Looking Backward to Move Forward: CEO Counterfactual Thinking, Personality, and Strategic Change

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Abstract

We introduce the concept of counterfactual thinking (CFT) to the study of executive behavior and strategic change. Focusing specifically on “self-upward CFT,” which refers to thinking retrospectively about how oneself might have acted differently in order to bring about better outcomes, we posit that such thinking enhances learning and adaptation. In a multi-wave survey study of founder CEOs, we find that self-forward CFT leads to greater strategic change, in
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We introduce the concept of counterfactual thinking (CFT) to the study of executive behavior and strategic change. Focusing specifically on “self-upward CFT,” which refers to thinking retrospectively about how oneself might have acted differently in order to bring about better outcomes, we posit that such thinking enhances learning and adaptation. In a multi-wave survey study of founder CEOs, we find that self-upward CFT leads to greater strategic change. In theorizing about the antecedents of CFT, we adopt an interactionist perspective which jointly considers contextual stimuli and individuals’ dispositions. As suggested by threat-rigidity and attribution theories, we find that a CEO’s degree of performance dissatisfaction is negatively related to the CEO’s degree of CFT, and that this negative relationship is especially strong for CEOs who score low on the personality traits of conscientiousness and openness. We further find evidence for a moderated mediation model showing that these two personality traits moderate the causal chain that links performance dissatisfaction, CFT, and strategic change. We discuss theoretical and practical implications.