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## **STRATEGIC MANAGEMENT: DOES PERSONALITY MAKE A DIFFERENCE?**

**Michael McDonald, Georgia Southern University**  
**Martha C. Spears, Winthrop University**  
**Darrell F. Parker, Georgia Southern University**

### **ABSTRACT**

*The purpose of this paper is to clarify this question: Is there a strong enough body of evidence to establish whether there is any relationship between personality characteristics of senior executives and strategic decision-making? A related question is: Do senior executives' personalities differ significantly from other people? To help answer the second question, a comparative study was conducted using undergraduate business students and senior level executives.*

### **SALIENT PERSONALITY CHARACTERISTICS: LOCUS OF CONTROL**

The study of strategic management and organizations has historically followed two very separate approaches. The first approach has been called sociological in that organizational phenomena (like strategic decision making) are viewed as a product of structural factors. The second approach, the psychological perspective, views those same phenomena as the result of the personalities of specific individuals (Perrow, 1970).

An extensive literature review of the psychological perspective of strategic management suggests that the single most studied personality construct is locus of control (Rotter, 1966). Over one thousand studies have been conducted using the locus of control. Locus of control is closely linked to other personality dimensions related to strategic decision making such as need for achievement (McClelland, 1961), work ethic orientation (Furnham, 1990), and need for mastery and competitiveness (Spence & Helmreich, 1983).

Essentially, locus of control suggests that individuals may have a generalized set of expectancies about whether environmental outcomes are controlled internally or externally. The individual who believes that he can control the outcomes and events in his life is characterized as internally controlled. In contrast, the individual who does not believe that he can control outcomes or events is characterized as externally controlled. The external is more likely to believe that outcomes are the result of luck, fate, or destiny (Phares, 1973).

Two major literature reviews (Henricks, 1985; Spector, 1982) suggest that in American culture, an internal locus of control is associated with the most successful managers (Whetten &

Cameron, 1995). For example, in studies of leadership and group performance, internals were found to more likely be leaders. In those same studies (Anderson & Schneider, 1978; Blau, 1993) groups led by internals were more effective than those led by externals.

Numerous studies demonstrate a link between locus of control and strategic decision-making. For example, internals have been found to out perform externals in stressful situations (Anderson, Hellriegel & Slocum, 1977); internals engage in more entrepreneurial activity than externals (Durand & Shea, 1974; Cromie, Callahan & Jansen, 1992; Bonnett & Furnham, 1991); and to demonstrate and are more satisfied with a participative management style than externals are (Runyon, 1973). Studies of chief executives found that firms led by internals were more likely to engage in more innovative, riskier projects, more market place leadership, longer planning horizons, more environmental scanning, and more highly developed technology than external led firms (Miller, Kets de Vries & Toulouse, 1986).

In summary, our original question does seem to have an answer: There does appear to be enough scientific evidence in the research literature to suggest that internal locus of control is associated with successful strategic decision makers (Whetten & Cameron, 1995).

### **DO SENIOR EXECUTIVES' PERSONALITIES DIFFER FROM OTHERS?**

The second part of our paper attempts to answer this question: Do senior executives' personalities differ significantly from other peoples? Since most business schools accredited by A.A.C.S.B. require some kind of integrating "Capstone" experience in which students are expected to act like senior strategy managers, we think it is important to answer the question. Are business school students' personalities like senior executives'? And vice versa? Since most theorists assume that personality is a relatively stable set of characteristics, then can students change their personalities? Should they change them if their personalities are different from senior executives? In addition to locus of control, we wanted to study work ethic orientation and need for mastery and the competitiveness motive. Each of these dimensions is related to how strategic decisions are made (Parker, Spears & Jones, 2003).

Weber's classic theory of a moral commitment to work (Weber, 1905) has developed into extensive research on human motivation. This classic concept of moral commitment, known as work ethic, was developed by Weber to account in part for the origins of capitalism. Work ethic represents the effort to which someone places work at or near the center of their lives. Workers with a high work ethic have lower turnover rates, demonstrate high job satisfaction, and high organizational commitment (Furnham, 1990).

People who believe in work ethic have a high internal locus of control (Furnham, 1987); Lied & Pritchard, 1976) and a high need for achievement (Feather, 1982; Furnham, 1982). The McClelland-Weber type thesis of attitude toward work combines with Spence and Helmreich's construct of mastery and competitiveness motive (1983) to determine achievement motivation.

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## THE STUDY: COMPARING SENIOR MANAGERS TO OTHERS

To help answer our question, we extend the work of Ward (1993). Ward was primarily interested in assessing the generalizability of the use of undergraduate subjects as surrogates for employed adults. Ward evaluated and compared 207 undergraduate business students to 180 employed adult students enrolled in a Masters in Administration program. All students attended the same A.A.C.S.B. university. Ward found no significant differences between the students and adults across the measures of need for achievement and locus of control.

We replicated parts of Ward's study by surveying 136 respondents on achievement motivation and locus of control. The sample includes 69 undergraduate business students at two A.A.C.S.B. universities in the Southeast U.S.A. Rather than use adult masters students, we choose to survey 67 senior managers of credit unions from across the U.S.A. All of the managers in our survey were participating in the Southeast Credit Union School sponsored by the University of Georgia and the credit union leagues of the seven states in the Southeast U.S.A.

## METHODOLOGY

Survey instruments were developed to capture salient personality characteristics. Nineteen questions incorporate attitudes toward work ethic, mastery, and competitiveness (Spence & Helmreich, 1983) and ten items capture the individual's locus of control. Demographic information on age and gender was also collected.

Four subscales were developed from the data. Student scores and manager scores are reported on scales for locus of control, work ethic, mastery, and competitiveness. Cronbach alpha was run on each subscale to determine the reliability of the instruments used. The results were somewhat low but still acceptable for the Locus of Control scale and the Mastery scale with alpha equal to 0.5245 and 0.5123 respectively. The results from the Work Ethic and Competitiveness scales evidenced strong reliability with alpha equal to 0.7751 and 0.8031 respectively. A series of F tests are performed to identify significant differences on the scales as well as individual items.

## RESULTS

The scale for locus of control combines the responses from the ten items on the survey that address control. One item was reverse scored. A high score of 50 represents the extreme external view of environmental influences. A low score of 10 represents the strong internal perspective. Table 1 presents the results of F tests comparing the student and manager populations for each of the ten items and the overall scale.

<b>Table 1: Locus of Control</b>			
Statement	Manager Mean (Std. Deviation)	Student Mean (Std. Deviation)	F (Sig.)
<b>1</b> Heredity determines most of a person's personality.	2.97 (1.11)	3.16 (.93)	1.156 (.284)
<b>2</b> Chance has a lot to do with being successful.	2.46 (.97)	3.00 (1.15)	8.614 (.004)
<b>3</b> Whatever plans you make, there is something that always crosses them.	2.78 (1.36)	3.41 (1.15)	8.508 (.004)
<b>4</b> Being at the right place, at the right time is essential for getting what you want in life.	2.93 (1.11)	3.38 (1.04)	5.996 (.016)
<b>5</b> Intelligence is a given and cannot be trained or become stunted.	2.09 (.90)	2.62 (1.25)	8.124 (.005)
<b>6</b> If I successfully accomplish my task, it's because it was an easy one.	1.57 (.68)	1.81 (.69)	4.320 (.040)
<b>7</b> You cannot fool your destiny.	2.60 (1.23)	3.06 (1.25)	4.701 (.032)
<b>8</b> School success is mostly a result of one's socio-economic background.	2.07 (1.05)	2.35 (1.07)	2.262 (.135)
<b>9</b> People are lonely because they are not given the chance to meet new people.	1.81 (.93)	2.45 (1.19)	12.276 (.001)
<b>10</b> If you set realistic goals, you can succeed no matter what. (R)	2.76 (1.28)	2.03 (.98)	14.025 (.000)
<b>Locus of Control Scale</b> 10 Internal - 50 External	24.03 (4.88)	27.26 (4.21)	17.134 (.000)

In each of the ten items the student mean score is higher than that of the managers. This reflects a higher external locus of control for the student population. Five of the ten items are significant at the 99% confidence level. Another three are significant at the 95% confidence level. In two cases the higher score for students is not significant. In general students were much more likely to agree with statements that attribute success to chance, timing, destiny, or other external forces. On the overall scale the student score differed from the manager's score at the 99% confidence level.

A similar set of differences is found for the responses to the items on work ethic. The Work Ethic Scale includes six items and is scored on a scale ranging from a low of 6 to a high of 30. The low score indicates a weak work ethic and the high score a strong work ethic.

<b>Table 2: Work Ethic</b>			
Statement	Manager Mean (Std. Deviation)	Student Mean (Std. Deviation)	F (Sig.)
<b>11</b> It is important for me to do my work as well as I can even if it isn't popular with my coworkers.	4.36 (.69)	4.25 (.77)	.789 (.376)
<b>12</b> I find satisfaction in working as well as I can.	4.69 (.50)	4.48 (.66)	4.331 (.039)
<b>13</b> There is satisfaction in a job well done.	4.73 (.48)	4.52 (.68)	4.315 (.040)
<b>14</b> I find satisfaction in exceeding my previous performance even if I don't out perform others.	4.45 (.68)	4.22 (.87)	2.937 (.089)
<b>15</b> I like to work hard.	4.33 (.75)	4.04 (.95)	3.786 (.054)
<b>16</b> Part of my enjoyment in doing things is improving my past performance.	4.43 (.56)	4.33 (.74)	.780 (.379)
<b>Work Ethic Scale</b> 6 Low - 30 High	26.26 (2.48)	25.84 (3.23)	5.355 (.022)

The responses on the work ethic items indicated that both sub-samples report a strong work ethic. Not surprisingly, for each of the six items the managers indicated a stronger work ethic than the students. The lowest score for students was a 4.04 mean on the item, "I like to work hard." The highest scoring item was the manager's mean response of 4.73 that, "there is satisfaction in a job well done." For two items the difference is significant at the 95% confidence level and for two items the significance is at the 90% level. The overall work ethic score is significant at the 95% confidence level.

The seven items on mastery are reported in Table 3. Here the dominance of managers' attitudes over students is not as complete. Only four of the seven items showed a significant difference between the sub-samples. On those items managers expressed a higher response on two and students expressed the higher response on two. Interestingly the one item where the students had the strongest difference in their desire for mastery is associated with group activities. Students were significantly (99% confidence level) more likely to prefer directing an activity when in a group. This likely reflects their experience in business programs that heavily involve group activities. The managers are more likely to express a willingness to follow in a group setting. Based primarily on the strength of that item the students' mean score on the Mastery Scale was significantly greater than that of the managers.

<b>Table 3: Mastery</b>			
Statement	Manager Mean (Std. Deviation)	Student Mean (Std. Deviation)	F (Sig.)
<b>17</b> I would rather do something at which I feel confident and relaxed than something which is challenging and difficult. (R)	2.94 (1.18)	3.07 (1.08)	.467 (.496)
<b>18</b> When a group I belong to plans an activity, I would rather direct it myself than just help out and have someone else organize it.	2.15 (.87)	3.40 (.96)	61.964 (.000)
<b>19</b> I would rather learn easy fun games than difficult thought games. (R)	2.84 (1.08)	2.55 (.90)	2.799 (.097)
<b>20</b> If I am not good at something, I would rather keep struggling to master it than move on to something I may be good at.	3.19 (1.18)	3.52 (.95)	3.183 (.077)
<b>21</b> Once I undertake a task, I persist.	4.15 (.72)	3.91 (.66)	3.957 (.049)
<b>22</b> I prefer to work in situations that require a high level of skill.	3.75 (.79)	3.62 (.86)	.759 (.385)
<b>23</b> I more often attempt tasks that I am not sure I can do than tasks I believe I can do.	2.99 (1.01)	3.22 (.87)	2.071 (.152)
<b>Mastery Scale</b> 7 Low - 35 High	22.45 (3.53)	23.94 (3.28)	5.355 (.022)

The final element of comparison between the students and managers is the competitiveness scale. Table 4 reports the F tests for the final six survey items and the overall competitiveness score. For this scale there was no significant difference between the students and managers on overall competitiveness. However, there are differences in individual items. Students were significantly more competitive than managers in three of the six items. They expressed a greater desire to work in competitive situations, felt that winning was important for work, and try harder when in competition.

The comparative analysis of students and managers reveal some important achievement motivation differences. Managers expressed a significantly stronger work ethic on four of six items and the overall scale. Students and managers split the mastery questions with each responding higher to two questions but students scoring higher on the overall scale. The students reported a stronger competitive motivation on four of six items. Hence on surveys where achievement motivation may color the attitudes and responses our findings suggest that student samples are significantly different from those of managers.

<b>Table 4: Competitiveness</b>			
Statement	Manager Mean (Std. Deviation)	Student Mean (Std. Deviation)	F (Sig.)
<b>24</b> I like to be busy all the time.	3.57 (1.28)	3.26 (1.29)	1.927 (.167)
<b>25</b> I enjoy working in situations involving competition with others.	3.22 (1.10)	3.70 (1.10)	6.248 (.014)
<b>26</b> It is important to me to perform better than others on a task.	3.31 (1.08)	3.34 (1.03)	.019 (.891)
<b>27</b> I feel that winning is important in both work and games.	3.15 (1.08)	3.54 (1.07)	4.439 (.037)
<b>28</b> It annoys me when other people perform better than I do.	2.69 (1.08)	2.96 (1.27)	1.792 (.183)
<b>29</b> I try harder when I'm in competition with other people.	3.51 (1.05)	3.91 (1.05)	5.055 (.026)
<b>Competitiveness Scale</b> 6 Low - 30 High	19.45 (4.15)	20.66 (4.84)	2.447 (.120)

## CONCLUSION

The literature provides extensive evidence of the importance of locus of control for strategic management. An internal locus of control is an important identifying characteristic for managers. These individuals demonstrate more innovation, leadership, and long range planning. Our survey analysis also documents that senior managers differ from other individuals in terms of locus of control, as well as, other achievement related motives.

A student sample is likely to under-represent the internal locus of control for managers. The students may have other important attitudes that distort results as well. On issues where work ethic is highly correlated with behavior, our student sample showed a significantly lower work ethic. If questions are framed to reflect mastery and competitiveness, the managers differed on multiple items from the student sample.

In conclusion, the evidence here indicates that senior managers do differ from other people or at least from a student population. As a consequence, evidence on attitudes and decision-making that relies on data drawn from other populations cannot be generalized to reflect the behavior of managers.

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