

THE ORGANIZATIONAL PREDICTORS OF EXECUTIVE CAREER
ADVANCEMENT IN CAREER MOVES ACROSS EMPLOYERS

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Abstract

This paper examines the career moves of executives between two different organizations and looks at the characteristics of executives' employing organizations as a predictor of the success of the moves. The paper uses a proprietary data set of a retained executive search firm that contains information on the career paths of executives in the financial services industry. The results show that the perceived operational excellence of executives' employing organization has a significant signaling power for other employers and strongly impacts the success of executives' moves across different organizations. The data also reveal that executives may use their employment spell at reputable, large-sized, public organizations as a conscious career-building mechanism and accept smaller promotions to join such organizations.

Keywords

Career advancement, executives, financial services industry, signaling theory

Introduction

The analysis of the factors that propel executives to the top of organizational hierarchies has always been of central interest to researchers, research on career advancement going back to the 1920's. This research domain, however, needs to be revisited because today the reality of careers is different.

Changes in the global economy in the late 1980's brought about changes in individual career paths: in place of the "traditional" employment model that relied on employment security and a promotion-from-within policy often with prospects of lifetime employment, careers in the "new" model ceased to signify upward progress through a single organizational hierarchy; rather, they became moves across the boundaries of different employers (Hall, 1996). Executives were no exception from under this trend. Global executive turnover dramatically increased in the 1990s (Lucier et al., 2002). Besides, a growing number of companies rely on outsider successors (Murphy & Zabochnik, 2003).

In this new environment, executives' corporate affiliation shapes their career advancement even more powerfully than before and serves as a tool for employers and recruiters to make inferences about executives' performance. Admittedly, recruiters lure talent from "academy companies" like Federal Express, General Electric, McKinsey & Co., PepsiCo. and Procter & Gamble. These companies are known for their commitment to the identification, training and development of executive talent (Leuchtner, 1998).

Previous research

Academic research, however, has almost ignored the new reality of executive careers. Despite the increasing rate of executive mobility across organizations, research has mostly examined executive mobility *within the same organization*, or failed to distinguish between transitions within a single organization and across different organizations. There are surprisingly few papers that examine career moves between different organizations (Sullivan, 1999).

Further, despite the widely recognized notion that executives' corporate affiliation shapes their career paths, little academic research addressed the organization-level predictors of executive career advancement (Hall, 2001). The literature on the predictors of managerial and executive career advancement has tended to focus on individual-level determinants: psychological traits, human capital determinants (education and work experience) and demographic attributes (age, gender and marital status).

Finally, the target population of most research on executive mobility is the CEO and the top management team, while mid- and lower-level executives have not received considerable academic attention. (e.g. Weisbach, 1988; Allgood & Farrell, 2000; Walsh, 1988; Wiersema & Bantel, 1993). Only few papers sample executives other than CEOs or board members: Krug & Hegarty (2001) differentiate between "senior managers" (Chairman, Acknowledgements: I wish to thank Peter Cappelli, Emilio Castilla, Martin Conyon and Mike Useem for their useful suggestions on earlier versions of the draft. I thank the anonymous executive search firm for providing me with the database and for being available for discussion. Finally, I thank Patricia Huang and Jim George for invaluable research assistance.

CEO, COO and President) and “other” top managers. Papers by Bretz et al. (1994), Judge et al. (1995) and Boudreau et al. (2001) sample executives in an executive search firm’s database. The average executive is two levels below the CEO.

Research, however, on lower-level executive populations is needed, because career advancement may be most strongly predicted by different sets of predictors for different executive populations. Wiersema and Bantel (1993) find that second-tier executives are more likely to leave organizations for performance-related reasons than the first tier. Walsh (1988) concludes that more senior-level executives were more likely to leave after a merger announcement than other executive groups. Therefore, analyses of an executive population broader than the CEO and the top management team are needed.

Model development

The contributions of this paper are threefold: it examines the *outcome* of executives’ career moves between *two different organizations*. It incorporates *both the individual- and organization-level predictors* of career advancement. Further, it looks at the career advancement of a much *broader* executive population than it was done in most previous studies.

Organization-level predictors. Since very few empirical papers have explored the predictors of executive career advancement in the case of career moves across organizations, the paper relies on signaling theory for hypothesis building (Spence, 1974). Signaling theory argues that employers are unsure of the productive capabilities of individuals at the time of making a hire. What employers observe are the visible cues such as age, educational background, past accomplishments and career velocity used by individuals to signal their performance (Rosenbaum, 1984). This paper argues that the characteristics of the organization that executives are at the helm of may signal executives’ performance: executives affiliated with financially well-performing, large, prestigious public organizations are more attractive for other employers and will receive larger promotions as they move to another employer.

Although no empirical research has examined how the status of executives’ employing organization impacts executive career advancement, the issue has been explored in other contexts. Useem and Karabel (1986) found that ascent to top corporate positions was most strongly influenced by an executive earning a Bachelor’s degree, an MBA degree or a law degree from a top-ranking college or university. An MBA degree, however, did not significantly help those executives who earned a Bachelor’s degree from a top-ranking institution, because the prestige of the Bachelor’s institution alone propelled the executive into a high-ranking position. Another stream of research has looked at the effect of the prestige of academic institutions on the career paths of young scientists. This literature argues that outside constituents assume that the values of the degree-granting institution are reflected in the scientists’ personal attributes and achievements. Crane (1965) found that scientists who attended a major prestigious university were more recognized by their peers. Long, Allison & McGinnis (1979) showed a correlation of 0.39 between the prestige of biochemists’ doctoral institution and the prestige of their first job. Debackere & Rappa (1995) found that in a sample of US universities the prestige of scientists’ graduate school was a significant

indicator of the prestige of their academic appointment. Further, employers are more eager to hire from the “market leaders” because it is an effective means of obtaining resources such as desirable knowledge and skills that the organization does not currently possess (Haveman, 1993; Boeker, 1997; Rao & Drazin, 2002).

***Hypothesis 1:** Executives in organizations that are perceived as excellent by others will make more successful career moves to another employer.*

Corporate financial performance as a signal. Outsiders often attribute disappointing corporate financial performance to the capabilities of the top management team. The organizational measures that signal a CEO’s non-satisfactory performance on the job include low stock returns (Weisbach, 1988; Barro & Barro, 1990; Allgood & Farrell, 2000) and low values of share performance (Warner & Watts, 1988). Above-par financial performance, on the other hand, signals to outsiders that the organization is run by capable executives. Rao and Drazin (2002) approximate managers’ expertise in the mutual fund industry with the immediate past performance of mutual fund companies.

***Hypothesis 2:** Executives in organizations with above-par financial performance will make more successful career moves to another employer.*

Organizational Size as a Signal. Large organizations provide more operational complexity and greater management challenges for their executives, and offer higher salaries, a greater range of benefits, more employment security and better training opportunities (Brown, Hamilton, & Medoff, 1990). As a result, larger organizations attract more qualified executives (Nystrom & McArthur, 1989). Since they facilitate executives to both bring and develop higher skills on the job, the executives employed by large-sized organizations will be more attractive for other employers. Rao and Drazin (2002), for example, use the size of fund managers’ organizations as an approximation for managers’ expertise in the mutual funds industry.

***Hypothesis 3:** Executives in large-sized organizations will make more successful career moves to another employer.*

Public Status as a Signal. Executives in public organizations earn more promotions than in private companies (Judge et al., 1995). Public organizations are also characterized by greater operational stability (Nystrom & McArthur, 1989), which makes them more attractive for job seekers. Since public organizations attract more job candidates, they will naturally end up with a more qualified pool of employees. The employees of public organizations, in turn, will be more attractive for other employers.

***Hypothesis 4:** Executives in public organizations will make more successful career moves to another employer.*

Signals towards job seekers. Key organizational attributes serve not only as a signal of executive characteristics, but also as an information processing shortcut when executives make a decision about joining a firm (Jones & Murrell, 2001). Job seekers find firms with

corporate social performance (Turban & Greening, 1997; Jones & Murrell, 2001) and a favorable labor market reputation (Chauvin & Guthrie, 1994) more attractive and are more likely to seek employment with them (Turban & Greening, 1997; Jones & Murrell, 2001). They may even adjust their compensation expectations and forgo some economic benefit to work for organizations with a good labor market reputation (Chauvin & Guthrie, 1994). No empirical research, however, has explored organizational signals other than labor market reputation and social performance. This paper looks at four additional organizational characteristics: perceived operational excellence, above-par financial performance, public status and large size. Executives may be more eager to join such organizations because they offer better working conditions (Nystrom & McArthur, 1989; Brown et al., 1990; Judge et al., 1995). They may also join them in the hopes that it will trigger their subsequent career, because other employers – as Hypotheses 1 to 4 point out – may find executives affiliated with such organizations more attractive.

***Hypothesis 5:** Executives will accept smaller promotions to join organizations with a perceived operational excellence.*

***Hypothesis 6:** Executives will accept smaller promotions to join organizations with above-par financial performance.*

***Hypothesis 7:** Executives will accept smaller promotions to join large-sized organizations.*

***Hypothesis 8:** Executives will accept smaller promotions to join public organizations.*

Control variables: Human capital attributes. Human capital attributes signify the investment by an individual to increase his or her value at work and on the job market, and include educational credentials and work-related experience. Human capital attributes have represented the strongest and most consistent predictors of managerial career advancement (Kirchmeyer, 1998). This paper uses years of education, an MBA degree, executives' tenure on the job and international experience to control for an executive's human capital stock.

Years of education has been the most heavily used signal of worker ability (Becker, 1975). It was empirically shown to be a key factor in accessing high-paying, high-status jobs (e.g. Judge et al., 1995; Melamed, 1996; Tharenou, 1997).

The most accepted professional degree in the financial services industry, where the sample of the current paper is taken from, is the Master of Business Administration (MBA) degree. While an MBA degree has been empirically shown to favorably impact executive career advancement, it had a positive effect only in terms of pay, but not in terms of the number of promotions received by executives (Useem & Karabel, 1986; Tharenou, 1997). In the case of career moves across organizations, however, an MBA degree may be a more important signal of executive capabilities, since employers do not have as many cues to judge executives' performance as in the case of the intra-organizational promotion decisions examined by most previous empirical papers.

Job tenure, the number of years that executives spent in their previous job, serves as a proxy for executives' experience and mobility. Research has not been conclusive on the effect of job tenure on career advancement. Melamed (1996) and Rao & Drazin (2002) predicted a positive relationship between job tenure and career advancement, arguing that tenure signified executives' job-related expertise. Cox and Harquail (1991) and Gattiker and Larwood (1988), on the other hand, showed that long job tenure caused career stagnation and signaled that executives reached their peak in an organization. Finally, executives' international work experience positively affected the frequency of their promotions (Judge et al., 1995).

Methods

Data Collection and Sample. The data come from the proprietary search database of a global retained executive search firm. The cross-sectional database, created in April 2002, contains information on 14,000 executives in the global¹ financial services sector. This paper uses a random sample of 2,000 executives. The executives in the database were identified by the executive search firm from industry publications and directories and on the basis of the recommendations of clients and key industry players.

Data on individual executives include information on the executive's current and past jobs (the name of the employing organization, the executive's title, function and function segment, industry affiliation, industry segment and the month and year when the executive started and ended the job), as well as educational background and international experience. Additional data on executives' employing organizations (size, public status, presence on industry rankings, financial performance) were collected from the Hoover's and Compustat databases. Unfortunately, the proprietary database of the executive search firm does not have information on a key measure of career advancement, compensation, and on some potentially important predictors of career advancement: the executives' gender and age. This information was impossible to obtain: the executives' name was deleted from the search database by the search firm due to a confidentiality agreement, while executives' age and marital status were not recorded by the search firm for legal reasons.

The database contains information on every type of executive: CEO-s and Chairpersons (32%), Executive Vice Presidents (13%), Senior Vice Presidents (17%) and Vice presidents (19%). They are employed in four segments of the financial services industry: investment banks and securities (42%), asset and money management firms (26%), banks (20%) and finance companies (12%). The executives are highly qualified: 55 per cent earned a Master's degree, 6 per cent a Ph.D., 42 per cent an MBA and only 0.1% exclusively a high school diploma. The average executive is employed by a large-sized company with over 33,000 employees and \$19 million in sales. 30 per cent of the employing organizations are included in Fortune magazine's America's or Global Most Admired Companies rankings. Based on their human capital attributes, the executives in this sample are very comparable to the sample of executives, also sampled by an executive search firm, in Bretz et al., (1994) and

¹ 86% of the executives got their work experience in the US, while 14% of the executives worked for financial services firm all over the world, including Canada, South America, Europe and Asia.

Judge et al. (2001). Those executives are somewhere between the average manager and the corporate elite.

Measures. The analyses in this paper look at a single career move from executives' former job to the current one. "Former" variables signify attributes of the job that the executive leaves. "Current" attributes represent the characteristics of the job that the executive transitions to.

Career advancement was approximated by the size of the promotion, demotion or lateral transfer received by executives during the career move. It was calculated as the difference in levels between the executive's current and former positions. In order to obtain this difference, executive titles/positions were coded: the numbers assigned to executives' current and former positions ranged from 1 to 8. The codes distinguished between (1) non-managerial positions and seven types of managerial/executive positions: (2) managers, (3) directors, (4) assistant vice presidents, (5) vice presidents, (6) chief functional officers (CTOs, CFOs, etc.) and senior vice presidents, (7) executive vice presidents and (8) CEOs/Presidents/partners/founders. Since no other directory provides information on the hierarchy of executive positions, titles were coded on the basis of Dun & Bradstreet's Directory of Corporations, which publishes executive biographies. Further, no previous empirical research, the coding scheme of which could have been applied to these analyses, has used such an in-depth (with regards to the number of different positions) and comprehensive (regarding the range of executive positions) coding scheme as the present study (cp. Ellis & Heneman, 1990; Lambert et al., 1993; Melamed, 1996, etc.). In order to compute *Career advancement*, the code assigned to the executive's previous position was deducted from the code assigned to the current position. *Career advancement* takes 15 values, with a minimum value of -7 and a maximum of 7, a mean of 0.64 and a standard deviation of 2.31. Negative values of *Career advancement* represent a demotion from the former to the current position, a 0 value represents a lateral transfer, while a positive value a promotion. Descriptive statistics show that the average executive was promoted .64 levels. While 43 per cent of the executives earned a promotion, 38 per cent of the executives made a lateral transfer and 19 per cent were demoted. Table 1 shows examples for promotions, demotions and lateral transfers.

-- Insert Table 1 here --

Control Variables. The paper uses the binary variable *Same company* to indicate whether the executives moved to a different organization as they changed jobs. The analyses include two *firm fixed effects* variables to control for the unmeasured characteristics of executives' former and current employing organizations. To account for the differential promotional potential of various positions, binary variables representing the highest- and the lowest-ranking positions were used (C-level, EVP-level, Director-level, Managers, Non-managerial level). The paper uses the following industry controls (1. asset management companies, 2. banks, 3. finance companies, 4. investment banks, and 5. industries outside financial services in the case of executives' former position) and four binary variables that represent functional affiliation (1. finance, 2. general management, 3. professional and 4.

support functions). Creating the categories, the executive search firm's own notification was observed.

MBA degree is a binary variable (0/1). *International experience* is also binary (0/1) and signifies either one of two types of experience: a US-born executive who has worked in a country other than the United States, or a foreign-born executive working for a foreign branch of a US company or for a foreign company outside the US. The executive's tenure on the job, measured in years, was computed by deducting the starting date of the executive's job from the date when the executive moved to his or her new position.

Organizational Characteristics. *Perceived operational excellence* was computed on the basis of Fortune magazine's "America's most admired" and "Global most admired" rankings. The Fortune rankings ask 10,000 executives, directors, and securities analysts to rate the ten largest companies (by revenues) in 58 industries based on eight criteria: innovation, financial soundness, employee talent, use of corporate assets, long-term investment value, social responsibility, quality of management, and quality of products and services. The compound score ranges from 1 to 10 (Sung & Tkaczyk, 2002). Executive search consultants in the financial services practice consider the Fortune rankings one of the most reliable sources of company status rankings.²

Public status is a binary variable (1=public organization). Organization size was approximated as the logarithm of the annual sales of the organization. The paper used the following measures of corporate financial performance: *sales per employee*, *sales growth*, *net income*, *net income as a percentage of sales* and *net income as a percentage of assets*. Financial information on the executive's former organization was collected from the year that the executive left his or her former position.

Analyses

In order to compute the dependent variable, *career advancement*, information on both the current as well as the former position of the executive is used. Unfortunately, information on the executives' former position was often missing from the analyses and *career advancement* could not be computed in 30.15 per cent of the 2,000 observations. Since the executives included in the analyses differed in systematic ways from the executives not included due to the missing values of the dependent variable, the Heckman selection model was used to analyze the impact of organizational characteristics on executive career advancement (Heckman, 1979). The Heckman model corrects for sample selection bias that

² Alternatively, the paper experimented with other measures: the Vault "Top Finance Firms" score, The American Banker Magazine's reputation rankings and a weighted compound score of the Fortune, the Vault and The American Banker scores. The sign of the coefficients for the alternative measures did not show any difference in the case of the characteristics of the *former* organization, but the significance of the coefficients did differ. In the case of *current* organizational characteristics, both the significance and the sign of the coefficients were similar.

may threaten the generalizability of the findings in the analyses. It is a two-stage process where the first regression, the *selection equation*, uses a regression model to predict the dependent variable and the second, the *main equation*, incorporates the estimates of the parameters from the first regression equation.

In the current analyses, three variables consistently come out as significant in the first, the *selection equations*: *Current position* has a positive, *Current tenure* a negative and *Candidate status* a positive coefficient. These findings indicate that executives whose *career advancement* indicator is observable tend to be higher up in the organizational hierarchy (*current position* is .215, $p < .001$), have a shorter tenure in their current job (*current tenure* is .007, $p < .001$), and are more likely to have established a longer-term relationship, i.e. engaged in a phone or a face-to-face interview with the search firm (the coefficient for *Candidate status* is .073, $p < .1$). The p-value for the selection equation is highly significant ($p < .001$), indicating that standard regression models that predict executive *Career advancement* would have yielded biased results and the use of the Heckman selection model is justified.

The first set of models (three models) predicts *Career advancement* from the characteristics of the organization that executives leave: “former” organization. The second set of models (three models) uses the characteristics of the organizations where executives transition to (current organization), to predict *Career advancement*. The third set of models uses the difference in the characteristics of the organization that executives leave and the ones that they move to, to predict executive career advancement.

Results

Table 2 presents the means, standard deviations and Pearson correlations for the key variables. *Career advancement* correlates significantly with the size of the organization that executives leave (.076, $p < .05$), and the size (-.06, $p < .05$) and perceived operational excellence (-.066, $p < .05$) of the organization that executives move to.

-- Insert Table 2 here --

Table 3 captures the impact of executives’ *former* organizational affiliation (the organization that executives leave) on executive career advancement.

-- Insert Table 3 here --

Model 1 of Table 3 enters the control variables. None of the variables that represent the executives’ industry and functional affiliation are significant. The variables for former *C-level* and *EVP-level* positions are negative and highly significant (-1.76 and -1.13; $p < .001$), confirming the fact that executives who are further up in the organizational hierarchy attain smaller promotions. The three lowest-ranking positions (non-managerial, managerial and director-level) have positive and strongly significant coefficients, indicating that executives who transition from these positions are more likely to receive higher promotions. Model 2 of Table 3 enters the human capital controls: *MBA degree* is positive and significant (.29; $p < 0.1$), indicating that executives who have earned the degree make more successful moves

between employers. *Years of education*, *job tenure* and *international experience*, however, remain non-significant³. The non-significant coefficient for *years of education* is probably due to the fact that there is little variation among the executives across education (99.9 per cent of the executives have at least a Bachelor's degree). The non-significant coefficient for international experience contradicts previous research. The findings of the current study are reasonable, however, if we consider the way the variable was constructed: executives with international experience include both US executives with international experience and foreign-born executives. Foreign-born executives may accept smaller promotions than they would receive elsewhere, to join a US company. This especially applies, given the time frame of the database: in 2002 when the database was created, the average current tenure of executives was 3.8 years. That is, most of the transitions captured by the database took place between 1997 and 2000, a period when the US economy was booming and the prospect of joining a US company was especially attractive for foreign executives. The human capital attributes make a significant addition to the model ($F=8.67$, $p<.01$).

Finally, Model 3 of Table 3 enters the characteristics of the organization that executives leave. Contrary to expectations, organizational characteristics do not make a significant addition to the equation ($F=3.51$, $p>.1$). Only *perceived operational excellence* is significant (.046, $p<.1$), *size* and *public status* remain non-significant. None of the financial performance indicators (*sales per employee*, *sales growth*, *net income*, *net income as a percentage of sales* and *net income as a percentage of total assets*) are significant⁴. This is puzzling, given the stream of literature on involuntary CEO turnover (Warner et al., 1988; Weisbach, 1988; Barro & Barro, 1990; Allgood & Farrell, 2000), which shows a significant correlation between non-satisfactory corporate financial performance and CEO dismissal. However, this paper relies on a broader executive population than previous studies. For lower-level executives corporate financial performance may not adequately signal their performance. Measures that reflect the performance of the functions, divisions or branches led by lower-level executives may be better signals. Second, anecdotal evidence reveals that a corporation's image of excellence does not always exclude its temporary financial turmoil, while executive performance is not always judged by financial performance. The search firm that provided the data set for the analyses admitted that they preferred luring executives from organizations undergoing financial turmoil, because their executives had the same caliber but were easier to attract.

From among the individual- and organization-level predictors of executive career advancement, human capital attributes are more important predictors than organization-level variables. Although the results support Hypothesis 1, that perceived operational excellence

³ An alternative, binary coding scheme for *job tenure*, coding the desirable, 2 to 3 years of tenure as 1 (Kotter, 1995) and a longer or shorter tenure as 0 failed to result in a more significant coefficient for job tenure ($-.06$, $p=.7$).

⁴ The coefficients, standard errors (in parentheses) and p-values for the financial performance variables: *Sales growth*: .180 (.291) $p=.535$. *Net income*: .190 (.449) $p=.672$. *Net income as a percentage of sales*: .001 (.057) $p=.979$; *Net income as a percentage of total assets*: $-.069$ (.173) $p=.690$.

positively affects executive *career advancement*, they fail to gain support for Hypotheses 2, 3 and 4, which proposed that the executives of large-sized, public organizations with above-par financial performance would be more attractive for other employers.

Table 4 presents the characteristics of the organization that executives move to.

-- Insert Table 4 here --

The control variables that stand for *asset management companies* and *banks* have a negative, significant coefficient (-.22 and -.23; $p < .1$), while *finance companies* have a negative, although non-significant coefficient. The omitted variable is *investment banks*. The results reveal that executives who transition to investment banks attain the largest promotions.

Executives who transition to a *general management* function gain larger promotions than executives who transition to other functions (1.15, $p < .001$), while executives who transition to financial consulting firms receive smaller promotions. The human capital variables in Table 4 make a significant addition to the model ($F = 7.84$, $p < .01$). Finally, Model 3 of Table 4 enters the characteristics of the organization where executives move to. The characteristics of the current organization make a more significant addition to the equation than the human capital attributes ($F = 23.69$, $p < .001$), calling attention to the importance of the characteristics of the organization that executives move to on career advancement. *Size* and *perceived operational excellence* have the expected sign: the coefficient for *size* is negative and significant (-0.02; $p < .01$), indicating that executives who leave for larger organizations accept smaller promotions that they may receive if they moved to smaller organizations. This result is consistent with the findings of previous literature: executives wish to be affiliated with large-sized organizations (Brown, Hamilton, & Medoff, 1990; Nystrom & McArthur, 1989; etc.), because larger organizations provide more rapid managerial mobility (Nicholson & West, 1988), higher salaries and more training opportunities (Brown, Hamilton, & Medoff, 1990) and present more management challenges and complexity. The coefficient for *operational excellence* is negative and significant (-.05; $p < .01$), indicating that executives who join such organizations accept smaller promotions than in other organizations. The results support Hypotheses 5 and 7, which proposed that executives who leave for large-sized and well-performing organizations accept smaller promotions to join these organizations. While the coefficient for most of the other financial indicators is not significant⁵, the coefficient for *sales growth* is significant and negative (-1.923, $p < .05$), indicating that executives accept smaller promotions to join organizations with promising growth prospects. Contrary to expectations, executives who join public companies earn larger promotions than those joining private companies (.48; $p < .01$). When *public status* is recoded, however, using a coding scheme that distinguishes between public and private companies during stock market boom periods and makes no distinction between them during “bear market” periods, *public status* becomes negative and significant (-.21, $p < .05$), indicating that executives accept

⁵ The coefficients, standard errors and p-values of the financial indicators of the organizations that executives move to are the following: *Net income*: coefficient: .266, standard error: .174, $p = .127$; *Net income as a percentage of sales*: coefficient: -.009, standard error: .010, $p = .408$; *Net income as a percentage of total assets*: coefficient: .106, standard error: .284, $p = .709$

smaller promotions to join public organizations if the prospects seem attractive. Hypothesis 8, therefore, is partially supported.

Finally, Table 5 examines the effect of change in job characteristics on the size of the promotions received by executives. The analysis here uses a difference-in-difference methodology (Chou et al., 2003). I compare the change in the executive's organizational and job characteristics in two time periods (in the former and in the current job). Running a model that incorporates the characteristics that represent "change" serves as an additional check on the previous analyses. Since the variables that represent change amalgamate the attributes of both the executives' former and current jobs, the results should be consistent with the models that contain the characteristics of the current and the former jobs.

-- Insert Table 5 here --

Model 1 of Table 5 includes the control variables, while Model 2 adds the human capital attributes. The results are identical to Table 3. Model 3 of Table 5 adds the industry and function change variables to the equation. The results suggest that executives' move across industries and functions does not change the size of the promotion that they receive. They also suggest that compared to industry insiders, industry outsiders are not at a disadvantage when they enter financial services firms. Looking at the variables that represent a change in organizational characteristics, the results indicate that career moves between organizations of different size or status do not influence the size of promotions received by executives. They also show that executives who transition from companies with little to those with much perceived operational excellence accept smaller promotion that they would receive if they transitioned between peer companies. Executives who move the other way round earn the largest promotions. These results are consistent with the findings of the previous two tables. The models that incorporate the change in organizational characteristics make a significant addition to the equation ($F=14$, $p<.01$).

Discussion and conclusions

This paper addressed the *organization-level* predictors of executive career moves *between different organizations* for a *broad executive population* and contributed to a stream of empirical research that has overwhelmingly focused on the *individual-level* predictors of career advancement *dominantly within the same organization*, and for a narrow executive population of the *CEO and the top management team*.

The paper proposed that organization-level variables have a signaling function and may be considered a proxy for executive capabilities. The results did not support this assumption: the block of organization-level variables in Table 3 did not make a significant addition to the model. *Perceived operational excellence* was the only significant predictor of executive career advancement. The fact that a perceived measure of organizational performance is related, while actual measures of organizational performance (financial indicators) or the organizational characteristics that may signal the capabilities of executives (the size of the organizations managed) are not related to the size of the promotions, points to the biases in the process of executive selection by companies. The results are consistent with

the ways in which boards of directors choose CEOs (Khurana, 2002). Khurana argues that boards' perception of a CEO candidate is largely determined by the CEO's previous employer. The most demanded CEOs come from employers who have a status higher than that of the recruiting organization. Boards most commonly obtain status-related judgments from rankings such as those produced by Fortune magazine or Business Week. The executive's actual performance in a prestigious organization matters less for these recruiting decisions. Khurana labels this process social matching. Boards resort to social matching, because it is difficult to obtain relevant information on the CEO candidate's performance from other sources. Social matching also serves as a legitimating mechanism, because it produces "defensible" candidates.

Second, the paper has proposed that organizational characteristics also have a signaling power to outsider executives and they influence the attractiveness of the organization for job candidates. In the models that used the characteristics of the current job, organization-level variables more strongly predicted career advancement than human capital attributes. *Perceived operational excellence*, *organizational size*, the recoded *public status* variable and *sales growth* had negative and significant coefficients, implying that executives accept smaller promotions to join larger, financially promising and well-performing organizations. The findings contribute to previous empirical research in the signaling stream (Chauvin & Guthrie, 1994; Turban & Greening, 1997; Jones & Murrell, 1997) in two ways. They identify additional organizational characteristics (size, operational excellence, public status during "bullish" stock market periods and sales growth) that influence the attractiveness of the organization for job seekers. Second, they empirically test the proposition that executives not only find "excellent" organizations more attractive (Turban & Greening, 1997; Jones & Murrell, 2001), but accept smaller promotions to join these organizations. Although a similar proposition has been made in previous research (both Chauvin & Guthrie, 1994 and Roberts & Dowling, 2002 stated that "employees preferred to work for high-prestige firms, and should therefore work harder, or for lower remuneration"), it has not been empirically tested. Finally, the results call attention to the fact that the kinds of organizations that executives move to are an important determinant of the outcome of their career move, and an aspect of the research on career advancement that has not been examined, but need to be incorporated into future research.

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Table 1. Examples for Executive Movement

Career advancement	Previous Position	Current Position	Frequency (per cent)
-7	President/CEO President/CEO	Private Investor Senior Advisor	.9
-6	EVP CEO	Private Banker Manager	.3
-5	Managing Director Managing Director	Specialist in arbitrage Analyst	1.1
-4	VP, Healthcare Managing Director	M&A generalist Institutional investment manager	2.1
-3	Vice President Head, Regulatory public policy	Manager, senior small cap portfolio Senior manager, Strategic investments	2.1
-2	Vice President, Marketing Information Services VP, Energy group	Director, Database marketing Director	6.9
-1	Partner Chairman and CEO	EVP Global head, Private wealth management	5.7
0	Manager Vice President	Manager Vice President, etc.	38.2
1	Senior Manager, HR	Director, HR	14.6
2	SVP, Corporate strategy development	President	8.4
3	Sales manager	VP, Product development	8.4
4	Associate, Investment banking Senior engineer	Vice President, M&A Managing director, Energy	5.7
5	Quantitative analyst Research analyst	SVP SVP	3.4
6	Consultant Deputy Manager	EVP CEO	.6
7	Financial Analyst Adjunct professor/Finance	Principal President	1.8

Table 2. Means, standard deviations and Pearson correlations for the dependent and key independent variables

Key variables	Mean	S.d.	1	2	3	4	5	6	7	8	9	10	11	12	13
1. Career advancement	0.64	2.3	1	-.01	-.01	.03	.03	.08	.02	.02	-.06	-.07	.01	-.04	-.02
2. Job tenure, former job	3.85	3.6	-.01	1	-.0	.05	.03	.08	-.04	-.01	-.03	.00	.13	.07	.06
3. International experience	0.15	0.4	-.01	-.07	1	.02	.04	.03	-.03	.04	.04	.00	.11	.04	.06
4. MBA degree	0.42	0.5	.03	.05	.02	1	-.00	-.00	.01	-.03	-.04	-.04	.52	-.03	.00
5. Public status, former organization	0.63	0.5	.03	.03	.04	-.00	1	.57	.37	.27	.24	.23	-.02	.26	.07
6. Size, former organization	3.75	1.3	.08	.08	.03	-.00	.58	1	.39	.32	.37	.26	.02	.50	.13
7. Oper excellence, former organization	1.74	3.0	.02	-.04	-.03	.00	.37	.39	1	.30	.30	.49	-.01	.17	.09
8. Public status, current organization	0.54	0.5	.02	-.01	.04	-.03	.27	.32	.30	1	.76	.55	.03	.17	.29
9. Size, current organization	3.08	1.6	-.06	-.03	.04	-.04	.24	.37	.30	.76	1	.52	.02	.23	.46
10. Perceived operational excellence, current organization	2.18	3.1	-.07	.00	.00	-.04	.23	.26	.49	.55	.52	1	.01	.20	.21
11. Years of education	17.3	1.2	.01	.13	.10	.52	-.02	.02	-.01	.03	.02	.01	1	.01	.02
12. Financial performance, former organization	1.46	.26	-.04	.07	.03	-.03	.26	.50	.17	.17	.23	.20	.01	1	.19
13. Financial performance, current organization	0.63	2.5	-.02	.06	.06	.00	.07	.13	.09	.29	.46	.21	.02	.19	1

Correlations greater than .05 or smaller than -.05 are significant at $p < .005$. Correlations greater than .075 or smaller than -.075 are significant at $p < 0.001$

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Table 3. The impact of former organizational characteristics on Career advancement

Main equation						
	Model 1		Model 2		Model 3	
Variables in the main equation:	Coefficients	Stand error	Coefficients	Stand. error	Coefficients	Stand. error
1. Same company in former and current jobs	0.087	(0.109)	0.143	(0.157)	0.211	(0.172)
2. Firm fixed effects, former organization	-0.000	(0.000)	-0.000	(0.000)	0.000	(0.000)
3. C-level position, former job	-1.765	(0.199)***	-1.913	(0.235)***	-1.603	(0.302)***
4. EVP position, former job	-1.129	(0.304)***	-0.946	(0.316)***	-1.423	(0.341)***
5. Director position, former job	1.924	(0.161)***	1.912	(0.230)***	1.984	(0.265)***
6. Managerial position, former job	2.212	(0.140)***	1.714	(0.241)***	1.771	(0.273)***
7. Non-managerial position, former job	3.485	(0.128)***	2.714	(0.215)***	2.878	(0.284)***
8. Asset management company, former job	-0.181	(0.148)	-0.458	(0.222)**	-0.687	(0.260)**
9. Banks, former job	-0.086	(0.143)	-0.152	(0.205)	-0.048	(0.229)
10. Finance companies, former job	-0.232	(0.205)	-0.226	(0.293)	-0.153	(0.332)
11. Industries other than financial services, former job	-0.113	(0.131)	0.227	(0.193)	-0.092	(0.225)
12. Professional function, former job	0.083	(0.205)	0.442	(0.310)	0.093	(0.373)
13. General management function, former job	0.244	(0.185)	0.224	(0.224)	0.279	(0.205)
14. Support functions, former job	-0.023	(0.125)	-0.025	(0.179)	-0.089	(0.223)
15. Tenure, former job			0.271	(0.194)	0.031	(0.189)
16. International experience			-0.255	(0.162)	0.034	(0.188)
17. Years of education			-0.007	(0.124)	0.013	(0.112)
18. MBA			0.292	(0.137)**	0.283	(0.156)+
19. Public status, former organization					-0.095	(0.222)
20. Size, former organization					-0.065	(0.083)
21. Operational excellence, former organization					0.046	(0.027)+
22. Financial performance, former organization					-0.015	(0.115)
23. Constant	-1.586	(0.145)***	1.012	(0.189)***	0.877	(0.206)***

Table 3. (continued)

Selection equation

	Model 1		Model 2		Model 3	
Variables	Coeff.	St. e.	Coeff.	St. e.	Coeff.	St. e.
1. Position, current company	0.425	(0.215)***	0.080	(0.026)**	0.082	(0.029)**
2. Tenure, current company	-0.027	(0.007)***	-0.116	(0.014)***	-0.135	(0.016)***
3. General management, current	-0.175	(0.102)+	-0.329	(0.201)	-0.329	(0.221)
4. Finance function, current position	0.795	(0.871)	-0.283	(0.141)**	-0.257	(0.153)+
5. Asset management company	0.008	(0.755)	-0.009	(0.125)	-0.020	(0.138)
6. Finance company	0.012	(0.098)	0.301	(0.189)	0.270	(0.202)
7. Candidate status	0.119	(0.073)+	0.883	(0.189)***	0.873	(0.132)***
Estimated rho	.98		.70		.67	
Wald chi-square	1158.00***		435.93***		314.37***	
Incremental chi-square (df)			8.67** (3)		3.51 (3)	

Note: N= 1232; +p<.1 *p<.05 **p<.01 ***p<.001; Models 2 and 3 use twostep estimates: regular models inflate the coefficients and result in a rho close to 1.

Table 4. The impact of current organizational characteristics on Career advancement**Main equation**

Variables in the main equation:	Model 1		Model 2		Model 3	
	Coefficients	Stand. Error	Coefficients	Stand. Error	Coefficients	Stand. Error
1. Same company in former and current jobs	0.084	(0.101)	0.142	(0.146)	0.346	(0.149)*
2. Firm fixed effects, current organization	-0.000	(0.000)	-0.000	(0.000)	-0.000	(0.000)
3. C-level position, former job	-1.871	(0.123)***	-1.973	(0.202)***	-2.113	(0.220)***
4. EVP position, former job	-1.228	(0.291)***	-1.121	(0.309)***	-1.033	(0.309)***
5. Director position, former job	1.935	(0.158)***	1.917	(0.226)***	1.990	(0.229)***
6. Managerial position, former job	2.280	(0.137)***	1.828	(0.235)***	1.912	(0.243)***
7. Non-managerial position, former job	3.519	(0.123)***	2.835	(0.204)***	2.794	(0.206)***
8. Asset management company, current job	-0.267	(0.145)+	-0.336	(0.177)+	-0.454	(0.186)**
9. Banks, current job	-0.227	(0.122)+	-0.259	(0.178)	-0.171	(0.181)
10. Finance company, current job	-0.121	(0.187)	-0.174	(0.224)	-0.071	(0.235)
11. Professional function, current job	-0.620	(0.238)**	-0.454	(0.337)	-0.607	(0.389)
12. General management function, current job	1.141	(0.168)***	1.026	(0.204)***	0.988	(0.217)***
13. Support functions, current job	-0.132	(0.150)	-0.143	(0.186)	-0.001	(0.000)
14. Tenure, former job			0.033	(0.019)	0.016	(0.191)
15. International experience			-0.295	(0.158)+	-0.284	(0.161)+
16. Years of education			-0.071	(0.112)	-0.032	(0.107)
17. MBA			0.313	(0.134)*	0.236	(0.136)
18. Public status, current organization					0.482	(0.213)**
19. Size, current organization					-0.020	(0.063)**
20. Operational excellence, current organization					-0.521	(0.025)**
21. Financial performance, current organization					-0.428	(0.352)
22. Constant	-1.498	(0.144)***	1.028	(0.189)***	0.927	(0.199)***

Table 4. (continued)

Selection equation						
	Model 1		Model 2		Model 3	
Variables	Coeff.	St. e.	Coeff.	St. e.	Coeff.	St. e.
1. Position, current company	0.434	(0.021)***	0.079	(0.026)**	0.082	(0.277)**
2. Tenure, current company	-0.259	(0.007)***	-0.116	(0.014)***	-0.111	(0.141)**
3. General management, current	-0.797	(0.136)***	-0.336	(0.201)+	-0.386	(0.209)+
4. Finance function, current position	-0.028	(0.103)	-0.290	(0.140)*	-0.304	(0.145)**
5. Asset management company	0.053	(0.095)	-0.119	(0.125)	-0.065	(0.130)
6. Finance company	-0.011	(0.130)	0.296	(0.189)	0.266	(0.196)
7. Candidate status	0.132	(0.0726)+	0.882	(0.122)***	0.898	(0.126)***
Estimated rho	0.98		0.71		0.74	
Wald chi-square	1306.57***		492.33***		495.99***	
Incremental chi-square (df)			7.84** (3)		23.69*** (3)	

Notes: N= 1239; +p<.1 *p<.05 **p<.01 ***p<.001; Models 2 and 3 use twostep estimates. Regular models inflate the coefficients and result in a rho close to 1.

Table 5. The impact of change in job and organizational characteristics on movement capital

Main equation								
	Model 1		Model 2		Model 3		Model 4	
Variables	Coeff.	St. e.	Coeff.	St. e.	Coeff.	St. e.	Coeff.	St. e.
1. Same company	0.084	(0.100)	0.144	(0.146)	0.134	(0.156)	0.255	(0.171)
2. Firm fixed effects, current company	-0.000	(0.000)	-0.000	(0.000)	-0.000	(0.000)	-0.000	(0.000)
3. Firm fixed effects, former company	-0.000	(0.000)	0.000	(0.000)	0.000	(0.000)	0.000	(0.000)
4. C-level position	-1.869	(0.171)***	-1.986	(0.203)***	-2.027	(0.208)***	-1.916	(0.289)***
5. EVP position	-1.222	(0.291)***	-1.124	(0.309)***	-1.111	(0.309)***	-1.159	(0.341)***
6. Director position	1.934	(0.158)***	1.906	(0.226)***	1.921	(0.227)***	2.043	(0.265)***
7. Managerial position	2.281	(0.137)***	1.839	(0.235)***	1.842	(0.236)***	1.913	(0.276)***
8. Non-managerial position	3.524	(0.123)***	2.833	(0.205)***	2.816	(0.207)***	2.804	(0.244)***
9. Asset management company	-0.266	(0.144)+	-0.331	(0.177)+	-0.223	(0.223)	-0.329	(0.267)
10. Bank	-0.231	(0.122) +	-0.277	(0.178)	-0.222	(0.218)	0.111	(0.252)
11. Finance company	-0.124	(0.187)	-0.172	(0.224)	-0.401	(0.331)	0.358	(0.359)
12. Professional	-0.625	(0.238)**	-0.553	(0.337)	-0.586	(0.536)	-0.348	(0.603)
13. General management	1.140	(0.168)***	1.019	(0.205)***	0.969	(0.300)**	1.054	(0.375)**
14. Support functions	-0.131	(0.151)	-0.151	(0.186)	-0.260	(0.208)	-0.284	(0.237)
15. Tenure, former job			0.023	(0.019)	0.022	(0.019)	0.023	(0.023)
16. International experience			-0.295	(0.158)+	-0.275	(0.160)+	0.190	(0.190)
17. MBA			0.220	(0.134)	0.233	(0.135)+	0.196	(0.156)+
18. Industry change, to banks					-0.075	(0.169)	-0.090	(0.196)
19. Industry change, asset mgmt					-0.128	(0.165)	0.077	(0.210)
20. Industry change, finance companies					0.221	(0.222)	0.396	(0.258)
21. Function change, to prof. jobs					0.132	(0.667)	-0.399	(0.844)
22. Function change, to general mgmt					0.102	(0.343)	0.014	(0.429)
23. Function change, to support jobs					0.345	(0.342)	0.363	(0.408)
24. Change in operational excellence							-0.061	(0.022)**
25. Change in organization size							0.001	(0.001)
26. Change in public/private status							-0.074	(0.061)
27. Constant	-1.499	(0.144)***	1.02	(0.189)**	1.019	(0.189)***	0.796	(0.215)***

Table 5. (continued)

Selection equation								
	Model 1		Model 2		Model 3		Model 4	
Variables	Coeff.	St. e.	Coeff.	St. e.	Coeff.	St. e.	Coeff.	St. e.
1. Position, current company	0.434	(0.021)***	0.079	(0.026)**	0.077	(0.026)**	0.079	(0.030)*
2. Tenure, current company	-0.026	(0.007)***	-0.116	(0.014)***	-0.116	(0.014)***	-0.131	(0.016)***
3. General management, current	-0.780	(0.136)***	-0.336	(0.200)+	-0.315	(0.201)	-0.359	(0.231)
4. Finance function, current position	-0.029	(0.103)	-0.290	(0.140)*	-0.278	(0.141)*	-0.263	(0.158)+
5. Asset management company	0.055	(0.095)	-0.012	(0.125)	-0.012	(0.126)	-0.063	(0.143)
6. Finance company	-0.006	(0.131)	0.296	(0.187)	0.306	(0.189)	0.243	(0.210)
7. Candidate status	0.133	(0.073)+	0.882	(0.122)***	0.891	(0.122)***	0.894	(0.136)***
Estimated rho	.98		.70		.67		.65	
Wald chi-square	1310.96***		492.53***		489.56***		336.4***	
Incremental chi-square (df)			7.88** (3)		3.32 (6)		14.0**(3)	

Notes: N= 1239; +p<.1 *p<.05 **p<.01 ***p<.001; Models 2, 3 and 4 use two-step estimates

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