

AN EXPLORATORY STUDY ON THE EXECUTIVE RECRUITMENT AND PERFORMANCE IN GREECE

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Abstract

Based on 42 succession events in Greek organizations, the study aims to examine the relationship between antecedent organisational characteristics such as size and performance of the firm and the source of successor (insider versus outsider). In addition, Chief Executive Officer's (CEO's) demographic characteristics such as age, functional and educational background as well as industry, organization and position/job tenure- are discussed in relation to organisational effectiveness.

Keywords: Executive Recruitment, Chief Executive Officers, Greece

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Introduction

Over the last two decades a substantial body of knowledge has been developed regarding Chief Executive Officers' (CEOs) succession. Recent pressures on the position of CEO due to turnover, retirement and replacements as well as the emphasis on the effectiveness of boardroom have placed executive recruitment as a front-burner topic in the corporate governance and board of directors' research domain. Within this field, executive recruitment has been an issue with significant positive or negative implications for organisational performance and organisational survival (Datta and Guthrie, 1994). The relationships between the CEOs demographic characteristics, the organisation's characteristics and organisational effectiveness have been a subject of increased research attention in the areas of organization theory (e.g., Dalton and Kesner, 1983, 1985), strategic management (e.g., Boeker and Goodstein, 1993; Cannella and Lubatkin, 1993; Datta and Guthrie, 1994; Beatty and Zajac, 1987; Reinganum, 1985) and financial economic literature (e.g., Johnson, Magee, Nagarajan and Newman, 1985; Fama, 1980).

Nowadays, organisations are operating in an increasingly competitive environment, which is characterised by pressures stemming primarily from international competition, corporate mergers and acquisitions, industry restructuring and global skill shortage (Jackson and Schuler, 2003). The selection

of CEO successor represents a critical organization decision (Datta and Rajagopalan, 1998), because organizations are often seen as a reflection of their top managers and the decisions they make (Chaganti and Sambharya, 1987; Hambrick and Mason, 1984). These developments have made executive succession even more crucial for the organisation's success and survival (Carrell, Elbert & Hatfield, 2000; Storey and Sisson, 1993).

Given the great importance accredited by numerous researchers to this issue, the study focuses exclusively on the description and analysis of the interrelationships lying beneath organizational characteristics (size, performance) and CEOs' demographic characteristics (age, educational and functional background as well as industry, organizational and position/job tenure). In order to structure our study, we have developed a model - shown in Figure 1-, which seeks to examine all these elements and their interrelationships..

Figure 1

Furthermore, one of the key objectives of this study is to examine these concepts and their interrelationships, on the basis of empirical findings in a relatively new, for the relevant literature, context; that is Greece. Finally, our objective, through the empirical findings, will be to examine a number of propositions, which have been set in order to investigate the existence of trends and

tendencies, identified in executive recruitment, in Greek organizations.

The paper is organized as follows. Initially, the major concepts of the study's theoretical framework are reviewed. Then, issues regarding sampling and the measurements of the constructs are addressed and propositions are developed. Presentation and discussion of the empirical findings are provided and finally, concluding comments and suggestions for further research stemming from the analysis are offered.

Literature Review

Top management team is a small cadre of managers, which usually includes the chief executive officer and/or the chief operating officer, the chairman, the president or the vice president, senior vice presidents of an autonomous organisation or of a nearly autonomous division of a larger organisation such as the general manager (Waller, Huber and Glick, 1995; Auh and Meguc, 2005). Admittedly, from their perch at the top of the organisation, CEOs are able to direct their companies in the active pursuit of opportunities and they can control the company's strategy and structure (Sessa and Taylor, 2000). Specifically, CEOs make crucial strategic choices that can influence the firm performance and as a consequence the success and survival of the entire organisation. The CEO as he/she joins the top management team is accountable to none other than the Board and the owners of the resources used by the organisation.

CEO Demographic Characteristics

Executives' demographic characteristics, strategic choices, and firm performance have been unified on the upper echelons theory advanced by Hambrick and Mason (1984). Relevant research has covered issues regarding the way that executives' demographic characteristics such as age, educational background, functional background, industry, organizational and position/job tenure affect organizational performance and effectiveness. Age is considered as an indicator of experience and a signal of a person's propensity for risk-taking and change (Hermann and Datta, 2005). An individual's age is expected to influence perceptions and choices of individual (Wiersema and Bantel, 1992); as age increases, flexibility and resistance to change decrease. Younger managers may pursue risky strategies (Hambrick and Mason, 1984). Age, also, is associated with corporate growth and innovation strategies (Child, 1974; Hart and Mellons, 1970), total work experience, organisational tenure and industry tenure (Tyler and Steensma, 1998). Studies conducted by Child (1974) and Norburn and Birley (1988) indicate that younger managers achieve superior performance. In addition, they are

expected to be better educated and to have more current technical knowledge (Bantel and Jackson, 1989).

In contrast, older managers consider financial and career security very important, thus they might avoid risky action that could change the strategic direction of the firm (Vroom and Pahl, 1971). Older executives tend to have less confidence in their decisions and, therefore, they may lack the conviction necessary to provide leadership for strategic change (Taylor, 1975). In a study of 500 top executives conducted by MacCrimmon and Wehrung (1990), was found that the most mature executives proved to be risk averse and resistant to change. In addition, Guthrie, Grimm and Smith (1991) claim that the companies that have changed their strategies, they have young top executives. Based on the above arguments the following proposition is suggested:

Proposition 1: The younger the executive the higher the company's performance will be.

Educational Background is viewed as an indicator of executives' knowledge and skill base (Hambrick & Mason, 1984). Researchers have equated a high level of education with greater capacity for information processing and receptivity to innovation (e.g., Guthrie, Grimm and Smith 1991; Wiersema and Bantel, 1992). More specifically, highly educated managers are more likely to promote innovation and risk taking decisions (Hitt and Tyler, 1991; Finkelstein and Hambrick, 1996; Kimberly and Evanisko, 1981). Executives with high educational background are expected to develop problem-solving skills when complex problems are arisen (Hitt and Tyler, 1991; Goll, Sambharya and Tucci, 2001). In addition, the level of education has been associated with firm performance (Noburn and Birley, 1983) and change in corporate strategy (Bantel and Jackson, 1989; Wiersema and Bantel, 1992).

Not only the level of education but also the type of education is equally important. Executives with formal education training in sciences and engineering are likely to understand the technological base of the company and to be more favorable to cooperative opportunities. Heilmeier (1993) suggested that technically trained executives are aware of relevant technologies and are able to predict, comprehend and anticipate long-term change. In contrast, executives with only a formal management education are more likely to pursue short-term performance goals at the expense of innovation and long-term asset building compared to executives with other educational background (Hambrick and Mason, 1984). They claim that business schools are not effective at developing risk-taking attitudes compared to technical schools and are considered as risk-averse oriented. In

summary, executives with technical education are likely to focus more on opportunities than on threats (Tyler & Steensma, 1998). Based on the above inconclusive arguments, the following proposition is put forward:

Proposition 2: There will be an association between CEOs educational background and company's performance

Functional Background represents an important aspect of an individual's experience base and as a result a key indicator of the type of skills and cognitive that the executive brings to his/her job (Rajagopalan and Datta, 1996). Functional background is a lens through which business situations are viewed (Guthrie and Datta, 1997). Functional backgrounds indicate the way in which problems are defined (Dearborn and Simon, 1958), how information is processed (Walsh, 1988) and how strategic choices are made (Hitt and Ireland, 1985).

Hambrick and Mason (1984) have distinguished functional background into two broad categories the "output" functions and the "throughput" functions. The "output" functions include functional areas relating to marketing, sales, merchandising as well as product research and development (R&D) and entrepreneurship, which emphasize on growth and search for new opportunities. On the other hand, "throughput functions" include areas of productions/operations, engineering finance and accounting, which aim to the increase of efficiency in the transformation process. This classification provides a linkage between functional background and organizational decision-making.

The organisation's strategy partly determines the types of functional background that are essential for the firm's success (Hitt, Ireland and Palia, 1982). Moreover, the company's emphasis on technology will likely influence the functional expertise related to the firm's success (Datta and Guthrie, 1994). For instance, executives with backgrounds in R&D are associated with progress, invention and improvement (Wiersema and Bantel, 1992) as well as with differentiation and low-cost strategy (Govindarajan, 1989). On the other hand, throughput backgrounds are important in industries, which are characterized by high capital intensity or concentration and lower growth (Rajagopalan and Datta, 1996). The above arguments are reflected in the following research proposition:

Proposition 3: There will be an association between CEOs functional background and company's performance

Industry Tenure refers to the number of years that the executive has worked for the particular

industry/sector, through which CEOs gain familiarity and expertise in this industry (Hambrick, Geletkanycz and Fredrickson, 1993; Geletkanycz and Black, 2001). Noburn and Birley (1988) indicate that the number of companies an executive has worked for is positively related to growth and financial performance of the company.

Proposition 4: There will be a positive association between CEOs industry tenure and company's performance

Organizational Tenure is defined as the number of years an individual has worked for the organization (Iaquinto and Fredrickson, 1997). Miller (1991) pointed out that those organizations with long-tenured CEOs were less likely to have strategies and structures in order to respond to environmental requirements. Long tenured executives have been associated with increased understanding of the organizational policies and procedures (Kanter, 1977); greater commitment to status quo (Bantel and Jackson, 1989; Hambrick, Geletkanycz and Fredrickson, 1993; Michel and Hambrick, 1992) and to organizational values (Stevens, Beyer and Trice, 1978). Consequently, long tenured CEOs are hesitant to change the strategic direction of the firm (Wiersema and Bantel, 1992) and to adopt innovative strategies (Finkelstein and Hambrick, 1990). However, Noburn and Birley (1988) found positive association between executive's tenure and company performance (growth and profitability) in stable industries but negative association in turbulent industries.

The length of organizational tenure has impact on the firm's sales growth. Helmich (1977) suggested that hiring CEOs with limited or no tenure at all would be considered as an adaptive response to organizational growth. It has been argued that executives less encumbered by traditional or standard operating procedures might implement more effectively growth strategies (Schuler and Jackson, 1987). Thus, we put forward the following proposition:

Proposition 5: Organizational Tenure is associated with company's performance

Position Tenure demonstrates the length of time a person has served the company from the current position (Hambrick and Fukutomi, 1991). Executives with long position tenure are familiar with decision process, task knowledge, expertise and experience along with increased power within organization (Hermann and Datta, 2002). Furthermore, increased position tenure is associated with adoption of risky strategies (Finkelstein and Hambrick, 1996) and greater autonomy (Miller, 1991). The average tenure in a company of a top management team's members has been associated

with cohesion (Korac-Kakabadse, Kakabadse and Myers, 1998), socialization, shared experiences and a common vocabulary (Katz, 1982). Thus, the following proposition was developed:

Proposition 6: Position Tenure is positively associated with company's performance.

Internal versus External Recruitment

There has been a recent renewal of interest in the characteristics of CEO with respect to their influence on firm's future actions (Puffer and Weintrop, 1991). The choice of a chief executive officer is a crucial organisational decision with important implications for firm effectiveness (Datta & Guthrie, 1994) and firm's performance (Beatty & Zajac, 1987). Organizations are seeking to improve organisational performance in three major ways (Zajac, 1990). Firstly, the organisation can hire the type of CEO believed to be the most appropriate to maximize the performance of the firm internally or externally. Secondly, the company can compensate the selected CEO in ways ensuring that the CEO will act in such a way that will maximize the profitability of the company. Third, the organisation can choose a successor when the incumbent CEO leaves his/her position.

Researchers have classified executives into two categories: insiders and outsiders (Boeker and Goodstein, 1993). Insiders are current or former employees of the company, while outsiders are employees outside the company and who are independent from the CEO or other top executives (Kesner, 1988). There are numerous advantages and disadvantages regarding internal and external executive succession.

Internal Recruitment refers to the process of looking inside the organisation for existing qualified employees who might be promoted to higher –level positions. A major advantage of internal recruitment is that it enhances motivation and employee morale. Many employees want to move up to organisational hierarchy; therefore they consider internal promotion as a viable reward. From the organisation point of view, internal recruitment ensures a committed and motivated workforce (DeNisi & Griffin, 2001). The employees that are promoted from within organisation acknowledge the culture, the policies, the procedures, the strategies of the organisation and how the organisation does business. In general, internal succession has been associated with positive results such as reduced costs related to socialization, turnover, compensation and false positive selection errors (Zajac, 1990) and ability to attract and retain employees (Datta & Guthrie, 1994). Furthermore, it contributes to firm-specific knowledge, due to familiarity with products, markets, technologies and operating procedures (Gupta, 1984). Therefore,

internal candidates tend to be valued over external candidates (Datta & Guthrie, 1994).

On the contrary, a disadvantage of internal recruitment is that it may foster stagnation and stifle creativity and new ideas (De Nisi & Griffin, 2001). Furthermore, executives who have been working for the same organisation, can be assumed to have limited perspectives (Hambrick and Mason, 1984). Finally, employees through internal recruitment can be promoted beyond their competencies (Jackson and Schuler, 2003).

In contrast, external succession is the process of seeking applicants outside the organisation (De Nisi & Griffin, 2001). A major advantage of external recruitment is the process of seeking applicants is more extensive and that the new employees usually bring new ideas, knowledge, skills and new ways of doing things (Kesner, 1988). Outsiders are valued because of their breadth of experience and knowledge, of their contact with different companies and industries and their interaction with other management teams (Mace, 1971; Vance, 1983; Waldo, 1985). Hence, companies, which want to empower their creativity and potential ability to innovate, they tend to recruit externally. Top managers brought in from outside the organisation are considered to have broader perspectives and willingness for change. On the other hand, external recruitment has its own disadvantages. New employees need time for adjustment and orientation to the new environment (De Nisi & Griffin, 2001). Sometimes, the personality of newly hired employees does not match with the organisation's culture. External recruitment also and is generally considered a bit more expensive than internal recruitment due to high advertisement cost (Jackson and Schuler, 2003).

In practice, many companies actually prefer to rely on both internal and external recruitment strategies. This facilitates them to compare the advantages and disadvantages of each particular recruiting effort to its own unique context (De Nisi & Griffin, 2001).

Firm's Performance

Successful organizations that wish to maintain their current strategy prefer candidates from within the organisation (Dalton & Kesner, 1985). Internal succession is usually linked to continuance of current policies and the absence of managerial problems (Brown, 1982; Helmich, 1977; Vancil, 1987). The greater incidence of insider may also reflect the fact that insiders are valuable firm specific human capital, which is difficult and costly to replace (Furtado & Karan, 1994). The internal candidate has been part of the development and implementation of the current strategy. Therefore, the internal executive prefers to maintain the current strategy, corporate culture and control system. In

this way, the organisation with internal succession provides stability and promotes loyalty (Lauterbach & Weisberg, 1994). In addition, when the performance of the company is good, directors tend to promote internally, because an insider is likely to be less fragmented to ongoing organisational process (Helmich & Brown, 1972). Some researchers have found that executive succession is related to the growth of the firm (i.e. Helmich, 1977). They argue that growth may outstrip an organisation's ability to develop internal talent by attracting executives by competitors (Pfeffer, 1983). The above findings have clearly indicated that there is a relationship between firm's growth and inside/outside succession. However, it is unclear to what extent organisations pursue growth strategies tend to rely on outsiders rather than insiders.

By contrast, outside successions are associated with organizational change or with greater ability to adapt to environmental challenges (Cannella and Lubatkin, 1993). Executive succession is often a response to sagging profitability and usually poorly performing firms tend to replace inside chief executives with outsiders (Dalton and Kesner, 1985). Outsiders are perceived to be more capable of changing the mission, policy; objectives and strategy of the organization or can embark on major organizational transitions than insiders (Virany, Tushman and Romanelli, 1992; Walsh & Seward, 1990). There are two explanations for this belief. First, outside successors are less committed to company's ongoing strategies than insiders and, therefore, they can objectively evaluate the firm's strategies and initiate appropriate change (Boeker & Goodstein, 1991). Second, outsiders are likely to recognize the implicit agreement and understandings that exist among organizational members and external stakeholders (Romanelli & Tushman, 1988). Therefore, organizations are likely to select outsiders when performance is good, because they implement more effectively growth strategies (Schuler and Jackson, 1987) and they perceive a need for discontinuous change in strategy (Walsh and Seward, 1990). In addition, directors might select candidates from outside the organisation when performance is poor because outside successor may be more successful at bringing about organisational change (Walsh & Seward, 1990). A survey by Hay Group concluded "growth-oriented companies having more outsiders in leadership positions outperformed growth-oriented companies relying more exclusively on insiders" (Schuler and Jackson, 1987). All the above justifications have made executive succession an adaptive device that guarantees organisational change and survival (Wierseman & Bantel, 1993). Finally, Dalton and Kesner (1985) found that there is no linear relation between poor or excellent past performance and internal recruitment and, also,

between medium past performance and external recruitment.

In short, internal recruitment is associated with positive results such as cost reduction in terms of employee turnover and compensation (Zajac, 1990) knowledge and familiarity concerning the products, the market and the operating procedures (Gupta, 1984). On the other hand, outside successors are likely to have broader perspectives and willingness for organisational change. Firms with poor performance and desire for strategic change are more likely to select outsiders in order to achieve desired performance levels (Schwartz and Menon, 1985). Thus, we propose the following:

Proposition 7: There will be a relationship between the source of successor (insider/outside) and performance.

Size

Firm's size is considered a key variable in the CEO selection literature. Helmich and Brown (1972) reported that large firms use more external recruiting compared to small firms. Dalton and Kesner (1983) and Pfeffer and Moore (1980) reported that large companies employ skilful and talented pool of employees from which they can select a viable CEO. According to Dalton and Kesner's (1983) study there is a greater possibility of insider succession decisions in larger firms. Friedman and Singh (1989) claimed that there is a weak support for the association between firm size and internal succession.

Small firms that they do not have suitable internal candidates are forced to recruit externally (Bommer & Ellstrand, 1996). Moreover, in smaller firms there are fewer opportunities for promotion, so competent executives move to other firms (Lauterbach & Weisberg, 1994). Small firms may be at the stage of evolutionary progression when directors are seeking for "professional management" to guide the firm through its continued development (Bommer and Ellstrand, 1996). Finally, a study by Schwartz and Menon (1985) showed that there is no association between size and successor choice in firms performing at acceptable levels. Since, there is not clear empirical evidence, we formulate the following proposition:

Proposition 8: Firm size is unrelated with the source of the successor

Research Methodology

Context

Greece is a full member of the European Union since 1981 and it has a stable democratic political system and a free market economy. In Greece,

traditional and modern sectors of activity exist in harmony and medium-sized firms family-owned businesses constitute the majority of the business sector. The interest on executive recruitment practices in Greek organisations has been stimulated by the fact that Greece is one of the least developed countries of the European Union and its organizations may lack formalised systematic approaches regarding executive succession practices.

Sampling

The sample of our survey consists of 42 Greek organisations. We dispatched questionnaires to 170 Greek CEOs drawn randomly from the Athens Stock Exchange (ASE), where 340 Greek firms are quoted. The usable responses were 42; thus 25% response rate.

Measures

The independent variables that have been analysed are: age, educational and functional background, tenure (industry, organisational and position/job) and internal and external executive recruitment. Performance was the dependent variable of our model and organisational size was used as control variable.

Independent. Age was measured as the chronological age of the executive (Thomas, Litschert and Ramaswamy, 1991). We grouped responses in nine categories, each covering a period of five years, starting from a class of 25 to 29 and ending with a class of 65 and above.

Educational Background. The educational background of the CEO consists of the highest educational degree awarded and his/her educational discipline followed. Various scholars (e.g. Rajagopalan and Datta, 1993) measured CEO educational level on a seven-point scale based on the highest degree earned by the CEO (i.e. beginning from 1=high school ending to 7=doctoral degree). In our study, CEOs educational level was assessed using a 4-point scale: 1=high school, 2=bachelor's degree, 3=master's degree and 4=doctoral degree. In addition, respondents were asked to indicate the discipline of highest educational background from eight modified disciplines used by Hambrick, Seung Cho and Chen (1996): engineering, sciences, business administration, business, social sciences-economics-sociology, marketing, civil engineering and other) and their level of attainment: (High-TEI, Higher-AEI, Master's-PhD).

Functional Background. After careful review of the measurements used by researchers, we adapted and modified Hambrick and Mason's (1984) sixteen categories and we ended up with a reduced number of seven categories: finance

treasurer, general management, information systems, marketing/sales/customer services, accounting/controller, manufacturing and sales and engineering. Following Hambrick and Mason (1984), we classified functional backgrounds of newly selected CEOs into two categories: throughput functions (coded as "0") for marketing, sales, merchandising as well as product research and development (R&D) and non-throughput functions (coded as "1") such as: productions/operations, engineering, finance and accounting.

Industry Tenure was measured as the number of years the CEO has served the current industry. In order to test our hypotheses a new variable – limited (0 to 16 years) versus extensive industry tenure (17 to 42 years) - has been created.

Organisational Tenure. CEO organisational tenure was defined as the number of years the CEO has worked for this organisation (Jaquito and Fredrickson, 1997; Finkelstein and Hambrick, 1990; Thomas, Litschert and Ramaswamy, 1991, Hambrick, Seung Cho and Chen, 1996). In our research, we used open-ended questions to ask the CEO to indicate the number of years had spent in their current firm. In order to test our hypotheses a new variable – limited (1 to 10 years) versus extensive organizational tenure (11 to 34 years) - has been created.

Position Tenure. In our study, we adopted the measurements used by Smith *et al* (1994) and we asked the CEO to specify the number of years that have been serving the company from the current position. To test our hypothesis a new variable –limited (1 to 6 years) versus extensive position tenure (6 to 27 years) - has been created.

Finally, **internal and external recruitment** is a binary variable coded as "0" for internal succession and "1" for external succession.

Performance. There are many approaches of measuring organisational performance but the most dominant is the economic performance. Economic performance can be measured either by objective or by subjective measurements. For the purposes of our study, we obtained the measures used by Tan and Litschert (1994). These measures helped us to measure subjectively the organisational performance in relation with the close competitors. Our dependent variable - **organisational performance** was captured by five ratios: after-tax return on total assets, after-tax return on total sales, total sales growth, overall performance and success and company's competitive position. The response format was a 5-point scale (Tan and Litschert, 1994) ranging from "1" lowest to "5" top.

Organisational Size can be measured either by firm growth with respect to sales (Bucher, 1987) or number of employees (Guthrie and Olian, 1991; Guthrie and Datta, 1997). In our study, firm's size was measured by the total number of employees employed by the organization.

Research Findings

The study aims at providing both an account of the executive recruitment practices in Greece and tests a number of propositions. Thus, first descriptive results will be presented followed by proposition testing through correlation analysis.

Descriptive Statistics

Age. As it can be seen in Diagram 1, the average age of the respondent CEO was 6 years and the majority (24%) was between 45 to 49 years old, while 17% were 60 and over. Finding from Bourantas and Mandes, (1987) indicated that the average age of 182 senior Greek managers of 120 businesses was 45, of 101 respondents was 49 (Tyler and Steensma, 1998), of 122 executives was 47 (Hitt and Tyler, 1991), of 216 CEOs was 58 (Young, Buchholtz, 2002), of 1220 executives was 45.42 (Bantel and Jackson, 1989).

Diagram 1

Educational Background and Educational Specialty. As Diagram 2 depicts all CEOs had received higher education; more specifically, 22 % of CEOs have bachelor degree, 56.1% of CEOs have obtained postgraduate degree, 19.5 % of CEOs has PhD and only 2.4% of CEOs are high-school graduate. In addition, Diagram 3 shows that there is a great preference for business administration at postgraduate level (83.3%), whereas other business fields (accounting, finance, HRM, etc), engineering and social sciences-economics-sociology follows with 90.9%, 55.6% and 66.7% respectively at postgraduate level. In a similar study, Koufopoulos (2002) found that the educational background of CEOs was as follows: 57% held postgraduate degree, 36% university degree, whereas 7% were only educated at secondary level. Bantel and Jackson (1989) findings from a survey of top management teams in banking sector found that the educational level of executives varied considerably: high school (17.8%), college (17.8%), college degree (31.4%), post-graduate work (10.3%), master's degree (20.2%) and doctoral degree (2.4%). Regarding their educational specialty, most of managers have a business curriculum (78.7%), general business (41.8%), accounting (12.1%) and finance (14.9%).

Diagram 2, Diagram 3

Functional Background. The empirical findings of our study demonstrate that the majority of CEOs have functional background on General Management (46%), on Marketing/Sales/ Customer Service (26%) and Finance /Treasury (8%) as Diagram 4 shows. In a similar study, Hermann and

Datta, (2002), based on the manufacturing sector have found that most CEOs had throughput background (72%) and only (28%) had "non-throughput" background.

Diagram 4

Industry, Company and Position Tenure. According to our findings, on average, CEO works in the current industry for 16 years, in the current company approximately 10 years and in the current position 6 years, as it is shown by Diagrams 5, 6, 7. Other studies can provide a yardstick for the above findings. Bantel and Jackson, (1989) indicate that the average industry tenure was 17.79 years. Regarding organizational tenure, the average was 14.6 years (Datta and Rajagopalan, 1998), and 14.79 (Bantel and Jackson, 1989). In a similar vein, 32% of CEOs have spent more than 15 years in the current company (Koufopoulos, 2002). Finally, Young and Buchholtz (2002) found that the average position/job tenure CEOs was seven years.

Diagram 5, Diagram 6, Diagram 7

Internal versus External Executive Recruitment. Diagram 8 indicates that the Greek companies tend to recruit internally (78.4%) and only one in five externally (21.6 %). Due to the high levels of family/in-group orientation, Greek firms prefer to hire people that already know and trust (Myloni, Harzing and Mirza, 2004). Furthermore, they may tend to recruit internally either because they want to promote employees who are aligned with the culture of the company or because of the legal restrictions, which impose them to recruit internally. For instance, Unilever Hellas recruits all the CEOs from with Unilever Hellas or Unilever in general. A well-reputed Greek firm, Hellenic Petroleum is bound by the law No. 2190/94 regarding recruitment. It operates under the rules of A.S.E.P (High Council of Personnel Selection). Thus, for recruiting up to the level of section heads, it can hire only according to A.S.E.P rules. For managerial positions above section heads, it follows internal promotions. The positions of CEO and Company President are positions appointed by the governing political party.

Diagram 8

Firm Performance. The corporate performance of Greek organisations has been captured by subjective measurements. Respondents were asked to indicate the relative performance (compared to competitors) of their firms across five indicators: After-tax return on total sales, after-tax return on total assets, total sales growth, overall performance success and competitive position. The

results indicate that the CEOs have rated their firms among the top 30% of companies in terms of their financial performance. In particular, CEOs have given highest scores in the following indicators: after-tax return on total sales, firm's total sales growth and overall performance and success.

Diagram 9

Company's Size: as it can be seen from Diagram 10 the minimum number of staff employed by the organization is 15, the maximum is 16500 and the average is 2029 employees.

Diagram 10

Proposition Testing

Table 1 reports the correlations between the dependent and independent variables. *The first Proposition aimed* at examining the relationship between the age of the CEO and company's performance. There was found that there is a significantly negative correlation between the age and the after-tax return on total assets.

The second proposition was designed in order to examine whether the educational background of the CEO influence the performance of the company. Statistical analysis of this hypothesis failed to produce any significant evidence of association between these variables.

Proposition 3 was suggesting an association between the CEOs functional background with the organisational performance. A non-significant positive association between the two variables was detected.

Proposition 4 attempted to test whether the industry tenure affects company's performance. Findings suggest an insignificant negative association between the two variables.

Table 1

Proposition 5 suggested an association between CEOs' organisational tenure and firm's performance. The proposition failed to provide any significant associations between the organisational tenure and the performance of the firm.

Proposition 6 aimed to examine whether the position tenure of the executive influences the firm's performance. There was found three negative correlations between the position tenure of the executive and after-tax return on total assets, after-tax return on total sales and firm's competitive position (by using Spearman's).

The proposition 7 aimed at examining the source of successor and the five measurements of organizational performance. The results suggested that there is a not significant relationship between

the source of successor and the performance of the company.

The last proposition- that attempted to explore the relationship between the company size and the source of successor- was not confirmed. The data support a positive -but insignificant-relationship between size and external successors for the CEO position. It seems that large organizations in Greece prefer to bring in outside executives who are associated with strategic change and innovations.

Discussion, Limitations and Future Research

This study was motivated by the fact that executive succession in Greece is a salient topic in the empirical literature on CEO succession. Moreover, it was based on the assumption that executive recruitment is an important organization issue, since the CEOs can influence the company's performance and success. Therefore, the study set out to examine how the firm's characteristics such as size, as well as CEO's demographics and the source of CEO's successor influence performance.

One of the problems we faced, examining the hypotheses, was related to the statistical significance of the findings. Overall, our findings provide interesting insights into the relationships between CEO's demographic characteristics, organisational characteristics and performance. Although our findings were confirming some of our hypotheses and relevant theory, some of the associations were not significant. This can be explained by the low size of our data set.

It is important to note that inconsistencies regarding the performance of the company may be closely related to differences between the theoretical background and the empirical findings and the fact that executives may overestimate the performance of their company.

Several limitations in our research can be identified. First of all, our sample consists of large firms from various industries, a fact that implies that we may not be able to make generalizations at an industry level. Second, executive recruitment is considered as a highly confidential issue and some companies denied completing the questionnaire, because they did not want to reveal confidential data. Eventually, we must acknowledge the fact the sample and response rate may have been negatively affected by the size of the questionnaire, which has been lengthy. Despite the fact that some of this study's results were controversial to the findings of previous research by scholars who have inspired this whole stream of studies on the area of executive recruitment and the factors that affect it, we found common elements with a lot of researchers.

Future research could occur by examining the relationship explored in this study with different

samples in terms of specific sector (e.g., manufacturing or services) or with different organizational size (small-medium firms). Examining and comparing findings in other Balkan and European countries and United States can move the research in the executive recruitment further. Different findings in the area of executive recruitment will increase the insight of researchers in additional factors that influence the executive recruitment in the years to come. What is beyond doubt is that executive recruitment continues to be a topic of interest for academic and practicing managers as well as consulting and search firms.

Till now, various aspects on executive recruitment have been dealt with. Nevertheless, controversial findings provide clear opportunities for further research on this field. Researchers may find it useful to focus on other factors that affect executive recruitment such as compensation of the executives, environment and organisational structure (Zajac, 1990; Waller, Huber and Glick, 1995)

In this study, we attempted to capture as many perspectives as we could in specific limits. We hope that this study with its “provoking” findings will help other researchers with necessary stimulus to explore concepts like executive recruitment.

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Appendices

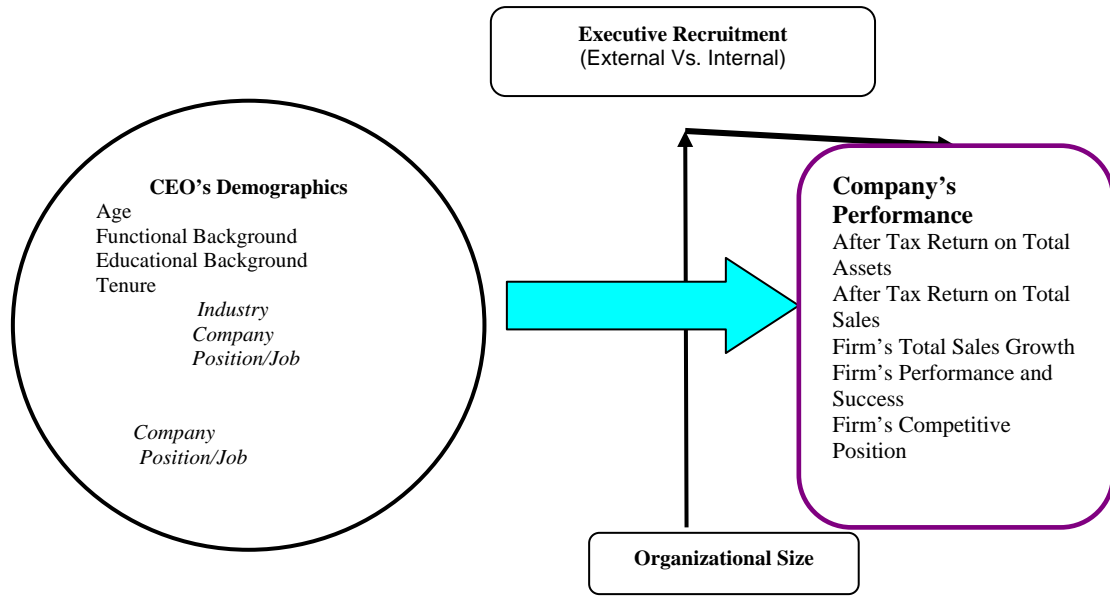


Figure 1. The Research Model

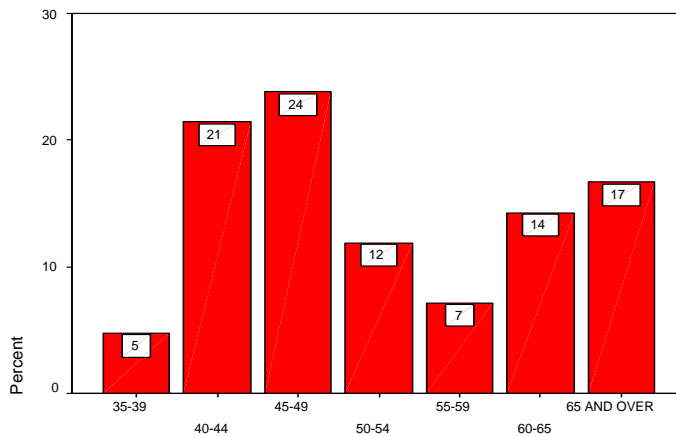


Diagram 1. Executive's Age

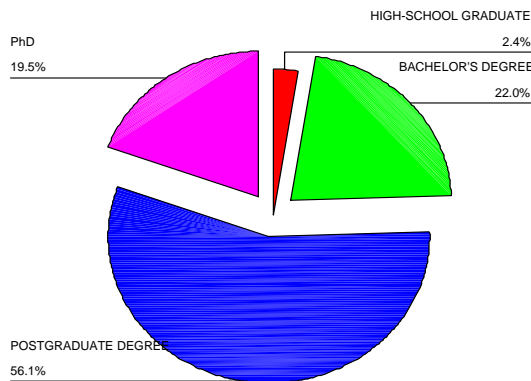


Diagram 2. Educational Background

	High (TEI)	Higher (AEI)	Postgraduate (Master's, PhD)
Engineering	N.A	4 (44.4%)	5 (55.6%)
Sciences (Physics, Chemistry)	N.A	1 (33.3%)	2 (66.7%)
Business Administration	1 (8.3%)	1 (8.3%)	10 (83.3%)
Business (Accounting, Finance, HRM)	N.A	1 (9.1%)	10 (90.9%)
Social Sciences- Economics-Sociology	N.A	1 (33.3%)	2 (66.7%)
Marketing	N.A	N.A	1 (100%)
Civil Engineering	N.A	1 (100%)	N.A
Other	N.A	1 (100%)	N.A

Diagram 3. Highest Educational Background

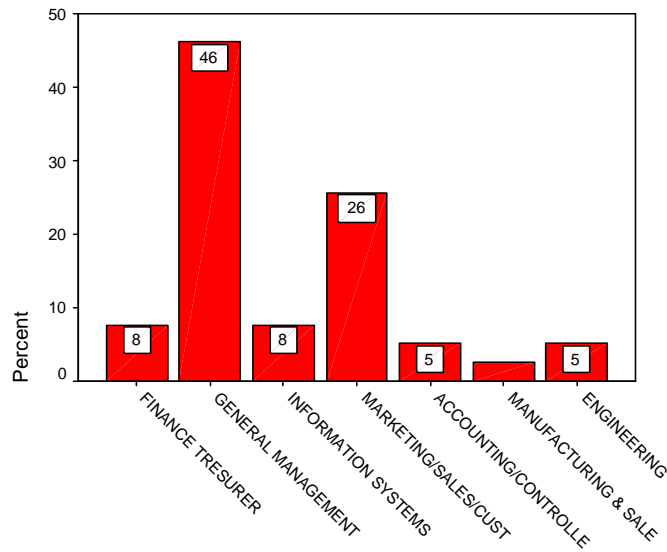


Diagram 4. Functional Background

Number of Years in the Industry	Frequency (Percent)
1	2(5.4%)
4	3(8.1%)
5	1(2.7%)
6	2(5.4%)
7	2(5.4%)
10	2(5.4%)
11	1(2.7%)
12	2(5.4%)
13	1(2.7%)
14	2(5.4%)
15	5(13.5%)
17	1(2.7%)
20	1(2.7%)
21	1(2.7%)
22	1(2.7%)
26	1(2.7%)
27	2(5.4%)
29	1(2.7%)
30	2(5.4%)
34	1(2.7%)
40	2(5.4%)
42	1(2.7%)

Diagram 5. Industry Tenure (N=37, \bar{x} =16.78, SD=11.33)

Number of Years in the Current Company	Frequency (Percent)
1	2 (5.3%)
2	4 (10.5%)
3	1 (2.6%)
4	4(10.5%)
5	3(7.95%)
6	4(10.5%)
7	2(5.3%)
9	1(2.6%)
10	2(5.3%)
11	1(2.6%)
12	2(5.3%)
13	1(2.6%)
15	2(5.3%)
16	1(2.6%)
20	1(2.6%)
21	2(5.3%)
26	1(2.6%)
27	2(5.3%)
29	1(2.6%)
34	1(2.6%)

Diagram 6. Company Tenure (N=38, \bar{x} =10.79, SD=8.94)

Number of Years in the Current Position	Frequency (Percent)
1	4(10.3 %)
2	3(7.7%)
3	4(10.3%)
4	5(12.8%)
5	7(17.9%)
6	4(10.3%)
7	1(2.6%)
8	3(7.7%)
10	2(5.1%)
11	1(2.6%)
12	2(5.1%)
18	1(2.6%)
20	1(2.6%)
27	1(2.6%)

Diagram 7. Position Tenure (N=39, \bar{x} =6.46, SD=5.44)

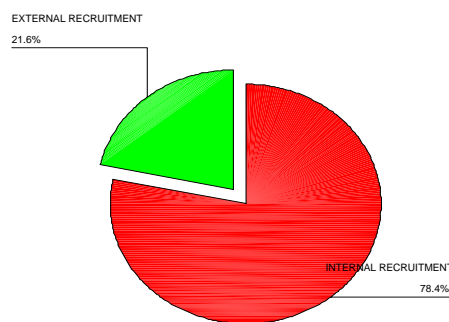


Diagram 8. Internal versus External Executive Recruitment

	Lowest (20%)	Lower (20%)	Middle (20%)	Next (20%)	Top (20%)	Mean	Standard Deviation
After-Tax Return on Total Assets	3 (8.6%)	1 (2.9%)	2 (4.8%)	10 (23 %)	19 45.2%	4.17	1.22
After-Tax Return on Total Sales	3 (8.1%)	1 (2.7%)	3 (8.1%)	9 (24.3%)	21 56.8%	4.19	1.22
Firm's Total Sales Growth	3 (8.1%)	1 (2.7%)	3 (8.1%)	9 (24.3%)	21 56.8%	4.35	1.06
Overall Performance and Success	NA	3 (7.7%)	3 (7.7%)	10 25.6%	23 (59%)	4.36	.932
The Company's Competitive Position	2 (5.1%)	NA	1 (2.6%)	12 30.8%	24 61.5%	4.44	.968

Diagram 9. Firm Performance

Number of Employees	Frequency (Percent)
15	1(2.4%)
33	1(2.4%)
51	1(2.4%)
80	2(4.9%)
88	1(2.4%)
90	1(2.4%)
100	2(4.9%)
195	1(2.4%)
200	1(2.4%)
276	1(2.4%)
300	2(4.9%)
302	1(2.4%)
320	1(2.4%)
330	2(4.9%)
560	1(2.4%)
600	1(2.4%)
750	1(2.4%)
800	1(2.4%)
950	1(2.4%)
1150	1(2.4%)
1200	1(2.4%)
1300	1(2.4%)
1500	2(4.9%)
2000	1(2.4%)
2100	1(2.4%)
2700	1(2.4%)
2830	1(2.4%)
3000	3(7.3%)
4000	1(2.4%)
5700	1(2.4%)
8000	1(2.4%)
8350	1(2.4%)
8500	1(2.4%)
16500	1(2.4%)
Total	41(100%)

Diagram 10. Company's Size (N= 41, \bar{x} =2029, SD=3245)

Table 1. Correlation Matrix for Executives' Characteristics and Organisational Characteristics

Independent	Age	Educational Background	Functional Background	Industry Tenure	Company Tenure	Position Tenure	Internal/ External Executive Recruitment
Dependent							
After-Tax Return on Total Assets	- .338*	.180	.021	.157	.115	-.229 ¹	-.016
After-Tax Return on Total Sales	-.311	.238	.105	.106	.072	-.235 ²	-.023
Firm's Total Sales Growth	-.211	-.060	.012	.092	.007	-.157	-.109
Firm's Performance and Success	-.176	.015	.115	.069	.085	-.272	-.055
Firm's Competitive Position	-.305	-.012	.124	.012	.010	-.268 ³	-.065
Control							
Company's Size	.243	.214	.256	.173	.211	-.072	.415*

*Correlation is significant at the 0.05 level
 **Correlations is significant at the 0.01 level
 1=Correlation at -.351* Spearman's Analysis
 2= Correlation at -.336* Spearman's Analysis
 3= Correlation at -.375* Spearman's Analysis