

Leaders and managers

Business



Refocusing has become one of the major strategies pursued by large organizations in the 1990s.

Prior research in the area of upper echelons (top management team) leadership has revealed that there is a strong relationship between top management team characteristics and organizational strategies and outcomes. However, researchers have confined their studies to exploring the impact of observable upper echelon characteristics, namely the demographic traits on corporate strategies and performance. In this paper I will try to integrate main sets of upper echelon leadership characteristics. During the past decade there has been considerable research investigating the relationship between upper echelons (top management team) leadership characteristics and organizational strategies and outcomes. The leadership of upper echelons is critical to success in companies.

To a very large extent, such behavior on the part of top managers can be explained using the principle of bounded rationality (Reger, Mullane, Gustafson and Demarie, 1994). According to this principle, managers are not completely rational in the decisions they take. Managers are often constrained by the limited information they receive from the external and internal environments and therefore, take decisions which can be described as rational only within certain bounds. Therefore, it is important to develop a theoretical framework in the area of upper echelons leadership for understanding how the psychological characteristics of top managers influence the relationship between their demographic characteristics and organizational strategies and outcomes. The business environment during the past two decades has been extremely dynamic.

While corporate diversification seemed to be the norm in most industries till the 1990s, it is important to note that corporate refocusing (i. e., reducing the level of diversification within a firm in order to focus on the core business), has been more popular since the late 1990s (Markides, 1992; Donaldson, 1994). Refocusing represents an important aspect of corporate strategic change and requires dynamic leadership on the part of the top managers (Amburgey, Kelly & Barnett, 1990; Hoskisson and Hitt, 1994). The top management of a firm represents the dominant coalition of the firm and has considerable influence on whether and how the firm should refocus to maintain a competitive position in the industry (Hambrick & Mason, 1984).

The success of the refocusing strategy depends on how the top managers are able to lead the initiation and the implementation of this strategy. The demographic characteristics of upper echelons have a considerable impact on the organization's propensity to refocus and that this relationship is moderated by the psychological characteristics of its managers. The impact of demographic characteristics: Hambrick and Mason (1984) state “organizational outcomes – both strategies and effectiveness are viewed as reflections of the values and cognitive bases of powerful actors in the organization.” p. 193.

Drawing on Hambrick (1984) model of strategic decision making, Hambrick and Mason (1984) theorize that a manager's background characteristics can partially predict strategic choices and performance in organizations. They propose that observable managerial demographic traits such as age, tenure, education and functional backgrounds are important aspects of managerial

leadership and that they can influence organizational strategies and performance. ...