

Does Top Management Internationalization Influence Firms' Strategic Risk-taking?

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An Extended Abstract of:

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This study investigates whether and to what extent top managers' internationalization is associated with a firm's strategic risk-taking. Combining upper echelons theory with insights from psychology and corporate governance research, we demonstrate that top management internationalization enhances a firm's propensity to take strategic risks. This association was found to be context-dependent on two important factors, which are regarded as having a moderating influence on top managers' risk-taking behavior: the CEO's variable compensation as well as the tenure diversity within the entire top management team. Besides, our supplementary analysis reveals that strategic risk-taking is primarily attributable to the internationalization of the CEO but neither to the internationalization of the other TMT members nor the CFO. Overall, this paper contributes toward a greater theoretical understanding about the implications of top management internationalization as well as the antecedents and boundary conditions of strategic risk-taking in firms.

Keywords

Upper Echelons theory, top management internationalization, strategic risk-taking, diversity, compensation

***A full version of the manuscript is available upon request from the authors.