TOP MANAGEMENT TEAM TURNOVER – A CURSE OR A BLESSING FOR LARGE FIRMS’ ENTREPRENEURIAL ORIENTATION? (SUMMARY)

Christian Sprinkmeyer
RWTH Aachen University, Germany, sprinkmeyer@time.rwth-aachen.de

Malte Brettel
RWTH Aachen University, Germany

Recommended Citation
Available at: https://digitalknowledge.babson.edu/fer/vol37/iss13/11

This Summary is brought to you for free and open access by the Entrepreneurship at Babson at Digital Knowledge at Babson. It has been accepted for inclusion in Frontiers of Entrepreneurship Research by an authorized editor of Digital Knowledge at Babson. For more information, please contact digitalknowledge@babson.edu.
SUMMARY

TOP MANAGEMENT TEAM TURNOVER – A CURSE OR A BLESSING FOR LARGE FIRMS’ ENTREPRENEURIAL ORIENTATION?

Christian Sprinkmeyer, RWTH Aachen University, Germany
Malte Brettel, RWTH Aachen University, Germany

Principal Topic

Established executives are often resistant to strategic reorientations (Miller, 1991; Wiersema & Bantel, 1992). Drawing on the upper echelons perspective, latest research unveils the important role of CEO turnover in enhancing firms’ entrepreneurial orientation (EO) (Li et al., 2008; Grühn et al., 2016). However, research on entrepreneurship lacks an understanding of the impact of collective top management team (TMT) turnover on EO. Consequently, this study aims at answering a critical question for advancing EO and TMT research: What is the association between collective TMT turnover and changes in EO?

Method

We rely on secondary data of firms that have been permanently listed in the S&P500 between 2006 and 2015. We measure EO by computer-aided text analysis of letters-to-shareholders (McKenny et al., 2016) and operationalize change in EO as absolute difference between t and t-1 (Miller, 1993). Collective TMT turnover is calculated as fraction of TMT members who left the firm in t-1 (Messersmith et al., 2014). Our first moderator is the proportion of throughput-oriented executives leaving (Cho & Hambrick, 2006) and our second moderator, market turbulence, is calculated as the coefficient of variation of sales per industry-year (Tosi et al., 1973). We control for environmental, firm and TMT characteristics and obtained all executive and firm data from ExecuComp and Compustat. Lastly, we apply generalized estimating equations to test our hypotheses.

Results and Implications

Our findings advance EO and TMT research by answering various research calls (Miller, 2011; Hilger et al., 2013). We find an inverse U-shaped relationship between the TMT turnover rate and changes in EO ($\beta = .16; p < .05 / \beta = -.16; p < .01$), confirming the existence of an optimum level of turnover to foster changes in entrepreneurial strategies. Interestingly, this relationship is moderated by the share of throughput-oriented TMT members leaving ($\beta = .13; p < .10 / \beta = -.16; p < .05$) and by market turbulence ($\beta = .18; p < .05 / \beta = -.20; p < .01$) in such a way that the shape of the curve flips to a regular U-shape for low values of both moderators.

CONTACT: Christian Sprinkmeyer; sprinkmeyer@time.rwth-aachen.de; (T): +49 173-737-9040; Innovation and Entrepreneurship Department, TIME Research Area, RWTH Aachen University, Kackertstr. 7, 52072 Aachen, Germany.