CAREER VARIETY'S ROLE IN FIRM PERFORMANCE & THE INTERVENTION OF TEMPORAL FOCUS

by

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ABSTRACT

Today's market compels firms to make strategic decisions to keep up with competition or face dissolution. CEOs are the agents charged with making those decisions. Some CEOs have held positions in their companies for decades, while others have corralled years of experience in a handful of companies. Their career paths are often calculated to gain useful experience so CEOs can make well-informed decisions in hopes of improving the longevity of their firms and their careers. Those with long-standing careers at one firm hope to gather extensive knowledge in their current firm and industry to propel past competition. However, trends are shifting: those aspiring to the C-suite are more likely to diversify their experience in recent years. The costs and benefits of having a career rooted in one firm are being weighed against the costs and benefits of having a career rooted in many firms; of late, a diversified career seems to be more popular. Recently, CEOs have not spent their years climbing the ladder at one company, but rather, creating a jungle gym across industries, companies, and functions. The question is: which path is better—a low career variety or a high one? When tested by itself, a CEO's high or low career variety does not influence firm performance one way or the other. Thus, another factor must be employed to interact with career variety in order to produce significant outcomes. To evaluate when high or low career variety is better, we need to consider the role of temporal focus. Temporal focus measures the attention individuals devote to thinking about the past, present, or future (Shipp, Edwards, & Lambert, 2009). By seeing career variety through the lens of temporal focus, we can measure whether a CEOs' career variety decisions actually imparted influence on how they think about their company and steer it through today's market. Without temporal focus, we cannot measure whether CEOs actually access the information they learned from their past experiences and utilize it in their current firms. Firm performance measures the financial outcome of a firm and can be

measured using multiple metrics. In this research I engaged market-lagging (Return on Assets) and market-leading (Tobin's Q) metrics to create a holistic view of career variety's effect on a firm. I posit that CEOs must rely on specific temporal foci, in combination with either high or low career variety, in order to produce an impactful outcome on firm performance.

THEORETICAL BACKGROUND

Career Variety

A career is defined as the unfolding sequence of a person's work experience over time (Arthur, Khapova, & Wilderom, 2005: 178). The steps throughout this sequence are described as career variety. Recent decades have shown significant decrease in the length of careers spent at a one firm over the span of an employee's career (Briscoe, Hall, & Frautschy DeMuth, 2006). CEOs reflect this shift in their desire for a variety of experiences. CEOs see more experience—across different industries, in different roles, and at different companies—as lucrative steps to attain their career goals. Logic tells us that longer-tenured executives possess superior knowledge about their firm and important relationships within the industry. They produce deeper industry relationships, respected legacies, and knowledge of minute, yet important, constructs of the firm or industry. On the other hand, CEOs with shorter tenures are afforded benefits, as well. As researched by Nandini Rajahopalan and Deepak K. Dattan, "CEOs' experience in different functional areas has been found to be positively associated with the breadth of their knowledge, skills, and perspectives" (Rajahopalan & Dattan, 1996). Those with diversified experiences could better understand the interweaving of industries, have a wider pool of relationships, and acquire "trade secrets" from other companies from their experiences.

Career variety reveals personality and character complexes that affect firm decisions. High-variety CEOs differ from low-variety CEOs to the naked eye (Crossland, 2014). High-variety CEOs are accustomed to change, bouncing between companies and secretly scouring for the next opportunity to take a risky or international career move. These tendencies materialize in the decisions they make for their firms. A high-variety executive displays openness to different perspectives and propensity for risk. A low-variety CEO is less apt to disrupt an industry or suggest a non-traditional merger.

These suppositions rely on upper echelons theory. To attach CEO tendencies to firm tendencies, upper echelons theory explains that executives' experiences, values, and characteristics infuse decisions CEOs make for their firms (Hambrick & Mason, 1984). Here, firms are distinctly impacted by the state of their CEO's risk propensity. Executives who change jobs more often welcome risk. CEOs who remain at one or a few companies are more risk averse; low-variety CEOs are likelier to stay the course and steer clear from risky decisions. I later hypothesize that this riskiness influences a company's firm performance.

Career variety is positively associated with firm novelty—decisions that differ from the industry's central tendencies (Crossland, 2014). Said another way, CEOs who change their careers more frequently are predisposed to make riskier decisions (Crossland, 2014). What Crossland, et al. did not measure is whether these decisions pay off. Logic tells us that diversion from the norm will sometimes payoff and will sometimes not. The research in this paper hopes to unearth when career variety pays off.

Temporal Focus

Temporal focus can be studied within many constructs. Temporal focus defines the extent to which people tend to devote attention to perceptions of the past, present, or future (Bluedorn, 2002). Temporal focus affects how we perceive situations, prioritize tasks, and make decisions. This is especially important for the highest acting agent of a company: its CEO. As explained by Shipp, et al.:

> *For example, a past focus can enhance learning when previous actions are analyzed for relevant lessons, but it can diminish well-being when thoughts of the past consist of rumination about mistakes or regrets (Holman & Silver, 1998; Sanna et al., 2003). A current focus can foster well-being when it prompts people to seize opportunities, but it can endanger well-being when current focus leads to impulsive behaviors, unwarranted risk-taking, and inattention to the consequences of current behaviors (Zimbardo & Boyd, 1999; Zimbardo, Keough, & Boyd, 1997). A future focus can promote goal-setting, motivation, and achievement strivings, but it can hinder well-being when the pursuit of these goals creates time–pressure and anxiety (Bandura, 2001; Fried & Slowik, 2004; Zimbardo & Boyd, 1999).* (Shipp, Edwards, & Lambert, 2009, p. 2).

In this paper, we propose that whether career variety pays off or not will be a function of how a CEO uses the information they gathered from the past and prospects about the future using past, present, or future temporal focus.

Multiple scales measure temporal focus, however, none justly integrate personality, attitudes, and characteristics. Shipp et al. developed the Temporal Focus Scale (TFS) to rightfully integrate these components. The TFS also allows for classification of multiple foci. Other scales code for a predominant focus, disregarding the fact that individuals may have more than one foci. Combining foci allows for a broader assessment of human character; and thus, a more developed

analysis of temporal focus interaction with career variety when measuring economic firm outcome (Zimbardo & Boyd, 1999).

The Role of Risk. Risk-taking is the action of engaging in a decision that has uncertain outcomes. The decision attains high-reward outcomes if fulfilled by unpredictable future aspects. Risk is greatly associated with temporal constructs. "Risk taking involves consideration of future outcomes along with current behaviors that could elicit these outcomes (Shipp, Edwards, & Lambert, 2009). Because of this paradigm, those who possess present or future temporal foci are likelier to engage in risk. Those who are low in future temporal focus are less likely to engage in risk.

HYPOTHESIS DEVELOPMENT

Temporal focus relates purposefully to CEO career variety. Temporal focus testing reveals how frequently individuals focus on past, present, or future perspectives. The combination of these perspectives frame whether CEOs will engage with the benefits of their career variety to employ decisions that will benefit their firms economically—or not. With constrained resources, executives rely on a combination of constructs to make calculated decisions for firm advancement. By observing a CEO's combination of high or low career variety and past, present, or future temporal focus, we hypothesize firms experience differing economic outcomes. To holistically measure a firms' economic outcomes, market lagging and market leading measures are necessary. I used ROA to measure market lagging outcomes (financial performance) and Tobin's Q to measure market leading outcomes (market performance).

Future Temporal Focus

Favorable economic performance requires a CEO to retrospectively interpret their past experiences and either avoid or engage in a decision because of its previous outcome. We can observe the effects of diversity of experience through career variety. Favorable economic performance also requires purposeful thought about the future. We can observe the extent to which CEOs frame their decisions with a past, present, or future construct through temporal focus.

I assume that CEOs will consider the necessary implications of making a decision. Thus, the executive will only engage in the decision if the reward is likely to outweigh the risk. CEOs with high future focus will be well-acquainted with the implications of a decision because they spend time thinking about the future. These individuals spend time proposing, researching, and planning about the future and how their decisions engage with the future. As such, these decisions have a higher propensity of prosperity, securing a firm's financial performance when measured by return on assets.

Hypothesis 1. The relationship between career variety and financial performance (ROA) is moderated by future temporal focus. It will be positive for those who are high in future focus and negative for those low in future focus.

The nature of decision-making suggests that individuals engage with what they learned from past experiences. Thus, those with high career variety will engage with the rich diversity of those career changes and employ what they learned to steer current decisions. Again, those who are high in future focus can prospect the future implications of their decisions because they consult the future more often than someone who is not future-focused. These CEOs are willing to take risks, doing so in light of their past experiences, and are aware of their future implications. Therefore, future focused CEOs are optimally suited for making choices that the market will value, reflecting in an immediate increase in Tobin's Q.

Hypothesis 2. The relationship between career variety and market performance (Tobin's Q) is moderated by future temporal focus. It will be positive for those who are high in future focus and negative for those who are low in future focus.

Past Temporal Focus

Past temporal focus has similar, but altered, reasoning for impacting firm performance compared to future temporal focus. High-variety CEOs are willing to engage in risk, relying on past experiences to predict payoff. Those who are high in past temporal focus, however, are fixated on the outcomes of their past experiences. They replicate the decisions made in their past that produced favorable outcomes and avoid the ones that did not. Combining these two complexities supposes an individual is especially unlikely to employ a decision that would undermine financial performance. They are calculated in their thoughts and decisions about their firm. Thus, a CEO with high past temporal focus will make decisions to protect ROA.

Hypothesis 3. The relationship between career variety and financial performance (ROA) is moderated by past temporal focus. It will be positive for those who are high in past focus and negative for those who are low in past focus.

As just explained, those who are high in career variety and high in past focus will make decisions that protect the company and preserve past profits. Protection-oriented decisions do not excite markets. Markets are volatile when dramatic, high-stakes announcements are made. Since market-leading indicator, Tobin's Q, measures stock market reaction to firm decisions, executives with high career variety and high past temporal focus will not receive favorable market reaction to decisions. In juxtaposition to *Hypothesis 3*, I hypothesize that CEOs who focus on their past will make risk-averse decisions, and they will receive unamused market response to decisions.

Hypothesis 4. The relationship between career variety and market performance (Tobin's Q) is moderated by past temporal focus. It will be negative for those who are high in past focus and positive for those who are low in past focus.

METHODS

Sample

The study used data from CEOs and their firms between 1996 – 2013. Two sets data were cross-referenced to form the data pool. First, 120 CEOs from Fortune 250 companies were pooled. Then, those 120 were cross-referenced with data from S&P 1500 firms. The final pool consisted of 71 unique CEOs and 606 distinct observations. An observation is counted as each year that a CEO spent at their respective firm.

Measures

Temporal Focus Scale. To measure temporal focus, Shipp, et al. created the Temporal Focus Scale (TFS). The scale includes 12 items, four for each focus, that respondents self-evaluate. The items were specifically worded to avoid positive or negative feelings about a certain time construct that might interfere with testing. The TFS items were rated on a 7-point scale describing the frequency with which the respondent thought about the time frame indicated (1 = never; 3 = sometimes; 5 = frequently; 7 = constantly). Scores revealed the frame(s) that executives most frequently used when thinking about or making decisions for their firm.

Career Variety. CEO career variety scores were adopted from Crossland's introductory measurement of career variety. It is calculated from a database of Fortune 250 CEOs who became (non-interim) CEOs between January 1999 – December 2005, inclusive. The study of a particular CEO commenced with their first year in office and ended five years later or upon their departure,

whichever came first. For example, if a CEO came into office in March 2003, the study collected data from 2003 to 2007, yielding five distinct observations. Career variety scores are calculated as the number of distinct professional and institutional experiences an executive has had prior to becoming CEO. A composition of three elements form a CEO's career variety score: number of industry sectors, number of firms, and number of functions. To control for length of time, the summed score is then divided by the career length in years.

Industry sectors were identified using a firm's ten-digit Global Industry Classification Standard (GICS) code. The code separates industries into ten separate categories, including: energy, materials, industrials, consumer discretionary, consumer staples, health care, financials, information technology, telecommunication services, and utilities. Each firm received an individual code.

To tabulate number of firms scores, Crossland collected CEOs employment histories since completion of their formal education. This data was hand-collected using corporate websites, press releases, and various online publications like *Standard and Poor's Register of Corporations, Directors, and Executives.* A CEO was allocated a distinct career experience only when he or she joined the firm as an outsider. When a firm changed its name or divested from its parent, this did not constitute a distinct firm and was not added to the CEO's number of firms score.

Functions were assigned using an adopted scale from Cannella, Park, & Lee (2008). The eight-track scheme includes: production/operations, R&D/engineering, accounting/finance, management/administration, marketing/sales, personnel/labor relations, law, and other. Where an executive worked in a separate function more than once, even non-consecutively, the function was only counted once. For example, if an executive moved from a law role to administration then

back to law, the CEO experienced two distinct functions. Where a job did not indicate a specific job title, Crossland used job duties to carefully assign the closest-related job function.

Return on Assets. Return on Assets measures the profitability of a company for its given assets. Return on Assets is measured by the net income of a firm divided by its total assets. ROA can vary greatly between industries and companies. The appropriate way to analyze ROA is to compare a firm's current ROA to its previous ROA; ROA cannot be compared across industries. For example, Apple's ROA is 14%, Microsoft's ROA is 4.85%, and Johnson & Johnson's ROA is 0.85%. A high ROA depends on how well the firm utilized its assets to produce profits, not how well they stack up against their competition.

Tobin's Q. Tobin's Q is the ratio of the market value of a company divided by its book value. Specifically, Tobin's Q is measured by the market value of a firm's outstanding stock and debt divided by its replacement cost of the firms' assets on the books. Where Tobin's Q is above 1.0, the market values something not captured by the books. For example, Walmart experiences a Tobin's Q of 1.47. Exxon sees a Tobin's Q of 1.08. And Amazon has a Tobin's Q of 4.48. All of these companies are more valuable in their market's eyes than what is shown on the books.

Control variables. Multiple variables could influence this research. Thus, the study controlled for items including total compensation, age, gender of the CEO. I was also careful to control for confounding factors like CEO ownership in the firm and CEO duality, where they hold the position of chairman of the board in addition to their position as CEO. Board size and firm size were controlled for, as well.

Data Analyses

The study used a lagged model to analyze the data. For every observation, the independent variables and moderators were collected in Y_0, and the dependent variable was collected in Y_1. For

example, when career variety and temporal focus data were collected in 1999, ROA and Tobin's Q data were collected for the year 2000.

The study used an Ordinary Least Squares (OLS) regression and the program STATA to analyze the data. The dependent variables were regressed onto the independent variables, controls, and moderators in the following steps:

1. Dependent variables were regressed onto the controls
2. Dependent variables were regressed onto the independent variables for main effects
3. Dependent variables were regressed onto the interactions between career variety and past, present, and future focus, separately

RESULTS

Descriptive statistics for all variables are shown in Table 1. Notably, the average CEO was 54 years old. The average board size consisted of 11 members. And three percent of CEOs studied were female. Tables 2 and 3 show outcomes for Models 1 through 6. Models 1 and 4 reveal outcomes for control variables (Step 1). Models 2 and 5 reveal outcomes for independent variables (Step 2). Models 3 and 6 reveal outcomes for career variety and temporal foci (Step 3). Interestingly, Models 1, 2, and 3 show that the relationship between CEO age and market performance (Tobin's Q) yielded a negative outcome of -0.03 ($p < 0.1$). This outcome describes the pattern that as age increases, market performance actually decreases. We earlier proposed that age indicated wisdom; statistics show, however, that age affects the decision-making process negatively. This outcome can possibly be linked to the decrease in innovation and sharpness as a CEO's age increases. Models 1, 2, and 3 also reveal that firm size was negatively correlated with market performance at -0.35 ($p < 0.01$). Firm size was likewise negatively correlated with financial

performance at -0.01 ($p < 0.1$). As size increases, control disperses. This outcome shows that loss of control materializes in loss of firm performance. Neither career variety nor temporal focus showed significant relationships in step two.

Hypothesis 1.

Hypothesis 1 posited that the interaction between high career variety and future focus would produce positive ROA outcomes when future focus was high and negative ROA outcomes when future focus was low. This hypothesis is supported. Referring to Table 2, the model yielded a positive coefficient of 0.30, which was significant ($p < 0.1$). When CEOs are reliant on past diversity of experience *and* orient their decisions with the future in mind, ROA is positively impacted. When CEOs use their past experiences to make future-oriented decisions, it pays off in ROA growth. When CEOs are reliant on past diversity of experience but do not frame their decisions with the uncertainties of the future in mind, ROA is negatively impacted. I am presuming that CEOs who do not often consider the future are unsure about the implications of their decisions and will make erroneous judgments.

Figure 1 shows a graphical representation of the interaction between career variety and future focus on ROA. The dotted line represents low future focus, while the solid line represents high future focus. There is a zero-slope, constant relationship for those low in future focus; as career variety increases, there is no effect on financial performance. There is, however, an upward-sloping relationship between those high in future focus; as career variety increases, so does financial performance.

Hypothesis 2.

Hypothesis 2 proposed that the interaction between high career variety and future focus would produce positive Tobin's Q outcomes when future focus was high and negative outcomes

when future focus was low. My study confirmed this analysis to an even more profound degree than when this interaction was observed with ROA. Referring to Table 3, the model yielded a positive coefficient of 8.45, which was significant ($p < 0.01$). When CEOs utilize their past experience with a realistic frame of the future, they make decisions to which the market reacts positively. When CEOs use their past experience without a sound perspective of its future implications, the market reacts negatively by sending the firm's stock down. This makes sense when considering the example of Amazon's acquisition of Whole Foods. Jeff Bezos possesses high career variety, launching his career at a hedge fund and holding other jobs before spearheading his well-known entrepreneurial endeavor, Amazon. Bezos is one of the world's most forward-thinking businessmen. This is evidenced through Amazon's unprecedented diversification. Media and logistics are only two industries Amazon has disrupted lately, threatening long-standing competitors like Apple and FedEx. As Tobin's Q measures the market value of a company's equity and liabilities opposed to its book value of equity and liabilities, increases in Tobin's Q are credited to increases in the market's valuation of the firm. Tobin's Q values greater than 1.0 reveal the market perceives unrealized value in the firm—value that a firm's book values are not accurately reflecting. Amazon's announcement of its Whole Foods acquisition sent AMZN stock up 3% that day, increasing its Tobin's Q. The market perceived Bezos' strategic move into the grocery industry was positive, increasing its stock value and its Tobin's Q.

Figure 2 shows a graphical representation of the interaction between career variety and future focus on Tobin's Q. The dotted line represents low future focus, while the solid line represents high future focus. There is a slightly negative relationship with those low in future focus; as career variety increases, Tobin's Q decreases. This finding is interesting. It reveals that when a CEO is high in career variety and low in future focus, their firm's market performance might

actually be compromised. This outcome could be further analyzed by future studies. There is, however, an upward-sloping relationship with those high in future focus; as career variety increases, so does financial performance.

Hypothesis 3.

Hypothesis 3 proposed that CEOs with high career variety and high past focus would produce high ROA, while those with low past focus would produce low ROA. No relationship was revealed. Hypothesis 3 was not supported. Referring to Table 2, the interaction between career variety and past focus yielded an insignificant value of -0.06. The implication of my finding is surprising. But when analyzing the result further, I considered humans at their core. We all consult past experiences to shape future decisions. In other words, we are all innately past focused. So adding another "layer" of backward-looking perspective to the model was inconsequential. There should not have been a significant outcome in the interaction between past focus and career variety, as Model 3 shows.

Hypothesis 4.

My final hypothesis suggested that the interaction between high career variety and high past focus will be negatively related to Tobin's Q, and CEOs who experience low past focus will actually be positively related to Tobin's Q because the market values future-framed thinking that leads to flashy decisions. This hypothesis was not supported. Referring to Table 3, the model yielded a negative coefficient of -0.84, which was insignificant. I stipulated that CEOs with past focus would make decisions to protect profits. The result that the interaction between career variety and past focus is insignificant implies that CEOs' protective actions are not acknowledged by the market. Investors do not reward past-framed thinking and decisions because they do not often

produce exciting outcomes. Protective actions do not catch the market's eye, in turn, nullifying market reaction.

Post Hoc Finding

Because Hypothesis 3 revealed that there is no effect between career variety and past focus, I wondered whether the same would stand with present focus. Initially, I decided against testing present focus for its effects; I was under the assumption that present-focused CEOs would not have significant results. Upon conducting the post hoc regression, however, the results revealed a significant relationship between high career variety and present temporal focus, as represented in Figure 3. Table 3 depicts a significant negative relationship of -2.01 ($p > 0.01$) between the two variables. When present focus was low, Tobin's Q reacted positively. When present focus was high, Tobin's Q reacted negatively. This finding proposes that the present focus frame of mind conjures a fixation on the here and now, inciting decisions that, once made, will be irrelevant because the market has already moved on. The market moves too quickly for present-framed decisions to be effective; CEOs must always be thinking about the future. Investors are unimpressed by present-focused thinking and reactionary decision-making, sending stocks lower. For those with low present focus, I assume that they possess a high temporal focus elsewhere. If this is true, I can assume that CEOs low in present focus reap the benefits of their high past or future focus in line with the findings expanded upon above.

Table 1: Descriptive Statistics

	Variable	Mean	S.D.	1	2	3	4	5	6	7	8	9	10	11	12
1	CEO total pay	10762.41	8751.02												
2	CEO ownership	2.24	4.80	-0.11											
3	CEO is female	0.03	0.16	0.11	-0.03										
4	CEO age	54.81	5.44	-0.03	0.10	-0.11									
5	CEO duality	0.64	0.48	0.10	-0.13	-0.04	0.19								
6	Board size	11.01	2.16	0.13	0.07	-0.04	0.08	-0.01							
7	Firm size	3.74	0.99	0.28	-0.08	0.10	0.05	0.13	0.19						
8	CEO past focus	2.70	0.52	-0.03	0.00	0.00	0.10	0.00	0.00	0.11					
9	CEO present focus	11.16	1.35	0.05	-0.07	-0.01	0.08	0.00	0.05	0.18	0.03				
10	CEO future focus	1.82	0.33	-0.07	0.11	-0.13	0.13	-0.03	0.03	-0.01	0.04	0.33			
11	CEO career variety	0.26	0.11	0.17	-0.18	0.19	-0.37	-0.05	0.03	0.05	-0.05	-0.11	-0.27		
12	Tobin's Q (t+1)	0.83	0.79	0.08	-0.20	0.00	-0.08	-0.02	0.03	0.11	-0.03	0.05	-0.05	0.10	
13	ROA (t+1)	0.03	0.09	0.05	-0.09	0.01	0.02	-0.03	0.12	0.02	0.00	0.00	-0.03	0.04	0.43

Note: Correlations greater than |0.08| are significant at $p < 0.05$.

Table 2: Financial Performance Results (ROA)

Variables	Model 1	Model 2	Model 3
CEO total pay	0.00	0.00	0.00
	(0.00)	(0.00)	(0.00)
CEO ownership	-0.00	-0.00	-0.00
	(0.00)	(0.00)	(0.00)
CEO is female	0.01	-0.00	0.04
	(0.03)	(0.04)	(0.04)
CEO age	0.00	0.00	0.00
	(0.00)	(0.00)	(0.00)
CEO duality	-0.01	-0.01	-0.01
	(0.01)	(0.01)	(0.01)
Board size	0.00	0.00	0.00
	(0.00)	(0.00)	(0.00)
Firm size	-0.01*	-0.01*	-0.01**
	(0.00)	(0.01)	(0.01)
CEO past focus		0.00	0.00
		(0.01)	(0.01)
CEO present focus		-0.00	-0.00
		(0.00)	(0.00)
CEO future focus		-0.01	0.00
		(0.02)	(0.02)
CEO career variety		0.05	0.08
		(0.05)	(0.06)
CEO past focus x career variety			-0.06
			(0.10)
CEO present focus x career variety			-0.07
			(0.05)
CEO future focus x career variety			0.30*
			(0.18)
Constant	0.03	0.02	0.04
	(0.04)	(0.04)	(0.04)
Observations	606	606	606
Wald chi-square	6.822	8.500	12.87
Prob > chi-square	0.448	0.668	0.537

Unstandardized parameter estimates shown
Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Table 3: Market Performance Results (Tobin's Q)

Variables	Model 4	Model 5	Model 6
CEO total pay	0.00	0.00	0.00
	(0.00)	(0.00)	(0.00)
CEO ownership	-0.00	-0.00	-0.00
	(0.01)	(0.01)	(0.01)
CEO is female	-0.02	-0.16	0.86
	(0.55)	(0.58)	(0.65)
CEO age	-0.03***	-0.03***	-0.03***
	(0.01)	(0.01)	(0.01)
CEO duality	0.06	0.06	0.08
	(0.06)	(0.06)	(0.06)
Board size	-0.00	-0.00	-0.00
	(0.01)	(0.01)	(0.01)
Firm size	-0.33***	-0.34***	-0.38***
	(0.06)	(0.06)	(0.06)
CEO past focus		0.18	0.22
		(0.16)	(0.17)
CEO present focus		0.05	0.01
		(0.07)	(0.07)
CEO future focus		-0.28	-0.02
		(0.27)	(0.27)
CEO career variety		0.25	1.00
		(0.84)	(0.87)
CEO past focus x career variety			-0.84
			(1.62)
CEO present focus x career variety			-2.01***
			(0.78)
CEO future focus x career variety			8.45***
			(2.71)
Constant	3.52***	3.58***	3.73***
	(0.36)	(0.36)	(0.36)
Observations	606	606	606
Wald chi-square	74.17	77.92	93.11
Prob > chi-square	0	0	0

Unstandardized parameter estimates shown
Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Figure 1: Interaction Between Career Variety and Future Temporal Focus on ROA

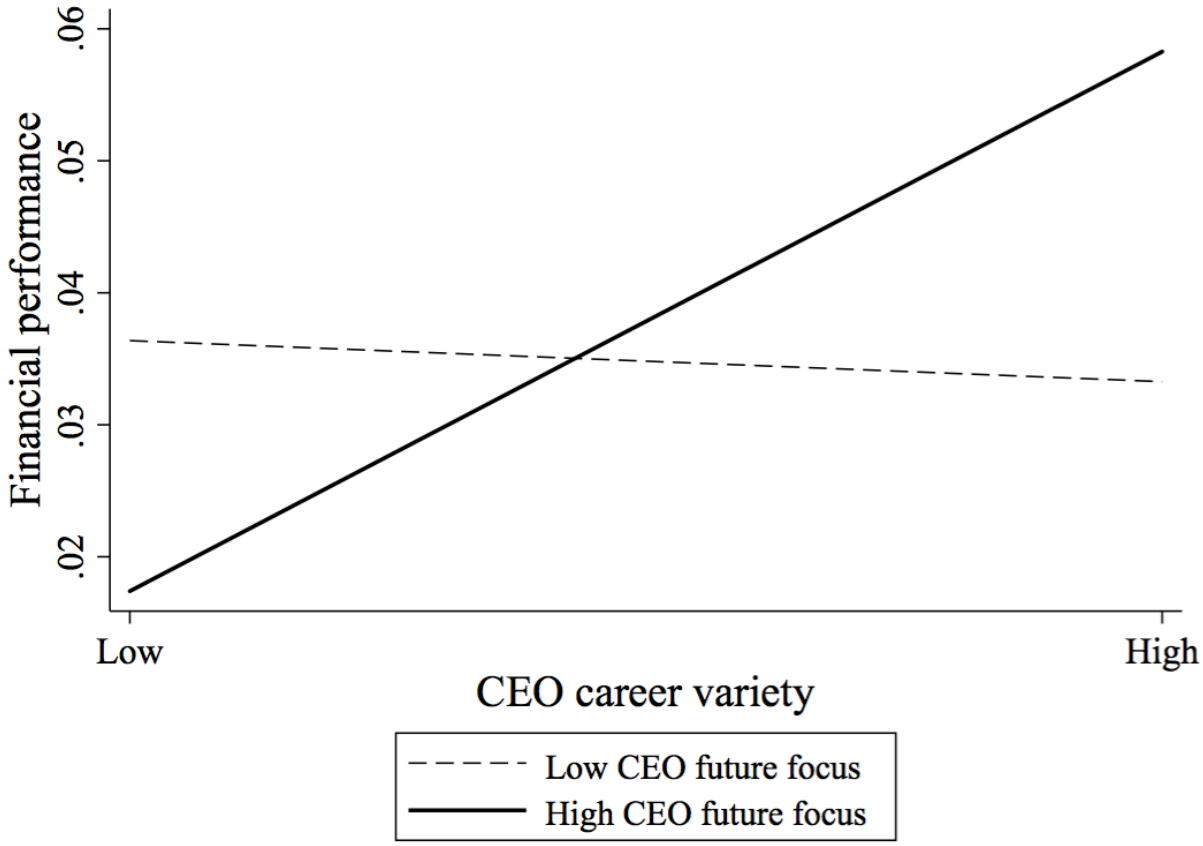


Figure 2: Interaction Between Career Variety and Future Temporal Focus on Tobin's Q

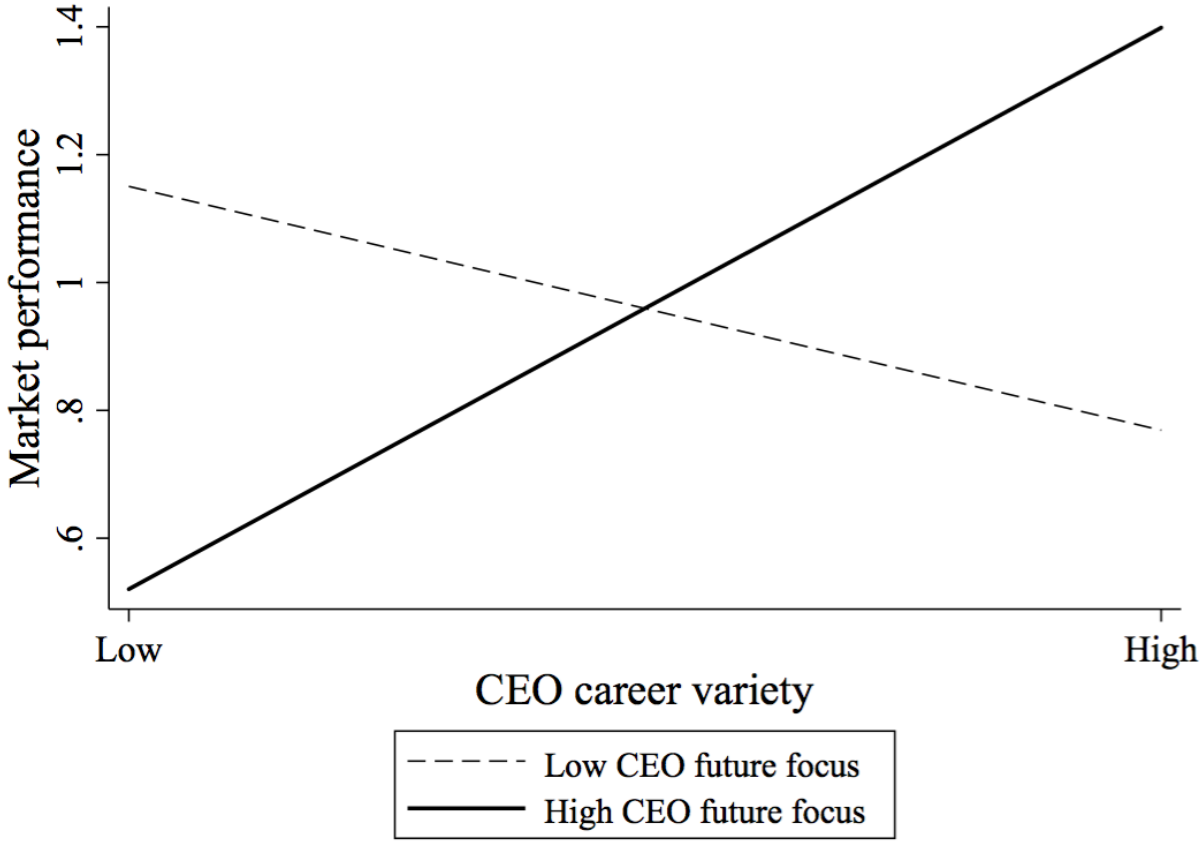
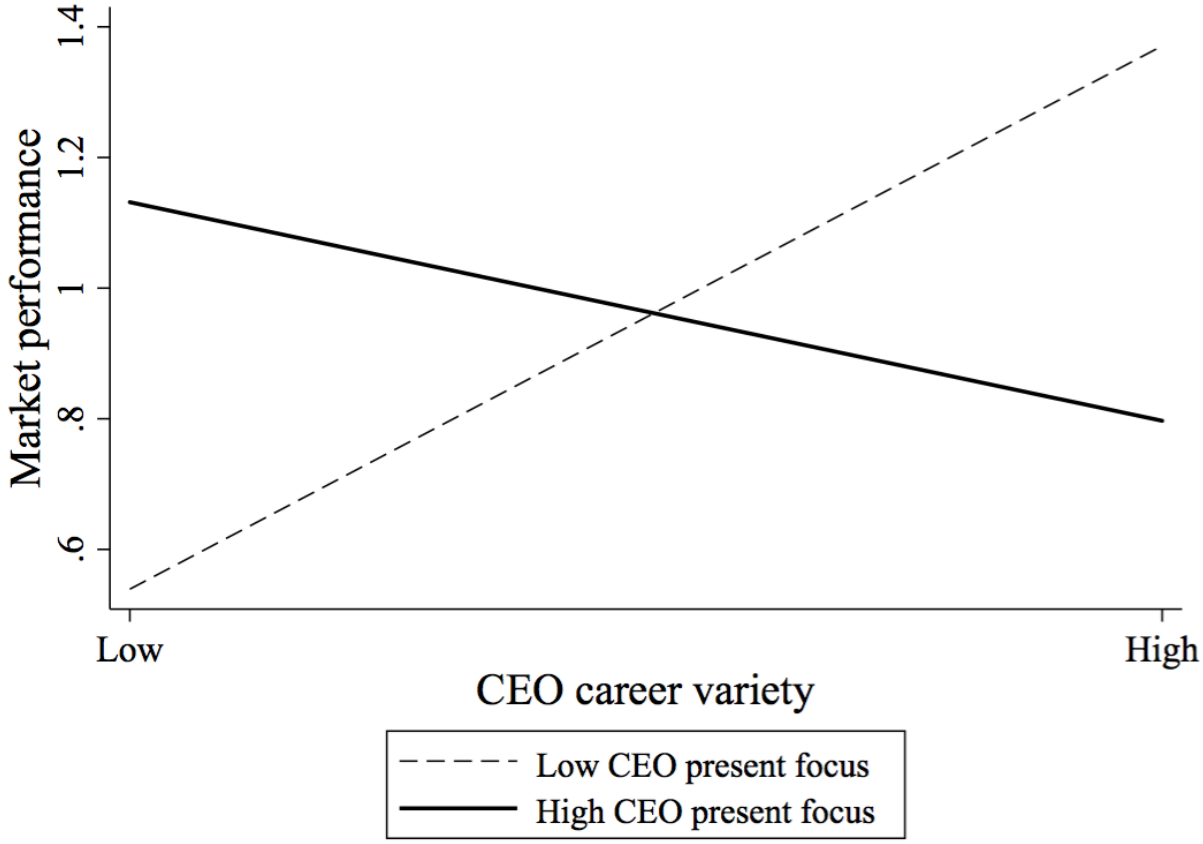


Figure 3: Interaction Between Career Variety and Present Temporal Focus on Tobin's Q



DISCUSSION

The new construct of career variety indicated that CEOs who change their careers often are more likely to make novel decisions in their industry (Crossland, 2014). This study attempted to add to extant knowledge by deriving when these novel decisions would pay off in net income or increased stock value. The study yielded interesting outcomes, spurring unexpected conclusions and implications. Overall, the study digs into the recent trend where executives are diversifying their careers. Individuals who gathered experience by serving in varying roles at different companies in disperse industries thought their diversification might lead to greater success. What I learned through this study is that this career strategy pays off if the CEO has certain temporal foci.

Theoretical Implications and Contributions

This study unearths discussion on career variety's benefits to a CEO's career and the firm he or she makes decisions for. The two constructs go hand in hand: a CEO whose firm experiences positive financial outcomes will tend to experience a favorable career. Consequently, these outcomes could influence a firm's CEO selection or a CEO's personal career strategy.

Firms grapple with the recent trend of increased career variety. They are uncertain about the profitability of hiring outside their company or industry. Through this study, conclusions can be drawn on the matter of career diversity when considered with temporal focus. The combination of high career variety and high future focus yields the best firm performance in the eyes of the market or utilization of assets to produce profits. For an aspiring CEO, my conclusions imply that diversifying his/her experience is largely beneficial. CEOs must, however, concurrently cultivate a forward-thinking mindset for their varied career track in order to have significant impact. CEOs should do so to effectively employ the knowledge they have amassed at previous organizations.

Given the increased possibility of career mobility in today's market, gaining national or international experience broadens executives' perspectives. High-variety, future-thinking CEOs will be more likely to recall the memory of an influential event at their past firm, learn from it, and employ an appropriate decision in their current firm to capitalize on that knowledge for the financial benefit of their firm.

The findings should also inform Board of Directors. Boards should glean that when selecting new CEOs, they should focus their attention on those with varying career paths. The type of variation refers is important, however. Boards must evaluate candidates for calculated career diversification, not aimless wandering among companies. The findings imply that newly-hired CEOs with diverse backgrounds will yield better economic outcomes for their firms under certain temporal focus conditions.

The findings also imply an important consideration about career variety. Recall that career variety scores are tabulated using a simple sum of the number of industries, firms, and roles a CEO held. This composition means that CEOs can hold a multitude of roles in a singular company and still receive a high career variety score. For example, an executive vice president of sales who began his career working in the warehouse, found a passion and skill for R&D, and ascended to EVP of sales could be just as valuable as a CEO who journeyed from industry to industry.

"Outsider CEOs," as they are dubbed, refer to CEOs who are hired from outside the firm, including outside the industry. According to PwC's annual CEO Success study, 22% of the world's largest 2,500 companies hired an Outsider CEO in the past four years (Nickish, 2016). These instances occurred in planned succession situations, where companies have time to plan for a succeeding CEO when the presiding CEO announces discontinuation with the firm. A 22% rate was double that of the statistics gathered between 2004 to 2007. These statistics imply a yearning

for variation in executive leadership background. But for this PwC study to be fully consistent with findings, outsider CEOs can have an impactful effect on firm performance if they also are high in future temporal focus.

Limitations and Future Research Directions

As is true with every research study, limitations exist. To begin, CEOs do not account for all profit outcome. According to Hambrick and Quigley (2014), CEOs account for 35.5% of firm outcomes, measured through ROA.

The study could have benefited from a larger pool of CEOs. The subjects used in our study were those pre-existing from previous temporal focus and career variety studies. This constriction limited our years of possible data to 1996 – 2013. The economic downturn of 2008 adds a layer of complexity, and a future study could analyze data the differences in this data compared to the relationships studied in this paper. I hypothesize that a study framed around the economic downturn would coincide with the present results: CEOs with high career diversity and future temporal focus would outperform those with low career variety and present or past temporal focus. The dynamism that high-variety executives bring to a firm would be especially useful in weathering and rebounding from the recession.

Further, the outcomes could have been more impactful had we used a different metric instead of temporal focus. Temporal focus is used in many contexts. Since temporal focus is not specific to one type of study, the construct has weaker prediction power. As well, had I calculated risk profiles for CEOs, we might have captured a metric that more powerfully predicted economic firm performance in leu of studying their career variety.

One could add to the extant knowledge by exploring the implications of CEO personality on corporate culture and how that corporate culture impacts economic firm performance. Cultures

are increasingly important to employees. A firm's personality is an influential factor as to why employees select their place of work. This factor applies especially to recent graduates. The Millennial generation sees their work as an extension of their individuality, attempting to attain self-fulfillment through their career. While this opinion can be debated for its utility, culture surely impacts a Millennial's motivation for why he/she will choose a certain firm. Because employee motivation is tied to firm performance, a CEOs influence on the culture would be an interesting topic to expound upon when researching CEO influence on economic performance.

CONCLUSION

This study expands upon the fledgling construct of career variety. While previous studies investigate the relationship between career variety and novel decisions, our results develop understanding of when CEO career variation pays off economically for the firm. We found that financial (ROA) and market (Tobin's Q) measures were positively correlated to career variety when CEOs held a future temporal focus. A forward-thinking mindset coupled with diverse career experience produces favorable firm outcomes. We also found that firm performance was negatively related to career variety when CEOs held a present temporal focus. CEOs who focus on present issues in their industry make decisions based on the current competitive environment; these decisions look reactionary and do not impress investors, sending the stock's value down. The results encourage aspiring CEOs to invest in differentiated career paths and to cultivate a future-framed mindset. The outcomes urge hiring boards to identify the career variations and predisposed mentalities of their applicants, especially when hiring outsider CEOs.

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