

2006

An exploratory study of executive hubris and its effect on how chief executive officers in small to medium enterprises make strategic management decisions

A. S. Parker
Edith Cowan University

Follow this and additional works at: https://ro.ecu.edu.au/theses_hons



Part of the [Entrepreneurial and Small Business Operations Commons](#), and the [Strategic Management Policy Commons](#)

Recommended Citation

Parker, A. S. (2006). *An exploratory study of executive hubris and its effect on how chief executive officers in small to medium enterprises make strategic management decisions*. Edith Cowan University.
https://ro.ecu.edu.au/theses_hons/1428

This Thesis is posted at Research Online.
https://ro.ecu.edu.au/theses_hons/1428

Edith Cowan University

Copyright Warning

You may print or download ONE copy of this document for the purpose of your own research or study.

The University does not authorize you to copy, communicate or otherwise make available electronically to any other person any copyright material contained on this site.

You are reminded of the following:

- Copyright owners are entitled to take legal action against persons who infringe their copyright.
- A reproduction of material that is protected by copyright may be a copyright infringement. Where the reproduction of such material is done without attribution of authorship, with false attribution of authorship or the authorship is treated in a derogatory manner, this may be a breach of the author's moral rights contained in Part IX of the Copyright Act 1968 (Cth).
- Courts have the power to impose a wide range of civil and criminal sanctions for infringement of copyright, infringement of moral rights and other offences under the Copyright Act 1968 (Cth). Higher penalties may apply, and higher damages may be awarded, for offences and infringements involving the conversion of material into digital or electronic form.

USE OF THESIS

The Use of Thesis statement is not included in this version of the thesis.

DECLARATION

I certify that this thesis does not, to the best of my knowledge and belief:

- (i) incorporate without acknowledgement any material previously submitted for a degree or diploma in any institution of higher education;
- (ii) contain any material previously written by another person except where due reference is made in the text; or
- (iii) contain any defamatory material.

Signature _____

Date _____

Acknowledgements: The assistance and encouragement of Dr Scott Gardner and the CEOs who co-operated in the study is very much appreciated. Thanks also to my wife Sue, who has always been, is now, and will always be my inspiration, best friend, and confidante. Here's to you, sweetheart – Je tu adore!

**An Exploratory Study of Executive Hubris and its Effect on
how Chief Executive Officers in Small to Medium Enterprises
Make Strategic Management Decisions**

By

A.S. Parker

A thesis submitted in partial fulfillment of the requirements for
the award of

Bachelor of Business with Honours

At the Faculty of Business and Law, Edith Cowan University

Supervisor: Dr Scott Gardner

Submitted: 14th August 2006

ABSTRACT

This exploratory study examined the nature of the recently conceptualised notion of executive hubris; and in particular the effect it may have on how chief executive officers in small to medium sized enterprises make their strategic management decisions. It was designed to explore executive hubris and strategic decision making in a limited sample of executives. On this basis the results are limited to this study and are not generalisable. A core aim of the study however; was to test qualitatively and quantitatively in a fundamental, exploratory way; Hambrick and Hiller's (2005) propositions that executive hubris has an effect on how these decisions are made; employing basic descriptive statistical data, specifically with a view to attempt to provide assistance and direction to future researchers.

The limited body of current research on the possible effects of executive hubris on the decision-making process was explored, with reference to the Human Resource Management; Management; Psychology; Small Business; and Strategic Management literatures. References to the Psychology literature however; were limited to specific references to Hambrick and Hiller's (2005) framework for exploring the possible effect of executive hubris on the decision-making and the allied Core Self Evaluation construct. The blending of the literature facilitated an understanding of the connection between the conceptual basis of executive hubris and its possible effect on the business strategies and decision making process of chief executive officers in Small and Medium Sized Enterprises.

A recent foundation study conducted between April and June 2005, comprising an extensive review of the relevant literature and six preliminary interviews, was employed to inform the design of the core study and fine tune the core self evaluation instrument based on feedback from the preliminary sample of respondents. The core study conducted between July and October 2005 comprises a dual-phase qualitative exploration; and a preliminary descriptive statistical exploration of executive hubris.

A tendency toward elevated self evaluation of four key personality traits; executive hubris was reported by seven CEOs in SMEs in a regional city of 1.1M people within South Western Australia between July and October 2005.

Results of the study suggest that executive hubris has a negative effect on a small to medium enterprise's chief executive officer's decision-making process and decision quality. To mitigate its negative effects, chief executive officers should aim to raise self-awareness of executive hubris in their personality, employing the CSE instrument as a useful and relevant mitigation tool.

TABLE OF CONTENTS

USE OF THESIS..... 1

DECLARATION..... 2

ABSTRACT..... 5

CHAPTER 1: INTRODUCTION..... 12

1.1 BACKGROUND TO THE RESEARCH 12

1.2 ROLE, CREDENTIALS, AND APPROACH OF THE RESEARCHER..... 13

1.3 RESEARCH PROBLEM..... 14

1.4 JUSTIFICATION FOR THE RESEARCH..... 14

1.5 SUPPORTING METHODOLOGY 15

1.6 OUTLINE OF THE THESIS..... 19

1.7 DEFINITIONS 23

1.8 LIMITATIONS..... 26

1.9 ASSUMPTIONS..... 28

1.10 CONCLUSION..... 28

CHAPTER 2: LITERATURE REVIEW..... 29

2.1 INTRODUCTION 29

2.2 CONTEXT: STRATEGIC MANAGEMENT AND SMES..... 31

2.2.1 *Historical perspectives on strategic management*..... 31

2.2.2 *Current definitions of strategic management* 32

2.2.3 *CEOs' Strategic management decision making dimensions and SMEs*..... 36

Dimension 1: Personality Traits..... 36

Dimension 2: Strategic Management Tools..... 38

2.2.4 *An operational definition for strategic management*..... 38

2.3 THE LITERATURE GAP BETWEEN CORPORATE AND SME STRATEGIC MANAGEMENT RESEARCH ... 39

2.4 PERSONALITY TRAIT RESEARCH AND EXECUTIVE HUBRIS..... 44

2.4.1 *The evolution of the core self evaluation (CSE) measure of executive hubris*..... 44

2.4.2 *Validity and reliability of the CSE construct*..... 46

2.4.3 *Executive hubris and personality traits*..... 48

2.4.4 *Implications of executive hubris for strategic decision making* 53

2.5. THE FIVE FACTORS OF "BIG FIVE" PERSONALITY TRAITS CONSTRUCT AND EXECUTIVE HUBRIS .. 55

INTRODUCTION 55

2.5.1 *Locus of control* 56

2.5.2 *Flexibility*..... 57

2.5.3 *Risk aversion*..... 58

2.6 REGULATORY FOCUS IN SM DECISION MAKING RESEARCH 59

2.7 SPEED OF SM DECISION MAKING RESEARCH..... 61

2.8 FORMAL VERSUS INFORMAL SM DECISION MAKING RESEARCH..... 62

2.9. SME STRATEGIC PLANNING RESEARCH 63

2.10 CONCLUSION..... 64

**CHAPTER 3: RESEARCH SCOPE, OBJECTIVES, QUESTIONS, THEORETICAL
FRAMEWORK AND EXPECTED OUTCOMES..... 67**

3.1 INTRODUCTION 67

3.2 SCOPE..... 67

3.3 OBJECTIVES..... 67

3.4 RESEARCH QUESTIONS..... 68

3.5 THEORETICAL FRAMEWORK 71

3.5.1 *Measurement of CSE in Executives*..... 73

3.6 CONCLUSION..... 75

CHAPTER 4: METHODOLOGY	76
4.1 INTRODUCTION	76
4.2 RESEARCH DESIGN	76
4.3 RATIONALE	77
4.4 SAMPLING	77
4.5 PARTICIPANTS.....	78
4.6 DATA COLLECTION.....	78
4.6.1 Data collection procedures.....	78
4.6.2 Measuring instruments.....	80
4.7 DATA ANALYSIS AND SYNTHESIS OF FINDINGS.....	81
4.8 LIMITATIONS.....	82
4.9 ASSUMPTIONS.....	83
4.10 ETHICAL CONSIDERATIONS.....	83
4.11 CONCLUSION.....	84
CHAPTER 5: RESEARCH FINDINGS	85
5.1 INTRODUCTION	85
5.2 PROFILES.....	87
5.2.1 Organisations.....	87
5.2.2 Chief Executive Officer Profiles.....	89
5.2.3 Analysis of the profile.....	95
5.3 QUANTITATIVE DATA FINDINGS	96
5.4 QUALITATIVE DATA FINDINGS	107
5.5 THE SME CEO'S STRATEGIC MANAGEMENT DECISION- MAKING PROCESS.....	109
5.5.1 Comprehensiveness	111
5.5.2 Speed.....	113
5.5.3 Centralisation	115
5.5.4 Level of support for Hypothesis 1.....	117
5.6 SME EXECUTIVES' DECISION QUALITY	118
5.6.1 Large stakes initiatives undertaken.....	119
5.6.2 Deviation of strategy from industry norms.....	120
5.6.3 Pursuit of CEOs' initiatives.....	122
5.6.4 Level of support for hypothesis 2.....	123
5.7 SME PERFORMANCE	125
5.7.1 Wins and losses.....	125
5.7.2 Level of support for hypothesis 3.....	126
5.8 CONCLUSION.....	127
CHAPTER 6: DISCUSSION, IMPLICATIONS & CONCLUSIONS.....	129
6.1 INTRODUCTION	129
6.2 APPLICATION OF MANAGEMENT THEORY TO HOW SME CEOs MAKE SM DECISIONS	130
6.3 DISCUSSION OF THE FINDINGS RELATING TO THE RESEARCH QUESTIONS	130
6.3.1 The SME strategic management decision making process	132
6.3.2 SME CEO's decision quality	134
6.3.3 Organisational performance.....	140
6.4 IMPLICATIONS OF THE FINDINGS	141
6.5 IMPLEMENTATION OF THE FINDINGS	144
6.6 LIMITATIONS OF THE RESEARCH	146
6.7 CONTRIBUTION OF THIS RESEARCH.....	148
6.8 POTENTIAL FOR FURTHER RESEARCH	151
6.9 CONCLUSION.....	152
LIST OF REFERENCES	156
.....	159
APPENDICES	160

APPENDIX A: QUANTITATIVE DATA COLLECTION TOOLS..... 160

APPENDIX B: QUALITATIVE DATA COLLECTION TOOLS..... 160

APPENDIX A: QUANTITATIVE DATA COLLECTION TOOL: 161

A1: THE EXTENDED BONO EREZ, AND THORESEN (2003) QUESTIONNAIRE 161

APPENDIX B: QUALITATIVE DATA COLLECTION TOOL: 163

B1: THE HAMBRICK AND HILLER (2005) PROPOSITIONS IN-DEPTH INTERVIEW QUESTIONS..... 163

Pages 10-11 not present in original

CHAPTER 1: INTRODUCTION

1.1 Background to the Research

"From little acorns, mighty oaks do grow."

- Old English Proverb (Anonymous)

Although small to medium enterprises (SMEs) are labeled "small business" in Australia, they represent ninety seven percent of the 1,281,700 registered businesses (The Australian Bureau of Statistics, 2005). For the largest sector in the Australian economy, research and support for SMEs has been sparse over the last nineteen years (Beaver & Prince, 2004; Jocumsen, 2004; McLarty, 2005; Pemberton & Stonehouse, 2002).

Theories and frameworks of strategic planning remain in the domain of academics and external observers (Pemberton & Stonehouse, 2002). SME managers remain unconvinced or unaware of the benefits of strategic planning; with most SME strategy focusing on the operational level (Pemberton et al, 2002). Considering the importance of the quality of SME strategic management (SM) decisions needed for effective strategic planning and performance, further research on how chief executive officers (CEOs) within SMEs make decisions is imperative.

The current climate for SMEs is one of high attrition (Beaver, 2002; McLarty, 2005); operating with the poor fit between corporate SM concepts and frameworks employed, and the relevant SME CEO decision-making processes. (Beaver, 2002; Gibb, 2000; McLarty, 2005). It is has also been argued in recent commentaries, that successive

government policy and program interventions have done little to improve the situation since 2000. (Beaver, 2002; Gibb, 2000; McLarty, 2005).

1.2 Role, Credentials, and Approach of the Researcher

To ensure the provision of sound insights for the study and its findings, the researcher draws on his experience as a business consultant with over 30 years background in the SME sector. With an affiliation within a well established business consultancy; the author furnishes ongoing SM services and support to SME business owners and CEOs. These services include, but are not limited to: facilitating strategic visions; missions; and plans. This broad practical experience within the SME context on SM issues, provide a rich experience base on which to employ observations gained in practice, to the study's key research questions. As a result, this experience provides practical insights to inform this study and its findings.

The researcher has a keen interest in providing management tools that may assist SME CEOs in their effort to improve their management practice. This interest motivated the researcher to look closer and seek a device such as CSE to support more self assessment and improved decision making on the part of CEOs. Given the sparseness of research and support in the field of SM in SMEs for CEOs, it provides the challenge and an ideal opportunity to work on the important task of developing management tools to support effective decision making and by extension- business outcomes.

This current research aims to support improvements in future CEO decision making practice through the exploration of EH, measured through Bono Erez and Thoresen's (2003) Core Self Evaluation (CSE) instrument termed the Core Self Evaluation Scale (CSES), and relevant material from the current SM literature. A test of this instrument for future consulting use, although limited from an academic perspective; aims to provide insights and guidance for future researchers and practitioners interested in considering this promising new development.

1.3 Research Problem

The problem addressed in this research is as follows:

Does executive hubris have an effect on how CEOs within SMEs make strategic management decisions?

In addressing this question, the relevant literature on executive hubris and SM will be explored to provide operational definitions and a conceptual platform for a limited field study of SME decision-making in seven SME organisations, based in Southwest Australia.

1.4 Justification for the Research

As the Australian small business sector generates employment for approximately forty nine percent of private sector employees (The Australian Bureau of Statistics, 2005b); it plays an essential role in the health of Australia's economy. It is not just in Australia that the importance of SMEs to the economy is evident (Hill & Wright, 2001). For

example, SMEs make up the largest proportion of enterprises in all economies globally (Hill & Wright, 2001).

Further, Hill and Wright (2001), caution that the increasingly important role of small firms in these economies must not be understated. In view of this, the lack of current research into SMEs and lack of attention to their high attrition rate remains as a major paradox within the sphere of commercial activity (Beaver, 2002; Jocumsen, 2004; McLarty, 2005; Pemberton & Stonehouse, 2002).

1.5 Supporting Methodology

The following overview outlines the desk and field research undertaken for this study between July and October 2005. These steps and the explanation for the chosen approach are elaborated in Chapter 5.

The first step was a review of the relevant literature outlined in Chapter 2, to establish the connection between EH; SM decision-making and SMEs. A Key outcome of the review is captured in Figure 2.1, page 39, which provides the key operational definitions for the SM and decision-making elements of the research which relate to SMEs. The literature review was also employed to generate the author’s conceptual model relating SM and CSE elements within the context of SME CEOs portrayed in Figure 2.2, page 48.

The second step was a preliminary test of Bono Erez and Thoresen's (2003) CSE instrument with a small sample of six respondents in the Southwest of Western Australia between April and July, 2005. This facilitated the fine tuning of the CSE instrument and also ensured an understanding of the improved quality of responses from the executives surveyed in the subsequent core study outlined in Chapter 4. The researcher gained a familiarity with the application of the CSE instrument in accordance with Hambrick and Hiller's (2005) guidelines and intent. The preliminary study also facilitated and informed the design of the core study.

The third step was the development and employment of a new sample of seven respondents and application of the fine tuned CSE instrument outlined in Chapter 4. The core study employed a primarily qualitative approach to explore the relationship between EH and strategic decision making in the context of SMEs operating in a regional city of 1.1M people within South Western Australia. A quantitative component was added to provide a limited test of the CSE instrument. Directional Hypotheses were developed to facilitate this test as outlined in Chapter 6.

Within this small sample of seven CEOs in seven respondents, Hambrick and Hiller's (2005) questionnaire was employed first, as outlined in Chapter 4, section 4.6.1. This questionnaire explores these authors' seven propositions outlined in Chapter 2; section 2.4.3, which predict the possible effects EH may have on a CEO's decision making process (See Figure 2.5, page 53); decision quality; and organisational performance; which is outlined in Chapter 2, section 2.4.3.

Hambrick and Hiller (2005) have developed an integrated set of propositions that describe the effect (Hyper-) CSE will have on SME CEOs' strategic decision processes; choices; and subsequent organisational performance. Based on their recent research, Hambrick and Hiller (2005) suggest that the greater the level of CSE a CEO possesses, the greater will be the undesirable effect on strategic process and /or, executives' strategic choices; and those choices made, in turn will result in extreme organisational performance. For example, big wins and big losses (Hambrick & Hiller, 2005). These predicted effects are portrayed in Figure 2.5, page 53. This tool outlined in Chapter 2 and presented in appendix B1 on page 163, is designed to tap the CSE construct.

Once the Hambrick and Hiller's (2005) questionnaire had been completed by the subjects, the fine-tuned Bono, Erez, Judge, and Thorensen's (2003) CSES outlined in Chapter 4, was employed to attempt to measure Hambrick and Hiller's (2005) questionnaire data. Whilst Hambrick and Hiller's (2005) CSE tool is designed to tap these authors' CSE construct, Bono, Erez, Judge, and Thorensen's (2003) CSES is designed to measure the levels of certain key personality traits Hambrick and Hiller's (2005) CSE tool drilled down to, whilst tapping the CSE construct.

Bono, Erez, Judge, and Thorensen's (2003) CSES measures these key personality traits by exploring the levels of four of the "Big Five" personality traits evident in each of the subjects' personalities, as reported by these subjects in Hambrick and Hiller's (2005) questionnaire. These four "Big Five" personality traits are anchored in the conceptual space within the core of the EH construct portrayed in Figure 2.2, page 48.

How the Bono, Erez, Judge, and Thorensen's (2003) CSES measures the subjects' responses to Hambrick and Hiller's (2005) questionnaire is along a distribution scale continuum, and those measurements on the continuum determine if EH may be present in any of the subjects' personalities. For example, along this continuum there is an optimum level where the four of these "Big five" represent effective decision making in executives as outlined in Chapter 5. Any level above that optimum may result in ineffective decision-making.

Hambrick and Hiller (2005) suggest the four "Big five" overlapping personality trait concepts are present in an individual at any time within these authors' CSE conceptual space and may be identified by tapping that space. Hambrick and Hiller's (2005) findings support those of Bono et al (2003), who assert that the CSES is the most accurate instrument yet, that measures the negative impact too high a level of any of the "Big five" personality traits identified during the tapping, has on career success rates. In conclusion, the unique combination of these elements with the SM literature is the essence of this thesis. The SM literature explains executive decision-making from a specific high level process perspective, whereas CSE and EH explains executive decision-making from a cognitive, individual decision-making perspective.

The fourth step was a limited test of the efficacy of the CSES outlined in Chapter 5, section 5.3. A result of the fairly equal distribution; minimal variance and deviation of the data around the arithmetic mean; it may be stated with a 95% confidence interval that the shape of the data is fairly symmetrical, with a skewness of only 0.309687;

which provides confidence that the sample data set is representative of the individual respondents' CSE levels. This suggests that Bono, Erez, Judge and Thorensen's (2003) 12 Item CSES measure may be, within the confines of the limited sample size, a valid and reliable measure of the CSE levels apparent in the subjects' personalities.

The fifth step was to determine whether there was any support for Hambrick and Hiller's (2005) assertions regarding optimum and (Hyper-) Core CSE levels. The researcher explored whether there was any correlation between the reverse coded self-reported results in this current study presented in Table 5.4 on page 97 and the results from the in-depth interview. This analysis also facilitated a determination as to whether there was any support for the three preliminary hypotheses postulated by the researcher. The findings from this analysis of these two data sets are presented in Chapter five. Whilst the findings are not generalisable, the support methodology employed, sought to support a logical and systematic investigation of EH and CSE as possible influences on SME executive decision-making.

1.6 Outline of the Thesis

This thesis is presented in six chapters. Chapter 1 presents the objectives, rationale, definitions, assumptions; limitations; and an outline of the thesis. Chapter 2 examines the literature in two areas. The first is the ways in which SMEs make SM decisions. Very few dimensions of the ways SMEs make SM decisions have been identified and studied between 1978 and 2005. They include personality traits (Kets De Vries; Miller

& Toulouse, 1982; Miller & Toulouse, 1986, 1986a, 1986b; Kahn & Manopichetwattana, 1989; Hodgkinson, 1992; Sauner-Leroy, 2004; Hambrick & Hiller, 2005); regulatory fit (Higgins, 2000); speed (Joyce & Woods, 2003; Forbes, 2005); and formal versus informal (Beaver, 2002). These writers suggest that personality plays a key role in the way SME CEOs make decisions; in terms of speed; quality and level of formality.

The second area is the literature on connecting SMEs and decision-making. The range of approaches SME executives work by to make decisions have been identified and studied in a limited body of work between 1978 and 2005. They include strategic plans (Pemberton & Stonehouse, 2002), which contains little empirical research into SME strategic planning.

Chapter 3 outlines the research framework (See figure 3.1, page71). This describes the relationship between Hambrick and Hiller's (2005) EH concept; the decision process; decision quality; and organisational performance presented in the SME SMDM model. It is anticipated that the long term result the SME SMDM model may be an increased ability to predict the outcome of how the SME CEO's decision process affects the quality of the decision made; which in turn may affect organisational performance.

This model may assist in developing insights and thinking for CEO's, so they may make better quality decisions by being aware of the way their personality traits and the means used to make those decisions may determine success or failure. Without such

knowledge SMEs may continue to suffer high attrition rates due to their CEO's inability to comprehend and act on the personality factors that contribute to the attrition.

Chapter 4 outlines the methodology and the qualitative and quantitative approaches employed. The study is exploratory; employing open-ended questions and a structured questionnaire to examine and measure responses to the CSE instrument amongst a small sample of SME executives. Whilst the study represents a preliminary investigation of EH and strategic decision-making employing Hambrick and Hiller's (2005) instrument; it provides useful guidance for future researchers seeking to employ the CSE questionnaire with larger statistically valid and generalisable samples. The aim was to: 1) study the relationship between EH and executive strategic decision-making in a specific local context and 2) provide a preliminary indication of the efficacy of the CSE instrument as an aid to executive decision-making in SMEs.

As little is known about how SME CEOs make decisions, an exploratory study was appropriate for the purpose of this research (Brown & Huang, 2002). The sample was a purposive sample, as this was an exploratory research project. A group of seven SMEs in Perth in the southwest of Western Australia were selected to obtain insights into the SMEs' innovation management practice. This research was a four month project. It comprised the following four stages:

Stage 1: Literature review;

Stage 2: Development of research questions and questionnaire;

Stage 3: In-depth interviews;

Stage 4: Data analysis and writing up.

As discussed in chapter 3, EH measurement consists of the measure of four overlapping personality traits. Figure 2.2, page 48 portrays the four overlapping personality trait concepts. The measuring instrument for these traits was Bono, Erez, and Thoresen's (2003) 12-item CSES measure, that optimally taps the central CSE construct discussed in chapter two, each item extended to include a 7 point scale.

The data collected from the interviews was first coded. Based on the research framework, a list of codes was developed. The data collected through the questionnaire survey, was also analyzed. First, descriptive analyses was undertaken to identify how many CEOs possess a (Hyper-) CSE and how their (Hyper-) CSE affects the decision making process; decision quality; and organisational performance. Next, a manual analysis to investigate the relationships between EH; the decision-making process; decision quality; and organisational performance was conducted. To examine the relationships between EH and the decision-making process, firms were grouped according to the levels of their CEOs' CSE.

Chapter 5 presents the respondents' profiles, which includes an illustration of their general business background and operations. It also incorporates the main demographics of the participants relevant to the research topic. This is followed by a comprehensive analysis of the data, which involves a basic descriptive statistical

analysis and explanation of the quantitative sample data; and a descriptive analysis of the qualitative data.

Any relationship between the quantitative and qualitative data sets, and further whether the relationship is positive or negative, determines the level of support for Hambrick and Hiller's (2005) propositions. To facilitate this determination, firstly the quantitative data is analysed, and the findings presented. Next a descriptive analysis and explanation of the qualitative data gathered is developed and these findings are presented. Finally, the comparison between the two data sets is conducted to determine whether a correlation exists.

Chapter 6 considers the findings' implications; provides insights for theory; researchers and practitioners, and highlights further research potential.

1.7 Definitions

Defined here are the key terms, to facilitate the position this research takes. A comprehensive discussion of the terminology is presented in chapter two, the literature review; and chapter four, the theoretical framework.

The term "executive hubris" is derived in part from the term "Core self-evaluation" defined by Hambrick and Hiller (2005, p. 299) as: "A deeply sourced dispositional trait that defines how we evaluate ourselves and our relationship with the environment." These authors expect executives to have a higher level of CSE than the general

population. The distribution of CSE is anticipated to range along a continuum; however the actual shape of the distributions has not been reported (Hambrick et al, 2005).

Executives that possess CSEs at the upper end of the scale, Hambrick et al (2005) categorise as possessing a (Hyper-) CSE. Those executives with (Hyper-) CSE may be termed as having hubris (Hambrick & Hiller, 2005). For the purposes of this research, this researcher defines hubris in an executive decision making context in an SME as: "Hubris in an executive decision making context in an SME, is the level of CSE in a CEO's personality that is toward the upper end of a CSE distribution scale continuum."

The term "Strategy" is defined by Mintzberg (1978, p. 9) as: "A pattern in a stream of decisions." This definition is adopted for the purposes of this research.

The literature is virtually silent on any definitions of the term "Strategic", however it is defined by *The Collins Compact Dictionary* (2002, p. 912) as: "a move or method used that has been planned to achieve an advantage." It is this definition that is adopted for the purpose of this research.

The term "Strategic Management" is defined by Dann and Viljoen (2003, p. xi) as:

The process of identifying choosing and implementing activities that will enhance the long term performance of an organisation by setting direction, and by creating compatibility between the

internal skills and resources of the organisation, and the changing external environment within which it operates.

Dann and Viljoen's (2003) definition of strategic management in the previous paragraph does not include the crux of strategic management, which is to achieve an advantage. So for the purpose of this research, these authors' definition is expanded to state:

Strategic management is the process of identifying, choosing and implementing activities that will enhance the long term performance of an organisation, by setting direction and by creating compatibility between the internal skills and resources of the organisation; the changing external environment within which it operates; with the goal of achieving an advantage.

Further, consistent with the view expressed in Chapter 2 below by this researcher; Dann and Viljoen's (2003) definition of strategic management for the purpose of this research is expanded yet again to state:

Strategic management is the process of identifying; choosing; planning; implementing; and monitoring strategic activities utilising optimum strategy that will enhance the long term performance of an organisation, by setting direction; creating compatibility between the

internal skills and resources of the organisation; the changing external environment within which it operates; with the goal of achieving an advantage.

The term “Strategic Planning” is defined by Dann and Viljoen’s (2003) as: “The use of the strategic management concepts to develop a plan of action.” This definition is adopted for the purpose of this research.

The term “Decision making” conducted by an executive in an SME strategic management context is defined for the purposes of this research by this researcher as: “The strategic process conducted, and the strategic choices made by an SME CEO.”

Finally, the term “decision quality” is defined for the purposes of this research by this researcher as: “The level of efficacy inherent in the decision.”

1.8 Limitations

The scope and scale of the fieldwork for this honours study is limited by time and access considerations. Therefore, the sample is small; restricted to Perth and the South West of Western Australia; with seven CEO respondents in the sample. It is not representative of the total population, and sampling errors may have occurred. Notwithstanding these limitations however; it supports an extremely useful insight into the nature of, and influence executive hubris may have on the SME decision -making

process; quality of executives' decisions and choices; and subsequent organisational performance.

The ultimate aim of the author is to inform better decision making by executives within SMEs. However; developing an understanding of the CSE framework, its applications and limitations in this core study; is an essential progressive step towards informing more reliable and valid testing, and successful application of a CSE instrument to support this worthwhile aim. The purpose of this research therefore, is to provide these insights that may inform a better understanding for the CSE framework and application of the SME SMDM model, which may facilitate this aim.

Although only an exploratory study, enough rich qualitative and quantitative data was collected to provide a meaningful analysis of both data. The subsequent detailed analysis enabled a statistical analysis and a subsequent descriptive statistical data set to be developed and presented in charts throughout Chapter 5. This assists in providing meaningful insights to direct future researchers, whilst facilitating an understanding of the findings for the reader.

In this limited and local context, the results are interesting and may facilitate future research. The results suggest partial support for some of Hambrick and Hiller's (2005) propositions. This indicates further research may be worthwhile, as the findings of this small limited sample suggest that the CSE construct may be a valid and reliable one to measure the concept of (Hyper-) CSE in executives, in larger statistically valid and

reliable samples. If validated through future research, it may become a useful instrument to measure EH's possible effect on SMEs success and failure rates; assisting to inform method, insights, and practice, with a view to reducing SME attrition.

1.9 Assumptions

Assumptions about the research issues may have a bearing on the findings. It is assumed that personality traits affect how SME executives make decisions. On the basis of Hambrick and Hiller's (2005) assertions, it is also assumed that it is valid to consider the application of management theories in the executive hubris personality trait context, and further for all the key personality traits that have been investigated between 1978 and 2005. These issues both emerged and are considered in the literature review (Chapter 2) and the findings and discussion Chapters (See Chapters 5 & 6).

1.10 Conclusion

This chapter has outlined the thesis's key features. The research problem and directional outline have been introduced; definitions; the phenomenon; methodological approach; limitations; and assumptions have been demonstrated. In the next chapter, the literature is outlined.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

Chapter two reviews the literature relevant to the issue of EH and its possible affect on how CEOs make decisions. It forms the basis of the development of the theoretical framework outlined in Chapter 3, and the current research, presented in chapter 4. There is an imperative to combine concepts from the SM, SME, and psychology literature, to define and understand the EH phenomenon in a CEO's decision-making context. For example, although between 1985 and 2005 research has been conducted on top executives, scholars only have a fragmented understanding of the origins and implications of executive self-potency in a CEO's decision making context (Hambrick & Hiller, 2005).

This fragmentation has been caused by the absence of any rigorous conceptual frameworks to conduct these investigations (Hambrick & Hiller, 2005). The few attempts to develop this type of apparatus have occurred in the psychology literature, and have resulted in disconnected; colloquial; psychopathological concepts; and constructs that describe executive self-concept on a post hoc basis only (Hambrick & Hiller, 2005). Therefore Hambrick and Hiller (2005) assert that the only way to make progress in identifying and validating a fundamental construct that holds promise for advancing theory and research; and for subsequently informing practice; is to test these authors' recently identified EH concept which they have developed from combining concepts from the foregoing literature. This may provide a better understanding of the EH phenomenon in an SME CEO's decision making context (Hambrick & Hiller,

defining features of Hambrick et al's (2005) EH concept is outlined in sub-section 2.4.1, page 43.

Five key literatures were reviewed to combine concepts from the SM, SME, and Psychology literature to define and understand the EH phenomenon of in an SME CEO's decision making context namely: Human Resource Management; Management; Psychology; Small Business; and Strategic Management. This mix was selected to provide the conceptual platform required to understand the nature of EH in SME CEOs. By tapping the unique mix of cross-disciplinary elements rooted in these literatures, this understanding is facilitated.

The review commences by presenting the terminology that is employed for the purpose of this research. From there, the review presents taxonomies of the dimensions of how SME executives make SM decisions. Next, it examines the basic concepts and theories with regard to these dimensions. It then moves on to provide a summary of the basic concepts, and taxonomies. This is followed by an examination of the extant literature on the topic with the identification of a major literature gap. Finally, it concludes with a discussion on the implications for SMEs regarding executive hubris, and the imperative for future research.

2.2 Context: Strategic Management and SMEs

2.2.1 Historical perspectives on strategic management

Strategic management and its terminology have been around for many hundreds of years as Dann and Viljoen (2003) assert; and so the question of defining the term “strategic management” has long been pondered. For example Lee and Sai On Ko (2000), assert Tzu’s definition in his thirteen books entitled *The Art of War* in 500 BC is one of the earliest recorded. Barnwell and Robbins (2002) assert Tzu’s hierarchical management concepts are consistent with the strategic bureaucratic structure developed in 1922 by Weber (Barnwell et al, 2002). Ott et al (2001) assert Socrates however, argued for strategic management to be defined as an art, a metaphor that suggests a philosophical approach to strategic management study that is considered an interpretive approach.

Ott et al (2001) assert that conversely in 1300, Taymiyyah’s definition was presented in what is termed the scientific method, which Barnwell and Robbins (2002) assert was a full seven hundred years before Taylor’s movement in 1911. Yet Barnwell et al (2002) assert Khaldum developed the systems approach seven hundred years before it again became popular through the contributions of Burns and Stalker. Finally, Ott et al, 2001 assert the middle ages contributor Machiavelli in 1513, over five hundred years before Fayol’s work in 1916, defined strategic management in terms of a unity of command principle.

It appears then, that defining the term “strategic management” has been problematic due perhaps to its changing scope, and process over the extended time frame during which it has been considered in a range of historical contexts. For example Bracker (1980) asserts that strategic management and its terminology have been studied from at least 3,000 B.C. Since then the scope has moved from a macro to a micro, back to a macro perspective again, along with the attendant waxing and waning of its process. Table 2.1 on page 34 demonstrates this oscillating scope.

Therefore, it is still necessary for the purpose of this current research to debate the term “strategic management” from the perspective of contemporary contributions. An understanding of the term in building theory on how SME CEOs make SM decisions comes primarily from the work of modern contributors, for example Dann and Viljoen (2003); and Mintzberg (1978) who have built on the work of industrial and post-industrial revolution contributors.

It is also useful to consider the manifold views of the SME CEO’s SM decision making process as discussed in the literature, as it will enable assumptions that underlie how these decisions are made to be uncovered. This will commence in the next section.

2.2.2 Current definitions of strategic management

It is necessary for the purpose of this research to debate the term “strategic management” from the perspective of contemporary contributions, as since the early

1990s, writers within the different schools of strategic management, for example design; planning; positioning; process; and emergent; fail to agree on a current definition (O'Rourke, 1998). For example, O'Rourke (1998) asserts Minzberg's classification of ten different schools of SM thought in his book *Strategy Safari* (1998) clearly illustrates the lack of consensus in this regard. This is due to the fact that the prescriptive schools of ideal strategy such as the design approach in Harvard Business School; planning, the result of Ansoff's thinking; and positioning in the form of Porter's five forces model; are seen now by some, as outdated prescriptions (O'Rourke, 1998). Conversely the descriptive schools namely the entrepreneurial, cognitive, learning, power, cultural, and environmental, perceive definitions for SM as descriptions for how strategy gets made (O'Rourke, 1998). The tenth school - the Configuration School attempts to combine the thinking of the other nine, yet admits that it is an impossible task to do so, due to SM's complexity (O'Rourke, 1998).

A similar situation was observed twenty six years ago by Bracker (1980), who noted the lack of a consistent definition for strategic management in the historical literature to that point in time. Table 2.1 on page 34 portrays the oscillating scope of strategic management in the historical literature. In part this may be due to the fact that the terms "strategy"; "strategic"; "strategic management"; and "strategic planning" are often confused with each other, misunderstood, and even used in the wrong context (Dann & Viljoen, 2003). It is little wonder then, that the meaning of the term "strategic management" is unclear. Assisting in the understanding of these key terms and the context they are used in, is central to this research.

Table 2.1

History of the Scope of Strategic Management.

Time	Macro 3,000BC - Fall of Greek City States	Micro Roman Empire - Industrial Revolution	Macro Post world war II - Future
Rationale	<ul style="list-style-type: none"> • Large complex interrelated organisations • National Markets 	<ul style="list-style-type: none"> • Oligopolistic environment • Unlimited resource availability • Lack of national markets • Stable environment 	<ul style="list-style-type: none"> • Dynamic environments • New technology • Ability to anticipate change • National markets • Ability to deal with uncertain future
Strategy Definition	<ul style="list-style-type: none"> • Effective use of resources to meet objectives 	<ul style="list-style-type: none"> • Effective use of resources to meet objectives 	<ul style="list-style-type: none"> • Analysis of internal and external environments of the firm in order to maximise utilisation of resources in relation to objectives
Major Contributors	<ul style="list-style-type: none"> • Early Greek writers such as Homer, Euphides, & Socrates. 	<ul style="list-style-type: none"> • Shakespeare, Montesquieu, Kant, Mill, Hagel, Clauswitz, Tolstoy. 	<ul style="list-style-type: none"> • Von Neumann & Morgenstern, Druker, Chandler, Ansoff, Gluek, McNichols, Steiner, Miner, Mintzberg, Hofer, Schendel, Porter
Application of Strategy	<ul style="list-style-type: none"> • Business Military and government 	<ul style="list-style-type: none"> • Military and government 	<ul style="list-style-type: none"> • Business Military and government

Source: Adapted from Bracker, (1980).

Building on the work of Mintzberg between 1978 and 1998 in the context of SM, it is essential to establish a clear definition of each of the following terms. This may prevent confusion or incorrect use of strategic management terminology in the context of how SME executives make SM decisions, for the purposes of this or any future research.

The term “Strategy” is defined by Mintzberg (1978, p. 9) as: “A pattern in a stream of decisions. It is Mintzberg’s (1978) definition that is adopted for the purpose of this research.

The literature is also virtually silent on any definitions for the term “Strategic”, however it is defined by *The Collins Compact Dictionary*, (2002, p. 912) as: “a move or method used that has been planned to achieve an advantage.” It is this definition that is adopted for the purpose of this research.

Further, the literature is virtually silent on the term “Strategic Planning.” It is defined by Dann et al (2003) as: “The use of the strategic management concepts to develop a plan of action.” It is this definition that is adopted for the purpose of this research

The term “Strategic Management” is defined by Dann and Viljoen (2003, p. xi) as:

The process of identifying choosing and implementing activities that will enhance the long term performance of an organisation by setting direction, and by creating compatibility between the internal skills and resources of the organisation, and the changing external environment within which it operates.

In the next section, dimensions of how SME CEOs make SM decisions will be presented.

2.2.3 CEOs' Strategic management decision making dimensions and SMEs

Compounding the lack of consistent SM definitions up until 2006, very few dimensions of how SME CEOs make decisions have been identified and studied.

How these CEOs make decisions is determined by the ways and means employed to do so, throughout the SM process this researcher has identified. This researcher's taxonomies of the dimensions of how these CEOs make SM decisions in table 2.2, page 37, presents the dimensions that have been identified and studied; the literature support provided; and the conceptual lenses employed.

Dimension 1: Personality Traits.

How SME CEOs make SM decisions may be determined in part by executives' personalities (Hambrick & Hiller, 2005). Further, research suggests that many personality traits are genetically based (Digman, 1981, 1986). Some key personality traits that have been identified that may affect these decisions include: locus of control (Kets De Vries; Miller & Toulouse, 1982; Miller & Toulouse, 1986, 1986a, 1986b; Kahn & Manopichetwattana, 1989; Hodgkinson, 1992; Sauner-Leroy, 2004; Hambrick & Hiller, 2005); flexibility (Miller et al (1986, 1986a, 1986b); risk aversion (Sauner-Leroy, 2004); hubris (Hambrick & Hiller 1, 2005); regulatory fit (Higgins, 2000); speed (Joyce & Woods, 2003; Forbes, 2005); and formal versus informal (Beaver , 2002). Unfortunately, there are very few published studies that have incorporated these important factors as the determinants of the CEO's SM decision-making process

Table 2. 2

Taxonomies of an SME CEOs' Strategic Management Decision Making Dimensions.

How SME CEOs make strategic management decisions	Literature support (In chronological order by topic)	Theoretical perspective used
<u>Ways</u>		
Personality traits		
<ul style="list-style-type: none">• Locus of Control	Kets De Vries., Miller and Toulouse, 1982 Miller and Toulouse, 1986 Kahn and Manopichetwattana, 1989 Hodgkinson, 1992; Hambrick and Hiller, 2005;	- - - - - -
<ul style="list-style-type: none">• Flexibility	Miller and Toulouse, 1986a Miller and Toulouse, 1986b	Congruence Contingency
<ul style="list-style-type: none">• Need for achievement	Miller and Toulouse, 1986b	- - -
<ul style="list-style-type: none">• Risk aversion	Sauner – Leroy, 2004	- -
<ul style="list-style-type: none">• Hubris	Hambrick and Hiller, 2005	
Regulatory fit	Higgins, 2000	Regulatory focus
Speed	Joyce and Woods, 2003 Forbes, 2005	Life course and human capital. Modernist
Formal versus Informal	Beaver and Prince, 2004	Design
<u>Means</u>		
Strategic plans	Pemberton and Stonehouse, 2002 Beaver, 2004	Classical economics; Contemporary

and SM CEOs' decision quality within SMEs, into a single research project (Hambrick & Hiller, 2005). These factors are examined later in this chapter in sub-sections 2.4 – 2-7 inclusive.

Dimension 2: Strategic Management Tools

As well as the ways in which they make SM decisions, recent research suggests that the SM tools employed by SME CEOs , may also be dependant on the CEO's personality (Beaver 2002; Hambrick &,Hiller 2005). A strategic plan for example, is a key SM tool that falls into this category (Pemberton & Stonehouse, 2002).

2.2.4 An operational definition for strategic management

This researcher's expanded definition of SM on pages 25-26 is employed for the purpose of this research. Figure 2.1, page 39 portrays and explicates a conceptual framework developed from Parker's (2005) expanded definition by depicting the hierarchical view of SM.

Critical to the argument, as portrayed in this figure, is that SM incorporates strategy; strategic activities; and strategic planning. Consistent with this view, Dann and Viljoen's (2003) definition of SM for the purpose of this research is expanded by Parker (2005) as alluded to above to state:

Strategic management is the process of identifying; choosing; planning; implementing; and monitoring strategic activities utilising optimum strategy that will enhance the long term performance of an organisation by setting direction; creating compatibility between the internal skills and resources of the organisation; the changing external environment within which it operates; with the goal of achieving an advantage.

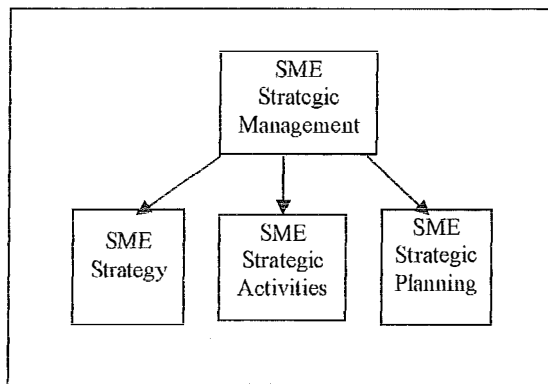


Figure 2.1 A conceptual framework of the hierarchical view of the SME strategic management process

In the next section, a major gap in the literature is identified, and its implications and the imperative for research on the topic are discussed.

2.3 The Literature Gap between Corporate and SME Strategic Management Research

Until the mid 1970s, a tradition of macro-economics had formed the basis for the dominant functionalist paradigm in organisational behaviour and SM research (Beaver,

2002; Beaver, 2002; Bracker, 1980; Jocumsen, 2002; Kets De Vries, Miller, & Toulouse, 1982, 1986; Khan & Manopichetwattana, 1989; Saunier-Leroy, 2004).

However, Beaver (2002); Beaver and Prince (2004); and Jocumsen (2002) assert a renaissance emerged in the mid 1970s with respect to recognition by researchers and governments that SMEs play a major role in developing national economies. The United Kingdom (UK) trend, for example, commenced with the publication of the Bolton Committee Report as Bannock (2000); and McLarty (2005) assert, in 1971.

For the next ten years approximately, UK governments at national and local levels, along with U.K. academics developed programmes to attempt to assist SMEs play their role effectively (Beaver, 2002; McLarty, 2005). Unfortunately however, SMEs were viewed as embryonic corporations by some governments (McLarty, 2005). For example, in the UK during the Thatcher Conservative government era of the 1980s, misguided concepts termed “mythical” concepts by Gibb (2000), emerged that have caused a great deal of confusion and ignorance within SME policy in this regard.

One such concept is the entrepreneurship and enterprise culture. The Thatcher government was of the view that entrepreneurship and enterprise should be held up as an ideological banner to assist the U.K. cope with a more uncertain and complex global environment (Gibb, 2000). Consistent with this view, the UK government dispensed prescriptions up until the mid 1990s, employing scaled down versions of corporate solutions, unsuccessfully (Beaver, 2002, McLarty, 2005).

Solutions termed *Investors in People*, a human resource development initiative, and a Quality Assurance initiative *BS 5750*, as Gibb (2000) asserts, are two examples of processes designed to formalize small business systems in a manner consistent with corporate organisations. These models emphasise the creation of formal structures, and formal ways of “doing things”, synonymous with the paradigms in the left hand column of Table 2.3, page 42. All are corporatist, and may even be anti- entrepreneurial (Gibb, 2000). As a result, a cultural clash ensues due to the poor fit resulting from the culture paradigms of SMEs in the right hand column, being the opposite of corporate culture paradigms (Gibb, 2000).

Interestingly, the UK Blair government returned to this view (Gibb, 2000). This poor fit of corporate strategic management concepts and frameworks employed to inform methods and thinking for many types of SMEs were ineffective, and SME failure rates remained high (Beaver, 2002; McLarty, 2005). Subsequent UK government prescriptions and interventions since 2000 have remained ineffective (Beaver, 2002; McLarty, 2005). For example, other misguided concepts such as network development; the growth company; local bottom–up development; competency and learning; have all failed to arrest UK SME attrition rates. Gaining an understanding that the nature of many types of SMEs differ from the corporate firm, and therefore require different concepts and frameworks to inform methods and thinking, is unresolved (Beaver, 2002; McLarty, 2005).

Within certain SMEs, there are those whose development may lend themselves to some corporate development or maturity frameworks; particularly those with a turnover of more than \$A100, 000 per annum; however they only represent approximately

Table 2.3.
The U.K. Thatcher and Blair Governments' Approach to Applying Corporate Paradigms in an Attempt to Inform U.K. SMEs Resulting in Cultural Clash.

Corporate (Looking for :)	SMEs (As being :)
Order	Untidy
Formal	Informal
Accountability	Trusting
Information	Personal observation
Clear demarcation	Overlapping
Planning	Intuitive
Corporate strategy	Tactically strategic
Control measures	"I do it my way"
Formal standards	Personally monitoring
Transparency	Ambiguous
Functional expertise	Holistic
Systems	"Freely"
Positional authority	Owner-managed
Formal performance appraisal	Customer/network exposed

Source: Adapted from Gibb, (2000).

twenty three percent of the Australian SME sector (Australian Bureau of Statistics, 2005b). Seventy seven per cent of Australian SMEs approximately, have a turnover under \$100,000 per annum (Australian Bureau of Statistics, 2005b). It is these that are most in need of concepts and frameworks with a better fit.

Unfortunately however, theories and frameworks of strategic planning remain in the domain of academics and external observers (Pemberton & Stonehouse, 2002). Many SME CEOs remain unconvinced or unaware of the practical benefits of strategic planning; with most SME strategy matters focusing on business level, not strategic planning (Pemberton et al, 2002). Considering the importance of strategic planning in regard to SME success rates, further research is an imperative.

Given the need identified in this gap in the literature for major research streams to be developed to provide a better fit of corporate SM concepts and frameworks to inform effective methods and thinking for many types of SME CEOs; there is also an imperative to identify how SME CEOs make decisions; as by doing so, this may provide an understanding of this key aspect of the SM process.

This in turn may provide a better fit of corporate SM concepts for SME CEOs ; which may then be employed to better inform effective methods and thinking for many types of SME CEOs. Further, the findings may also go some way in convincing and making SME CEOs aware of the benefits of strategic planning.

2.4 Personality Trait Research and Executive Hubris

2.4.1 The evolution of the core self evaluation (CSE) measure of executive hubris

Notwithstanding the dearth of literature, promising new insights have emerged recently regarding factors that influence how SME CEOs make decisions (Hambrick & Hiller, 2005).

Hambrick and Hiller (2005) have developed seven new propositions for a new personality trait construct recently conceptualised and labeled *executive hubris*. The core is labeled *core self evaluation* (CSE); also identified, conceptualised and validated recently (Bono, Erez, Judge, & Thoresen, 2003; Hambrick and Hiller, 2005). This construct core, CSE, provides a measure of the level of any of the four major personality traits within the “Big Five” personality traits (Goldberg, 1990). It is anchored in the dimensions of the “Big Five” personality traits as Barrick, Higgins, Judge, and Thoresen, (1999) assert, and are numbered and labeled as follows: I) Surgency (or Extraversion), (II) Agreeableness, (III) Conscientiousness (or Dependability), (IV) Emotional Stability (vs. Neuroticism), and (V) Culture. Alternatively, Factor V has been interpreted as Intellect.

“Big-Five” factor structure was originally discovered in studies employing Cattell's 35 variables developed in his work between 1936 and 1945 (Goldberg, 1990). Cattell has repeatedly claimed to have identified at least a dozen oblique factors; however, when

Cattell's variables were analysed by orthogonal rotational methods, only five factors proved to be replicable (Digman & Takemoto-Chock, 1981). In an attempt to replicate Cattell's multiple factor system, these authors were unable to do so, with the findings suggesting that there is a suspicion that it was founded on clerical errors that plagued factor analysis in the pre-computer era (Digman et al, 1981).

Further, Goldberg (1990) asserts similar five-factor structures based on other sets of variables have been reported by Borgatta (1964), Digman and Inouye (1986), and McCrae and Costa (1985, 1987). Further, similar five-factor structures based on other sets of variables have been reported by Digman and Inouye (1986). For instance, in an attempt to answer the research questions of what the factors are and how they are to be interpreted; whether five are adequate; whether they account for the observed relationships or if additional factors are necessary; if the number of factors is five, and what the reasons for this are; Digman et al (1986) investigated these issues by conducting a study on 499 sixth grade children on the Hawaiian island of Kauai. Each child was rated by their teacher. The findings suggest that faced with having to get to know 20-30 children, the teacher forms a mnemonic impression of a child to differentiate him or her from other children. The authors assert that the impression has five aspects to it, based on our limited ability on our capacity for processing information.

During rating, this impression serves as a schema for recalling corroborative events from memory. Due to the schema acting as a cognitive a priori, the five robust factors of the “Big five” are obtained from even a brief rating between the teacher and the child. In summary the “big five” has been shown again to account for the correlations observed for a set of personality ratings scales based on the Hawaiian children’s study (Digman & Inouye, 1986).

2.4.2 Validity and reliability of the CSE construct

Goldberg’s (1990) findings suggest the “Big Five” have validity and reliability. For example, in an attempt to rebut criticism from some quarters that the “Big Five” were not generalisable, Goldberg (1990) conducted three studies with a near comprehensive set of 1,431 trait adjectives; the work of Cattell between 1936 and 1945 generally agreed by academics as valid and reliable. The first study was across a wide variety of factor-analytic procedures. The second was within a representative set of 479 commonly used terms across samples of both self and peer descriptions. The final study was a new sample of subjects used to develop a refined set of synonym clusters derived from peripheral terms tapping religiosity and non-religiosity; with two samples from study two. These two samples were used to provide independent evidence of their factor structure.

The findings are consistent with Goldberg’s (1990) assertion that the analysis of any reasonably large sample of 500 English personality trait adjectives in either self or peer

descriptions will elicit a variance of the “Big Five” factor structure, and therefore virtually any terms can be represented within this model (Goldberg, 1990). These results encouraged the subsequent research of the recent construct of CSE identified and validated by Judge et al (1999, 2001, 2002), as they felt comfortable employing Goldberg’s findings as an imprimatur for the “Big Five”.

Recent research suggests individuals use CSEs to evaluate themselves and their relationship to their environment in different situations (Barrick, Higgins, Judge, & Thoresen 1999; Bono & Judge, 2001; Hambrick & Hiller, 2005). For example, Barrick et al’s (1999) study discussed above, explains the evaluation on the basis of primary school children in a school context.

Bono and Judge’s, (2001) study explains the evaluation on the basis of the confirmation of a positive relationship of CSE with job satisfaction and job performance. These authors conducted a meta-analysis of employees, and the findings suggest support for their assertion that those employees possessing high levels of CSE also reported having high job satisfaction and, are also reported as having high job performance in comparison to those employees with low or moderate CSE levels.

Hambrick and Hiller (2005) assert that related constructs found in executives over the last twenty years correlate with the ‘Big Five’ personality traits. For instance the related constructs of narcissism; overconfidence; and hubris can be ideally fixed onto the CSE construct.

2.4.3 Executive hubris and personality traits

There are four overlapping personality trait concepts anchored in the EH construct: emotional stability; generalized self-efficacy; locus of control, as Kets De Vries; Miller and Toulouse (1982); Kahn and Manopichetwattana (1989); Hodgkinson (1992); Hambrick et al (2005) assert; and finally self-esteem as Goldberg (1990); Barrick et al (1999); and Hambrick and Hiller (2005) assert. The traits are portrayed in Figure 2.2 below as a qualitative portrayal of the construct of executive hubris (Hambrick & Hiller, 2005).

The personality traits of flexibility; need for achievement; and risk aversion identified in Table 1.1 on page 22 are not depicted in Figure 2.2 below.

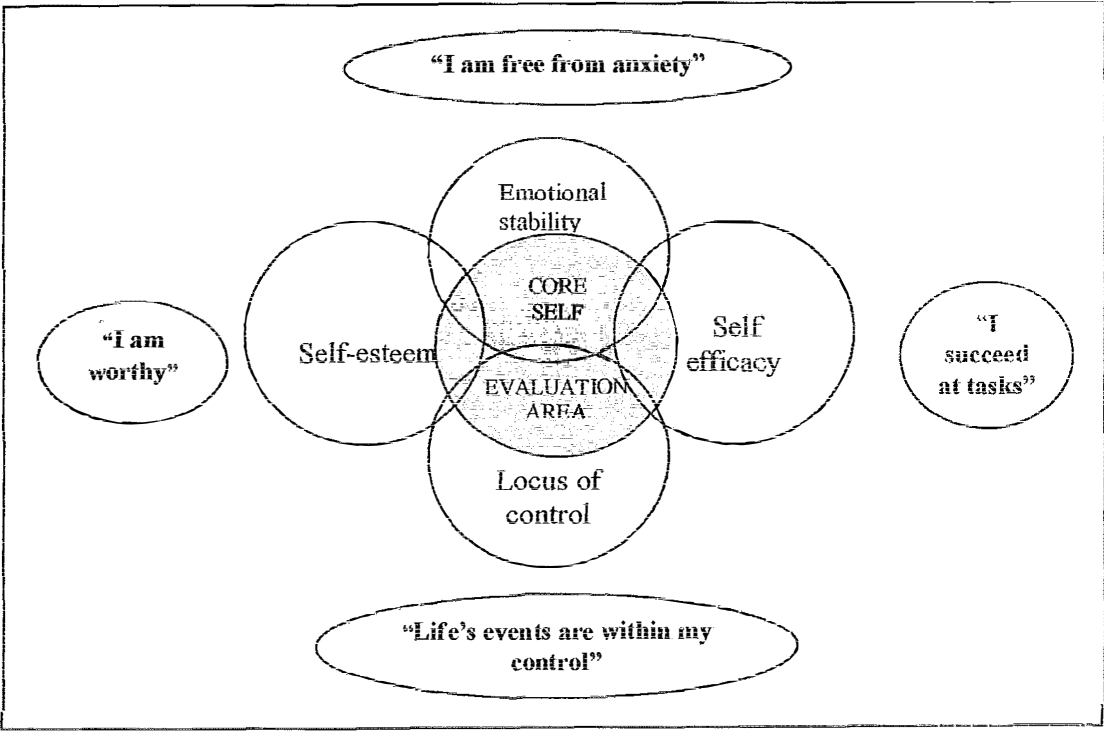


Figure 2.2 The key elements and questions of CSE. Source: Adapted from Hambrick and Hiller, 2005.

The reason for this is that they have already been identified by Miller and Toulouse (1986a) with respect to *flexibility*; and Miller and Toulouse (1986b) with respect to *need for achievement*, and anchored onto the traits of locus of control and self esteem (Judge et al, 1997). Miller and Toulouse's (1986a, 1986b) dimensions of flexibility, need for achievement, and risk aversion loaded onto the Hambrick and Hiller (2005) construct well, both are already encompassed and consolidated within the construct of CSE and this was made possible due to Hambrick and Hiller's (2005) adoption of the findings of Berry's (1973) study.

Hambrick and Hiller (2005) assert the findings suggest the recurring theme for success identified in executives is self esteem, which is in large part driven by an internal locus of control. Further, although Hambrick and Hiller (2005) have not studied *risk aversion*, Sauner - Leroy's (2004) study of the effect of uncertainty on investment decisions does contain findings that load onto the construct in respect to locus of control and emotional stability. Sauner - Leroy (2004) tested the hypothesis that uncertainty has a positive correlation on investment decisions; for example the greater the uncertainty the less investment will occur. The findings support the hypotheses, which add weight and support for the work of Hambrick and Hiller (2005), in respect that the personality of a CEO affects that CEO's decision- making in SMEs.

Hambrick and Hiller's (2005) findings also suggests the four overlapping personality trait concepts are present in an individual at any time within the CSE conceptual space. The measurement instrument is Erez, Judge, and Thorensen's (2003) core self

evaluations scale (CSES), which has been validated recently. Hambrick and Hiller's (2005) findings support those of Bono et al (2003) who assert that the core self evaluation scale (CSES) is the most accurate instrument yet, that measures the negative impact too high a level of any of the "Big five" personality traits has on career success rates.

Bearing in mind that of all the personality traits taxonomies, it is EH that presents the most promising new insight into factors that influence how SME CEOs make decisions; that all other personality traits in this regard can be loaded onto EH; it is clear operationalising EH is an imperative for this research (Hambrick & Hiller, 2005). Executive hubris is important to operationalize, as it may explicate how CEOs make decisions is partly dependant on their personalities.

This may provide for the first time, confirmation that personality may be a key factor that contributes toward the success or failure in an SME. Armed with this knowledge, further research may be conducted into how to mitigate the negative effects undesirable levels of certain personality traits may have on SME success and failure rates. This then may assist in reducing the high failure rates of SMEs, which in turn may improve whole economies globally.

With regard to the possibility that personality may be a key factor that contributes toward success or failure in an SME, Figure 2.3 page 51, presents a conceptual framework which attempts to map out the key relationships between the SM elements,

the CSE context and elements, and the decision making behaviours of CEOs within SMEs. It pulls to-gether and portrays the key relationships between the SM elements (See Figure 2.1 page 39), which illustrate SME CEO decision-making from a specific high level process perspective, and CSE and EH from a cognitive individual decision-making perspective (See Figure 2.2, page 48).

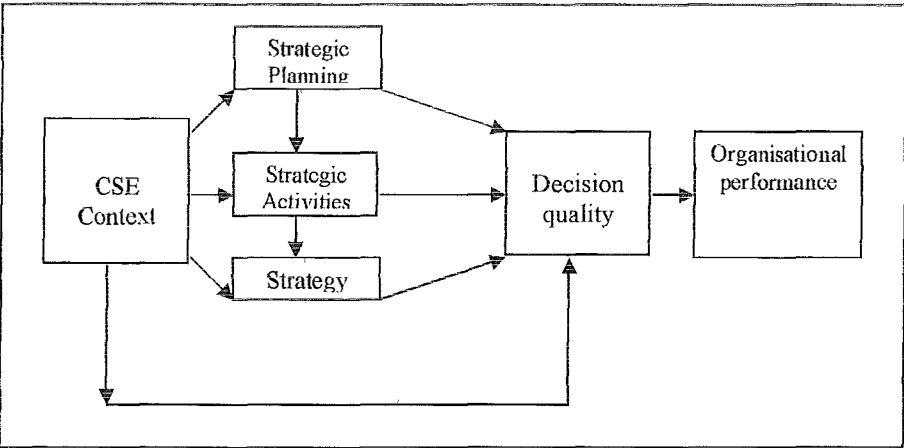


Figure 2.3 . Conceptual Framework of the key relationships between the CSE context, Strategic management and outcomes of CEOs' decision-making behaviours.

Consistent with Judge et al's (1997, 1999, 2001, 2002, 2003) position regarding the efficacy of the CSE construct in measuring personality traits, Hambrick and Hiller (2005) anticipate the CSE construct will yield stronger predictions of these outcomes than any individual personality traits. Hambrick and Hiller's (2005) essay findings concur with the empirical findings of Durham, Judge, & Locke (1997), that the CSE construct is an accurate instrument for measuring executive hubris.

Hambrick and Hiller (2005) have developed an integrated set of propositions that describe the effect (Hyper-) CSE will have on strategic decision processes; choices; and organisational performance. In essence their propositions posit that the greater the level

of CSE a CEO possesses, the greater will be the undesirable effect on strategic process and /or, strategic choices, and those choices made, in turn, will result in extreme organisational performance. Hambrick and Hiller (2005) predict that CEOs have a higher level of CSE than the general population, and their prediction is portrayed in Figure 2.4 below. These authors have developed a summary portrayal along with the implications for strategic decision making that aligns itself well for this research.

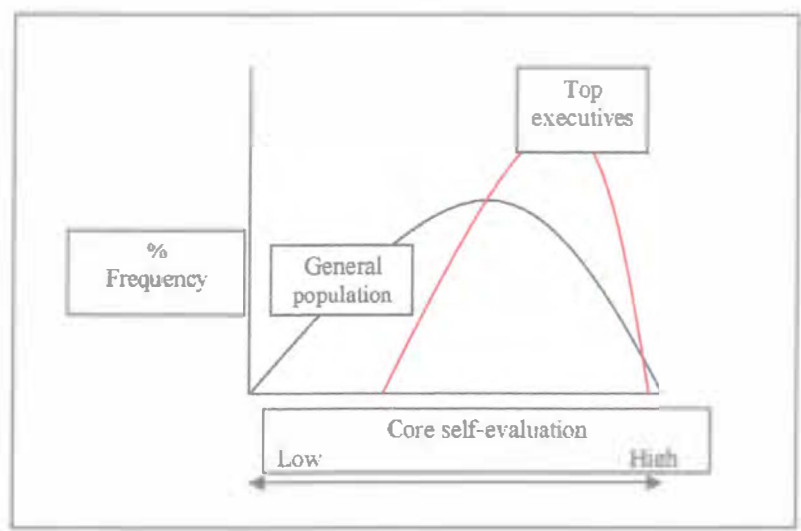


Figure 2.4. The proposed distribution of core self - evaluation levels in the general population versus the executive population. Source: Adapted from Hambrick and Hiller, 2005.

The composite portrayal of a (Hyper-) CSE CEO is one of an individual who is extremely confident about their abilities; full of self regard and self worth; believe deeply their abilities will bring positive outcomes; free from anxiety; and have little concern about negative outcomes, as they possess a core conviction they can surmount adversity and repair all problems. The possible effects of (Hyper-) CSE on strategic processes, strategic choices and organisational performance are portrayed in Figure 2.4 above.

For sure other dimensions of speed; formal and informal; have also been researched; however the main argument is that these other dimensions of the ways SME CEOs make SM decisions are also dependant on personality, and their size may be determined by the type of personality that is measured by CSE. Speed for example, is discussed further in Chapter five.

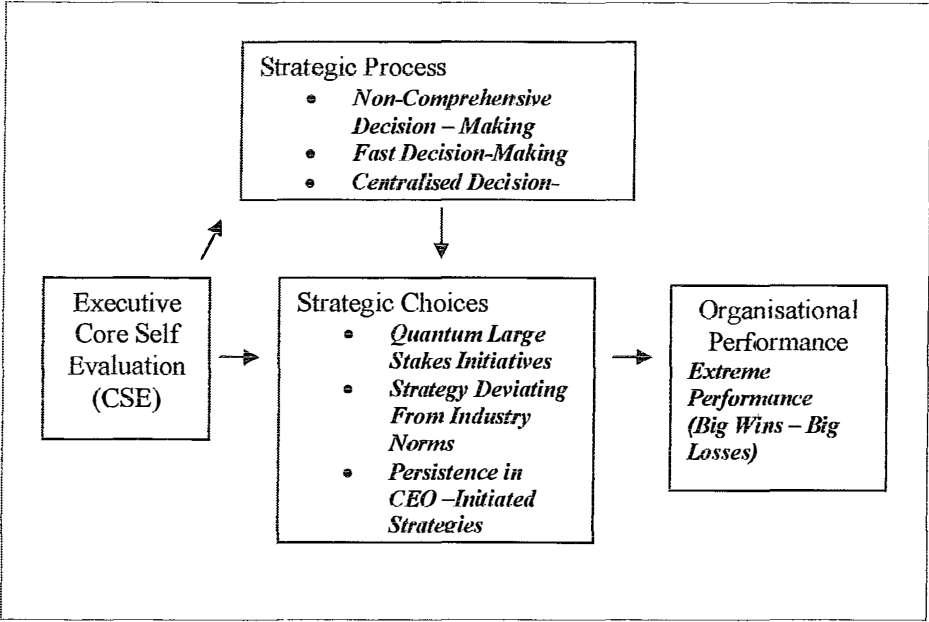


Figure 2. 5. Predicted effects of executive (Hyper-) CSE on strategic processes; strategic choices; and organisational performance. Source: Adapted from Hambrick and Hiller, 2005.

2.4.4 Implications of executive hubris for strategic decision making

The implications portrayed in figure 2.5 above for strategic decision making by CEOs within SMEs from the influence of (Hyper-) CSE in their personalities is comprehensive (Hambrick & Hiller, 2005). Finklestein and Hambrick (1990) assert researchers have found associations between certain individual CEO characteristics and many outcome variables which include elements of organisational strategy, structure

and performance. However, there has been little or no research on attempting to gain an understanding of these associations (Hambrick and Hiller, 2005).

The main problem in this regard is the absence of any rigorous conceptual apparatus for conducting these investigations (Hambrick & Hiller, 2005). These authors suggest that of the few attempts made, all that has been invoked are disconnected concepts. Examples include locus of control and psychopathological concepts such as narcissism which are difficult to operationalise beyond clinical settings; and constructs like over-confidence examined on a post hoc basis. For example one implication is that high-CSE executives tend toward non-comprehensive decision process, due to their high levels of self confidence, and will favour highly centralised decision processes so they can be involved in all the strategic decisions (Hambrick & Hiller, 2005).

Further, high-CSE SME CEOs will undertake riskier initiatives as they do not perceive high risk attached to initiatives, due to their personality (Hambrick & Hiller, 2005). They will not feel the need to conform to industry conventions, and are relatively likely to persist in their chosen strategies, even in the face of disconfirming evidence (Hambrick & Hiller 1, 2005). In essence, this leads to non-comprehensive, fast and centralised decision making; and quantum, non-conformist strategic initiatives the organisation will pursue persistently (Hambrick & Hiller, 2005). In sum, the implications are that a (Hyper-) CSE CEO can bring about naive, foolish behaviours which make them highly susceptible to flawed decision making (Hambrick & Hiller, 2005).

2.5. The Five Factors of “Big Five” Personality Traits Construct and Executive Hubris

Introduction

Regarding Hambrick and Hiller’s (2005) recently identified personality trait of EH outlined in the previous section; four of “Big Five’s” five personality traits also discussed in the previous section in the context of how SME CEOs make SM decisions, can be loaded onto the conceptual space occupied by CSE (Hambrick & Hiller, 2005).

To explicate the relationship between “Big Five” and EH from the research conducted to date, and the validity and reliability of the loading, it is helpful to attach the labels for the personality traits investigated in the SME context identified in the taxonomies in Table 2.2, page 37 to their appropriate “Big Five” labels. For example, I) *Surgency (or Extraversion)* - Locus of control; Risk aversion; Flexibility; and (IV) *Emotional Stability (vs. Neuroticism)* - Executive hubris; Need for achievement.

Between 1978 and 2005 these CEO personality traits that may determine the ways SMEs make SM decisions have been identified and studied. (Kets De Vries; Miller & Toulouse, 1982; Miller & Toulouse, 1986, 1986a, 1986b; Kahn & Manopichetwattana, 1989; Hodgkinson, 1992; Saunier-Leroy, 2004; Hambrick & Hiller, 2005). Unfortunately, there are very few published studies that have incorporated these important factors as the determinants of the SME CEO’s SM decision making process and SM decision quality into a single research project (Hambrick & Hiller, 2005).

This suggests that in the SME SM decision making context, research has been conducted on five factors which are contained in factor I), and factor (IV) of “Big Five”. A discussion on these personality traits whose labels are attached to their appropriate “Big Five” labels is presented in the following sections 2.5.1 – 2.5.3

2.5.1 Locus of control

The first of these personality traits studied during this period loaded onto the conceptual space occupied by CSE is termed locus of control (Hambrick et al, 2005; Hodgkinson, 1992; Kets De Vries, 1982; Kahn & Manopichetwattana, 1989; Miller and Toulouse, 1982, 1986;). It represents most of the extant literature on how SME executives make decisions. It may also bear a direct and significant relationship on the nature of the concept of corporate strategy (Kets De Vries; Miller et al 1982); one of the lower order concepts that constitute the concept of SM. The concept of corporate strategy in the hierarchal view of the concept of SM particularly in SMEs is portrayed in Figure 2.1, page 39.

The first in a series of four studies, Miller and Toulouse’s (1982) findings regarding a non-correlation between locus of control and innovation, suggests that too high a level in a CEO’s locus of control increases the risk of organisational failure; as these types of executives are slow to innovate, and are always acting reactively instead of pro-actively. These initial findings are confirmed through replication in , Miller et al’s (1986) studies investigating locus of control; and Miller et al’s (1986a, 1986b) studies investigating flexibility and need for achievement. Kahn and Manopichetwattana’s

(1989) study on locus of control, further supported the findings of Miller et al's (1982, 1986, 1986a, 1986b). Therefore, Miller and Toulouse's (1982) validated findings, provides confidence for the purpose of this research, by being able to draw on their validated work. The foregoing research has been essential in identifying the implications of locus of control for CEO decision making in SMEs.

In conclusion, research suggests that the more internal focus - which is a dimension of locus of control the CEO's personality possesses; the more the firm will engage in risky projects; which may reduce success rates and increase failure rates in SMEs (Nightingale & Toulouse, 1977; Kets De Vries; Miller &Toulouse, 1982). Clearly, a way needs to be found to mitigate the undesirable effect a low locus of control measurement in executives has in this regard. The positioning of the locus of control trait within the conceptual space occupied by CSE is in Figure 5, page 35.

2.5.2 Flexibility

The second of these personality traits regarding how SME CEOs make decisions is Flexibility. Elevated levels of flexibility in executives is undesirable (Miller & Toulouse, 1986, 1986a, 1986b). The key reason is that highly flexible executives are most likely to act on a hunch or intuition rather than an extensive formal investigation increasing risk of failure (Miller et al, 1986, 1986a, 1986b). Further, their strategies tend to be reactive, rather than proactive, suggesting they are always trying to catch up with competitive advantage created by competitors' ability to be involved with complex

product innovation (Miller et al, 1986, 1986a, 1986b). What this body of research findings suggests is that a high flexibility level measurement in CEOs' personalities may increase the risk of failure in SMEs (Miller et al, 1986, 1986a, 1986b).

The foregoing research has been essential in identifying the implications of flexibility in CEOs for decision making in SMEs, as just like locus of control, a major gap in the literature has remained for thirteen years regarding this dimension. However, Hambrick and Hiller (2005) are able to load flexibility onto their new concept of executive hubris, and the positioning of flexibility within the conceptual space occupied by CSE in Figure 2.2, page 48.

2.5.3 Risk aversion

Similar to flexibility discussed above, the literature is virtually silent on the third of these personality traits, risk aversion in SME CEOs. For example the literature reveals Sauner-Leroy's (2004) investigation as a rare study.

Risk aversion translates to a CEO's aversion to losses (Hoskinson, Hitt & Hill, 1991; Kahneman & Lovallo, 1993). Therefore with risk aversion defined as: "Preference for options with low-loss probability over those with an expected high probability" as Gomez-Mejia and Wiseman (1998) assert; there is a bias toward low risk in any CEO decision in an SME. For example, if the SME CEO's personality is one that is overly risk adverse, then productive investments in terms of resources to obtain a profitable return on those resources invested will not be taken.

This type of personality driven decision increases the risk of failure, as worthwhile opportunities to obtain a profitable return may be missed. Although Sauner-Leroy's (2004) study concentrates on risk aversion and the investment decision, this type of decision is clearly a strategic one and needs to be included in the context of this research; as risk aversion per se is a behavioural trait associated with entrepreneurs as Zahra (1993); Dess and Lumpkin (1996); Sathe (1998); Barringer and Bluedorn (1999) assert. For example, Sauner-Leroy's (2004) findings of the impact of too high a level of risk aversion on CEO decisions in SMEs suggests the greater the risk aversion of a CEO, the lower the level of productive investment that CEO makes.

In conclusion, this research has been essential in identifying the implications of risk aversion in CEOs for decision-making in SMEs. Hambrick and Hiller (2005) are able to load risk aversion onto the conceptual space occupied by CSE.

2.6 Regulatory Focus in SM Decision Making Research

Although Higgins's (2000) contribution is the introduction of a new concept termed "regulatory fit", within the framework of regulatory focus; in respect to its effect on how SME CEOs make decisions psychologically, it may be influenced by other personality traits.

Although little research has been conducted to date to determine if it can be loaded onto Hambrick and Hiller's (2005) executive hubris concept, regulatory fit affects what is considered a good decision (Higgins, 2000). Further, Higgins (2000) postulates that

value from regulatory fit not only impacts on the decision making process, but has a direct affect on how decisions are made. On this basis the concept may have utility in determining how SME CEOs make decisions. Research suggests that a good decision is based on its worth and value, however the level of that worth or value lies in the mind of the decision maker (Higgins, 2000).

The major findings of Higgins's (2000) study are that promotion and prevention are distinct orientations. Regulatory fit inclines decision makers to distinct goal achievement means; increases motivational strength; and affects the value decision makers assign to the object of a decision. Motivational strength from regulatory fit contributes to higher intensity feelings in decision makers. Regulatory strength influences decision makers in the way they imagine feeling better about a good choice and worse about a bad one. Regulatory focus however, affects whether CEOs feel good or bad about prospective choices. These findings are extremely important as they relate to personality traits, in the respect that how individuals are raised in a family environment may determine in later life whether they will be inclined toward reaching for challenging goals, or avoiding potential losses (Higgins, 2000).

These personality traits can be described as entrepreneurial and risk averse. In essence, the type of personality orientation individuals acquire in childhood, determines if they will develop the motivational strength to pursue the promotion of new opportunities, or pursue the best possible result from conditions as they arise (Higgins, 2000). Regulatory fit cognitively and affectively guides individuals towards a particular

decision as Higgins (2000) posits, and so was an essential personality trait to consider for the purpose of this research, to inform future research. Findings from the current research may have the potential to inform future research on regulatory fit, to explicate the relationship between executive hubris and regulatory fit.

2.7 Speed of SM Decision Making Research

Researchers have been concerned to understand if the speed with which an SME CEO makes an SM decision affects the decision quality. The speed with which SME CEOs make SM decisions depends on three factors: whether the firm is growing or not, as Joyce and Woods (2003) assert, who approached their investigation from the life course and human capital perspective; the age of the executive, as Forbes (2005) asserts, who approached the topic from a modernist perspective; and hubris (Hambrick & Hiller, 2005). Older CEOs make decisions faster than younger ones; and further, the faster a younger CEO made decisions the greater the risk of failure (Forbes, 2005). So, fast decisions do not always equate with improved performance. Further, firms that are growing make decisions faster than those that are not (Joyce & Woods, 2003). The findings suggest if SM decisions are made within an SM system, then those types of decisions are made faster than decisions made without one.

In conclusion, this research is important to the topic as it supports the view that quality of decisions not the quantity, equates to better success rates. The opportunity to research the factors that affect decision quality is open, and is addressed in this

research, as it remains to be determined what relationship there is between the speed of the decision and the decision quality.

2.8 Formal versus Informal SM Decision Making Research.

Research has also focused on how formal the SME SM decision process is, and the findings suggest it is very informal (Beaver & Prince, 2004). For example, assumptions are made by the United Kingdom (UK) government that SMEs are just embryonic large firms and so prescriptions have been formulated and applied universally and uniformly to the detriment of SMEs (Beaver, 2002,).

Government policy in the UK where Beaver's (2002) study took place, distributes apparent prescriptions from the corporate world. This does not provide a good fit for SMEs, due to the way SME CEOs make decisions (Beaver, 2002).

Some of the reasons for this poor fit are that SME CEO decisions are intertwined with the psychological make up of the profile of the CEO (Beaver, 2002; Hiller & Hambrick, 2005). Entrepreneurial in spirit, normally they are someone who has failed to adapt to the rigidity of corporate life, so they build or own a business as a form of self-expression (Beaver, 2002). They are classed as social marginalists, which best describes their psychological profile; managing or owning a business for autonomy and independence (Beaver, 2002).

Beaver's (2002) findings support the previous research into personality traits; cementing the argument that it is a CEO's personality that may partly determine success or failure in SMEs. The broad view is that it is personality that may determine how SME CEOs make decisions (Miller & Toulouse, 1982; Miller et al, 1986, 1986a, 1986b; Kahn & Manopichetwattana, 1989; Hodgkinson, 1992; Higgins, 2000; Kets De Vries; Sauner-Leroy, 2004; Hambrick & Hiller, 2005).

In sum, Hambrick and Hiller's (2005) work on EH may have provided the most important research into CEO personality traits in the SM decision-making context within SMEs in the last nineteen years. Their contribution has provided the research stream on the ways SME CEOs make decisions, with seminal contributions that bode well for gaining a better understanding of not only how CEOs make decisions, but also how EH may effect those decisions.

2.9. SME Strategic planning research

Only very few means CEOs employ to make decisions have been identified and studied during this same period. They include strategic plans (Pemberton & Stonehouse, 2002). Research suggests there is a strong positive correlation between SMEs success and their CEO's degree of strategic planning (Stonehouse, 2002). The literature reveals these authors as one of the few contributions to the research stream. This is a major gap in the literature that needs further research; however it is beyond the scope of this thesis.

In conclusion, Hambrick and Hiller's (2005) seven propositions expect that EH may adversely affect the amount of strategic planning SME CEOs may conduct. If this is confirmed, then EH may be employed to predict the types of CEOs personalities that may not conduct strategic planning. As a result, new solutions to achieve the adoption of strategic planning by CEOs within SMEs may be developed to gain acceptance by these personality types of its benefits. Further this may increase the amount of strategic planning SME CEOs may conduct, which may improve success rates in the SME sector.

2.10 Conclusion

Five major points emerge from the discussion in this chapter. Firstly, a great deal of confusion exists regarding a clear understanding of SM. Secondly, the concepts of strategy, strategic activities and strategic planning are often confused with each other, misunderstood, and even used in the wrong context. Until this is rectified, it will be very difficult to further knowledge of how SME CEOs make decisions. Thirdly, it is argued that the development by Parker (2005) of a conceptual framework presented in Figure 2.1, page 39 of a hierarchal view of SM; and employment of Parker's (2005) expanded definition on page 23 for the purpose of this research; assists in a clearer understanding of and a major reduction in the confusion; misunderstanding; and incorrect use of these basic concepts. Fourthly, the discussion on the taxonomies of how CEOs make decisions in Chapter 1 and an understanding of the different taxonomies of SM decision-making dimensions in CEOs is important, as theoretical developments in this area are influenced by the distinction among the different types of

dimensions. Further, the taxonomies may assist inform the design of future theoretical frameworks needed in order to understand the topic better. For example by knowing how much is currently understood about the topic, provides an opportunity to include the different dimension types summarised in Table 2.2, page 36 for the purpose of the current and any future research. Fifthly, the taxonomies suggest that it is personality that partly determines how SME CEOs make decisions.

Finally, the literature gap identified by the researcher, confirms that unfortunately up until now, strategic planning theories and frameworks remain in the domain of academics and observers. CEOs remain unconvinced or unaware of the practical benefits of strategic planning; most SME strategy matters focusing on operational level planning, not strategic planning (Stonehouse, 2002). Considering the importance of strategic planning for SME success rates, means an imperative for this research. A contribution to this effort is made by the current research into Hambrick and Hiller's (2005) seven propositions, as it is expected EH may adversely affect the amount of strategic planning CEOs will conduct. If this is validated, then EH may be employed to predict the types of personalities that do not conduct strategic planning, and as a result, new solutions to facilitate the adoption of strategic planning by CEOs within SMEs may be developed to gain acceptance by these personality types of its benefits. This may increase the level of strategic planning conducted by CEOs within SMEs, which may in turn lead to an improvement in SME success rates.

In sum, the literature reveals that the relationship between the personality traits identified in this chapter and EH, is one where the four of the “big five” personality traits overlap each other (Hambrick & Hiller, 2005). When their levels are elevated, they undergo a transformation into Hambrick et al’s (2005) conceptualised notion of EH; which can be measured by Bono, Erez, Judge, and Thorensen’s (2003) CSES. Further, the literature suggests there is a negative relationship between EH and how CEOs make decisions; that if controlled; may improve the quality of those decisions, and subsequent SME performance. This research aimed to explore the affect EH may have on how CEOs make decisions with a view to informing theory, research and practice. In the next chapter, the research scope; objectives; questions; theoretical framework and expected outcomes are outlined.

CHAPTER 3: RESEARCH SCOPE, OBJECTIVES, QUESTIONS, THEORETICAL FRAMEWORK AND EXPECTED OUTCOMES

3.1 INTRODUCTION

This chapter presents the scope of the current research; its objectives; research questions; and theoretical framework. Finally, it presents the concepts portrayed in the framework, outlining their relationships.

3.2 Scope

The scope of the research encompassed the explication and investigation of the CSE construct in seven Western Australian private companies, and to explicate the concepts involved in the research problem (Cavana, Delahaye, & Sekaran, 2001). Once explicated, the relationship between EH; the SME CEO's SM decision making process; SM choices; and organisational performance were investigated as key objectives outlined in the next section (Cavana, et al, 2001). This entailed the current exploratory study into any possible relationship between EH and its outcomes (Cavana, et al, 2001).

3.3 Objectives

The objectives of the current research were to explore whether there is any preliminary evidence to support Hambrick and Hiller's (2005) assertion that there may be a

relationship between (Hyper-) CSE; the SME CEO's decision making process; quality of choices; and organisational performance. A core aim to facilitate this objective was to test Hambrick and Hiller's (2005) instrument in a qualitative sense; whilst providing a preliminary indication of the efficacy of the instrument as an aid to executive decision making in SMEs. Basic directional hypothesis testing has been added to achieve the preliminary indication. The testing determines if there is any support from the data for support Hambrick and Hiller's (2005) seven propositions. It serves the aims of the study by adding a dimension to the testing of the instrument.

As chapter two outlines, a cross-sectional analysis conducted on seven Western Australian SMEs, personal interviews via a purposive sample at on-site meetings at the respondents' business premises findings were undertaken. The responses were then compared with Hambrick and Hiller's (2005) research guidelines.

3.4 Research Questions

Given the dearth of literature, the present research employed the SME SMDM model. It addresses a number of important issues in SME executives' decision making. Particularly, the relationship between some key dimensions of SME CEO decision making - namely personality traits, and organisational performance. Also how the key dimensions are related to Hambrick and Hiller's (2005) EH concept (Kets De Vries, 1982; Miller & Toulouse, 1982, 1986, 1986a, 1986b; Kahn & Manopichetwattana, 1989; Hodgkinson, 1992; Higgins, 2000; Pemberton & Stonehouse, 2002; Joyce & Woods, 2003; Beaver, 2004; Beaver & Prince, 2004; Saunier-Leroy, 2004; Forbes,

2005; Hambrick & Hiller, 2005). Further, how might EH affect the SME CEO's decision making process; and in turn, how might the affected decision making process outcome(s) affect CEOs' decision quality and organisational performance?

For example, the personality trait concepts of emotional stability; generalised self-efficacy; locus of control; and self esteem are overlapping and anchored in Hambrick and Hiller's (2005) conceptual space occupied by Durham, Judge, and Locke's (1997) CSE construct. Building on Hambrick and Hiller's (2005) propositions, the current research explored how these elements are anchored in behaviours consistent with EH. An attempt was also made to clarify the relationship between EH, grounded in Durham, Judge, and Locke's (1997) CSE. A core aim to facilitate this objective was to test Hambrick and Hiller's (2005) CSE instrument in a qualitative sense.

From there, the SME SMDM model aimed to demonstrate how EH may affect the SME CEO's decision-making process; the quality of SME CEOs' strategic choice, and subsequent organisational performance. For instance Hambrick and Hiller (2005) predict executive hubris may have a direct negative affect on the SME executive's decision-making process, and an indirect negative affect on an SME executive's choice quality, by increasing non-comprehensive decision making; speed; and centralisation. Further, Hambrick and Hiller (2005) predict executive hubris may have a direct negative affect on the choices made. Often they are made directly by executives with (Hyper-) CSE without employing the decision process, which Hambrick and Hiller (2005) argue is essential for quality choice.

This reduction in the quality of, and/ or bypassing the decision process, may for example lead to poor choices such as quantum large stakes initiatives; strategies that deviate from industry norms; and persistence in CEO-initiated strategies that are ineffective (Hambrick & Hiller, 2005). This in turn may lead to extreme organisational performance providing big wins, or incurring big losses (Hambrick et al, 2005). It is these high risk, poor quality decisions which may subsequently lead to a reduction in SME performance; success; and/or an increase in SME attrition. These effects are discussed comprehensively in Chapter five.

In order to achieve the objectives set in chapter one, this study attempted to answer the following research questions:

- **Does an organisation's SM decision making processes become less comprehensive if an executive has hubris in their personality?**
- **Does an organisation's strategic decision quality deteriorate if an executive has hubris in their personality?**
- **Does an organisation's performance become more extreme if an executive has hubris in their personality?**

To facilitate answers to these research questions, the current research attempted to substantiate the following directional hypotheses developed by Parker (2005):

- Hypothesis 1: The greater a CEO's core self evaluation; the less comprehensive will be the organisation's SM decision- processes.
- Hypothesis 2: The greater a CEO's core self evaluation; the less will be the quality of the executive's strategic choices made.
- Hypothesis 3: The greater the CEO's core self evaluation, the more extreme the organisation's performance.

3.5 Theoretical Framework

The theoretical framework presented in Figure 3.1 below has been developed by the researcher from the literature review outlined in chapter two and the foundation study outlined in chapter one.

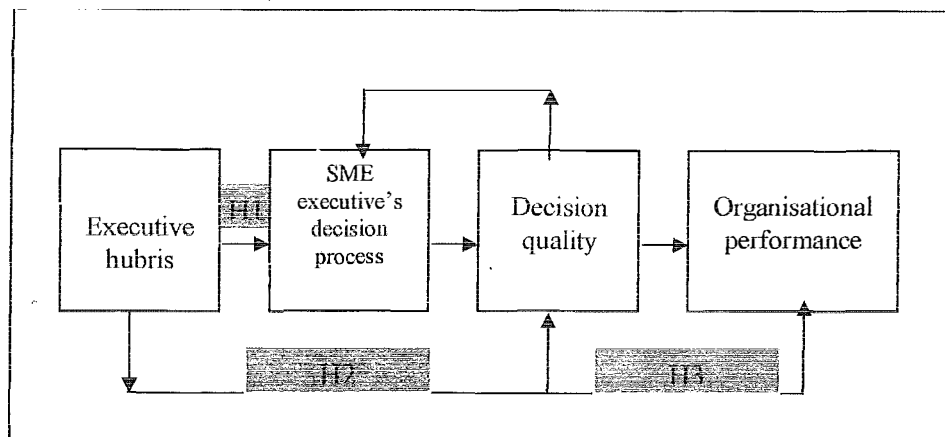


Figure 3.1 The SME strategic management decision making (SMDM) model incorporating the three postulated hypotheses. Source: Adapted from Parker (2005).

Based on the research scope in section 3.2; research objectives in section 3.3; research questions in section 3.4; and the research methodology outlined in chapter four; this research focused on the following concepts of executive hubris; an SME CEO's

decision process; decision quality; and organisational performance. These concepts, their theoretical framework and the hypotheses postulated for the purpose of this research are portrayed in the SME SMDM model in figure 3.1, page 71.

Efficacy of the SME SMDM model

To cement the efficacy of the SME SMDM model in the context of this study, Sauner - Leroy's (2004) study findings suggest the recurring theme for success identified in executives is self esteem, part of which is the dimension of emotional security; which in large part is driven by an internal locus of control. Further, although Hambrick and Hiller (2005) have not studied *risk aversion*, Sauner - Leroy's (2004) study of the effect of environmental unstableness on SME investment decisions contains findings on *risk aversion* that load onto the Hambrick and Hiller's (2005) CSE construct in respect to locus of control and emotional stability.

Sauner – Leroy's (2004) study outlined above tested the hypothesis that environmental unstableness has a positive correlation on SME investment decisions; for example the greater the environmental unstableness, the less investment will occur. As a result, SME performance may deteriorate as organisations miss opportunities to fund profitable growth from investment decisions never made due to *risk aversion*.

The findings support this author's hypotheses, which add weight and support to the work of Hambrick and Hiller (2005); in the respect that a SME CEO's personality may

affect the SMEs SM making process. As the SME SMDM model is developed from Hambrick and Hiller s (2005) CSE construct, it also captures, incorporates and explicates Sauner – Leroy’s (2004) findings, and may be viewed as having efficacy, cementing it into the context of this research.

3.5.1 Measurement of CSE in Executives

To explore Hambrick and Hiller’s (2005) assertions presented in Chapter 2; the implications of (Hyper-) core CSE for CEO behaviour; the impact that behaviour has on decision quality; and the effect that decision quality has on SME performance, it is essential to understand that any CEO decision made has been filtered through the sieve of the personality traits of the CEO (Hambrick & Hiller, 2005). A product of trait theory, which is an approach to personality theory, trait theory states that personalities are unique to each individual, as Solomon (2002) asserts. However the traits or characteristics of a personality are of a general nature and can be measured (Solomon, 2002).

Linking the relationship between executive hubris and the CEO’s decision process is central to the argument of learning more about levels of EH and how those levels may affect how CEOs make decisions. This connection is made at the point where it is posited the type of CEO decision process employed, is dependant on the level of EH present in the CEO’s personality who is making the decision. The SME SMDM model presented in Figure 3.1, page 71 illustrates this linkage.

The SME SMDM model also illustrates that decision quality is dependant on the SME SM decision-making process employed; however there may be a positive correlation between the two in both directions. For example the level of decision quality may be dependant on the process used, however decision quality may affect the type of decision process employed by the CEO subsequently.

The SME SMDM model provides an understanding of the proposed factors that may affect organisational performance. Acting as a background for CEOs to change how they make decisions, it may assist CEOs within SMEs gain a much better understanding of how important it is to recognise how their own personalities may affect the outcome of their SM decisions. For example, if they are impulsive, that they take more time to make their decisions, as speed of decision making is a critical factor in the quality of a decision made as Forbes (2002); and Joyce and Woods (2005) assert; and may directly affect the success or failure rates of organisations.

Overall the SME SMDM model may increase CEOs ability to improve their understanding of the factors that affect their performance; identify their personality traits that cause these factors; and act on those factors to mitigate or optimise their impact, depending on what is needed for each situation.

3.6 CONCLUSION

This chapter has outlined the research, scope, objectives, questions, and theoretical framework, including an explanation of the key elements investigated in the central study. It also outlined the relationships that may exist between them and the expected outcomes of the research. Chapter 4 will present the methodology adopted in the current study, pursuant to this framework.

CHAPTER 4: METHODOLOGY

4.1 INTRODUCTION

This chapter presents the methods and principles applied in the design, collection, collation and analysis of the main study's data; and the methodology's rationale. It demonstrates that the qualitative and quantitative approach employing Hambrick and Hiller's (2005) questionnaire, which can be measured by Bono, Erez, Judge, and Thorensen's (2003) CSES, are valid and reliable research tools to facilitate the development of exploratory investigation of this topic.

4.2 RESEARCH DESIGN

This current research methodology was exploratory in nature. It employed in-depth interviews and then a questionnaire survey, as it aimed to explore a number of important issues in SME CEOs' decision making. These instruments facilitated the identification of any possible relationships between several important concepts in the CSE construct namely: the SME CEOs decision making process; the quality of SME CEOs decisions; and organisational performance. The type of investigation was one of clarification regarding the (Hyper-) CSE construct; however it also had an exploratory focus, as the research questions to be answered infer that (Hyper-) CSE may have an effect on these concepts.

4.3 Rationale

As little is known about how SME CEOs make decisions, an exploratory study was appropriate for the purpose of this research (Brown & Huang, 2002). An exploratory study is very useful when there is a general lack of knowledge about the research problems (Brown & Huang, 2002). The main objective of exploratory research is to explore the research phenomenon, in order to gain insights into it before a more rigorous and comprehensive investigation is undertaken (Brown & Huang, 2002).

The insights gained from this core study have facilitated a progressive step toward a better understanding of EH and its possible affects on the SME CEO's decision process; decision quality, and subsequent organisational performance. As a result the methodology employed may assist in informing SME CEOs how to improve their decisions

4.4 Sampling

As discussed in sections 4.2 and 4.3, the sample was a purposive sample, as this was an exploratory, qualitative and basic quantitative research project. It was drawn from a data base of Australian owned SMEs, consisting of ninety seven percent of the 1,281,700 registered businesses in Australia (The Australian Bureau of Statistics, 2005). The population was defined as an Australian owned SME with an annual turnover of between \$A50K and \$12M per annum, in seven different industry groups.

The objective was to achieve as broad a cross section of turnover and industry type as possible, to gain an understanding of CSE levels in as varied a sample as possible. The industries chosen to facilitate this objective were mining, wholesale, retail, plant and equipment hire, general engineering, and electrical contracting, as they represent some of the most common industries contributing to the Australian economy (The Australian Bureau of Statistics, 2005). All subjects were proprietary limited companies, with a CEO. The sample frame consisted of SMEs that met the sample criteria, located in the Southwest of Western Australia.

4.5 PARTICIPANTS

A purposive sample of seven SMEs in Perth and the southwest of Western Australia were selected to obtain insights into the SMEs' innovation management practice. The foundation study outlined in chapter one defined the population as an SME with an annual turnover of between \$A50K and \$12M per annum, in six different industry groups: mining, wholesale, retail, plant and equipment hire, general engineering, and electrical contracting. A profile of the participants is presented in Table 5.1, page 87.

4.6 Data Collection

4.6.1 Data collection procedures

This research was a four month project. It comprised the following four stages:

Stage 1: Literature review;

Stage 2: Development of research questions and questionnaire;

Stage 3: In-depth interviews;

Stage 4: Data analysis and writing up.

Stage 1: Literature Review (1 month)

A further literature review of important concepts, which may have an impact on the SME CEO's decision making process, was conducted. However the literature was virtually silent on any additional concepts.

Stage 2: Development of Research Questions and Questionnaire (2 weeks)

A questionnaire was developed based on the results of the foundation study conducted between February and June, 2005.

Stage 3: In-depth Interviews (1 month)

As outlined in Chapter five, seven SME CEOs in the Southwest of Western Australia were interviewed to obtain insights into the SMEs' innovation management practice. To facilitate these interviews, first, telephone calls were made to the CEOs of those firms listed in the Western Australia's Research and Development database to solicit their agreement to participate in this research. Then the interviews and questionnaires were conducted in their office. Each interview lasted 45 - 90 minutes approximately. Notes were taken during the interview. The study setting was non-contrived, with no researcher interference.

Stage 4: Data Analysis and Writing up (6 weeks)

In-depth interview response data were analysed using manual qualitative procedures. Data from the questionnaires were analysed quantitatively on a manual basis, employing basic descriptive statistical methodology, due to the small sample.

4.6.2 Measuring instruments

As discussed in chapter three, executive hubris measurement consists of the measure of the four overlapping personality traits. Figure 2.2 on page 48 portrays the four overlapping personality trait concepts. The measuring instrument for these traits was Bono, Erez, and Thoresen's (2003) 12-item CSES measure, that optimally taps the central CSE construct discussed in chapter two.

A 5-point scale is suggested by Bono Erez, and Thoresen (2003) ranging from "strongly disagree" to "strongly agree" for each step. However, Hambrick and Hiller (2005) are concerned it might still require further modification for use with executives, to ensure the range restriction did not obscure real differences between an executive with, high CSE and those with Hyper-CSE. Researchers must ensure that they are reliably distinguishing between the two, so Hambrick and Hiller (2005) offer two possible solutions.

The first is to use a 7-point scale instead of the 5-point scale above; including "very strongly disagree" and "very strongly agree" The second was to re-word some of the

items in the 12-item scale. As an example, the item: “When I try, I generally succeed” might be re-worded to read: “When I try I almost always succeed.” These suggestions were given due consideration, and a decision was made by the researcher to employ them, based on their efficacy in the final draft of the questionnaire. The amended measurement instrument is outlined in appendix A1 on page 163.

These aspects of the role of hyper-core CSE in SME CEOs’ decision-making along with a number of organisational and respondent background questions were included in the questionnaire. A cover letter was also written and delivered with the questionnaire to explain to the respondents the purpose of this study and the confidential treatment of their personal and organizational information.

4.7 Data Analysis and Synthesis of Findings

The data collected from the interviews was first coded. Based on the research framework, a list of codes was developed. Although a number of software packages for analysing qualitative data are available, such as NUDIST and Nvivo, developed by the QST, they usually require time to set up; and due to the small amount of qualitative data collected, it was analyzed manually because only seven interviews were conducted.

The data collected through the questionnaire survey, was also analysed. This was due to the fact there were only seven questionnaires to analyse, and it would have taken longer to set up SPSS to accommodate the analysis, making it impractical to pursue this

avenue. First, descriptive analyses was undertaken to identify how many CEOs possess a hyper-core CSE and how their hyper-core CSE affects the SME CEO's SM decision making process; decision quality; and performance.

Next, a manual analysis to investigate the relationships between executive hubris; the SME SM decision making process; decision quality; and performance was then conducted. To examine the relationships between executive hubris and the SME SM decision making process, firms were grouped according to the levels of their CEOs' executive hubris. These relationships are illustrated in Chapter 5.

4.8 Limitations

There are a number of limitations to this research. Firstly, this study focused on only a few industries in the Southwest of Western Australia. Therefore the results are not representative of the total population. Secondly, the results from this study are not generalisable to other industries in other geographical areas. Thirdly, this research project only examined Australian owned SMEs. Therefore, its findings are not generalisable to an international context similar to the industries studied.

Another potential limitation is that a single key respondent in each firm were selected to provide information. If response bias occurred, the results may have been affected. Finally, due to time constraints, the study was cross-sectional, and may not provide the richness of data, of a longitudinal study. Notwithstanding these limitations, the robustness of the research design, quality of data, testing of the provisional hypotheses,

and the findings have provided some rich, promising insights into EH and how it may affect how SME CEOs make decisions, described in Chapter 5.

4.9 Assumptions

Assumptions about the study area may have a bearing on the findings. It was assumed that personality traits have a major affect on how SME CEOs may make SM decisions (Beaver & Prince, 2004; Forbes, 2005; Hambrick & Hiller, 2005; Higgins, 2000; Joyce & Woods, 2003; Kets De Vries; Kahn & Manopichetwattana, 1989; Miller & Toulouse, 1982, 1986, 1986a, 1986b; Hodgkinson, 1992; Sauner-Leroy, 2004). It was also assumed that EH is the overarching personality trait on which all other personality traits are anchored, which Hambrick et al (2005) assert explains this effect. These assumptions are based on these authors' assertions discussed in Chapter 2.

4.10 Ethical Considerations

Ethics in business research refers to the application of expected societal norms of behavior or code of conduct while conducting research. In particular, it applies to the participants and respondents researched or sponsored. In treating research subjects, I fully understand that, as a researcher, I had the responsibility to protect subjects from suffering physical harm, embarrassment, pain, or loss of privacy. As a student at Edith Cowan University, I also abided by the ethical codes of conduct set up by the university.

4.11 Conclusion

This chapter has presented the methodology employed in this current study with regard to the research design; data collection and analysis. It has also demonstrated the validity and reliability of such an approach; its limitations; assumptions; measurement instruments, and ethical considerations taken to ensure fidelity toward the participants and Edith Cowan University by the researcher. The findings from this process include observations of recurring themes and issues that arose from participants' responses to the questionnaire and the in-depth interviews. The multi-step approach employed is outlined in Chapter 6, and facilitated the development and presentation of the research framework portrayed in Figure 3.1, page 71. The research framework's efficacy may enable it to inform practice about specific aspects of the research topic; aid future research; and stimulate management theory debate, with regard to its application for how SME CEOs make decisions. Chapter 5 will now present a comprehensive report on the key findings of the research.

CHAPTER 5: RESEARCH FINDINGS

5.1 Introduction

A descriptive analysis of the key research findings will now be discussed in this chapter. The chapter will commence with an outline of the organisational profiles of the participants and respondents; providing a brief description of their characteristics. It will then move on to present and discuss the quantitative and qualitative data gathered from the questionnaires.

The data gathering process was a two phase one. It first employed the questionnaire developed by Bono, Erez, and Thoresen, (2003) outlined in Chapters 2 and 4; and presented in Appendix A, page 163. This involved a small amount of basic quantitative data. The questionnaire was then followed by qualitative data collection conducted with the seven CEOs in the sample, employing the in-depth interview outlined in Chapter 2 and presented in Appendix B, page 164. The data collection process followed was discussed in detail in Chapter 4. However the recurring themes and issues arising from the gathered data are presented in this Chapter.

This study's findings are presented within three main themes and their relevant issues. The first theme is an analysis of the findings in relation to how (Hyper-) CSE affects the SME CEO's decision making process construct. The second theme is an analysis of the findings in relation to how core CSE affects the construct of the CEO's decision quality. These two themes set the scene for the findings on the outcomes of the CEO's

SM processes, including the greatest financial wins and losses, which relate to the management of organisational performance. The final theme is an analysis that will discuss the findings in relation to how the quality of the CEOs' decision made as a result of their decision-making process, affects the construct of organisational performance

From there it will present and discuss the qualitative data gathered from the in-depth interviews. Next, it will present and discuss a comparative analysis conducted between both data sets which determined whether there was any correlation between the two, which may have provided support for the researcher's three provisional hypotheses.

The section on the CEO's decision making process is central in the study's findings. To justify the findings, each key area presents supporting evidence from the data collected and analysed from the questionnaires and in-depth interviews conducted with the respondents. Further they are compared and contrasted with the literature review in chapter 2.

To maintain confidentiality and anonymity of respondent information no identifying information is employed. However primary sources cited are located on pages 163-164, after chapter six, as a key to the references to primary sources. The material quoted from the primary sources has had its identifying detail removed, however is held by the researcher in the event it requires verification or further action. This primary data has been collected from the in-depth interviews conducted with the respondents.

5.2 Profiles

5.2.1 Organisations

As outlined in the previous section, although to maintain confidentiality and anonymity of respondent information no identifying information is employed; a profile of each organisation is presented here to provide an illustration of its general background and operation. This will assist in enhancing the context of the discussion regarding the research findings. Table 5.1 below presents the main demographics of the participants relevant to the research topic.

Table 5.1 *Demographics of Participants*

Item	P1	P 2	P 3	P 4	P 5	P 6	P 7
Time in business	22yrs	15yrs	30 yrs+	15yrs	10yrs+	30yrs +	30 yrs +
Industry	Manufacturing	Wholesale	Building	Exporter	Service	Grower	Retail
SME	Yes	Yes	Yes	Yes	Yes	Yes	Yes
CEO Interviewed	Yes	Yes	No	Yes	Yes	Yes	Yes
Staff	4	4	20+	11+	10+	24+	10+

Participant 1

A farm machinery manufacturer and distributor, marketing a comprehensive range of quality grass cutters and slashers in Western Australia. Operating since 1984 under the current ownership, it employs four, including the Managing Director. The Managing Director is active in daily operations.

Participant 2

An outdoor power equipment parts importer and wholesaler, which markets an imported range to lawn mower retailers. Operating since 1991 under the current ownership, it employs four, including the Managing Director. The Managing Director is active in daily operations.

Participant 3

A well established building company for many decades, which is at the upper end of the medium enterprise continuum in the SME classification, with dozens of employees and sub- contractors. Marketing a range of large scale building services, it focuses on medium to large ticket civil engineering projects in Western Australia. The Managing Director is active in daily operations.

Participant 4

A fifteen year old manufacturer and distributor of vehicle security systems and components, which markets worldwide. With a staff of eleven approximately, the Managing Director is active in daily operations.

Participant 5

Although this SME has been operating for over a decade, in the last twelve months an employee buyout occurred, and the current Managing Director has held the position since then, and is active in daily operations. Specialists in quality corporate accommodation, the organisation manages a portfolio of executive level apartments for

corporate and up market leisure travelers. It has approximately ten staff, and sub-contractors.

Participant 6

Operating for over thirty years under the current ownership, this SME is a flower grower and wholesaler. Marketing its range nationally, it employs several dozen staff, with the Managing Director actively involved in daily operations.

Participant 7

A second generation family run SME, with the Managing Director actively involved in daily operations; it markets its range of commercial cooking equipment in Western Australia. Employing ten staff approximately, it is a market leader in its industry.

5.2.2 Chief Executive Officer Profiles

Respondent Profiles

Table 5.2 on page 90 presents cross tabulations of the age demographics of the respondents relevant to the research topic. It demonstrates only one respondent is under 35 years of age and none are over 65 years of age; two are in the 36-45 age group; and three in the 46-55 age group. These findings are consistent with Parker's (2005) foundation study. This is an interesting finding; due to the under-representation of CEOs aged 25-35 in the sample. However the questions as to why the CEOs in the foundation study and this main study were mostly 46-55 years of age, is beyond the scope of this research.

Age

Table 5.2
Cross Tabulation: Age Distribution of Respondents by Organisation.

AGE	Organisation							Total
	1	2	3	4	5	6	7	
25-35					1			1
36-45	1		1					2
46-55		1				1	1	3
56-65				1				1
Total	1	1	1	1	1	1	1	7

The imbalance of age representation in the 46-55 age group in these samples may trigger interest and opportunities for further research into why it appears that this age group represents the mean age of CEOs in the sample; and whether (Hyper-) CSE levels in particular, may lead to the majority of SME CEOs being represented in this age group.

To illustrate that the age of a CEO may be a possible factor that contributes to this finding, it has been suggested that the speed with which SM decisions are made may affect SMEs performance (Forbes, 2005; Hambrick & Hiller, 2005). Further, the age of the executive as Forbes (2005) asserts; may have an affect on the speed with which SMEs make those decisions. So, fast decisions may not always equate with improved performance, and may affect SME success and failure rates (Forbes, 2005).

This aspect of age affecting the speed of the SM decision and also executive hubris's affect on decision speed was explored in Hambrick and Hiller's (2005) seven

propositions regarding executive hubris in the researcher's research proposal for the purpose of this research. It suggests they are valid and reliable tools to facilitate this future research stream. For example Forbes (2005) asserts that older CEOs make SM decisions quicker than younger ones, and when younger CEOs attempt to make SM decisions quicker than normal for their age, those decisions are often seriously flawed, many leading to the demise of the organisation.

This may be one reason why CEOs in the 25-35 year age group were under-represented versus those in the 45-55 age group. There may not be as many CEOs aged 25-35 compared to those aged 46-55 that are able to control their organisation's performance and so survive in the long term. For example, in Forbes's (2005) study on the "Silicon Alley" community in New York drawn from a data base established in 1999 regarding new internet ventures; this author investigated the speed with which younger and older CEOs make their SM decisions.

One of Forbes's (2005) hypotheses in this study postulates that younger CEOs will make faster decisions. However to his surprise, his hypothesis is not supported. There was a strong reverse relationship; the positive main affect indicating that *older* managers make faster decisions.

This suggests that consistent with life course theory, it may be that older CEOs being closer to retirement, may feel the need to work faster; or they may have greater opportunity costs due to leaving previous employment pursuant to human capital

theory; or their decision processes may have become more efficient and routine over time (Forbes, 2005).

Clearly there is an opportunity for future research to study hubris's affect on not only decision speed, but thinking patterns in CEOs in the 45+ age group; to determine if there is any relationship between executive hubris and thinking patterns in CEOs that may affect decision speed. For example, Hambrick and Hiller (2005) assert that the level of executive hubris may change due to possible changes in personality and identity caused by life circumstances, as Donellan, Robins and Trzesniewski's (2003) study identified. For instance, in Donellan, Robins and Trzesniewski's (2003) two studies; a Meta analysis of 50 published articles ($N = 29,839$) and an analysis of data from four large national studies ($N = 74,381$) was conducted. Findings suggest that self-esteem, one of the four key personality traits anchored in CSE portrayed in Figure 2.2, page 48; showed substantial continuity over time, where disattenuated correlations ranged from the .50s to .70s. This is comparable to the emotional stability found anchored in CSE, portrayed in Figure 2.2, page 48, for personality traits in general.

Both studies suggest a robust developmental trend (Donellan, Robins & Trzesniewski, 2003). The findings suggest self-esteem stability is low during childhood, increases throughout adolescence and young adulthood, and declines during mid-life and old age. This trend could not be explained by age differences in the reliability of self-esteem measures. Further, it is generally replicated across gender; ethnicity; self-esteem scale; nationality (U.S. vs. non-U.S.); and year of publication.

Taking up this integrated view of stability and change Donellan, Robins and Trzesniewski's (2003) study identified, Hambrick and Hiller (2005) suggest that a CEO's CSE may well be shaped mainly by genetic factors at birth and during the formative years; then reinforced or diminished by long term feedback processes throughout life. However even recent events may change it, albeit to a smaller extent (Hambrick et al, 2005).

In conclusion, there may be a correlation based on these findings between 25- 35 year old CEOs and (Hyper-) core CSE, which may contribute to their under-representation as CEOs in the sample. Clearly there is an opportunity for further research on this particular aspect.

Gender

Gender is the second and final respondent demographic analysed. Table 5.3, page 94 presents the gender demographic of the respondents that are relevant to the research topic. Interestingly, all respondents were male. This is consistent with the profiles of the respondents in this researcher's foundation study, all of whom were also male. Further it is consistent with all the preliminary phone calls the researcher made to obtain participants for both the foundation and this main study.

Table 5.3

Cross Tabulation: Gender Distribution of Respondents by Organisation

Gender	Organisation							Total
	1	2	3	4	5	6	7	
Male	1	1	1	1	1	1	1	7
Female								0
Total	1	1	1	1	1	1	1	7

At least fifty phone calls were made by the researcher to facilitate participants, yet every CEO contacted to elicit their organisation’ participation in the study was male. This is an interesting finding; however determining the answers to the paradox as to why all the CEOs during the phone calls to obtain participants for the foundation study; the foundation study itself, and this main study were male, is beyond the scope of this research.

The imbalance of male representation in these samples may trigger interest and opportunities for further research into why it appears that more males than females may hold SME CEO positions; and whether (Hyper-) CSE in particular, may lead to the disproportionate number of male CEOs versus female CEOs in SMEs. Could for example, the personality traits in a female be of a different “mix” which prohibits significant numbers of females from taking on CEO roles, not just in SMEs, the topic of this research, but in general? In conclusion, as for the age demographic discussed in the last section; there is an opportunity for further research on this particular aspect too.

5.2.3 Analysis of the profile

This organisational and CEO profile demonstrate that the sample is fairly representative of the total population, at the confidence level required for an exploratory study. The generalisability of the findings as outlined in Chapter 5 may be limited by the sample size; however, they may valid and reliable for the purpose of the research, outlined in Chapter 4.

All CEOs responded to the questionnaire which was completed after the in-depth interview. The questionnaire contained a seven point Likert scale, employed to measure the level of CSE of each CEO. All questionnaires were usable, as all respondents answered 100% of the questions asked. Further, all CEOs answered 100% of the questions asked in the in-depth interviews, and on analysis, all responses to the in-depth interviews were also usable.

This response rate was very high, and provided useful quantitative data from which the rich qualitative data could be compared and analyzed in an attempt to determine if there was support for the three hypotheses.

Further, all respondents demonstrated a very high level of interest in participating in this new research stream, talking frankly and openly with the researcher. This finding does not support Hambrick and Hiller's (2005) assertion that CEOs may be loathe to discuss their circumstances with regard to their personality, and therefore it may be necessary for researchers to employ proxy measures, such as triangulation, suggested

by Barrett- Pugh (2005) outlined in the researcher’s research proposal changes checklist.

In only one case, was it not possible to interview the CEO; however that was due to time constraints in his schedule. However, by interviewing the Chief Financial Officer, a director; a pragmatic triangulation of the data was developed, which although unplanned, contributed to the richness of the qualitative data, pursuant to a suggestion made to the researcher by Barrett-Pugh (2005), outlined above.

The remainder of this chapter will now discuss the research findings pursuant to its key themes and issues, relating them to the foundation study in chapter three and the literature review in chapter two.

5.3 Quantitative Data Findings

In this section, a descriptive statistical analysis and explanation of the quantitative sample data is presented. This includes cross-tabulation and reverse coded results; descriptive statistics tables; charts illustrating these tables; a frequency distribution; sample means and standard sample deviation table; and bar graphs illustrating the CSE sample distribution; proportions; and percentages. This facilitates a limited test of Bono, Erez, Judge, and Thorensen’s (2003) CSES that measures the subjects’ responses to Hambrick and Hiller’s (2005) questionnaire, the qualitative instrument employed

In this current research.

Cross tabulation

The data gathered was first coded and then cross-tabulated. As a result of some respondents reporting 1 = “very strongly disagree” against various measures, it was necessary to reverse - code these particular responses. Table 5.4 below presents the final cross - tabulated reverse coded results. Due to the small sample size, this table was developed by employing Microsoft Excel.

Table 5.4

Cross Tabulation: CSE Distribution in Respondents, Reverse Coded in Bono, Erez, Judge and Thorensen’s (2003) 12 Item CSES Measure

Item	R1	R2	R3	R4	R5	R6	R7	TOTAL
1. I am confident I get the success I deserve in life	6	4.5	4	4	5	5	6	34.5
2. Sometimes, I feel depressed	4	4	4	3	4	3	7	29
3. When I try, I generally succeed	6	5	5	5	5	5	5	36
4. Sometimes, when I fail I feel worthless	3	4	3	3	7	2	7	29
5. I complete tasks successfully	5	4.5	5	4	6	5	4	33.5
6. Sometimes, I do not feel in control of my work	7	4	3	3	7	2	3	29
7. Overall, I am satisfied with myself	6	4.5	5	5	5	4	5	34.5
8. I am filled with doubts about my competence.	7	3.5	3	2	2	2	7	26.5
9. I determine what will happen in my life	6	4	4	4	4	6	6	34
10. I do not feel in control of my success in my career	7	4	3	2	2	2	7	27
11. I am capable of coping with most of my problems	6	5	5	5	6	5	6	38
12. There are times when things look pretty bleak and hopeless to me	3	3	4	3	7	3	3	26
TOTAL	66	50	48	43	60	44	66	377

Two additional anchor points were incorporated into Bono, Erez, Judge and Thorensen’s (2003) 12 item 7 Point CSES, pursuant to Hambrick and Hiller’s (2005) recommendation, to ensure any respondents with (Hyper-) core CSE were able to be identified and differentiated from respondents who may have had high levels of CSE.

This was essential to ensure an accurate analysis of the data collected; by preventing cross- contamination of the data that may be caused by an overlapping of the intervals outlined on page 102 (Hambrick & Hiller, 2005).

A Descriptive Statistical Analysis of the cross- tabulated, reverse coded sample data

To develop the descriptive statistical analysis of the reverse-coded cross-tabulated data in Table 5.4 page 97; the data were entered into Microsoft Excel's descriptive data analysis add-in sub-programme. Table 5.5, page 99 presents the descriptive statistical analysis, from which the research findings in this chapter are drawn and discussed.

Measures of central tendency of sample data

The mean in Table 5.5 page 99 was computed based on the arithmetic mean versus the median, as it is the best mean to employ when there is no great variance in data (Berensen & Levine, 1999). In this data set, there is no great variance in data, hence the choice of the arithmetic mean.

Measures of variation in sample data

As Table 5.5 page 99 confirms, as the data set has minimal variance; with a spread of only 23 from the smallest to the largest value; it follows therefore, as Berensen and Levine (1999) assert, it also has a small standard deviation. In this case: only 9.973775.

Table 5.5

A Descriptive Statistical Analysis of the Sample Data Developed from the Reverse-Coded Cross-Tabulated Data.

Mean	53.85714
Standard Error	3.769733
Median	50
Mode	66
Standard Deviation	9.973775
Sample Variance	99.47619
Kurtosis	-2.1158
Skewness	0.309687
Range	23
Minimum	43
Maximum	66
Sum	377
Count	7
Largest(1)	66
Smallest(1)	43
Confidence Level (95.0%)	9.22421

Shape of the data set

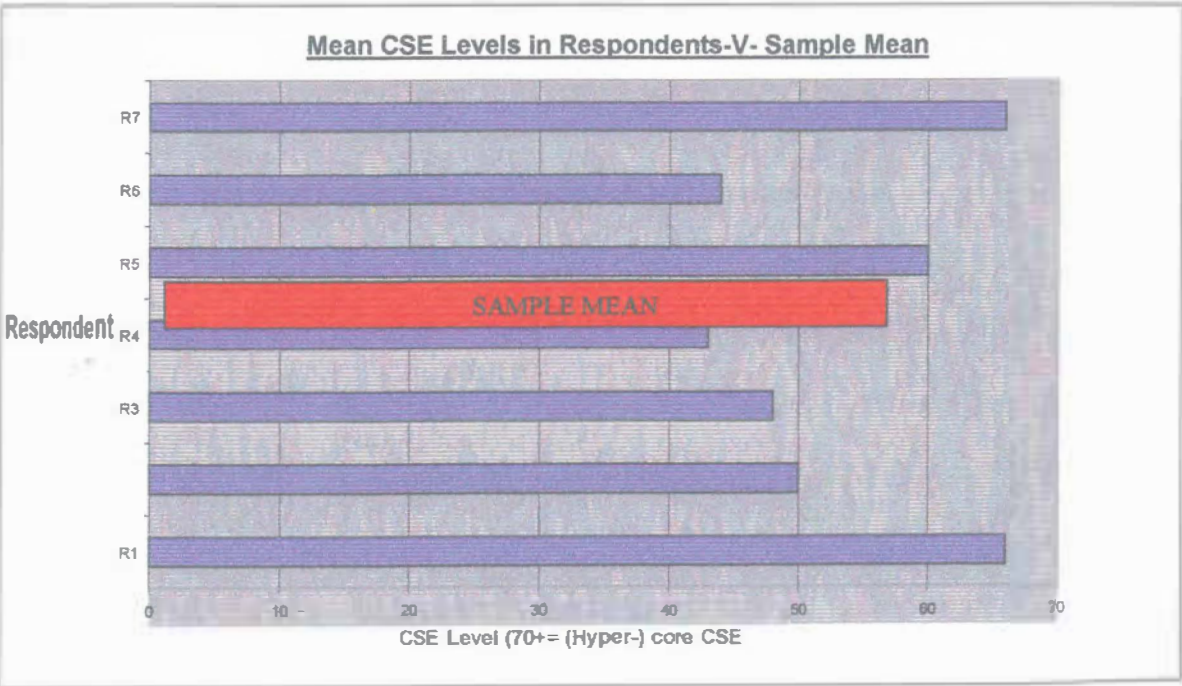
As a result of the fairly equal distribution; minimal variance and deviation of the data around the arithmetic mean; it may be stated with a 95% confidence interval that the shape of the data is fairly symmetrical, with a skewness of only 0.309687; which provides confidence that the sample data set is representative of the individual respondents CSE levels. This suggests that Bono, Erez, Judge and Thorensen’s (2003) 12 Item CSES measure in this limited study’s instance, may be a valid and reliable measure of the CSE levels apparent in the subjects.

In support of these data set findings; developed from the descriptive statistical analysis in Table 5.5 above; Chart 5.1 presented on page 100, illustrates the shape of the data

versus the sample mean. It is apparent that three subjects have over-average CSE levels, and four have under-average CSE levels in respect to the sample mean.

Noting that executive hubris is expected to manifest when a (Hyper-) CSE is self – reported in the range of 70+ as Hambrick and Hiller (2005) assert; Chart 5.1, below clearly demonstrates that a (Hyper-) CSE was not reported by respondents. For instance, the sample means of 53.85714 depicted as the red bar; when compared with the mean CSE level of each of the seven respondents; demonstrates no subjects falls into the 70+ (Hyper)- Core CSE interval.

Chart 5. 1 A Comparison of CSE levels of seven subjects versus the Sample Mean: Reverse coded in the Bono, Erez, Judge and Thorensen (2003) 12 item CSE Measure.



The chart does however, demonstrate that Respondent 1 and Respondent 7 with CSEs of 66 each, report having high levels of CSE. However, as Judge, Pucik, Thorensen, and Wellbourne (1999) assert; respondents who evaluate themselves positively in a variety of samples drawn by these authors, are more satisfied with work; performed better; and dealt with upheaval better than those lacking these types of self-assessments. This suggests there is an optimum level of CSE that proves beneficial to executives with regard to how they make SM decisions in SMEs. Beyond this, in levels termed (Hyper-) core CSE, EH is expected to manifest. This may reduce the effectiveness of a CEO's SM decision making process; the quality of the SM decisions made within that process; which may lead to a reduction in organisational performance (Hambrick & Hiller, 2005). It is essential at this point to pause and flag the importance of identifying optimum CSE levels. This issue is also central to this study.

To determine whether there was any support for Hambrick and Hiller's (2005) assertions regarding optimum CSE levels, the researcher examined whether there was any correlation between the reverse coded self - reported results in this current study presented in Table 5.5, page 99 and the results from the in-depth interview. This analysis also facilitated a determination as to whether there was any support for the three hypotheses postulated by the researcher. The findings from this analysis of these two data sets are presented in the next section.

Moving on now to discuss the remainder of the observations about the shape of the data set and its implications, Table 5.6 page 102 describes the norms for the group

developed from Table 5.4, page 97. It also demonstrates the mean CSE level for the group is 4.17, which lies close to the mid-range in Hambrick and Hiller’s (2005) CSE continuum. This suggests that unlike the sample in the foundation study, no respondent reported (Hyper-) CSE.

Table 5.6
Mean and Standard Deviation for the Level of CSE in Respondents

		R1	R2	R3	R4	R5	R6	R7	Total
<i>n</i> = 7	Valid	66	50	48	43	60	44	66	377
Mean		5.50	4.17	4	3.58	5	3.67	5.50	4.17
Std Deviation		1.7689	0	0.0289	0.3481	0.6889	0.2500	1.7689	

Table 5.7 page 103 and Chart 5.2, page 104; Table 5.8, page 105; Chart 5.3, page 105; and Chart 5.4, page 106 demonstrate, illustrate and support this suggestion.

In support of these findings developed from the reverse-coded cross-tabulation in Table 5.4, page 97; based on the number of observations in the data, seven class groupings were chosen; with the class intervals developed employing the following formula viz:

$$\begin{aligned} \text{Width of Interval} &= \frac{\text{Range}}{\text{Number of desired class groupings}} \\ &= 66 - 43 = 23 / 7=3 \end{aligned}$$

Table 5.7 below, illustrates the frequency distribution of CSE levels in the respondents within the sample, calculated from the above formula.

Table 5.7
Frequency Distribution of CSE Levels in Seven Respondents

CSE Levels	Number of Respondents
43 but less than 46	2
46 but less than 49	1
49 but less than 52	1
52 but less than 55	-
55 but less than 58	-
58 but less than 61	1
61 but less than 64	-
64 but less than 67	<u>2</u>
Total	7

Developed from Table 5.7 above, Chart 5.2 page 104 illustrates the frequency distribution of CSE in the sample. Also developed from Table 5.7 above; Table 5.9, page 109, illustrates the relative sample frequency distribution and percentage distribution of respondents' CSE levels.

To illustrate Table 5.8's relative frequency and percentage distribution findings on page 105; Chart 5.3, page 105 portrays the proportion of respondents who fall into each CSE interval. The largest proportion of respondents $p=.286$ are equally distributed in the lowest and highest intervals respectively. The lowest proportion of respondents $p=.143$ are equally distributed in the second and third lowest intervals, and the second highest interval.

Page 104 not present in original

Table 5.8

Relative Frequency Distribution and Percentage Distribution of the CSE Levels in Seven Respondents

CSE Levels	Proportion of Respondents	Percentage of Respondents
43 but less than 46	.286	28.6
46 but less than 49	.143	14.3
49 but less than 52	.143	14.3
52 but less than 55	-	-
55 but less than 58	-	-
58 but less than 61	.143	14.3
61 but less than 64	-	-
64 but less than 67	.286	28.6
Total	1.000	100.0

when they try; they generally succeed (Hambrick et al, 2005). As a result of this ability to succeed when trying to cope with their problems, they are satisfied with themselves

Chart 5.3 *Relative Frequency Distribution of the CSE Levels in Seven Respondents*

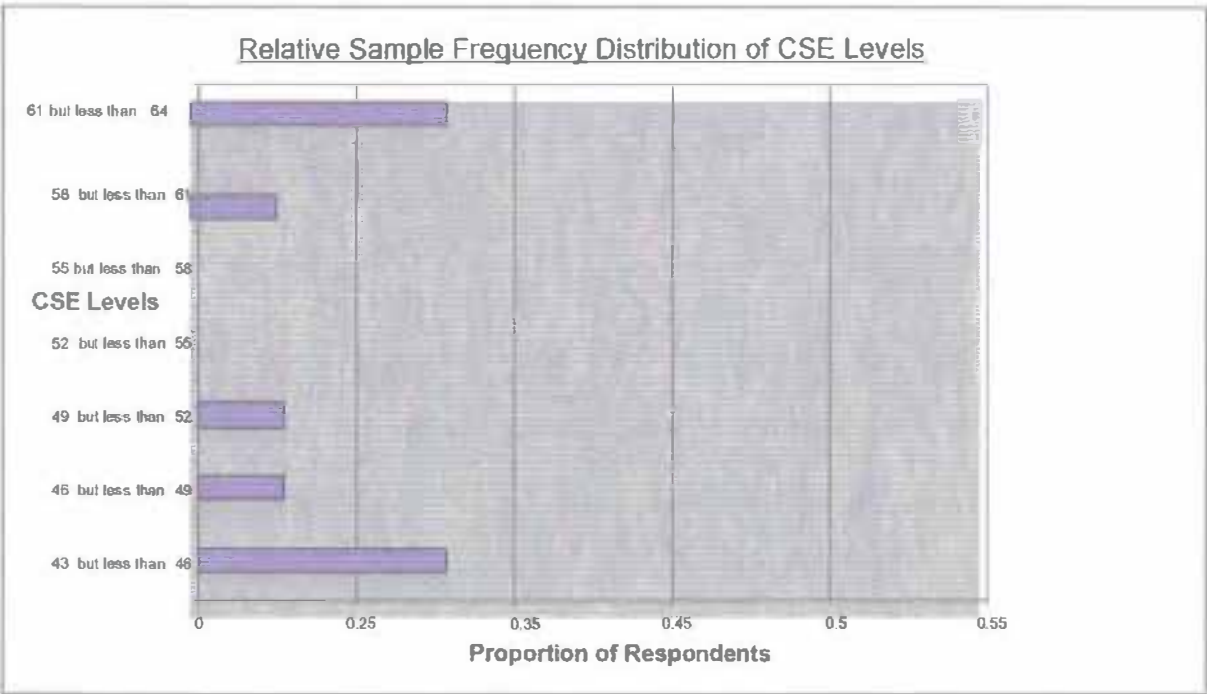
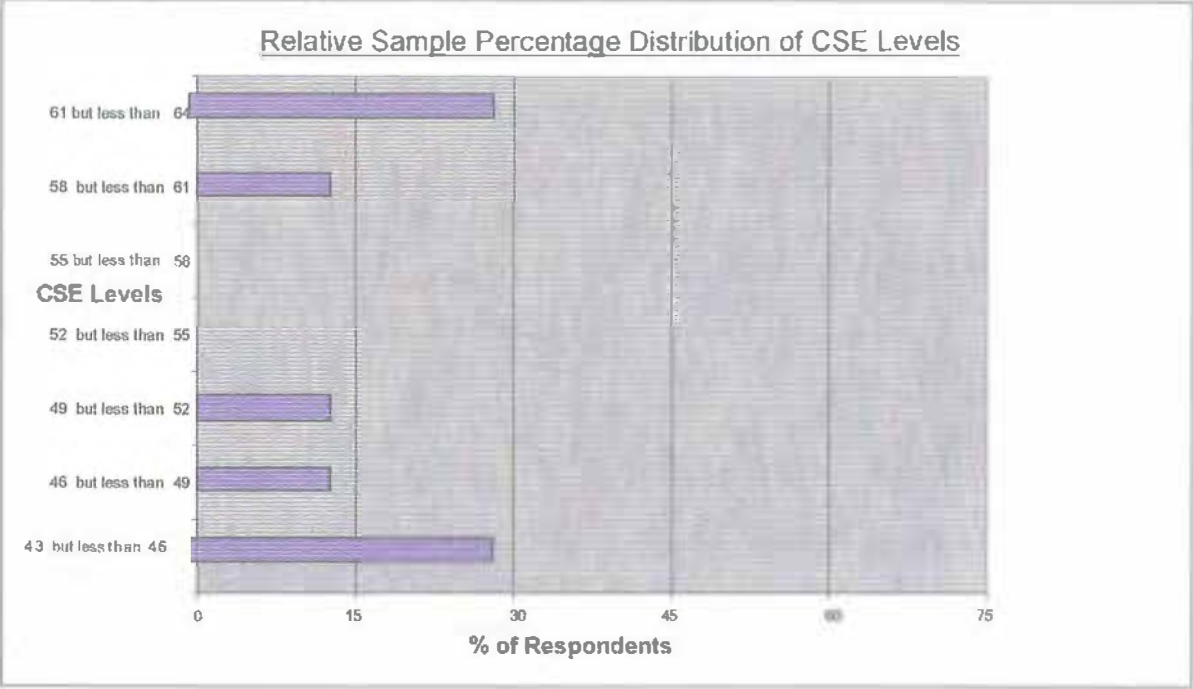


Chart 5.4 Relative Percentage Distribution of CSE Levels in Seven Respondents



and are confident as a result, they get the success they deserve in life (Hambrick et al, 2005). The reason for this confidence is that they determine what will happen in their lives (Hambrick et al, 2005). This is due to the fact they are able to complete their daily tasks successfully (Hambrick & Hiller, 2005).

As a result of this level of confidence in their lives, they have not suffered depression or felt worthless; which may be symptoms an individual may suffer caused by not being in control of their work (Hambrick & Hiller, 2005). As a result they do not feel any lack of control in their success within their careers (Hambrick & Hiller, 2005). This prevents them being filled with doubts about their competence, and further, although there are difficult times they never seem bleak or hopeless (Hambrick & Hiller, 2005).

In conclusion, a key finding is that the sample respondents' CSE levels lie within the mid-range of Hambrick and Hiller's (2005) CSE continuum at 4.17. This suggests (Hyper-) CSE is not present in these respondents. For example, although respondents one and seven have the highest reported levels of CSE at 5.50 on Hambrick et al.'s (2005) CSE continuum, deviating from the norm by 1.7689; Hambrick and Hiller (2005) expect (Hyper-) CSE only to manifest in executives with a CSE level of 7+.

As there were no CEOs in the sample that appeared to possess EH in their personalities, it was not possible to compare (Hyper-) core CSE self-report results versus non (Hyper-) core self-reports. To determine if there was any support for the researcher's hypotheses postulated, it was therefore necessary to firstly compare the research findings across the symmetrical quantitative data set, and then determine if there was any correlation between this set and the qualitative data gathered from the sample. To facilitate this determination, a descriptive analysis and explanation of the CSE levels in respondents drawn from the qualitative data was conducted, and this is presented in the next section.

5.4 Qualitative Data Findings

In essence, as outlined in the previous section, any correlation between the quantitative and qualitative data sets, and further whether the correlation is positive or negative, determines the level of support for the provisional hypotheses.

To facilitate this determination, firstly the quantitative data was analysed, and the findings presented in the last section. Next a descriptive analysis and explanation of the qualitative data gathered was developed and these findings are presented in this section. Finally, the comparison between the two data sets was conducted to determine whether a correlation existed. The findings from this comparison are presented in the next three sections.

The findings drawn from the qualitative data in-depth interview questions tool conducted by the researcher alluded to in the last section and above, were tabulated and are presented in Table 5.9, page 110. Developed from Hambrick and Hiller's (2005) propositions; this tool outlined in chapter two and presented in Appendix B1 on page 164, is designed to tap the (Hyper-) CSE construct.

The initial tabulated findings in Table 5.10, page 110, reveal the following results for the independent variables that are predictors of the dependent variables of the CEO's SM decision making process; SM decision quality; and organisational performance; the three key concepts in the SME SMDM model (See Figure 3.1, page 70).

- Regarding the CEO SM decision making process followed by respondents, the majority pursue comprehensiveness; the speed of the process varies from 1 day to years; and the majority maintain a centralised process.
- Regarding the SM decision quality that occurs as a result of the process followed, the majority have only conducted one large scale initiative per year, over the last five years. However the value of those large scale initiatives varies

considerably. Three respondents were unsure of the quantum value of their large scale initiatives; however they all stated that their worth to the organisation was considerable. Interestingly, 50% of respondents pursue strategic deviation from industry norms, with the remainder pursuing strategic direction consistent with those norms. In conclusion, the organisations' persistence in pursuing the strategic initiatives varies from 25% to 100%, with the majority pursuing these initiatives over 50% of the time.

- Finally, regarding organisational performance as an outcome of the CEO's SM decision quality, the majority of respondents did not experience any extremes in performance over the last five years. Only two reported any extremes in performance.

The next three sections will discuss the comprehensive results of the rich qualitative data that was analysed from Hambrick and Hiller's (2005) in-depth interview questions; and the subsequent comparative results of the two data sets which determined whether a correlation existed between the two. Each section will then present the findings regarding the level of support for the researcher's respective directional hypotheses.

5.5 The SME CEO's Strategic Management Decision-making Process

A descriptive qualitative analysis conducted on Hambrick and Hiller's (2005) in-depth interview questions tabulated in Table 5.9, page 110 is presented and compared with

Table 5.9*Tabulated Findings from the Hambrick and Hiller (2005) Qualitative Data In-depth Interview Questions*

Item	R1	R2	R3	R4	R5	R6	R7
<u>1. SM decision making process</u>							
• Comprehensiveness	Yes	No	Yes	Yes	Yes	Yes	Yes
• Speed	Years	2 Wks	1 day	1 day	2wks	6 mths	1mth
• Centralisation	No	Yes	Yes	No	No	Yes	Yes
<u>2. SM decision quality</u>							
• # of large scale initiatives per year for the last five years	10	5	20	5	5	5	5
• \$ Value of each on average	190K	N/A	2M	N/A	N/A	5M	3M
• Strategic deviation from industry norms	No	Yes	No	Yes	No	Yes	No
• Persistence of the organisation in pursuing CEO initiatives	25%	65%	75%	80%	50%	100%	80%
<u>3. Organisational performance</u>							
• Greatest wins	No loss	No big wins	No loss	Steady Growth	Steady Growth	None	Closed loss making division
• Greatest losses	None	New product failure Industry downturn Bad working relations	None	None	None	None	Staff losses

the quantitative data results presented in this chapter thus far. This analysis is in the context of the SME CEO's SM decision making process; the first variable in the SME SMDM model. In sum it will discuss the level of support for Hypothesis1 viz:

- Hypothesis 1: The greater a CEOs core self evaluation; the less comprehensive will be the organisation's strategic management decision- processes.

5.5.1 Comprehensiveness

The first variable that may be directly affected by CSE in an SME CEO's SM decision making process is comprehensiveness, predicted in Figure 2.4, page 52. Fredrickson's (1984a, p. 399.) seminal work on comprehensiveness defines the term as: "The extent to which an organization attempts to be exhaustive or inclusive in making and integrating strategic decisions." Hambrick and Hiller (2005) expect that the greater the CEO's CSE, the less comprehensive will be the SME CEO's SM decision making process.

It was not possible due to the qualitative nature of the data to conduct an alpha co-efficient analysis to determine whether any correlation exists between (Hyper-) CSE and comprehensiveness. However the data did reveal enough rich information to map out a ranking analysis, which facilitated a simple correlation analysis of the data. Employing Fredrickson's (1984a) seminal comprehensiveness construct, the respondents' comprehensiveness levels were ranked pursuant to its four dimensions, and the results are presented in Table 5.10, page 112.

Table 5.10

Respondents' Comprehensiveness Level Rankings Based on Fredrickson's (1984a) Comprehensiveness Construct.

<u>Respondent CSE Level Ranking</u>	<u>Situation Diagnosis</u>	<u>Generation of Alternatives</u>	<u>Evaluation of Alternatives</u>	<u>Decision Integration</u>	<u>TOTAL</u>
64 but less than 67: R1&R7= 1st		x		x	<u>2</u>
61 but less than 64: -					
58 but less than 61: R5 =3rd		x		x	<u>2</u>
55 but less than 58: -					
52 but less than 55: -					
49 but less than 52: R2 =4th				x	<u>1</u>
46 but less than 49: R3 =5th	x	x		x	<u>3</u>
43 but less than 46: R6 =6th	x	x	x	x	<u>4</u>
R4 =7th	x	x	x	x	<u>4</u>

The comprehensiveness results in table 5.10, above were verified after determining the analysis of the qualitative data from Hambrick and Hiller's (2005) in-depth interview questions employed in the study. They were then compared to the respondents' CSE level rankings in Table 5.7, page 103. This methodology was also employed for the analysis of the results for speed and centralisation, the two other variables identified in the study that may affect comprehensiveness. The results for these two variables are presented in the next two sections

Table 5.11, page 113 and Chart 5.5 , page 114 demonstrate this comparison and confirm there is a negative relationship between the CSE levels in all respondents and the level of comprehensiveness in their organisations' SM decision making process.

Table 5:11

Respondents CSE levels and Comprehensiveness Relationships

<u>Respondent CSE Level</u> <u>Ranking</u>	<u>Respondent SM Decision Process</u> <u>Comprehensiveness Ranking</u>
64 but less than 67: R1&R7= 1st	R1 & R7= 4th
61 but less than 64: -	-
58 but less than 61: R5 =3rd	R5 = 4th
55 but less than 58: -	-
52 but less than 55: -	-
49 but less than 52: R2 =4th	R2 = 7th
46 but less than 49: R3 =5th	R3 = 3rd
43 but less than 46: R6 =6th	R6 = 2nd
R4 =7th	R4 = 1st

5.5.2 Speed

A second variable identified that may be affected in a CEO’s SM decision making process by CSE, is speed, also predicted in Figure 2.4, page 52. For example intuition suggests that the faster a CEO makes SM decision the less, as Hambrick and Hiller (225); and Fredrickson (1984a, p. 399) assert, is “the extent as to which an organization attempts to be exhaustive or inclusive in making and integrating strategic decisions.”

However this study’s findings suggest speed has an indirect affect on the SME CEO’s SM decision making process, caused through the moderating affect the speed with which the SM decision is made has on reducing comprehensiveness. It is partially associated with Hambrick and Hiller’s (2005, pp. 297-319) proposition that “The greater a CEO’s CSE, the faster will be the organisation’s strategic decision- making.”

Chart 5.5 Respondents CSE levels and Comprehensiveness Relationship

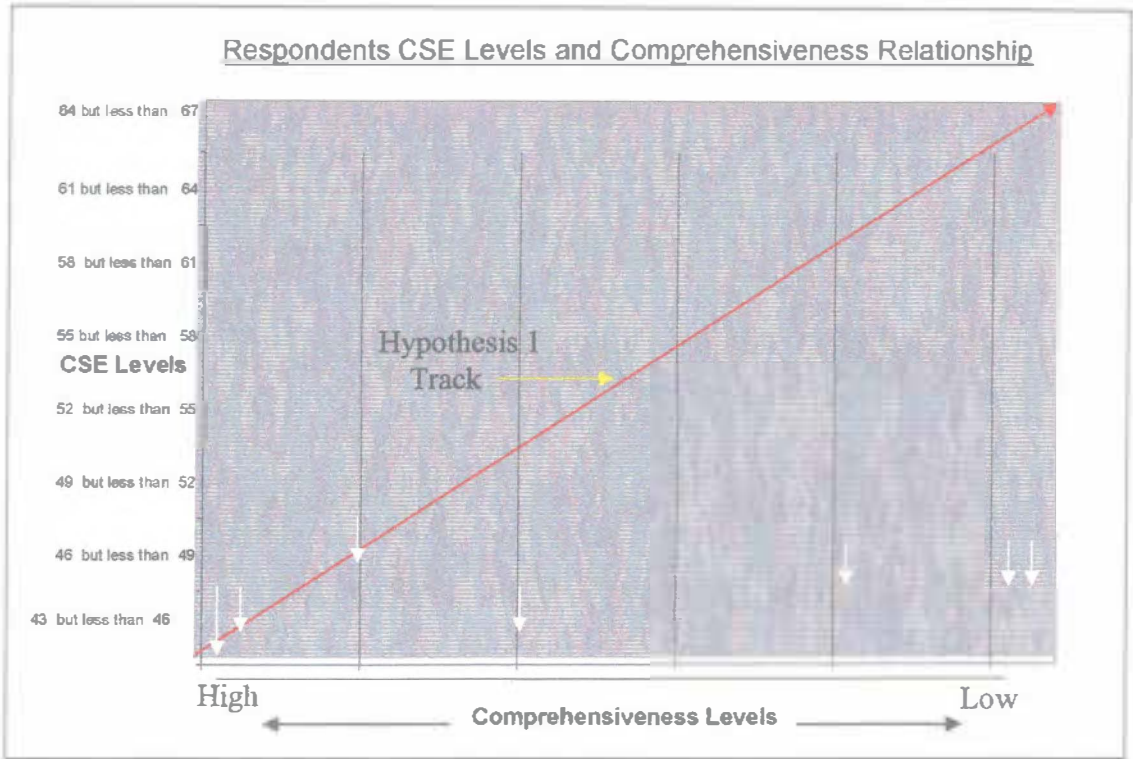


Table 5.12, page 115 and Chart 5.6, page 116 demonstrate this comparison and confirm there is a negative relationship in all respondents between their CSE levels and the level of speed in their organisations' SM decision making process. These results provide partial support for Hambrick and Hiller's (2005) proposition on this issue.

Table 5.12
Respondents CSE levels and Speed Relationships

Respondent CSE Level Ranking	Respondent SM Decision Process Speed Ranking
64 but less than 67: R1&R7= 1st	R1 & R7= 7 ^h & 5th
61 but less than 64: -	-
58 but less than 61: R5 =3rd	R5 = 3rd
55 but less than 58: -	-
52 but less than 55: -	-
49 but less than 52: R2 =4th	R2 = 3rd
46 but less than 49: R3 =5th	R3 = 1st
43 but less than 46: R6 =6th	R6 = 6th
R4 =7th	R4 = 1st

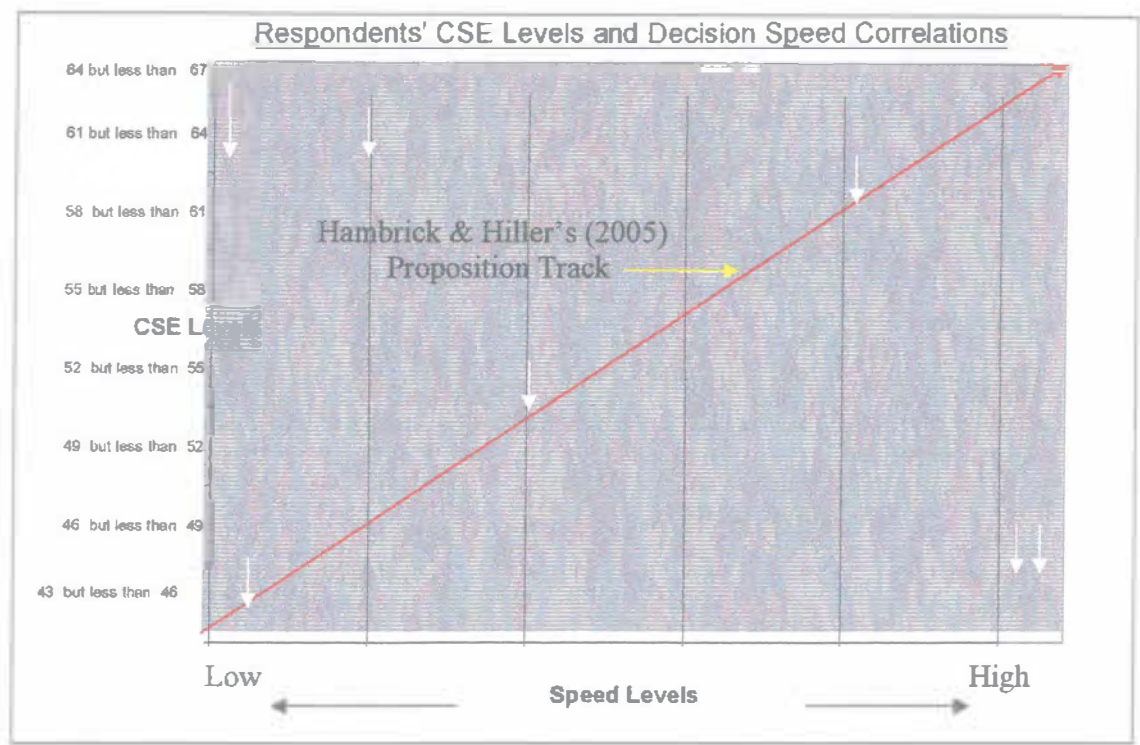
5.5.3 Centralisation

A third and final antecedent which this study has identified that may affect an SME CEO’s SM decision making process is centralisation, predicted in Figure 2.4, page 52. For example Hambrick and Hiller (2005, pp. 297-319) assert that “The greater a CEO’s core self-evaluation the more centralized will be the organization’s strategic decision making.”

These authors expect a link between CEO personality and centralisation as they view high CSE CEOs as favouring highly centralised SM decision processes so they can be involved in the strategic deliberations and determinations.

These CEOs are of the view they posses valuable insights and skills as Hambrick and Hiller (2005) assert; and further, they believe their personal efforts always lead to favourable outcomes, as others can not make a strategic decisions as well as they can

Chart 5.6 Respondents' CSE Levels and SM Decision Speed Relationships



(Hambrick et al, 2005). As a result they will not delegate this aspect and often act unilaterally (Hambrick et al, 2005).

Table 5.13, page 117 and Chart 5.7, page 118 demonstrate this comparison and suggest there is a negative relationships in all respondents; between their CSE levels and the level of centralisation in their organisations' SM decision making process. These results suggest partial support for Hambrick and Hiller's (2005) proposition on this issue.

Centralisation may be viewed in the context of this study as an inverted mirror image of comprehensiveness presented in Table 5.11, page 112 and Chart 5.5, page 114. For

example intuition suggests that the more comprehensive the SM decision making process, the less centralised it is, and vice versa. By employing the aforementioned Table and chart the inverted mirror image may be identified by comparing them with Table 5.13, below and Chart 5.6, page 116. This is an exploratory finding of the intuition outlined above.

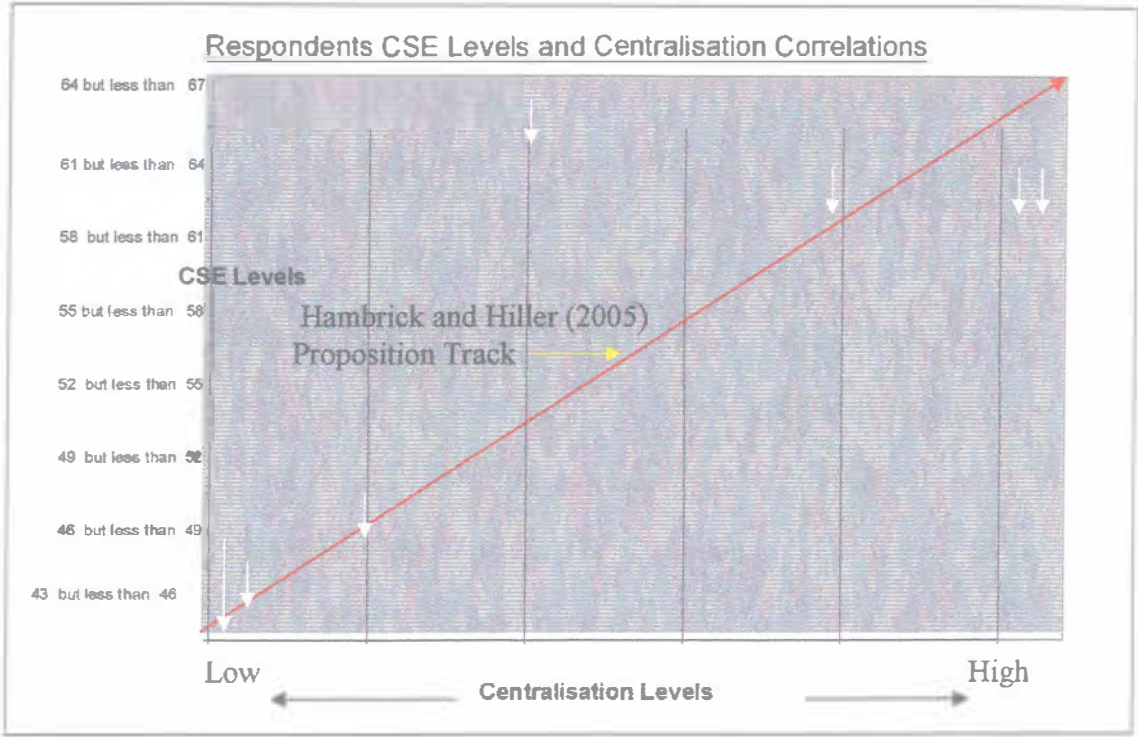
Table 5.13
Respondents CSE levels and Centralisation Relationships

<u>Respondent CSE Level</u> <u>Ranking</u>	<u>Respondent SM Decision Process</u> <u>Centralisation Ranking</u>
64 but less than 67: R1&R7= 1st	R1 & R7= 2nd
61 but less than 64: -	-
58 but less than 61: R5 =3rd	R5 = 2nd
55 but less than 58: -	-
52 but less than 55: -	-
49 but less than 52: R2 =4th	R2 = 1st
46 but less than 49: R3 =5th	R3 = 5th
43 but less than 46: R6 =6th	R6 = 6th
R4 =7th	R4 = 7th

5.5.4 Level of support for Hypothesis 1

Based on these results, the findings suggest partial support for hypothesis one. Further there is appears to be partial support for Hambrick and Hiller’s (2005) propositions

Chart 5.7 Respondents' CSE Levels and Centralisation Relationships



regarding the affect of CSE on the speed and centralisation of the SME SM decision making process. Therefore hypothesis one is not rejected.

5.6 SME Executives' Decision Quality

In this section, as for the last, a descriptive qualitative analysis conducted on Hambrick and Hiller's (2005) in-depth interview questions is presented and compared with the quantitative data results. This analysis is in the context of the SME CEO's decision quality; itself an outcome of the SME CEO's decision making process and the second dependent variable in the SME SMDM model. In sum it will discuss the level of support for Hypothesis 2 viz:

- Hypothesis 2: The greater a CEO's core self evaluation; the less will be the quality of the CEO's strategic choices made.

In the SMDM model, it is expected that the quality of the CEO's SM decision may be mediated by the CEO's SM decision making process or directly by a CEO's CSE. In any of these events, Hambrick and Hiller (2005) expect that a CEO's level of CSE may determine the level of quality of the SM decision. For example these authors assert that three key predictors of SME SM decision quality are the number and scale of quantum of large scale initiatives undertaken by the organisation; the degree of strategy deviation by the organisation from industry norms, and the level of an organisation's persistence in pursuing strategies launched by the CEO. These predictors' results are discussed in the next three sections.

5.6.1 Large stakes initiatives undertaken

Hambrick and Hiller's (2005) proposition regarding this issue is that the greater a CEO's CSE, the greater will be the number and scale of quantum large stakes initiatives undertaken by the organisation. This outcome may be due to the CEO's self assurance and high confidence levels. Further, CEOs with high CSE are sure of their ability to successfully implement these decisions and overcome any problem that may occur (Hambrick & Hiller, 2005).

Table 5.14, page 120 and Chart 5.8, page 121 demonstrate this comparison which suggests a positive relationship in all respondents regarding their CSE levels and the level of large stake initiatives in their organisations' SM decision making process.

These results provide limited support for Hambrick and Hiller’s (2005) proposition of the predictive ability of this issue. Three respondents were unable to quantify the value of each of these decisions, and this aspect will be discussed in Chapter six.

Table 5.14
 Respondents CSE levels and Large Stake Initiatives Relationships

<u>Respondent CSE Level</u> <u>Ranking</u>	<u>Respondent SM Large Stake</u> <u>Initiatives Ranking</u>
64 but less than 67: R1&R7= 1st	R1= 2nd & R7= 3rd
61 but less than 64: -	-
58 but less than 61: R5 =3rd	R5 = 1st
55 but less than 58: -	-
52 but less than 55: -	-
49 but less than 52: R2 =4th	R2 = 3rd
46 but less than 49: R3 =5th	R3 = 3rd
43 but less than 46: R6 =6th	R6 = 3rd
R4 =7th	R4 = 3rd

5.6.2 Deviation of strategy from industry norms

Hambrick and Hiller’s (2005) proposition regarding this issue is that the greater a CEO’s CSE, the greater will be the deviation of an organisation’s strategy from industry norms. This may be due to the CEO’s extreme confidence in their SM decisions; their belief in their ability to successfully implement these decisions and overcome any problem that may occur as a result of these decisions (Hambrick & Hillerl, 2005).

Page 121 not present in original

Table 5.15

Respondents CSE levels and Deviation of Strategy from Industry Norms Relationships

<u>Respondent CSE Level Ranking</u>	<u>Respondent SM Deviation from Industry Norms Ranking</u>
64 but less than 67: R1&R7= 1st	R1+ R7= No correlation
61 but less than 64: -	-
58 but less than 61: R5 =3rd	R5 = No correlation
55 but less than 58: -	-
52 but less than 55: -	-
49 but less than 52: R2 =4th	R2 = 3rd
46 but less than 49: R3 =5th	R3 = No correlation
43 but less than 46: R6 =6th	R6 = 1st
R4 =7th	R4 = 1st

5.6.3 Pursuit of CEOs' initiatives

Hambrick and Hiller's (2005) proposition regarding this issue is that the greater a CEO's CSE, the greater will be the organisation's persistence in pursuing strategies that were launched by the CEO. This may be due to the CEO's extreme confidence in their SM decisions; their belief in their ability to successfully implement these decisions and overcome any problem that may occur as a result of these decisions (Hambrick et al, 2005).

Table 5.16, page 124 and Chart 5.10, page 124 demonstrate this comparison which suggests a positive relationship in all respondents regarding their CSE levels and the level of large stake initiatives in their organisations' SM decision making process. These results suggest partial support for Hambrick and Hiller's (2005) proposition .

Pages 123-124 not present in original

5.7 SME Performance

In this section, as for the previous two, a descriptive qualitative analysis conducted on Hambrick and Hiller's (2005) in-depth interview questions is presented and compared with the quantitative data results. This analysis is in the context of organisational performance; itself an outcome of the SME SM quality and the final dependent variable in Parker's (2005) SME SMDM model presented in Figure 3.1, page 71. In sum it will discuss the level of support for Hypothesis 3 viz:

- Hypothesis 3: The greater the CEO's core self evaluation, the more extreme the organisation's performance.

5.7.1 Wins and losses

Hambrick and Hiller's (2005) proposition regarding this issue is that the greater a CEO's CSE, the more extreme will be the organisation's performance. This may be due to the CEO's extreme confidence in their SM decisions at the upper end of the CSE continuum leading to naïve, even foolish behaviours (Hambrick et al, 2005). This may result in extreme wins or losses.

Table 5.17 on page 126 demonstrates this comparison, which suggests no relationship in any respondent regarding their CSE levels and the level of large stake initiatives in their organisations' SM decision making process. These results suggest no support for Hambrick and Hiller's (2005) proposition on this issue.

Table 5.17
Respondents CSE levels and SME Performance Relationships

<u>Respondent CSE Level Ranking</u>	<u>Respondent SME Performance Ranking</u>
64 but less than 67: R1&R7= 1st	R1=No greatest win or loss & R7=Greatest win:\$15m Greatest loss: Losing staff
61 but less than 64: -	-
58 but less than 61: R5 =3rd	R5 = Steady growth
55 but less than 58: -	-
52 but less than 55: -	-
49 but less than 52: R2 =4th	R2 = No greatest win. Greatest loss: New Product failure; Industry Downturn
46 but less than 49: R3 =5th	R3 = No great wins or losses
43 but less than 46: R6 =6th	R6 = No great wins or losses
R4 =7th	R4 = Steady growth

5.7.2 Level of support for hypothesis 3

There appears to be very little support for Hambrick and Hiller’s (2005) proposition regarding the affect of CSE on SME performance. Respondent R7 although experiencing a major win of \$15m, achieved this as a cost saving resulting from a corporate re-structure required as a result of a major transformation in the industry. It was not as a result of the CEOs strategic decision that a win was achieved, as there was an emotional loss of having to retrench many staff which offset the material cost saving. All respondents talked in terms of the biggest win as being either steady growth, or operating a profitable business, allowing their organisations to survive. Based on these results, the findings suggest no support for hypothesis three, and thus hypothesis three is rejected.

5.8 Conclusion

This chapter commenced with an outline of the organisational profiles of the participants and respondents; provision of a brief description of their characteristics; and a comparison of them with their cohorts in this researcher's foundation study. It then moved on, employing the SME SMDM model to analyse, present and discuss the quantitative and qualitative data gathered from the questionnaires; employing the recurring themes and issues. This study's findings were presented within three main themes and their relevant issues.

The first theme is an analysis that discussed the findings in relation to how CSE affects the CEO's SM decision making process construct. This section on the strategic decision management process is central in the study's findings. It suggests partial support for hypothesis one; that the greater a CEOs CSE; the less comprehensive will be the organisation's CEO's SM decision-making process. Further, it suggests that there is partial support for Hambrick and Hiller's (2005) propositions that the greater a CEOs CSE; the greater will be the organisation's CEO's SM decision making speed; and the greater will be the centralisation of an organisation's CEO's SM decision making process.

The second theme is an analysis that discussed the findings in relation to how CSE affects the CEO's decision quality construct. It suggests partial support for hypothesis two; that the greater a CEOs core self evaluation; the less will be the quality of the executive's strategic choices made. Further, it suggests that there is partial support for

Page 128 not present in original

CHAPTER 6: DISCUSSION, IMPLICATIONS & CONCLUSIONS

6.1 Introduction

As outlined in the previous chapter, Chapter 6 presents a comprehensive discussion in relation to the research questions, their findings, and implications for theory, practice, thinking and future research into how CSE and (Hyper-) CSE in particular, may affect how SME CEOs make SM decisions. Although an exploratory study, the joint qualitative and quantitative approach which was facilitated by the employment of Bono Erez, and Thoresen's (2003); and Hambrick and Hiller's (2005) CSE measuring instruments; have not only provided rich qualitative data; however also important insights into the levels of support for three hypotheses. This approach has facilitated a meaningful exploration of the EH concept and its affect on how SME CEOs make SM decisions; resulting in the achievement of the research objectives.

The chapter commences with an overview of the issue of the application of management theory developed thus far regarding how SME CEOs make decisions. It then moves on to discuss the three main themes and issues of the findings: the CEO decision-making process; decision quality; and organisational performance. From there it outlines the implications for theory, thinking, research and practice. Finally it presents the study's conclusions.

6.2 Application of Management Theory to how SME CEOs Make SM Decisions

As outlined in chapter 2, unfortunately there is a dearth of management theory which can be currently applied to how SME CEOs make decisions. Given the need identified in this gap in the literature for major research streams to be developed to provide a better fit of corporate SM concepts and frameworks, to inform effective methods and thinking for many types of CEOs; there is also an imperative to identify how CEOs make decisions. By doing so, this may provide an understanding of this key aspect of the SM process. This in turn may provide a better fit of corporate SM concepts and frameworks than has been available to date; which may then be employed to better inform effective methods and thinking for many types of CEOs. The SME SMDM model for example, developed and presented in Chapter 2, which was employed for the purpose of this research; represents one attempt to build concepts and a framework to facilitate these goals. The next section discusses the researcher's effort to meet the imperative for research in this area; and the findings relating to the research questions.

6.3 Discussion of the findings relating to the research questions

As outlined in this chapter introduction, this current study examined Hambrick and Hiller's (2005) recent conceptualization of EH measured via the recently validated CSES (Durham, Judge, & Locke, 1997). Further, EH's affect on how CEOs make SM decisions was explored. In sum this study provides both a contextual and empirical flavour to inform researchers; academics, governments and executive management practitioners on the successful management of executive hubris in the future. These

elements may assist mitigate the negative effect EH may have on how CEOs make decisions, and thus this mitigation may assist improve SME organisational performance.

Pursuant to its objectives, this research investigated and determined whether there is any support for the recent foundation study findings presented in chapter three; which suggests there is anecdotal evidence for Hambrick and Hiller's (2005) assertion that there may be a positive correlation between (Hyper-) CSE; the CEO's decision making process; quality of choices made; and organisational performance.

Three research questions formed the premise for the investigation viz:

- **Does an organisation's strategic decision processes become less comprehensive if a CEO has hubris in their personality?**

This question examined the affect of various CSE levels on three key dimensions of the CEO's decision making process: comprehensiveness; speed; and centralisation.

- **Does an organisation's strategic decision quality deteriorate if a CEO has hubris in their personality?**

This question examined the affect of various CSE levels on three key predictors of the decision quality: the number and quantum value of large stakes initiatives launched by the CEO each year over the last five years; strategy deviation from industry norms; and persistence in pursuing strategic initiatives launched by the CEO.

- **Does an organisation's performance become more extreme if a CEO has hubris in their personality?**

This question examined the affect of various CSE levels on two key predictors of organisational performance: big wins and big losses. The following discussion addresses these three research questions.

6.3.1 The SME strategic management decision making process

This study has identified partial support for hypothesis one which postulates that the higher the level of CSE, the less will be the comprehensiveness of the SME CEO's decision making process.

Comprehensiveness

Hambrick and Hiller's (2005) propositions above are inconsistent with Fredrickson's (1984); and Fredrickson and Mitchell's (1984) findings on the links between comprehensiveness and performance. For example, in Fredrickson and Mitchell's (1984) investigation into comprehensiveness in the US forest products industry, which has an unstable environment; these authors studied 109 executives in 27 firms in the US Pacific Northwest. Developing a strategic decision scenario, the respondents were asked to describe their organisations' SM decision making comprehensiveness given a particular SM problem. The findings suggest a negative relationship between comprehensiveness and performance in an unstable environment.

Further, in Fredrickson's (1984) extension of the Fredrickson et al (1984) study, the findings suggest there is a positive relationship between comprehensiveness and performance in a stable environment. Hambrick and Hiller's (2005) proposition differs regarding their expectation of the outcome in performance as a result of reduced comprehensiveness from Fredrickson's (1984); Fredrickson and Jaquinto's (1989); and Fredrickson and Mitchell's (1984) studies. Whereas Hambrick and Hiller's (2005) proposition suggests regardless of industry environmental stability, a reduction in comprehensiveness may ultimately lead to reduced organisational performance; Fredrickson (1984) and Fredrickson and Mitchell (1984) assert that the level of environmental stability moderates comprehensiveness's affect on organisational performance.

On the other hand however, Hambrick and Hiller's (2005) proposition is consistent with Deckro, Jones and Jones's (1994) findings. For example, in an investigation into strategic decision processes in matrix organisations which were developed to facilitate adaptability in unstable environments (Deckro et al, 1994); Deckro, et al (1994) conducted a study on 27 matrix organisations. The findings suggest the higher the level of comprehensiveness, the better the organisation's performance in an unstable environment.

Bearing in mind Fredrickson (1984) and Fredrickson and Mitchell (1984) are not able to identify causality between comprehensiveness and organisational performance;

Hambrick and Hiller's (2005) proposition is consistent with Deckro Jones and Jones's (1994) findings which suggest causality between comprehensiveness and organisational performance; support is found in the literature for the efficacy of the SME SMDM model employed for the purpose of this research.

Speed and centralisation

There also appears to be partial support in this current study's findings for Hambrick and Hiller's (2005) propositions regarding the affect of CSE on the speed and centralisation of the CEO's decision-making process; two key factors that affect comprehensiveness, which the SME SMDM model identifies. For example, the model identifies speed and centralisation as being two dimensions of the SME CEO's decision-making process; the first concept in the model.

In conclusion, whilst this section has discussed the affect CSE levels may have on comprehensiveness; its associated concepts of speed and centralisation; the next section will employ this author's model to discuss the issue of how CSE levels may affect decision quality; the second concept in this model.

6.3.2 SME CEO's decision quality

The discussion on a CEO's decision quality in this section revolves around this current study's identification of partial support for hypothesis two; which postulates

that the higher the level of CSE, the less will be the quality of the CEO's decision. As presented in Chapter 5, there are three known factors that constitute the CEO's SM decision quality: the quantum and value of large stake initiatives; deviation of strategy from industry norms; and persistence in pursuing strategic initiatives launched by the CEO.

Quantum and value of large stakes initiatives

This study's findings suggest very limited support for Hambrick and Hiller's (2005) proposition of the predictive ability of CSE regarding the quantum and value of large stake initiatives, a proposed factor in Hambrick and Hiller's (2005) SME executive's decision quality concept. Only two respondents fell within Hambrick et al's (2005) proposition track illustrated in Chart 5.7, page 118: the respondents with the third lowest and the second highest CSE levels. No linear relationship between CSE levels and quantum large stake initiatives appears to exist. Further, three respondents were unable to quantify the value of each of these quantum decisions. This was due to the fact it appeared to be very difficult for them to quantify the value to their organisation of the level of the quantum decision quality.

All respondents advised that to separate out individual quantum SM decisions, and then quantify the value to the organisation is virtually unachievable, as there are so many other factors in the organisation that decision may affect or interact with. They had difficulty in providing an accurate estimate for this factor. They also reported

making quantum decisions based on strategic opportunities or problems, which did not provide support for Hambrick and Hiller's (2005) proposition of the predictive ability of CSE regarding the quantum and value of large stake initiatives. For example one respondent who conducted quantum versus incremental decisions did so due to the stage in the life cycle his business was at; and the other due to the nature of the industry.

The reasons for the non-correlation of this data, may lie in Hambrick and Hiller's (2005) approach and logic applied to the research problem. For sure Durham Judge and Locke's (1997) CSES has been empirically tested and validated over a five year period between 1997 and 2003, as outlined in Chapter two; which suggests the validity and reliability of that instrument. However; Hambrick and Hiller's (2005) CSE measurement instrument is based on and developed in part from previous research these authors selected, relating to strategic choice (Chen & MacMillan, 1992; Roll, 1986).

In Chen and MacMillan's (1992) study for example; hypothesised relationships regarding action irreversibility which is a key factor in quantum high stake SM decisions as Hambrick and Hiller (2005) assert; were tested on 32 strategic moves made by US airlines with operating income of over \$US100m per annum. The question needs to be asked as to how relevant the findings from the corporate sector are to SMEs, and if as Chapter 1 suggests, it is not, then there may be confounding data in the results, leading to bias. This may be one reason for the non-correlation of the results, contradicting Hamrick and Hiller's (2005) expectations.

Further, in Roll's (1986) meta-analysis and testing of this author's hubris hypothesis which holds that, on average, decision makers in acquiring firms pay too much for their targets; stock market samples were taken from the New York Stock Exchange, and the London Stock Exchange. Similar to the outcome regarding the logic Hambrick and Hiller (2005) applied to Chen and MacMillan's (1992) example above; there may be confounding data in these results too; leading to bias. This may be a second reason for the non- correlation of the results, contradicting Hamrick et al's (2005) expectations.

In conclusion, for future research it may be better to develop the quantum large stake initiative question after conducting a meta-analysis of the literature with regard to the differences between the way CEO entrepreneurs in SMEs make their SM decisions versus CEOs in a corporate environment. For example Barney and Basinet (1997) examines these differences with regard to biases and heuristics in the decision process. Over-confidence and representativeness were the two variables studied, and the findings suggest strong support for these authors' hypothesis which postulates entrepreneurs are more susceptible to the use of decision-making biases and heuristics than are managers in large organizations. This approach and logic may eliminate confounding data by examining other key differences between the two by employing the SME SMDM model, a lens better suited for focusing on SMEs.

Deviation of strategy from industry norms

This study's findings suggest very little support for Hambrick and Hiller's (2005) proposition of the predictive ability of CSE regarding the degree of deviation of strategy from industry norms, another proposed factor in SME SM decision quality. No respondents fell within Hambrick and Hiller's (2005) proposition track illustrated in Chart eight on page 126; therefore no linear relationship between CSE levels and the degree of deviation of strategy from industry norms appears to exist.

The reasons for the nil relationship of factors in this data may also lie in Hambrick et al's (2005) approach and logic applied to the research problem as alluded to in the previous sub-heading. For example, Hambrick and Hiller's (2005) rely in part on Deephouse's (1997) study on deviation of strategy from industry norms to develop their proposition for this issue.

Employing Deephouse's (1997) theory of strategic balance, these authors expect that the level of an SME CEO's CSE may increase or decrease pressures to be different or to be the same. However the empirical support for the theory found is in a longitudinal study of commercial banks – corporate organisations, not SMEs. In conclusion, to eliminate confounding data being generated from this approach, it is recommended the possible solution in the previous sub-heading be employed for future research.

Persistence in pursuing strategies launched by the CEO

This study's findings suggest partial support for Hambrick and Hiller's (2005) proposition of the predictive ability of CSE regarding the persistence in pursuing strategic initiatives launched by the CEO, another proposed factor in the SME executive's decision quality. One respondent fell within Hambrick et al's (2005) proposition track illustrated in Chart 5.10, page 124; one fell close to it, and three fairly close to it. This suggests there is a possibility that future research may identify a linear relationship between CSE levels and the persistence in pursuing strategic initiatives launched by the CEO.

It will be necessary however, to follow the recommendations outlined on page 138 to eliminate confounding data regarding this issue. This is due to the fact that once again Hambrick and Hiller (2005) employ the logic and approach of some of the strategic persistence literature, where the sample is restricted to large firms because data on top managers of SMEs are often inaccessible (Finklestein & Hambrick, 1990). In extending their argument to CSE for persistence partly being the product of executive personality, Hambrick et al (2005) draw on in part for example from Audia, Locke and Smith's (2000) study on the US airline industry- a corporate, not an SME environment.

In conclusion, whilst this section has discussed the affect CSE levels may have on SME executives' decision quality, the next section will employ the SME SMDM model to

discuss the issue of how CSE levels may affect organisational performance; the third concept in this model.

6.3.3 Organisational performance

In this final theme, the discussion on organisational performance revolves around this current study's identification of no support for hypothesis three, and therefore it is rejected. It postulates that the higher the level of CSE, the less will be the performance of the organisation. As presented in Chapter five, there are two proposed factors that Hambrick and Hiller (2005) expect to be associated organisational performance: big wins and big losses.

This study's findings suggest no support for Hambrick and Hiller's (2005) proposition of big wins and big losses being associated with organisational performance. All respondents advised that they have never experienced big wins or big losses as a result of their SM decisions. Rather, most advised of steady profitable growth. A reason for this non-correlation between the level of CSE and organisational performance may be as follows.

It may be that SME CEOs differ in their levels of risk aversion versus CEOs of corporate concerns. All respondents advised that their respective organisation is dependent on private capital generated from their own family equity; secured by family assets. As a result this capital is a scarce resource that has to be protected at all costs, to ensure adequate cash flows for organisational survival. On the other hand, CEOs of

corporate organisations are not employing their personal wealth for survival, and so it may be that there is a much lower level of risk aversion in these CEOs as a result. Supporting the probability of the higher levels of risk aversion evident in the SME respondents, these SME CEOs all expressed aversion to investing in big win scenarios, preferring to steer a steady profitable course, over the long term. In conclusion, once again it may be necessary to follow the recommendations outlined on page 138 to eliminate confounding data regarding this issue. In conclusion, whilst the last three sections have discussed the findings, and provided insights into the results, the next section will discuss the implications of the findings for theory, research, thinking, management and practice.

6.4 Implications of the findings

This section discusses the implications of the findings for theory, research, thinking, management and practice.

Implications for theory

The implications for theory are that the SME SMDM model has identified that executive hubris may have a direct negative causal affect on comprehensiveness, a dimension of the SME CEO's decision- making process; and an indirect causal affect on comprehensiveness via two factors of comprehensiveness itself – speed and centralisation. This negative causal affect may lead to a reduction in the quality of the SME CEOs decision directly; and indirectly via an increase in persistence caused by executive hubris in pursuing strategic initiatives launched by the CEO. This in turn may lead to a reduction in SME performance, caused directly by the reduction in the SME

executive’s decision quality. Executive hubris however, may be moderated by the SME CEO’s decision process and the SME CEO’s decision quality. However this moderated level of executive hubris has an indirect affect on organisational performance. Figure 6.1 below portrays an expanded SME SMDM model adapted from the SME SMDM model, reflecting these implications for theory.

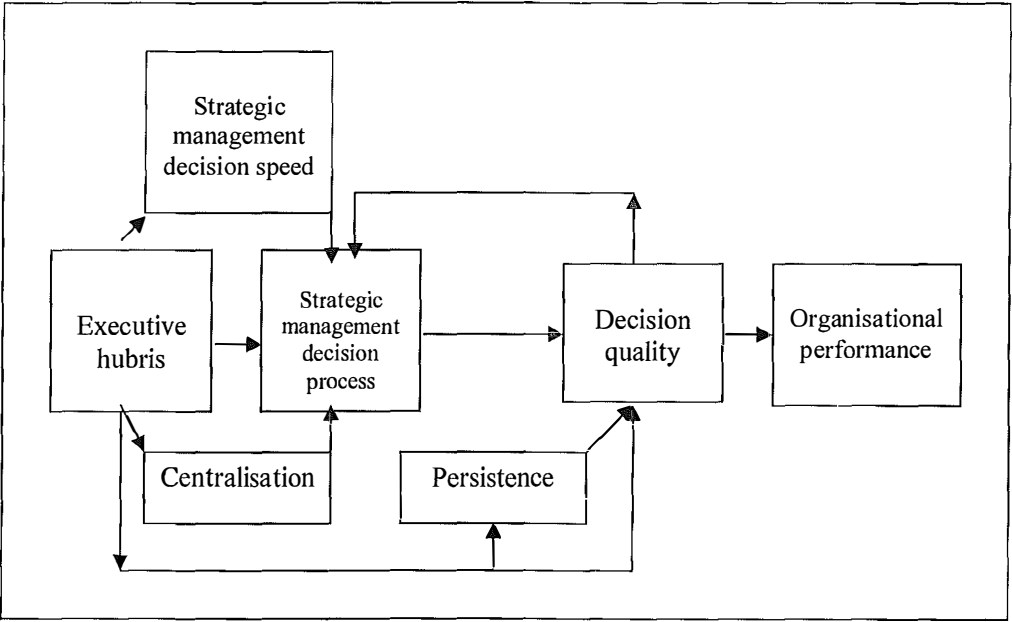


Figure 7.1. An extended SME SMDM model. Adapted from Parker (2005)

Implications for research

The first implication for research is that careful consideration needs to be given by researchers before conducting future research into this topic, to ensure a meta-analysis of the SME literature is conducted into the SME SM domain; as Hambrick and Hiller’s (2005) reliance on corporate literature to facilitate an SME CSE construct may have resulted in confounding data; possibly providing some contradictory results. This issue

underscores a fundamental message of this thesis that the current climate for SMEs is one of high attrition (Beaver, 2002; McLarty, 2005); having to operate with the poor fit of corporate strategic management concepts and frameworks employed to inform methods and thinking for many types of SMEs, which are ineffective (Beaver, 2002; McLarty, 2005).

The final implication is that these findings suggests that SME organisational performance may be adversely affected by executive hubris via the affect executive hubris may have on how SMEs make SM decisions. As a result, researchers may need to factor executive hubris into their deliberations for any future research on strategic management matters.

Implications for practice

The implications for practice are that the SME SMDM model has identified that executive hubris may have a direct and indirect negative effect on the SME CEO's decision making process; conduct; the quality of their decisions they make as a result; ultimately leading to an indirect negative affect on organisational performance.

To combat this adverse affect on the SME CEO and organisational performance requires SME CEOs to become aware of executive hubris as a personality trait. Then develop an understanding of how to manage it to mitigate its negative affects. In conclusion, the next section will suggest how to implement the findings discussed so far in this chapter.

6.5 Implementation of the findings

This section suggests how to implement the findings presented in this Chapter 5; and discussed thus far in this chapter. This study's key findings are that executive hubris may negatively affect how SME executives make decisions. This may occur through its negative affect on decision speed and centralisation, two factors of comprehensiveness; and comprehensiveness itself; a key dimension of the SME executive's decision making process.

There is a dearth of prescriptive literature on the topic to facilitate implementation. However, the foundation study indicates that executive hubris can be measured by employing Bono, Erez, and Thoresen's (2003) CSES, and Hambrick and Hiller's (2005) CSE questionnaire. The former is confirmed as a valid and reliable measure of CSE as outlined in Chapter two; the latter a possible valid and reliable predictor of decision speed, centralisation, and comprehensiveness as outlined in this chapter thus far.

Employing these two measurements in practice as a self analysis tool, may assist develop and facilitate a better understanding by CEOs of how executive hubris may be present in their own personality; how it may affect how they make SM decisions; and how they can mitigate its negative effects to improve their organisations' SM decision quality and subsequent performance.

Further development of management techniques that CEOs may find useful to employ to manage the affect executive hubris may have on how SME executives make decisions, may include Parker's (2006) extended SMDM model in Figure 6.1 on page 142. For example CEOs could incorporate this model into their management technique; deploying it across the recently conceptualised hierarchical view by Parker (2005) of the SM process portrayed in figure 2.1, page 39. By doing so, for the first time they will have available an SME SMDM model to inform practice, which may be deployed and implemented as a gambit across the recently conceptualised SM domain (Parker, 2005).

From there, SME CEOs may need to examine their practices of:

SM planning : Now that SME CEOs have available for the first time an SME SM decision making theoretical framework specifically designed for SMEs in the form of Parker's (2006) SME SMDM extended model; they need without delay to incorporate strategic planning into the model, to inform practice and theory.

Speed of decision making: SME CEOs will need to determine if their speed of decision making is due to their CSE level, in which case they may need to reduce that speed. Alternatively if it is due to their age as Forbes (2005) asserts; and / or the growth rate of the organisation as Joyce and Woods (2003) assert; then they can feel comfortable maintaining that speed.

Centralisation: SME CEOs need to identify if their degree of centralisation is due to their CSE level, and if so, reduce both their CSE level and their degree of centralisation.

Comprehensiveness: SME CEOs will need to determine if their CSE levels are negatively affecting the comprehensiveness of their decision making process, and if so, they must reduce their CSE levels; and increase the degree of comprehensiveness throughout the SME SM decision making process.

Persistence in pursuing strategic initiatives launched by the CEO: SME CEOs need to identify if their degree of persistence is due to their CSE level, and if so, reduce both their CSE level and their degree of persistence.

In conclusion this section presents five general suggestions on how to implement the findings presented in Chapter six; and discussed thus far this chapter. The next section however, will discuss the limitations of the research, with respect to the generalisability of the findings.

6.6 *Limitations of the research*

As the sample is small; restricted to Perth and the South West of Western Australia; and with only six respondents in the sample, it is not representative of the total population, and sampling errors will have occurred. On this basis caution must be taken to understand its results are not generalisable across the rest of the Australian SME

population, nor internationally. However, basic descriptive statistical analysis has been able to be conducted, drawn from the responses to Hambrick and Hiller's (2005) CSE questionnaire and Durham, Judge, and Locke's (1997) CSES, regarding the quantitative component of the data. This basic descriptive statistical analysis facilitated a simple correlation analysis which provides some of the results regarding the level of support presented for the hypotheses postulated.

However the research has been designed as an exploratory study only, relying on evidence from two measuring instruments. The purpose was to determine if there is any qualitative or quantitative evidentiary support for three of Hambrick and Hiller's (2005) seven propositions; developed into research questions and then three provisional hypotheses by the researcher. In this context, the results are interesting and may prove to be helpful to inform future theory, research, and practice.

The results suggest there is indeed support, and this indicates future full scale qualitative and quantitative research may be worthwhile; as even with this small sample; there is evidence that the CSE construct may well prove to be a valid and reliable one to measure the concept of (Hyper-) CSE in executives. If the construct is able to be validated, it may become a useful instrument with which to measure the effect of executive hubris on SMEs success and failure rates, which may assist to inform future method, insights, and practice, with a view to reducing SME attrition in the medium to long term.

6.7 Contribution of this research

A significant contribution to theory, research, and practice has been made due to the completion of this current research notably:

1) Provision of key insights into the nature of executive hubris: Employing for the first time to the best of this researcher's knowledge and belief, Hambrick and Hiller's (2005) recently conceptualised CSE construct to measure the level of CSE in SME CEOs personalities; the findings confirm that the nature of EH is as a personality trait that manifests at the upper end of Durham, Judge, and Locke's (1997) CSES continuum, as Hambrick and Hiller (2005) expect. Executive hubris's nature has been identified from the findings; for the higher the level of CSE, the more outcomes that reflect the nature of executive hubris become apparent, albeit in smaller quantities, however indicative of the concept.

2) Provision of key insights into the impact of executive hubris on the SME executive's decision process: The impact of EH on the SME executive's decision process is that decisions become faster; more centralised, and less comprehensive as the CSE level rises, due to the nature of executive hubris's effect as a personality trait along this CSES continuum. This trait may make SME CEOs over-confident; reluctant to delegate; and attempt to conduct all strategic decision processes themselves. They may feel due to this trait's influence on their thinking, no-one else can make as good a strategic decision, nor understand the comprehensiveness of that process as well as they do (Hambrick & Hiller, 2005).

3) Provision of key insights into the impact of executive hubris on SME executives'

decision quality: The impact of executive hubris on decision quality is that decisions are pursued longer than they should be as the CEO CSE level rises. This insight is consistent with Hambrick and Hiller's (2005) expectation that high level CSE CEOs may persist in their chosen strategies due to the trait influencing their belief that they can be extremely confident in any decision they make; their ability to implement them; and to overcome any post-decision difficulties the strategies may bring, even in the face of disconfirming evidence.

4) Provision of key insights into the impact of executive hubris on organisational

performance: The impact of executive hubris on the organisational performance is an indirect one, which may be moderated by the SME executive's decision making process and decision quality. This insight is the first indication there is not a direct effect on organisational performance by executive hubris. This makes it all the more imperative, as performance is indirectly affected by executive hubris; to constantly monitor all aspects of this researcher's extended SME SMDM model and hierarchal view of SM to identify all aspects in these two tools that may be impacted by executive hubris, to attempt to eliminate this impact.

5) Contribution to the knowledge regarding SMEs.

This research has served to extend the body of knowledge about SMEs, by contributing a view of EH and its possible affect on how SME CEOs make decisions; and how those decisions may affect organisational performance. Further it has for the first time to the

best of this researcher's knowledge and belief provided researchers with a definition of strategic management that may be useful in future SME studies. It has also identified for the first time to the best of this researcher's knowledge and belief that an executive's personality may be a factor in SME performance.

The findings have also extended the body of knowledge about SMEs by providing support for Beaver's (2002) assertion that the SME CEO's SM decision process is very informal. The findings also for the first time to the best of this researcher's knowledge and belief, provide support for Beaver's (2002); and Hambrick and Hiller's (2005) assertions that SME CEO's SM decisions are intertwined with the psychological make up of the profile of the CEO. Finally, these findings also for the first time to the best of this researcher's knowledge and belief, provide support for the broad view is that it is personality that may in part determine how SME CEOs make SM decisions (Miller & Toulouse, 1982; Miller et al, 1986, 1986a, 1986b; Kahn & Manopichetwattana, 1989; Hodgkinson, 1992; Higgins, 2000; Kets De Vries; Saumer-Leroy, 2004; Hambrick et al, 2005).

In conclusion these findings cement Beaver et al's (2004) argument that it is personality that may partly determine success or failure in SMEs. Hambrick and Hiller's (2005) work on executive hubris has provided the research stream regarding how SMEs make SM decisions. This current research to the best of the researcher's knowledge and belief; has extended the body of knowledge in this stream with a contribution that may assist in gaining a better understanding of not only how SME CEOs make SM

decisions; but also how EH may affect those decisions. This contribution offers new, interesting, and compelling insights for SME CEOs seeking to employ SME SM theory to inform practice with a view to improving their decision making. For certain however, much remains to be done to move the body of knowledge from its present position in the exploratory phase, and this aspect will be discussed in the next section.

6.8 Potential for further research

There is an imperative for further research to extend the body of knowledge about how SME executives make decisions. This study may provide the basis for the development of causal research to investigate the strength of the relationship between EH and the SME CEO's decision making process. The direct links between executive hubris, decision speed and centralisation; the direct links between decision speed, centralisation and comprehensiveness; and the direct and indirect link between executive hubris and comprehensiveness with an analysis of these factors' affect on the SME CEO's decision making process need to be investigated. Hambrick and Hiller's (2005) recently conceptualised CSE construct to tap CSE in SME CEOs' personalities, Durham, Judge, and Locke's (1997) CSES, and the findings of this current study may also play a role in any future study. For example a full empirical study may be conducted on the basis of a path analytical investigation to determine the efficacy of this current research.

This study also highlighted other areas for further investigation:

- The effect of the SME executive's decision making process on SME CEOs' decision quality;

- The affect of EH on persistence in pursuing strategic initiatives launched by a CEO;
- The affect of SME CEOs' decision quality on organisational performance;
- The affect of organisational performance on organisational success and failure rates;
- An extension of the study of executive hubris into the corporate environment.
- SME CEO Age and gender demographic research regarding the role these two factors play in determining who becomes and maintains their position as an SME CEO.

These areas await causal exploration in this important field of SME strategic management. The adoption of the field of the SME CEO's SM decision making process as an area for research and study may be of immense import to inform theory, practice and governance. By assisting academics, practitioners, and governments provide the best SME CEO SM decision making framework to assist improve SME survival rates; the field may also better inform those intimately involved in the SME; a situation that has been long overdue for at least the last twenty years.

6.9 Conclusion

This study was exploratory and examined the nature of the recently conceptualised notion of executive hubris; and in particular the affect EH may have on how SME CEOs make decisions. In Chapter 1, the introduction commenced with the background to the research, explaining that further research on how SME CEOs make decisions is

an imperative. It then outlined the primary research problem and from there it provided justification for the research. Next it presented the methodology; outlined the thesis; and the definitions employed in the study. Finally it discussed the study's limitations and assumptions.

In Chapter 2, the literature review presented the context of the study; identified a major gap in the literature which suggests that for twenty years there has been a dearth of research on SME SM; and then presented a review of previous research on the topic identified in the literature.

In Chapter 3, a presentation of the research scope, objectives, questions, theoretical framework and expected outcomes was provided. Chapter 4 presented a methodology, providing support for the research methods.

Chapter 5 presented the research findings, which suggests support for two of the three hypotheses postulated. The most striking feature of these findings is that there may indeed be a direct link between executive hubris and the SME CEO's decision making process, and an indirect link between executive hubris and decision quality. However any link between executive hubris and organisational performance may be moderated by the speed, centralisation, and comprehensiveness of the SME CEOs decision making process, and the resultant decision quality.

Although EH was not reported by any respondents, the research questions were able to be addressed. This was because although there was no evidence of EH in the sample; the exploratory study's main objective was to test Hambrick and Hiller's (2005) propositions, not to test for the presence of EH; employing their recently developed qualitative measurement instrument, and comparing those results with the quantitative Core self evaluation scale (CSES). Hambrick and Hiller's (2005) qualitative instrument proved accurate with regard to its predictive qualities when tested against Bono et al's (2003) CSES; which suggests it may be valid for more rigorous future research to try and identify EH In CEOs.

At each measured point along Bono's (2003) continuum; Hambrick and Hiller's (2005) results from the sample suggest support for their propositions except for one. EH only manifests at the level of 70+ on Bono's (2003) continuum; therefore the predictive quality of Hambrick and Hiller's Core self evaluation scale is sound. Just because EH was not reported, does not in any way detract from the predictive quality of Hambrick and Hiller's core self evaluation qualitative instrument; as these authors' instrument predicted each reported CSE level along Bono's (2003) continuum.

Chapter 6 presented an overview of the current application of management theory to how SME executives make decisions; a comprehensive discussion of the findings relating to the research questions; their implications for theory, research and practice; and suggestions on their implementation. Next it outlined the study's limitations; the

contribution the research has made; and the identification of further research opportunities.

In sum, this study has clearly identified that the recently conceptualised notion of EH is measurable, that the recently developed CSE construct may hold promise as a valid and reliable measure of EH in SME CEOs, and may be valid and reliable for CSE concept operationalisation purposes. Further the CSE construct may be useful in predicting factors for those identified in this current study, and those that may yet remain to be identified.

As such it may become a powerful tool to inform theory, research and practice not just for SMEs however; also corporate organisations. If further research provides support for this exploratory study, then our personalities and their management in terms of how strategic management is thought about may become recognised as critical factors that affect the success of organisations. It is time to act, for twenty years has been lost ignoring the imperative to assist the world's most important economic sector – The SME little acorn - tomorrow's future great oak!

LIST OF REFERENCES

- . (2005). *1321.0 Small Business in Australia*. Retrieved 28th April 2005, 2005, from <http://0-www.abs.gov.au.library.ecu.edu.au/Ausstats/abs@.nsf/e8ae5488b598839cca25682000131612/97452f3932f44031ca256c5b00027f19!OpenDocument>.
- . (2005b). *Business Entities Registered on the Australian Business Register, June 2001*. Retrieved 10th June, 2005, from <http://0-www.abs.gov.au.library.ecu.edu.au/Ausstats/abs@.nsf/lookupresponses/8b4cf5a7252b98f6ca256b87007f1b89?opendocument>
- Barnwell, N., & Robbins, S. (2002). *Organisation Theory*. Frenchs Forest, N.S.W. Prentice Hall.
- Barrick, M., Higgins, C., Judge, T., & Thoresen, C. (1999). The Big Five Personality Traits, General Mental Ability, and Career Success across the Life Span [Electronic version]. *Personnel Psychology*, 52(3), 621.
- Beaver, G. (2002). Strategy and Management in the Smaller Enterprise [Electronic version]. *Strategic Change*, 11(4), 175.
- Berenson, M., & Levine, D. (1999). *Basic Business Statistics 7th Ed*. Upper Saddle River, New Jersey: Prentice Hall.
- Bono, J., & Judge, T. (2001). Relationship of Core Self-Evaluation Traits - Self-Esteem, Generalized Self-Efficacy, Locus of Control, and Emotional Stability with Job Satisfaction and Job Performance: A Meta-analysis [Electronic version]. *Journal of Applied Psychology*, 86(1), 80.
- Bono, J., Erez, A., Judge, T., & Thorensen, C. (2002). Are Measures of Self-Esteem, Neuroticism, Locus of Control, and Generalized Self-Efficacy Indicators of a Common Core Construct? [Electronic version]. *Journal of Personality and Social Psychology*, 83(3), 693.
- Bono, J., Erez, A., Judge, T., & Thorensen, C. (2003). The Core Self-Evaluations Scale: Development of a Measure [Electronic version]. *Personnel Psychology*, 56(-), 303-331.
- Bracker, J. (1980). The Historical Development of the Strategic Management Concept [Electronic version]. *The Academy of Management Review*, 5(2), 219-224.

- Brown A., & Huang, X. (1998). Innovation Management and Contemporary Small Enterprise Research. Paper to be published in The 43rd International Council of Small Business Annual Conference Proceeding, Singapore, June 8-10, 1998.
- Chen, M., & MacMillan, I. (1992). Non-response and Delayed Response to Competitive Moves: The Roles of Competitor Dependence and Action Irreversibility [Electronic version]. *Academy of Management Journal*. 35(3), 539
- Dann, S., & Viljoen, J. (2003). *Strategic Management 4th Ed.* Frenchs Forest, New South Wales: Prentice Hall.
- Deckro, R., Jones, K., & Jones, R. (1994). Strategic Decision Processes in Matrix Organizations. *European Journal of Operational Research*, 78(2), 192.
- Deephouse, D. (1999). To be different, or to be the Same? It's a Question (and theory) of Strategic Balance. [Electronic version]. *Strategic Management Journal*. 20 (27).
- Dess, G., & Lumpkin, G. (1996). Clarifying the Entrepreneurial Orientation Construct and Linking it to Performance [Electronic version]. *The Academy of Management Review*, 21(1), 135.
- Digman, J., & Inouye, J. (1986). Further Specification of the Five Robust Factors of Personality [Electronic version]. *Journal of Personality and Social Psychology*, 50(1), 116.
- Digman, J., & Takemoto-Chock, N. (1981). Factors in the Natural Language of Personality: Re-analysis and Comparison of Six Major Studies [Electronic version]. *Multivariate Behavioral Research*, 16(-), 149-170.
- Durham, C., Judge, T., & Locke, E. (1997). Dispositional Effects on Job and Life Satisfaction: The Role of Core Evaluations [Electronic version]. *Journal of Applied Psychology*, 83(1), 17.
- Finklestein, S., & Hambrick, D. (1990). Top Management Team Tenure and Organisational Outcomes: The Moderating Role of Managerial Discretion [Electronic version]. *Administrative Science Quarterly*, 35(-), 484-503.
- Forbes, D. (2005). Managerial Determinants of Decision Speed in New Ventures [Electronic version]. *Strategic Management Journal*, 26(4), 355.
- Fredricksen, J., & Mitchell, T. (1984a). Strategic Decision Processes: Comprehensiveness and Performance in an Industry with an Unstable Environment. *Academy of Management Journal*, 27(2), 399.

- Fredrickson, J. (1984b). The Comprehensiveness of Strategic Decision Processes: Extension, Observations, Future Directions. *Academy of Management Journal*, 27(000003), 445.
- Fredrickson, J. (1986). Research Notes and Communications; An Exploratory Approach to Measuring Perceptions of Strategic Decision Process Constructs. *Strategic Management Journal*, 7(5), 473.
- Gibb, A. (2000). SME Policy, Academic Research and the Growth of Ignorance, Mythical Concepts, Myths, Assumptions, Rituals and Confusions [Electronic version]. *International Small Business Journal*, 18(3), 13.
- Goldberg, H. (1990). An Alternative "Description of Personality": The Big-Five Factor Structure [Electronic version]. *Journal of Personality and Social Psychology*, 59(6), 1216.
- Hambrick, D., & Hiller, N. (2004). Conceptualizing Executive hubris: The Role of (Hyper) - Core Self - Evaluations in Strategic Decision Making [Electronic version]. *Strategic Management Journal*, 26(-), 297-319.
- Higgins, E. (2000). Making a Good Decision: Values from Fit [Electronic Version]. *American Psychological Association*, 55(11), 1217-1230.
- Hodgkinson, G (1992). Development and Validation of the Strategic Locus of Control Scale [Electronic version]. *Strategic Management Journal*, 13(4), 311.
- Jocumsen, G. (2004). How do Small Business Managers Make Strategic Marketing Decisions? [Electronic version]. *European Journal of Marketing*, 38(5/6), 659-674.
- Joyce, P., & Woods, A. (2003). Managing for Growth: Decision Making, Planning, and Making Changes [Electronic version]. *Journal of Small Business and Enterprise Development*, 10(2), 144.
- Judge, T., Pucik, V., Thorensen, C., & Wellbourne, T. (1999). Managerial Coping With Organizational Change: A Dispositional Perspective [Electronic version]. *Journal of Applied Psychology*, 84(1), 107.
- Kets de Vries, M., Miller, D., & Toulouse, J. (1982). Top Executive Locus of Control and its Relationship to Strategy-Making, Structure, and Environment [Electronic version]. *Academy of Management Journal*, 25(2), 237.

- Khan, A. M., & Manopichetwattana, V. (1989). Innovative and Non-innovative Small Firms: Types and Characteristics. *Management Science*, 35(5), 597.
- Lee, S. S. O. K., A. (2000). Building Balanced Scorecard with SWOT Analysis, and Implementing "Sun Tzu's The Art of Management Strategies" on QFD Methodology [Electronic version]. *Managerial Auditing Journal*, 15, 1/2.
- McLarty, R. (2005). The Essentials of Value Chain Implementation in Small and Medium Sized Enterprises [Electronic version]. *Strategic change*, 14(1), 45.
- Miller, D., & Toulouse, J. (1986). Chief Executive Personality and Corporate Strategy and Structure in Small Firms [Electronic version]. *Management Science*, 32(11), 1389.
- Mintzberg, H. (1978). Patterns in Strategy Formation [Electronic version]. *Management Science*, 24(9), 934.
- Ott, J., & Shafritz, J. (2001). *Classics of Organisation Theory 5th Edition*. Belmont, California: Wadsworth Group/Thomson Learning.
- Pemberton, J., & Stonehouse, G. (2002). Strategic Planning in SMEs - Some Empirical Findings [Electronic version]. *Management Decision*, 40(9), 9.
- Roll, R. (1986) The Hubris Hypothesis of Corporate Takeovers. [Electronic version]. *The Journal of Business*. 59(2), 197.
- Sathe, V. (1988). From Surface to Deep Corporate Entrepreneurship [Electronic version]. *Human Resource Management*, 27(4), 389.
- Sauner-Leroy, J. (2004). Managers and Productive Investment Decisions: The Impact of Uncertainty and Risk Aversion [Electronic version]. *Journal of Small Business Management*, 42(1), 1.

APPENDICES

Appendix A: Quantitative Data Collection Tools

Appendix B: Qualitative Data Collection Tools

Appendix A: Quantitative Data Collection Tool:

**A1: The Extended Bono Erez, and Thoresen (2003)
Questionnaire**

CORE SELF EVALUATION STUDY

QUESTIONNAIRE

Thank you for agreeing to participate in this study. Completion of this questionnaire should take you between 10 and 15 minutes.

Instructions:

Below are several statements about you with which you may agree or disagree. Using the response scale below, indicate your agreement or disagreement with each item by placing the appropriate number on the line preceding that item.

1	2	3	4	5	6	7
Very strongly disagree	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Very strongly agree

- 1. — I am confident I get the success I deserve in life.
- 2. — Sometimes, I feel depressed.
- 3 — When I try, I generally succeed.
- 4. — Sometimes, when I fail I feel worthless.
- 5. — I complete tasks successfully.
- 6. — Sometimes, I do not feel in control of my work.
- 7. — Overall, I am satisfied with myself
- 8. — I am filled with doubts about my competence.
- 9. — I determine what will happen in my life.
- 10. — I do not feel in control of my success in my career.
- 11. — I am capable of coping with most of my problems.
- 12. — There are times when things look pretty bleak and hopeless to me.

Appendix B: Qualitative Data Collection Tool:

B1: The Hambrick and Hiller (2005) Propositions In-Depth Interview Questions

The Strategic Management Decision Process:

1. How comprehensive is your organisation's strategic decision process?
2. How long does it take you to complete strategic management decision process on average, over a period of a year?
3. How centralised is your organisation's strategic management decision making?

The Strategic Management Decision Quality

1. What would be the number and quantum of large stakes initiatives undertaken by the organisation in the last five years?
2. Does your organisation's strategy deviate from the industry in general at all?
3. How persistent is the organisation in pursuing your strategies you have launched over the last five years?

The performance outcome

7. Can you describe the greatest wins, and the greatest losses the organisation has experienced over the last five years for each of those five years?