theoretical enhancements and empirical validations extended the upper echelon perspective to include new constructs, explore points of intersection with other established frameworks, and establish external validity through sampling in new populations (Hambrick, Humphrey, & Gupta, 2015). Colbert and her colleagues add to this rich body of knowledge by considering the distinct role of CEOs and TMTs, and by explicitly including personality traits of senior executives in their model. In doing so, Colbert and her colleagues illuminated the disparate and complex influences of top executives' personality and leadership attributes on organizational effectiveness.

Colbert and her colleagues drew four conclusions from their research. First, TMT conscientiousness—a personality trait that captures the persistence, discipline, and achievement orientation—leads to superior organizational performance. Second, transformational leadership on the part of the CEO and the TMT positively influences organizational effectiveness. More

specifically, TMT members shape organizational effectiveness through the influence they have on employees' collective commitment toward the organization. Third, CEOs occupy a distinct role separate from other TMT members, and TMTs influence organizational performance beyond the effects stemming from the CEO. Lastly, exploring alternative conceptions of team composition, Colbert and her colleagues concluded that organizational performance may be negatively affected by the presence of a single TMT executive with low conscientiousness.

In terms of practical implications, Colbert and her colleagues concluded that both conscientiousness and transformational leadership should be considered in succession planning and managerial development at the upper echelon level. They also encouraged corporate board members to attend to the TMT as a whole rather than only the CEO when convening leadership change in poorly performing organizations. Senior executives would do well to seek greater responsibilities and leadership opportunities in their firms since they contribute positively to organizational effectiveness above and beyond the influence of the CEO.

### SOURCE

Colbert, A. E., Barrick, M. R., & Bradley, B. H. (2014). Personality and leadership composition in top management teams: Implications for organizational effectiveness. *Personnel Psychology, 67*(2), 351–387.

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