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The Effects of Candidate’s Characteristics and Competency Uncertainty on Outsider Executive Selection Decision

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서울대학교 대학원 경영학과 경영학 전공 유승아
ABSTRACT

The Effects of Candidate’s Characteristics and Competency Uncertainty on Outsider Executive Selection Decision

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Before financial crisis, insiders were preferred as executives. However, the paradigm is changing towards outsider executives, partly because so many insider executives crashed and partly because firms are looking for ways to restart growth. Previous literature on the executive selection has largely emphasized importance of executive to organizational success. However, process of executive selection decision making has not been clearly explained. Outsider executive candidates’ qualities are less known compared to insiders, thereby causing uncertainty associated with competency. I have speculated candidate’s characteristics such as type of social tie to selector, and
education level which can provide biased information to selection decision maker as means to reduce candidate’s competency uncertainty. Additionally, candidate’s gender was considered as a significant factor in executive selection process.

This study explores the role of outsider executive candidate’s competency uncertainty, social tie to selection decision maker, prestige of education and gender in selection making process. Using policy capturing approach with participants with previous executive selection experiences, this study showed significant relationship between candidate’s characteristics and selection likelihood. But effect competency uncertainty on selection chance was not influenced by candidate’s social tie and education. Based on the current empirical research, it is indicated that prejudice, although illogical, is prevalent in outsider executive selection decision making process.

**Keywords:** Outsider executive selection, competency uncertainty, social tie, gender bias, education prejudice, policy capturing approach

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I. INTRODUCTION

Firms look for outsider executives when they want to change and develop. Still, in Korea, for large conglomerates, internal promotion is commonly practiced executive selection process. However, for small and medium business enterprises, outsider executive selections take larger percentage of executive selection because they do not have rich pool of candidates to select from. Executive job attainment is particularly interesting topic as an executive officer is the agent who is in charge of an organization’s strategy, design, performance, and environment (Dalton and Kesner, 1985). Employees entering the organization hope to achieve position at executive level since becoming executives guarantee more monetary compensation as well as more power and responsibility in organization’s decision making process. Researches on executive staffing stress public image management, political insight, and managerial performance as the key factors determining career progress, however empirical examination of such factors in the selection process are limited (Bass, 1968; Kahn, Gurin, Quinn, Baar, & Kraut, 1964; Peres, 1966). Thus, the selection decision making processes in organizations remain unclear.

Assessment of outsider candidates differs from evaluation of insider
candidates, since information regarding outsider candidates limited. Selection decision makers have comprehensive knowledge about insider candidates, as they have been assessed with firm-specific appraisal. Unlike insider candidates whose competencies are definite from firm-specific standards, outsider candidates’ competencies have different levels of uncertainty attached. The priority of executive selection decision maker is to choose a candidate who will lead the organization to success, and to do so, his or her competency has to be ensured. The informational uncertainty associated with outsider executive candidates can be diminished depending on candidates’ attributes.

In alignment with social phenomenon, I have considered candidate’s social tie, education, and gender to have influence on executive selection. Although blatant prejudice has been subsided, there still exists unspoken prejudice. As selection process is unclear, such bias will have effects on likelihood of selection based on candidate’s characteristics. It is commonly assumed that individual who is well connected with selection decision maker or someone up on the hierarchical ladder has better chance of attaining the job. Social relationships provide better information and more opportunities. Furthermore, candidate’s education level, whether or not he graduated from prestigious college tends to have influence on selection likelihood as well-
known college tends to provide high level of education, and certain qualities are requirements to gain enrollment. Especially in Korea, graduates from non-prestigious college are minorities among executives. Moreover, even with increased number of female in workplaces, only a few women make it to top level of organization. Nowadays, woman participating in labor market have increased dramatically, woman in managerial positions still face a “glass ceiling”, an invisible barrier that prevents them from climbing the corporate ladder (Wirth, 2004). Especially in Korea, where traditionally Confucianism was primary belief system, gender stereotypes are yet well enforced.

Additionally, I considered candidate’s education and social tie with selection decision maker to reduce effect of candidate’s competency uncertainty on selection likelihood. Individual’s academic path can lessen competency uncertainty as prestige of attended university ensures individual’s intellectual capital. Furthermore, top level universities not only have great education, but also top quality students to study and socialize with, building both human capital and social capital. Educational background lessens candidate’s competency and provides additional information about candidate’s social capital. Social tie will provide additional information about the candidate to selection decision maker directly or indirectly, thereby
decreasing the level of uncertainty associated

I wanted to examine effects of candidate’s attributes on decision making process from selector’s point of view. Most of the previous executive selection researches are based on incumbent executives or previous executives as it is impossible to know who was considered as applicants for executive level job position. Such studies sample candidates or executives when conducting surveys, causing difficulty in eliminating other factors influencing selection decision process. I have conducted experiment using multiple scenarios towards the personnel with authority over executive level selection to figure out whether or not candidates’ characteristics made a difference in executive selection decision making process. Results showed that prejudices do indeed exist in selection decision making process and have significant influence on candidate’s likelihood of selection. Unlike my speculation about prejudice being part of rational choices to reduce level of uncertainty associated with candidate’s competency, there no significant effect, suggesting irrational prejudices do exist in executive selection process.
II. LITERATURE REVIEW

1. Selection

Selecting personnel plays a significant part in general context of staffing. According to Singh and Crocker (1988) and Rees and Doran (2001), personnel selection is one of the most important functions in the management of an organization. It is reasonable assume that by enhancing organization’s human capital, organizational performance will improve, even though there is no straight lined relationship between personnel selection and organizational effectiveness and performance (Kurtz and Bartram, 2002). Staffing appropriate human resources has potential benefits including diminishment of costs of poor selection, such as costs from early turnover causing loss of training cost invested in employee or danger of rejecting personnel who gets hired by direct competitors thereby benefitting competitor. Schmidt and Hunter (1998) supported economic consequence of who to select by concluding that increasing the validity of hiring methods, on average, increased return per hire by $18,000 per year.

Personnel selection is emphasized by organizational management researchers, however the selection methods implemented in the firm is ambiguous. Human resource decision makers do not possess the necessary
routine in selection and the organization does not attract a sufficient pool of applicants to choose from, as a result, suboptimal selection decisions are often made (Born and Scholarios, 2005). Especially, business managers in small and medium-sized enterprises are fully aware of this challenge as they value successful recruitment of qualified employees as one of the most important factors in success and business growth (Williamson, Cable and Aldrich, 2002).

Cardon and Stevens (2004) reviewed researches relevant to staffing issues in small and medium enterprises. The majority of the studies is descriptive and considers SMEs’ recruiting and attraction practices and methods (e.g. Barber, Wesson, Roberson and Taylor, 1999; Bartram, Lindley, Marshall and Foster, 1995; Carroll, Marchington, Earnshaw and Taylor, 1999). Large and established firms tend to have more formalized recruitment process compared to small and medium businesses. Small firms heavily rely on existing networks thereby often recruiting from the social circle of their friends and family. However, Aldrich and Langton (1997) showed that small firms are far less dependent on recruiting source by family members than expectation derived from other SME researches. When attracting a pool of candidates while spending small amount of money, word of mouth and referrals from friends and current employees are another popular means. In
sum, SMEs tend to rely on existing networks as sources of their recruitment, such as the founders’ families, employee referrals or university contacts (Barber et al. 1999). However due to this limited recruitment practices, these business enterprises are at risk of losing a potential source of fresh talents as many qualified individuals in search of job might simply not have access to the offered job openings.

Process of staffing is includes attracting, screening and selecting qualified person for the job. First stage of recruitment is the attraction of talent to the firm and the creation of a pool of candidates who are interested in joining the organization. Barber (1998) defines recruitment as “those practices and activities that are carried on by the organization with the primary purpose of identifying and attracting potential employees.” After a pool of applicants is assembled, the next step of staffing involves the individuals with authority over human resources. These individuals perform the delicate task of choosing those applicants from the pool who best match what the organization requires from their employees. Objective of all theses selection decision makers is to choose the candidate who possesses the most suitable characteristics. Gatewood and Field (2001), define human resources selection as the process of collecting and evaluating information about an individual in order to extend an offer of employment and of addressing the
future interests of the organization and of the individual.

2. Decision making process

Staffing is a series of decision making events, in which decisions by applicants of whether or not to apply to the firm, and by organizational decision makers of whether or not to select all matter. Decisions are made in broader and in narrower senses, including broad decisions regarding general conditions of the whole staffing process such as which system to utilize, how much money to spend, and narrow sense of decision such as whom to select and whom to reject (Born and Scholarios, 2005). Decision making is at the center of personnel selection as the staffing process is accumulation of decisions to hire or to reject applicant. These decisions regarding selection are made without clear-cut information about the future performance of the candidate in the applied firm and thereby such decisions are considered as made under uncertainty (Highhouse, 2001). Selection is a cognitively complex task which includes gathering and encoding information from various sources, organizing data, and integrating the information to come to the final decision.

Judgments in decision making processes include two basic features: the decision itself and the cue upon which the decision is based. A cue is a
“decisive factor that elicits a response in the judgment process” (Mainprize, Hindle, Smith and Mitchell, 2003). In a layman’s term, cue is the relation between the decision and the information used to make that decision. Such cues are combined and weighted by the decision maker according to individual significant assigned to each cue. In decision making literature (Zacharakis and Baron, 2003; Choi and Shepherd, 2004), decision cues are called criteria. Any information about applicant attributes such as skills, abilities, interests, and values can be used as decision cues. This information is used to measure and predict employee success in the job the candidate is selected for. A selection cue might be any characteristic or attribute of the applicant that distinguishes one applicant from the other and that the decision maker uses to base the selection decision upon.

Decision making process in staffing is important however has received relatively little attention compared to validity of selection methods (Born and Scholarios, 2005). The way in which recruiters make actual decision during selection process should be considered important in selection research, and more attention should be given. According to Highhouse (2001), the presentation of the information gathered on an applicant can have significant effects on decision making process. For example, if candidate have missing information on his application, selection decision maker might
devaluate the candidate in avoidance of uncertainty, even if the missing information is beyond applicant’s control. Moreover, when decision makers are faced with similar options where one option does not dominate others, thereby causing high conflict, they tend to delay their choices.

3. Executive characteristics & selection

Decision regarding executive selection is important as executive have significant impact to the success activism have shown magnitude of CEO selection process (Virany, Tushmand and Romanelli, 1992). It is generally accepted that the executives have large influences on forming a firm’s strategy, its core competencies, and its competitive advantage of firms (Gupta, 1992). The popular business press (e.g., The Wall Street Journal) and scholarly journals have paid attention to executive selection decision, which shows how significant such decision is to management. The role of executive is the highest-ranking corporate officer or administrator in charge of total management of an organization. Decision regarding executive staffing is fundamentally important to business organization because executive human resource is responsible for other competitive advantages. Recent trends such as intensifying product market competition and enhanced shareholder activism have further increases significance of executives.
Executive jobs in complex, global organizations are very different from jobs at the bottom of the hierarchy. As we move up the hierarchy ladder, behavior and results becomes loosely coupled. In lower level jobs, there often is a “right way” to do the job. However, at the top level, we can not specify which way is the “right way” to do the job. Although not having an exact routine to perform the given job can be a disadvantage, however it also means that a particular executive may change the way a job is done in order to capitalize his own propensities, strengths, weaknesses and stylized patterns of behaving and accomplish success. Executive selection should be differentiated from selection at lower levels as executive can do the job whichever way he wishes to, whereas lower level employees are given exact instructions to follow, therefore different models should be applied in personnel selection. Before distinguishing what is right or wrong in executive selection, basic assumption should be explicitly stated. Executive performance matter and executive selection are absolute keys to organizational success.

Factors considered in executive selection process are interviews, tests, assessment centers, strategic fit of the executive and position, hiring strategies, diverse range of candidates, board involvement and behavioral competency models. Many scholars have developed competency model to
better predict performance. Competency is a conceptually defined as a meaningful rating or evaluation used to forecast job performance. Boyatzis (1982) developed a nine-competency model from interview based assessments of 75 executives, which consists of efficiency orientation, concern with impact, proactivity, self confidence, oral presentation skill, conceptualization, diagnostic use of concept, use of social power and managing group process. Leslie and Van Velson (1996) also identified characteristics associated with executive success or failure by interviewing large number of managerial positions. Posner and Kouzes (1993) also developed five competencies through examinations of managerial positions. Sandberg (2000) conceptualized “evaluative intersection” of person information and work information, which best describes how the executive competencies were represented. Worker information includes worker characteristics, worker requirements, and experience requirement whereas work information includes occupational requirements, occupation specific requirement and occupational characteristics. Competency is assessments found in personnel selection system used to predict future job performance, and viewed as characteristics of a job and worker. All the above described competency models do not necessarily agree in what they find necessary to predict future success or failure.
In line with competency assessment, the performance evaluation is also central to many human resources decision, yet performance evaluation is not always precise. Past performance is a common criterion for executive competency; however, many firms do not have systematic performance appraisal systems. When someone is recommended for promotion, it is unclear what measure of past performance is actually used. Individual job performance consists of distinct sets of activities that contribute to an organization in different ways (Campbell, 1990). Specifically, the standard method to measure performance may be deficient in that it does not fully capture candidate’s possession of key knowledge, skills and abilities to perform.

Still, competency is a major criterion in employee selection as a whole and in executive selection in particular. It is a common knowledge that candidate with high level of competency will be selected as an executive. Concept of competency includes individuals’ past performance as it is used to predict future performance. For example, what candidates have done in similar situation in the past will give ideas to decision makers about how they will perform in the future. Incumbent executive performance matters a lot to organization’s success or failure, and therefore executive selection candidate’s competency is absolutely central for organization’s survival.
Selectors are more likely to hire candidate with high competency rating rather than candidate with low competency rating. Candidate’s competency will definitely increase the chance of being selected as an executive. However, information regarding individual’s competency carries uncertainty.

Other criteria which were ignored in the past but now being considered in selection processes are personality, leadership, relationships, detailers and global capabilities. Personality is integral part of cognitive ability, however in the past, much of performance variation were dependent on non-cognitive factors. Executives are leaders of organization, and assessing leadership is one of major priorities in executive selection nowadays. Emotional intelligence, social intelligence, or interpersonal relationships are relational aspect of executive positions. Executives who lack at ability to manage relationships often faced with executive failure. Looking for “derailer” factors which may cause executives to fail also became important. As organizations have become global and many executives perform ion a global level, possessing global capability has been required of executives to lead organization to success. Even with all these criteria included in executive selection process, results of selection are no better than ever (Hollenbeck, 2009).

Executive failure is common, although there are few, if any,
statistical data on the rate of executive failure over the years, high profile executive failures are often in the news, and no industry is immune with such phenomena. Executives themselves have authority to select other executive level members, and try best to select candidates who will be successful in running the company. However, even Jack Welch, the chairman and CEO of General Electric discussed difficulty of hiring by stating “even the executives with decades of experience will tell you that they make the right calls 75% of the time at best” (Hollenbeck, 2009). Some researchers argue that executive failures are not result of bad selection but because of ever-so-changing environment. Moreover, due to complexity of executive jobs, high failure rate is inevitable and success is hard to achieve (Kisfalvi, 2000). However, Hollenbeck (2009) argues that by making adequate decision, executive failures can be prevented. The task of selecting executive is reserved for executive recruiters and more senior executives. They have to consider many aspects of the executive position applicants to make the adequate decision and to prevent mishap.

When one of executive positions becomes available, the executive selection process becomes a matter of choosing among several well-known internal candidates or external candidates. Internal promotion to executive level is commonly used in big sized organizations with many prospective
candidates. Such firms’ executive selection tactics can be divided into “horse-race” approach, or “crowned prince” approach. The horse race approach is an ultimate tournament model which compete internal candidates against each other, while crowned prince syndrome identifies, anoints and appoints single candidate without considering other options (McElwain, 1991). While some firms only consider internal selection, some firms recruit executives from outside. In cases of organizations merge or acquire other industry firms to expand, the acquiring firm need to hire executives of the acquired firm, sometimes directly from the acquired firm, or recruit from outside the firm. Outsider recruiting in this situation is necessary because the buying firm does not have appropriate candidates to select from. For small and medium sized business enterprises, outsider executive is more likely to be hired as they do not have rich pool of candidates like conglomerates. Additionally, organizations occasionally select outside executives when organizational performance is poor, or attempting organizational change. When selection committees are considering both insider and outsider candidates, they are more likely to choose an external candidate by 75% of the time when organization is going through turmoil (Sessa and Taylor, 2002). Firms rely on external hire, believing that outsider executive will turn things around in the company.
According to executive succession literature, executives selected from within the firm (inside executives) and outside the firm (outside executives) differ greatly. Outside executives are expected to pursue alternative strategies as they usually hired when organization is going through rough patch and changes are needed (Cannella and Lubatkin, 1993). Outside executives, additionally, bring relatively new knowledge and skills (Harris and Helfat, 1997; Zhang and Rajagopalan, 2003) as they are not accustomed to the firm’s status quo. For these reasons, outside executives are more likely to be pursuing adaptive strategic change. However relative to inside executives, outside executives have restricted knowledge of firm’s resources and constraints (Greiner, Cummings, and Bhambrri, 2003), and implementation of strategic change directed by outside executives can have a greater risk of failure. More and more organizations are looking to external hire for executive positions, even though the outsider candidates are more likely to fail than insider candidates. From selection decision maker’s point of view, in comparison to internal candidates, external candidates are harder to evaluate as they do not have access to comprehensive information regarding the candidate. Nevertheless, selection of outsider executive is sometimes inevitable.

From candidate’s position, attaining executive position is the
ultimate career success as an individual participating in labor market. Career success comprised of job attainment and promotions have been explained using the concept of social capital (Burt, 1992; Gabbay & Zuckerman, 1998; Podolny & Baron, 1997). Social capital is defined by Coleman (1988) as characteristics of social structure that are value generating and action facilitating to the individual within that social structure. Social capital is formed when the relations among people change to influence individual’s instrumental action. Social network theory constructed and empirically tested the theories related to the concept of social capital. These researchers regarded ties, or relationships, as the foundation of the network and analyzed the pattern of ties connecting actors or nature of ties.

According to social capital literature, individuals who actively use interpersonal ties have better chance of obtaining more satisfactory and higher paying jobs. Many social network researchers have examined effects of social capital on getting hired, however the literature contains contradicting views on which types of social capital are most beneficiary when obtaining the job. There are two contradicting views on which network is better suited for going up the ladder. Burt (1992, 1997) supports spares network with many structural holes which are nonexistence of relations among those in the network, and emphasizes the importance of weak ties.
According to Burt, such network is more advantageous than cohesive networks with few structural holes because spare network possesses more bridging opportunities providing unique information, whereas dense network provides redundant information. By contrast, Podolny and Baron’s research (1997) supports that smaller and denser network is better than larger and sparser network when network functions as social support and develops role expectations. Burt (1997) and Podolny and Baron (1997), both suggested that depending on the content of the ties, particularly comparing between friendship ties or work ties, network ties have very different effects on managers' promotion rates. In addition, Gabbay (1996) showed how career advancements take place more quickly for salespeople with strong tie access to structural holes. Further, Lin et al. illustrated how social capital embedded in a network influences status attainment or job promotion in labor markets (Lin & Dumina, 2004; Lin, Ensel, & Vaughn, 1981). Social capital described in these studies includes wealth, status, power as well as social relations to those individuals who are directly or indirectly tied to the person (Lin et al., 1981). Although these studies have different opinion on which type of network composed of social ties is advantageous on job attainment, they unanimously agree that social relationships have positive effect on job attainment and moving up the ladder.
While above researchers focused on pattern of ties, Granovetter (1973) focused on the strength of social tie used by an individual when find a job. Strong tie is defined as emotionally intense, frequent and involving multiple type of relationship, such as those with friends, co-workers, or family, whereas weak tie is defined as not emotionally intense, occasional, and restricted to one constricted type of relationship. The weak tie theory suggests that ties among members of a social group tends to be strong, and the information known to any one member of the social group will be rapidly shared with other members, or other members already possess the same information thereby creating redundancy. However, weak ties connected to member outside of the social circle will provide exclusive information and resources. Granovetter (1973) verified that people found out about such information using weak ties rather than strong ties. As social ties facilitate some type of knowledge transfer, candidate’s social tie will provide access to executive job opportunities whether the candidate’ is outsider or insider.

4. Bias/Prejudice

Prejudices are negative attitudes toward others based on their association in a social status or group. Usually, they are discrimination against minorities such as bias towards gender, race, age, etc. According to
researches on prejudice, emergence of new and subtle prejudice has been replacing blatant prejudice (Dovidio & Gaertner, 1998; Quillian, 1995; Stephan et al., 1998). The new subtly prejudiced individuals do not openly approve the differential treatment of negative stereotypes and deny the existence of discrimination, however refuse to go along with requests and policies made by minorities. Prejudices are often inevitable outcome in organizations when workforce homogeneity is enforced. Some organizations feel workforce homogeneity as determinant of organizational success (Petersen & Dietz, 2005), thereby recruiting candidates who fit the firm’s demographic profile. Such recruiting practice increase workforce homogeneity at the expense of minority applicants.

Additionally, prejudices are explained using many different theories regarding threats from subordinate group (Quist & Resendez, 2002). Blumer (1958) described prejudice as a reaction to threats to advantages certain group possess. This combined threat, followed by prejudice, transpires from “feelings” from superiority, intrinsic difference from the subordinate group, exclusive claims to certain privileges, and fear and suspicion that the inferior group will impose on dominant group’s territory. According to realistic conflict theory (Bobo, 1983, 1988; Jackson, 1993; LeVine & Campbell, 1972), hostility among difference group is result of competition or
conflicting goals. Conflicting goals base on real or imagined threats to the existence of the group’s political power, economic advantage or social status. Moreover, some researchers propose significance of symbolic threats contributing to emergence of prejudice (Dietz-Uhler & Murrell, 1998; Grant, 1993). For examples, social identity theory (Tajfel & Turner, 1986) propose that individuals have fundamental need for positive self esteem which can be satisfied by reinforcing belonged group’s collective identity. Such individuals who derive satisfaction and value from their identification of belonging to a social unit are more likely to be biased in favor of that group.

Another theory explaining prejudice can be from social dominance theory (Sidanius, 1993; Sidanius & Pratto, 1999; Sidanius et al., 1991, 1992). Social dominance theory suggests that individuals in dominant groups have greater social dominance orientations and are motivated to maintain their dominance over subordinate groups and the corresponding privileges resulting from their higher status. In accordance with social dominance theory, believing in stereotypes and biased attitudes legitimizied the current social hierarchy (Sidanius & Pratto, 1999). If individual perceives his social status is threatened, than his stereotypic beliefs and prejudicial attitude will be strengthened to further justify the existing hierarchy. Prejudice can be type of defense against threat towards current representation of position, and
attitude to keep work homogeneity.

Bias against women has decreased over as and they currently constitute nearly half of labor force, and occupy a significant and growing proportion of entry and mid-level managerial positions. Although number of women occupying the managerial positions has increased, still they have hard time gaining entrance to top-level positions; according to data provided by Human Capital Corporate Panel, currently, less than 5% of executive positions are held by women (Lim & Chung, 2010). This small percentage has been attributed to the glass ceiling, an invisible barrier to advancement based on attitudinal or organizational bias. Glass ceiling is an invisible barrier that prevents women from climbing the corporate ladder (Wirth, 2004).

Daily, Certo and Dalto (1999) have researched direct effect of glass ceiling women face in a social environment in United States. According to their research, during 1987 to 1996, women labor force had flooded the managerial positions, however, only mere 0.0006% was selected as executives. Li & Wearing (2005) have studied England’s women executives and found out that among top 100 major firms, less than 2% of executive positions were held by women. Moreover, under same labor circumstances, female executives were paid less compared to male executives. These above
stated phenomena are also observed in Korean HCCP, and glass ceiling towards women can be assumed as worldwide event. Nevertheless, there is no definite answer to whether or not female executives and male executives do have business performance difference. Moreover, in general, firms with more female executives tend to have less debt ratio and capital gains yield in comparison with firms with less female executives (Coleman & Robb, 2009; Fairlie and Robb, 2009). When it comes to risk management, female executives showed more risk-taking preference as to male executives showed more risk-avoiding preference. Organizations with higher percentage of women occupying executive positions have advantage in improved monitoring function, but have inverse relationship with business performance (Adams & Ferreira, 2009). According to Kodama, Odaki, and Takahashi (2009), in case of Japan, firm with high female employment ratio showed higher firm performance.

As stated above, studies involving female executives have shown mixed results when it comes to female executives’ effect on firm performance. Social phenomenon called glass ceiling keep female members of organization from entering executive level positions without clear reason regarding firm performance. Preference towards male executives can be explained by perceptual distortions and cognitive bias among executives’
employer. Research on attribution theory has shown that the same achievements of men and women are explained differently. Women’s accomplishment is external factors, including affirmative action, whereas men’s accomplishments are attributed to their own skill and ability which is viewed more valuable to the firm.

Furthermore, people’s perception and evaluation of female executives differ greatly from those of male executives. Image of a typical leader tends to be associated with male traits (Schein, 2001) and the stereotypes of women do not fit the traditional characteristics of leader. For example, women are described as being communal in a sense of having soft and warm traits. Although these qualities are generally positively perceived, in an organizational context where ability to exert influence and implement changes are valued, such traits are less worthy. Thus, these perceptions go against women being effective leaders. According to Lee & James (2007), hiring of a male executive was better received by investors compared to hiring of a female executive, which implies that investors prefer male executives. Moreover, they demonstrated that having internally promoted female executive was perceived more positively than externally selected female executive. Building up reputation and experience in the firm indicate her ability to lead, and counterbalance any doubt regarding her performance.
On the other hand, perspectives regarding internally promoted executives and externally hired executives differ from female. The assessments of male executive’s leadership capabilities are not affected by whether he has firm specific experience and familiarity. Such difference in perception presents female executives with disadvantage. Not only women’s performance is underrated in male-dominated environment, but also women sometimes are frowned upon for showing gender role disconfirming behaviors (Eagly and Karau, 2002).

Moreover, female executive actions are more carefully scrutinized because of conflict between gender and leadership stereotypes along with lack of preexisting theories of female’s role in managerial positions (Lee and James, 2007). To examine this idea empirically, Kulich et al.(2007) conducted a scenario-based experiment where participants were presented with scenarios describing either a troubled or a flourishing company lead by a male or a female executive. Participants were then asked to evaluate executive’s ability and assign performance based pay. The study supported those male executives’ bonuses were rewarded in accordance with performance outcome, but female executives’ bonus did not vary with firm performance. If company with male executives had poor performance, then executives are automatically considered as cause of good or bad performance
and rewarded accordingly. This suggests that people believe male executives do have more potential to influence organizational outcome, whereas female executives have less potential influence.

5. Role of uncertainty in selection

In the context of organizational research, uncertainty contains three components (Duncan, 1972). First component is lack of information regarding environmental factors associated with a given decision making situation. Second element is not knowing the outcome of a specific decision in terms of how much the organization would lose if decision were incorrect, and third factors is inability to assign probabilities with any degree of confidence with regard to how environmental factors are going to affect the success or failure of decision unit if performing its function. The first two of these components focus on the lack of information, while third component focuses on accuracy of information as participants assess outcomes subjectively. Information regarding candidate’s competency are first gathered by their resume and if possible, performance records.
III. THEORY AND HYPOTHESIS

1. Competency uncertainty

When choosing executive from outside candidates, information regarding applicant’s competency carries more informational uncertainty compared to inside candidate. Insider candidates’ competency can be evaluated with information gathered over long term, and have many diverse references from subordinates to chief executive officers. Such competency evaluations have less informational uncertainty since abundant information was gathered according to organization’s set standard. Outsider candidate’s competency is evaluated using deficient information in a very short period of time.

Evaluator has to assess candidate using limited information as candidate’s resume, performance records and other’s opinion about candidate’s competency. Resumes are extremely biased as candidate himself writes it to best represent himself to the public. Even the performance records carry uncertainty. A common distinction of performance measure is between financial measures and nonfinancial measures (Campbell, 1990; Leslie and Van Velson, 1996; Posner and Kouzes, 1993; Sandberg, 2000). Although accounting measures such as costs, profits, or accounting returns,
and operational measures are productivity and project success rate, which tend to be more disaggregated and task specific than financial measures. Operational measures tend to be better at isolating the contribution of particular workers or activities (e.g., Wruck and Jensen 1994; Brancato 1995). Moreover, accounting measures have tendency to focus on past instead of present, reward short-term or incorrect behavior, and give insufficient consideration to development of employees’ intellectual capital and capabilities.

Several performance measurements incorporate both financial and nonfinancial measure to evaluate individual performance. Cross and Lynch (1988) propose a performance measurement which classified measures based on organizational hierarchy level. The important feature of this measure is that it assesses activities at each level of specificity. For example, the top of pyramid are broad corporate metrics composed of accounting measures, profit, cash flow, and operational measures, market penetration. Another level on the pyramid occupied by business operating sector, tangible operating objectives such as customer satisfaction, flexibility and productivity are used.

Although these performance measures try to capture individual’s performance, these measures do not reflect the market conditions, or
previous organization’s growth rate which can have an effect on the performance evaluation of the candidates considered for executive position. Furthermore, another major criterion for a performance evaluation system is the specificity of the process or outcome for which person is responsible for (Ferris & Treadway, 2008), however, such distinction is hard to accurately be judged by individual external to the candidates’ working environment. Combination of employees performance makes up the organizational performance, and it’s hard to distinguish how much of each individual’s contribution generated accomplishments of the organization. Even, among team or group settings, performance evaluation of how much a member had contributed to the project is difficult to distinguish from outsider’s point of view.

From decision maker’s perspective, evaluations of applicant’s competency are necessary to determine his or her capabilities and whether or not the applicant will benefit the organization. Selection decision makers are finite information processor (Ferris et al, 2008) with limited access to executive candidates’ information. Performance assessment provided by previous organization candidate worked for might be insufficient to fully evaluate applicant’s skill set because it may not specifically measure ability the decision maker values. Also, the candidate’s performance might be due to
the team accomplishment, or got erroneously credited for his or her subordinate’s work. The applicant perhaps had chance to work in a group with exceptional members and made little contribution, or economic market was favorable to the firm applicant had been working for. Candidate’s performance might seem more uncertain if candidate have very fluctuating performance, meaning, sometimes his performance might be really excellent but other times, his performance is poor. Sometimes, candidate’s supervisor’s evaluation, team members’ peer evaluation, subordinates’ supervisor evaluation and self-evaluation can all have very different assessment of the candidate, which intensify performance uncertainty.

Executive selection decision maker desires to hire candidate who can be relied on to consistently perform well as executive’s performance is significant to organization. If information regarding candidate’s performance carries high level of uncertainty, selector would be less likely to hire that candidate as an executive. Selectors, in the best interest of the firm, would choose candidate with low level of performance uncertainty as an executive. The candidate’s chance of being selected will increase when performance uncertainty decreases. Selection decision makers try to reduce such uncertainty associated with information about candidate by asking people who know candidate from
working environment.

**Hypothesis 1**: When the candidate’s level of uncertainty associated with competency is high, the likelihood of selection will decrease.

2. Social tie

According to social capital literature, individuals who actively use interpersonal ties have better chance of obtaining more satisfactory and higher paying jobs. Social network scholars have different view on how social capital influence career success. The basis of social capital is from social ties formed in everyday life, and such social relations created by friends, kinships, are likely to have critical influence on recruitment of individuals to executive positions. Lin et al. illustrated how social capital embedded in a network influences status attainment or job promotion in labor markets (Lin, 1982; Lin & Dumin, 2004; Lin, Ensel, & Vaughn, 1981). Social capital, made up of individuals’ social relations, facilitates the flow of useful information about opportunities and choices exert influence on the recruiters or supervisors who have power in hiring or promotion decision, certify individual’s accessibility to resources through social network and relations, and reinforce identity and recognition (Lin, 1999). In this regard,
social ties take an important part in executive selection decision making criteria. When choosing whom to promote to organization’s executive level from pool of candidates, social tie will affect decision making process of executive selection. The principal, who has authority over personnel, will hope to hire executive who would be trust not to act self-servingly. Development of trust is based on social relations between exchange partners, therefore existence of social ties suggests to the decision maker that the candidate is more trustworthy compared to the candidate without any social ties. Moreover, studies have shown that personal relationships create a sense of social security that reduces perceived risk associated (Anderson & Williams, 1996). Therefore, candidate’s the likelihood of being selected as an executive is related to type of social tie he or she established with the decision maker.

Fundamentally, social relations are beneficial to applicants because contacts can present job seekers with timely information about employment opportunities that may not be widely or publically known. Additionally, such social ties can refer, or support candidates, thereby improving their chance of getting selected to the particular positions. This second function is especially relevant in cases in which the candidate has indirect or direct ties to selection decision maker. Candidates have indirect relationship the selection decision
maker when there are third parties involved, meaning, candidates were referred by someone decision maker has social relationship with.

Reasons why executive job candidates benefit from a referral is clear including access to information, and sponsorship. Referee with social tie to the selector will recommend candidate whom he had continual exchange with. Fernandez et al. (2000), explains reasons why selection decision maker favor referral. First, referrals can expand the pool of job applicants to include individuals who might not otherwise know about and apply for respective job openings. Second, because referral ties tend to be homophilous (Granovetter, 1995), and because referrers cleared a prior screening process, referred applicants are likely to be better qualified than non-referred applicants. The third mechanism is “reputation protection”, which is to the degree that referee think their reputations will be affected by the quality of their referrals, they will refer only qualified applicants (Saloner, 1985). These three mechanism support richer pool of candidate argument, that is, selection decision makers benefit from referrals because they produce better applicants from which to choose from. Therefore, selection decision maker will be likely to prefer candidates with indirect social tie compared to candidates without social tie.

Occasionally, selection decision makers recruit executive position
applicants from their own group of friends outside the organization. These candidates are said to have direct social tie with the decision makers. Selectors appoint candidates whom they have continual exchange with, because they hope to hire individual who would perform in the company’s best interest. Selecting executives who can be expected to not act self-serving is important when making executive personnel decisions. Macaulay (1963) observed how close personal ties established between individuals who interacted with each other, and found that these interpersonal relationships in turn "exert pressures for conformity to expectations.” Palay (1985) explained how familiar personal connections were a critical element in use of informal contracts instead of detailed, formal contract. Past experiences with other parties assures decreased chance of opportunistic behavior and strengthens responsibility of other parties to act loyally. Also, parties in repeated transactions do not take advantage of each other because it is in their self-interest to refrain from opportunistic behavior (Gulati, 1995). As participants engage in relationship with each other, they can anticipate less egocentric behavior. Hence, executive candidates whom have direct relationship will be more preferred by selection decision maker compared to candidates whom have indirect relationship, as they are least likely to engage in opportunistic behavior thereby harming the firm.
**Hypothesis 2:** Type of candidate’s social tie to selection decision maker will have different degree of effect on the likelihood of selection.

**Hypothesis 2a:** When the candidate has direct social tie with selection decision maker, the likelihood of selection will be higher compared to when the candidate has indirect or no social tie with the selector.

**Hypothesis 2b:** When the candidate has indirect social tie with the selection decision maker, the likelihood of selection will be higher compared to when the candidate has no social tie with the selector.

3. Education

According to researches on the labor economics and careers literatures, returns from educational attainment in terms of career success including pay and promotion are significant (Whiteley et al., 1995). Vast studies have revealed positive relationship between quantity of education and objective success, however, less is known about the effects of educational quality on career outcomes. From the past, successful executives were disproportionately graduates from well-regarded universities. Useem and Karabel (1986) distinguished three types of human capital provided by
educational institutions. First was scholastic capital which is the amount of knowledge acquired, secondly, social capital including personal contacts, network ties, inculcation of achievement motivation and lastly, cultural capital which is the value society places on symbols of prestige. The quality of school attended will provide future executives with scholastic capital by instruction, resources, and quality of students. Thus, the quality of university from which the executive applicants earned his or her highest degree will have positive relationship with likelihood of selection.

Moreover, even when the quality of school does not bestow such human capital to applicants, just by being a prestige university graduate will increase the chance of being selected as executives. The reputation of school does not necessarily mean graduates from such universities posses’ high quality of human capital. However, just by being a prestige university graduate will increase the chance of being selected as executives, because graduates from these universities may benefit from policies of nepotism, or favoritism beyond any human capital acquired.

**Hypothesis 3:** *When the candidate’s education is top level university, the likelihood of selection will increase.*
4. Gender

Women are perceived less qualified for executive job because they do not fit the male model of managerial success, emphasizing such qualities as independence, competitiveness, forcefulness and analytical thinking. Especially in Korea, where such gender stereotypes are well enforced, it is harder for women to break the glass ceiling and be appointed as executives. Female role in the average household in Korea is to stay home, raise kids and support dominant male. It is most important for man to be successful, and woman usually does not exceed man in achievement. Usually female member quit her job as they began motherhood, and it is very much expected of her to focus all her attention to supporting child. Having a successful career goes against traditional belief of stay-home mom. Even if her career was thriving before pregnancy, her superiors will think differently after she gives birth to a child because her attention will be divided between work and home.

In addition to women portrayed as less dependable in comparison to men, individual who has authority over executive personnel tends to be men. Male members have always dominated work force, especially among the executive positions. While females are trying to break the glass ceiling and prove that they can be as successful as males, men do not want to lose the
supremacy in labor market. For these above stated gender stereotyped reasons without clear proof, female will have less chance of becoming an executive member.

**Hypothesis 4:** When the candidate’s gender is female, the likelihood of selection will decrease.

5. Moderating effects

Individual, who has authority over personnel, will hope to predict executive candidate’s behavior when working in the organization, and hire applicant who would pursue the shareholders’ best interest. Unlike insider candidates, executive selection decision makers have to assess candidates recruited outside the firm with limited amount of information in short amount of time. In case of insider candidates being considered from executive promotion, the selection decision makers have vast information regarding candidates’ competency collected over long period of time. Moreover, executive personnel decision makers also work in the same environment as applicants do, it can be expected that candidates and selector have indirect or direct social relationships, providing more in-depth information about candidates which can’t be shown on the paper. On the
other hand, outside candidates’ competency are evaluated with biased information provided by candidates. Such information tends to have high level of uncertainty associated with it, and to reduce such ambiguity, the selection decision maker rely on social ties. Thus, type of tie candidates formed with the selection decision maker will differentiate the outcome of executive job attainments.

Candidates can form indirect ties with the selection decision maker through referee. Referral hiring can benefit selection decision maker is through information advantage. Information advantage is that the referrer passes along information to the selector about applicant’s competency that are not easily assessed in formal recruitment procedures, while applicants benefit from extra information provided by referrer about the applied job. Such advantages on both sides create better match between the position and eventual hire. When executive applicants’ competency evaluation is associated with high uncertainty, decision maker’s social tie to candidate’s referee will affect decision making process of executive selection. Having continual exchange with the candidate’s referee and forming indirect ties to the applicants, the decision maker feels that he or she knows the person and personal relationships create a sense of social security that reduces perceived risk associated (Anderson & Williams, 1996). Candidate’s indirect social tie
to decision maker lessens the uncertainty associated with competency because decision maker have better understanding of the individual applying for the position based on relationship between referee and candidate’s past and continuing interactions. Moreover, existence of social ties provides the executive staffing decision maker with multiple assessments over extended period of time, whereas the competency evaluation of candidate given during selection decision making process provides one time impression of the applicant. For these reasons, indirect social tie candidate formed with selection decision maker will reduce the effect of uncertainty associated with candidate’s competency on likelihood of selection.

When decision makers, themselves recruit executive candidate, they depend on their circle of friends. These individuals have direct social relations with the selector, providing more accurate understanding of competency. According to Lee (1989) and Biggart (1990), importance of school ties and common regional origin was highlighted when the applicants have similar qualities, and differentiation of the best among contenders gets tough. The executive selectors have better grasp of the candidates’ competency from long term and frequent exchange which will aid the decision maker to better match the job in position and candidates’ capabilities. By having social ties, credibility of the candidate’s competency
is increased thereby increasing probability of obtaining executive position.

In summary, if the decision maker were to choose from two candidates with high level of uncertainty associated with their competencies, then decision making process will be affected by whether candidates have social ties, as existence of ties lessens the informational uncertainty. Having any type of social tie will be preferred by the selection decision maker compared to non-existent relationship with the prospective executive. Between direct and indirect social ties, direct social tie will be favored as decision makers have firsthand knowledge about candidate’s competency, whereas indirect social tie provide decision makers with information with subjective opinion of referee.

**Hypothesis 5:** The effect of uncertainty associated with candidate’s competency on the likelihood of selection will be lowest when candidate’s social tie to the selection decision maker is direct, and strongest when candidate’s social tie to the selection decision maker does not exist.

Executive selection decision makers hope to hire the best applicant who will fit the position. Having graduated from top level universities signals exceptional human capital to selection decision makers. When
candidate’s competency is associated low level of uncertainty, his or her alma mater would not significantly influence decision making process. However, if candidate’s competency is associated with high level of uncertainty, then prestige held by university applicant graduated from will lessen the competency uncertainty. To enroll such university requires high potential, thereby proving individual’s exceptional human capital. Throughout university education, individuals gain both human capital and social capital. Social ties created from peer attending top level educational institute increases quality and quantity of individual’s social capital. Furthermore, prestigious university gain their reputation from providing excellent education to their students, and applicants graduated from such universities will have benefitted from high quality teaching. Even if outside candidate has high level of uncertainty associated with his competency, having a diploma from top level university will lessen the level of uncertainty, thereby increasing chance of being selected as an executive.

**Hypothesis 6:** The effect of uncertainty associated with candidate’s competency on the likelihood of selection will be lower when candidate’s education level is high, and higher when candidate’s education level is low.
IV. METHOD

1. Analytical strategy

This study used a policy-capturing approach to examine the questions of the relative importance of uncertainty associated with candidate’s competency, candidate’s social tie to decision maker, candidate’s gender, and candidate’s alma mater on candidate’s likelihood of selection. Policy capturing is a method employed by researchers to assess how decision makers use available information when making evaluative judgments (Zedeck, 1977). The purpose of this methodology is to capture individual decision maker’s decision making policies. Policy capturing uses regression techniques to capture the cognitive processes underlying judgments. The results from policy capturing demonstrate what decision-makers consider most important in making their decisions. Researchers have used policy-capturing techniques to study a variety of decision-making processes about organizational issues. These issues have include managers’ pay raise and pay allocation decisions (Deshpande & Schoderbek, 1993), the importance of tasks within jobs (Sanchez & Levine, 1989), disciplinary decisions (Klaas & Wheeler, 1990), job choice decisions (Cable & Judge, 1994) and employment interviews (Graves & Karren, 1992).
Policy-capturing method encompasses a number of advantages. The method overcomes many limitations associated with other more direct approach of examining individuals’ decision making policies. Compared to self-report attribute ratings, policy-capturing methodology asks individuals to make overall decision about multi-attribute scenarios, which is more similar to actual decision problems, thereby increasing reality (Rynes et al., 1983). Moreover, researchers can experimentally manipulate cue values, hence, minimizing variable intercorrelations to avoid problems of multicollinearity often found with field data and advancing the capacity to assess the independent effects of cues (Feldman & Arnold, 1978).

Policy-capturing can be used to address two general types of research questions—idiographic and nomothetic. Idiographic questions concern how separate individuals use information to make choices. Nomothetic questions may be used in similar contexts, but they focus on outcomes aggregated across many decision-makers. Similar to much of the research in recruiting, which concentrates on nomothetic questions, our research hypotheses address in general what factors better predict candidate’s chance of getting hired as an executive.
2. Participants

A total of 49 executives currently working in small and medium sized business enterprises participated in this study. I assigned these participants to read scenarios and answer questions about whether or not to select particular candidate described in the given scenario. The participants included 95% men, 5% women. Participants included 73% Chief executive officers, 26% other executive officers. Participants ranged in age from 36 to 70 years old, with the mean age of 48 years. Participants have average 3-5 times of executive selection experience. Participants have been working in current industry for average 4 years, and held executive positions for average 9 years. Participants participate in 12% manufacturing industry, 14% financial industry, 4% construction industry, 37% distribution industry, 22% service industry, and 8% others.

3. Procedure and scenario design

I have prepared packets of experimental materials containing instructions, scenarios, questionnaires, and answer sheets. I instructed in writing that the participants to read one scenario, write the scenario number in the first column of the answer sheet and then respond to each question on the questionnaire. The instructions also directed participants to answer
completely all the questions about one scenario before moving on to the next scenario. After completing all scenarios, participants completed questions concerning demographics, firm size and industry competitiveness, and they returned all materials to me. The participants read scenarios that modified the level of four variables: candidate’s alma mater, candidate’s gender, level of uncertainty associated with candidate’s competency, and candidate’s social tie to decision maker. Candidate’s alma mater, gender, and competency uncertainty had two levels, while candidate’s social tie to decision maker had three levels. By completely crossing these variables, the scenarios in their entirety created every possible combination and permitted the assessment of how much weight each factor carried with the group of respondents. With three variables, at two levels each and one variable at three levels, we used a $2 \times 2 \times 3 \times 2$ design, resulting in twenty-four scenarios. This full-factorial orthogonal design assured we had zero correlations between the factors. Effective policy capturing design requires enough scenarios and cues to yield stable estimates, but not so many so that respondents get bored or fatigued. The scenarios were printed on a paper, and to minimize order effects, I placed twenty-four scenarios in random order before placing them in each participant’s research packet.
Uncertainty associated with candidate’s competency

Our study defined two levels for uncertainty associated with candidate’s competency. For the high level, the statement read, “The candidate’s competency is considered good with competency evaluation levels of average, good, and excellent. To have better understanding of candidate’s competency, we have asked about candidate’s capability to people who know the candidate from the past such as co-workers, superior, subordinates and joint venture counter partners. Especially, we asked about comprehensive candidate’s competency regarding candidate’s work style, management style, characteristics, personal relationship which cannot be represented using numbers. Such individuals had mixed answers of average and excellent coexisted. Evaluations of candidate’s competency might differ because the previous company candidate worked for is growing at the fast speed, or candidate’s team members might have high competency, thereby influencing evaluation of candidate’s competency. For the low level, the statement reads “The candidate’s competency is considered good with competency evaluation levels of average, good, and excellent. To have better understanding of candidate’s competency, we have asked about candidate’s capability to people who know the candidate from the past such as co-workers, superior, subordinates and joint venture counter partners. Especially,
we asked about comprehensive candidate’s competency regarding candidate’s work style, management style, characteristics, personal relationship which cannot be represented using numbers. Such individuals all agreed that candidate’s competency level is good.”

**Gender**

The study varied gender of the candidate into “Male” and “Female.”

**Education**

The study varied education of candidate into “Prestigious University” and “Non-prestigious University.”

**Social Ties**

Our study defined three levels of social ties which executive selection decision maker has with the candidate. For “no tie”, the statement read, “I do not know the candidate, and have no relationship with this individual. I have never worked with this individual in the past, and we do not have any mutual relationship.” For “indirect tie”, the statement read, “This candidate applied for the executive position by referral from someone I know. I do not know the candidate directly. However, I have close
relationship with referee. We meet at least once or twice a month and discuss about business and other subjects, and enjoy pastimes together.” For “direct tie”, the statement read, “I have known this candidate from the past. The candidate and I have met from meeting of same line of business. We meet at least once or twice a month and discuss about business and other subjects, and enjoy pastimes together.”
V. RESULTS

1. Hypotheses testing

Table 1 presents the results of the Hierarchical regressions analysis testing the hypothesis. Model 1 is the baseline model indicating the coefficients only with dummy variables. Dummy variables are control variables to control effects of same participants answering 24 different scenarios. Each dummy variable represent each executive who participated in the experiment. Model 2 is the model indicating coefficients with manipulated scenario cue variables and control variables.

Hypothesis 1 suggested that level of uncertainty associated with candidate’s competency will decrease the candidate’s selection chance. As indicated in Table 1, the results of hierarchical regression analysis show that competency uncertainty was significantly and negatively related to likelihood of selection ($\beta = -.39$, $p \leq .001$). Thus hypothesis 1 was supported.

Hypothesis 2 proposed that the candidate’s social tie will influence the likelihood of selection. Depending on types of social tie, the selection chance differed. The results in table 1 indicate that candidate’s social tie to decision makers significantly affected likelihood of selection ($\beta = .21$, $p \leq .001$). As direct ties were measured with highest value, and non-existent
ties were measures with lost value, positive beta value can be interpreted that social ties have positive relationship with the likelihood of selection. To test hypothesis 2a, and 2b, and to better understand what type of ties, direct or indirect, have stronger effect on candidate’s likelihood of being selected. To show the differences on selection chance among tie characteristics, ANOVA was employed. A multiple comparison post hoc test with least significant difference (LSD) was used to determine which type of ties had significant difference on selection chance. Table 2 gives the results of the analysis of variance (ANOVA). In alignment with regression analysis, significant differences in type of ties were found. After conducting LSD to figure out which groups differ from each other, it showed that there is no significant difference between indirect and direct ties. This result supported hypothesis 2a and 2b. As long as some kinds of ties were established, likelihood of selection did not decrease significantly.

Hypothesis 3 predicted that if candidate’s education is top level university then, the likelihood of selection will increase. The result in table 1 indicate that candidate’s alma mater significantly affected likelihood of selection (β= -.15, p≤.001). The more prestigious universities were rated 1, and less prestigious universities were rated 2, therefore, it can be concluded that having graduated from top level universities increase the selection
Hypothesis 4 proposed that candidate’s gender will have dissimilar effect on getting hired as an executive. The examination of hypothesis 5 which speculates female candidate to have less likelihood of selection compared to male candidate have been supported, as shown in table 1 ($\beta = -0.14, p \leq 0.001$).

Hypothesis 5 suggested that candidate’s level of uncertainty associated with competency will have moderating effect on relationship between candidate’s social tie to decision maker and likelihood of getting hired. The results in table 3 indicate that candidate’s competency uncertainty level did not significantly moderate relationship between candidate’s social tie and selection chance. Although the significance level is not satisfying, however, the direction of the change is in alignment with my hypothesis. When candidate’s uncertainty associated with competency is high, effect of candidate’s social tie to decision maker have positive effect on likelihood of job attainment.

Hypothesis 6 suggested that candidate’s level of uncertainty associated with competency will have moderating effect on relationship between level of candidate’s alma mater to decision maker and likelihood of getting hired. The results in table 4 indicate that candidate’s competency
uncertainty level did not moderate relationship between candidate’s alma mater and selection chance, therefore, hypothesis 5 is not supported. When candidate’s uncertainty associated with competency is high, effect of status of candidate’s alma mater do not have positive relationship with likelihood of job attainment.
Table 1

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<th>Model 2</th>
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<tr>
<td>d48</td>
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</tbody>
</table>

| **Step 2: Main effect**            |         |         |
| Gender                            | -0.14 ***|         |
| Alma Mater                        | -0.15 ***|         |
| Social Tie                        | 0.14 *** |         |
| Competency Uncertainty            | -0.39 ***|         |

| **Step 3: Moderating effect**      |         |         |
| uncertainty and social tie        |         |         |
| Overall F                         | 6.78 *** | 17.050 ***|
| Rsq                               | 0.22    | 0.44    |
| Rsq change                        |         | 0.22 ***|

Note. N=1176. *p≤.05; **p≤.01; ***p≤.001 (two-tailed)
Table 2

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<tr>
<td>Indirect tie</td>
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<td>Direct tie</td>
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Mean values are reported with standard deviation in paranthesis

Note. N=312. *p\leq .05; **p\leq .01; ***p\leq .001
### Table 3

<table>
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<th>Model 2</th>
<th>Model 3</th>
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<td>Rsq change</td>
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</tbody>
</table>

Note. N=1176. *p≤.05; **p≤.01; ***p≤.001 (two-tailed)
Table 4

<table>
<thead>
<tr>
<th>Variables</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step 1: Control variables</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>d1</td>
<td>0.05</td>
<td>0.05</td>
<td>0.05</td>
</tr>
<tr>
<td>d2</td>
<td>0.08 **</td>
<td>0.08 **</td>
<td>0.08 **</td>
</tr>
<tr>
<td>d3</td>
<td>0.01</td>
<td>0.01</td>
<td>0.01</td>
</tr>
<tr>
<td>.</td>
<td>.</td>
<td>.</td>
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<td>.</td>
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<tr>
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<tr>
<td>d46</td>
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<td>-0.05</td>
<td>-0.05</td>
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<tr>
<td>d47</td>
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<td>d48</td>
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<td>-0.04</td>
</tr>
<tr>
<td>Step 2: Main effect</td>
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<td></td>
</tr>
<tr>
<td>Gender</td>
<td>-0.14 ***</td>
<td>-0.14 ***</td>
<td>-0.14 ***</td>
</tr>
<tr>
<td>Alma Mater</td>
<td>-0.15 ***</td>
<td>-0.10</td>
<td></td>
</tr>
<tr>
<td>Social Tie</td>
<td>0.14 ***</td>
<td>0.14 ***</td>
<td></td>
</tr>
<tr>
<td>Competency Uncertainty</td>
<td>-0.39 ***</td>
<td>-0.34 ***</td>
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</tr>
<tr>
<td>Step 4: Moderating effect</td>
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<tr>
<td>Uncertainty and alma mater</td>
<td></td>
<td></td>
<td>-0.08</td>
</tr>
<tr>
<td>Overall F</td>
<td>6.78 ***</td>
<td>17.050 ***</td>
<td>16.755 ****</td>
</tr>
<tr>
<td>Rsq</td>
<td>0.22</td>
<td>0.44</td>
<td>0.44</td>
</tr>
<tr>
<td>Rsq change</td>
<td>0.22 ***</td>
<td></td>
<td>0.00</td>
</tr>
</tbody>
</table>

Note. N=1176. *p≤.05; **p≤.01; ***p≤.001 (two-tailed)
2. Additional analysis

Additionally, I used hierarchical linear modeling (HLM; Raudenbush, Bryk, Cheong & Congdon, 2004) to test hypotheses. Because selection decision makers provided ratings on candidate’s likelihood of selection in multiple scenarios, there is a possibility of dependency in responses that would violate independence assumptions of ordinary least squares regression. HLM permitted to model decision maker rating effects while testing the hypotheses by treating the intercepts as random rather than fixed effects. HLM analyses were composed of multiple steps using uncentered variables. In Step 1, I entered the control variables, including decision maker’s age, education level, executive tenure, industry, firm size, etc. In Step 2 the independent variables, which were all main effects, and In Step 3 I entered the two-way interactions.

HLM results are shown in Table 5. Model 1 provides results for out control variables, where no variance was explained for selection likelihood. In Model 2, I added the main effects of independent and moderating variables, which explained additional x% of variance selection likelihood. Model 3 includes the two-way interaction formed by uncertainty and education, uncertainty and social tie. No additional variance was explained for selection likelihood in this step. HLM results were similar to regression results provided above.
Table 5

_HLM Results for Hypotheses_

<table>
<thead>
<tr>
<th>Variables</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Control variables</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Position held by selection decision maker</td>
<td>-.11 (.24)</td>
<td>-.11 (.24)</td>
<td>-.11 (.24)</td>
</tr>
<tr>
<td>Job tenure</td>
<td>-.03 (.04)</td>
<td>-.03 (.04)</td>
<td>-.03 (.04)</td>
</tr>
<tr>
<td>Executive tenure</td>
<td>.01 (.05)</td>
<td>.01 (.05)</td>
<td>.01 (.05)</td>
</tr>
<tr>
<td>Number of executive selection decision maker</td>
<td>.07 (.09)</td>
<td>.07 (.09)</td>
<td>.07 (.09)</td>
</tr>
<tr>
<td>Academic level of selection decision maker</td>
<td>-.13 (.13)</td>
<td>-.13 (.13)</td>
<td>-.13 (.13)</td>
</tr>
<tr>
<td>Age</td>
<td>-.01 (.02)</td>
<td>-.01 (.02)</td>
<td>-.01 (.02)</td>
</tr>
<tr>
<td>Industry tenure</td>
<td>.01 (.02)</td>
<td>.01 (.02)</td>
<td>.01 (.02)</td>
</tr>
<tr>
<td>Firm industry</td>
<td>.04 (.07)</td>
<td>.04 (.07)</td>
<td>.04 (.07)</td>
</tr>
<tr>
<td>Number of employees</td>
<td>.00 (.00)</td>
<td>.00 (.00)</td>
<td>.00 (.00)</td>
</tr>
<tr>
<td>Firm sales</td>
<td>.00 (.00)</td>
<td>.00 (.00)</td>
<td>.00 (.00)</td>
</tr>
<tr>
<td>Firm asset</td>
<td>.00 (.00)</td>
<td>.00 (.00)</td>
<td>.00 (.00)</td>
</tr>
<tr>
<td><strong>Main Effects</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gender</td>
<td>-.04 (.07) ***</td>
<td>-.04 (.07) ***</td>
<td>-.04 (.07) ***</td>
</tr>
<tr>
<td>Education</td>
<td>-.40 (.08) ***</td>
<td>-0.15 (.17)</td>
<td></td>
</tr>
<tr>
<td>Social Tie</td>
<td>.26 (.08) **</td>
<td>.33 (.14) **</td>
<td></td>
</tr>
<tr>
<td>Competency Uncertainty</td>
<td>-.09 (.16) ***</td>
<td>.56 (22) **</td>
<td></td>
</tr>
<tr>
<td><strong>Two-way interactions</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Uncertainty and social tie</td>
<td></td>
<td>-.16 (.09)</td>
<td></td>
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<tr>
<td>Uncertainty and education</td>
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<td>-.05 (.05)</td>
<td></td>
</tr>
<tr>
<td>R square change</td>
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<td>.00</td>
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<tr>
<td>R square</td>
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<td>0.18</td>
<td></td>
</tr>
</tbody>
</table>

_Note._ Pseuo R square values were calculated following Snijders and Bosker's (1999) formula. 
_HLM=_ hierarchical linear modeling p ≤ .05; **p ≤ .01; ***p ≤ .001 (two-tailed)
VI. CONCLUSION AND DISCUSSION

1. Overall findings

The present study investigated the decision policies of outsider executive selection in small and medium sized business enterprises. The results of the empirical policy-capturing investigation do partially support the hypotheses. There was full support for all four main effects hypotheses suggesting a direct impact of uncertainty associated with candidate’s performance, candidate’s social tie to selection decision maker, gender and status of alma mater on the assessment of an applicant’s chance of getting selected by the selection professional (hypotheses 1, 2, 3, and 4). On the other hand, I found only directional support of hypothesis 5 which postulated that candidate’s competency uncertainty would moderate the effect of candidate’s social tie on likelihood of selection. The empirical data supported this hypothesis only with negative beta coefficient which is consistent with hypothesis speculation that is when candidate’s level of uncertainty associated with competency is high, effect of candidate’s social tie to decision maker have positive effect on likelihood of job attainment. I did not find any support for supposedly higher relative importance of candidate’s education on likelihood of selection when candidate’s competency is associated with high level of uncertainty (hypothesis 6).
2. Implications

The present study theoretically contributes to the literature on executive selection. This study extends the literature on executive selection by explicitly discussing decision making process of outsider candidate executive selection. This research is one of the first studies to use policy capturing approach on executive selection. Past researches mostly concerned with executive candidate’s characteristics from candidate’s point of view, and did not consider selection decision maker’s point of view. The participants in this study are actual executive selection decision makers with past experience of number of executive selection, thereby providing more accurate information regarding what matter to be selected as an executive officer.

Secondly, this study showed that prejudices do continue to show presence in decision making process, resulting in biased selection. All else equal, having female gender characteristic has lessened selection likelihood of candidate, proving that that glass ceiling still strongly exists in executive position jobs. Prejudice about education, and social tie also was shown to have significant effects on selection decision making process. Having high level of education, or relationship with selection decision maker improved chance of
attaining the executive job, even if all other attributes are equivalent. My assumption about such biases was that, selector rely on social tie, and prestige of academic background to decrease uncertainty associated with candidate’s competency. However, reliance on education and social tie of candidate did not lessen effects of candidate’s competency uncertainty on selection likelihood, showing that prejudice is not a rational deliberation.

3. Limitations

Although policy-capturing have many advantages, as mentioned in methodology section, there are several issues that policy-capturing study must address to ensure validity of results. As policy-capturing method uses simulated decision context, external validity of results tends to be in question. A repeated concern about policy-capturing has been with realism of the decision problems presented to participants. A realistic decision problem is one that is representative of the problems that occur naturally in participants’ environment, whereas an unrealistic problem is one that is unlikely to occur. If the decision making problems used in policy-capturing study are not realistic, than the results may be biased and cannot be generalized to non-experimental settings (Klass & Wheeler, 1990). Based on scenarios
provided by researchers, individuals are asked to make judgments based on a limited amount of information, while they are likely to have more extensive information when making decisions of actual cases. However, there is evidence that individuals tend to make decisions on a relatively small number of criteria because of cognitive limitations (Cooksey, 1996). It is almost impossible to figure out factors which individuals concentrate most in decision making process beforehand. Even though I have interviewed individuals similar to the study samples to identify decision criteria, it is merely impossible to discover all the decision cues associated with executive selection. In order to further authenticate our standing of selection decision making process of outsider candidate, future studies should be more complete by including more decision cues. By increasing number of decision criteria, the scenarios will be more realistic. As real life decision making involves substantial number of decision cues, having more comprehensive scenarios will increase external validity of the research.

Moreover, the analysis was carried out with participants whom were mostly male. It is true that male members of organization possess larger percentage of executive level jobs, however, as female executive members are increasing, the participants do not accurately portray population of executive selection decision makers. Female selection
decision maker can have different point of view on decision making process, hence, it calls for future research with more female members as participants to more accurately capture the decision making process.

4. Conclusion

In spite of some limitations, this study used an appropriate sample of respondents. In well-designed policy-capturing studies, the respondents’ experience level and familiarity with the judgment task are matched to the group to which the researcher wants to generalize results. The focus of this study was whether social tie and school ties affect outsider executive selection decision making process by decreasing level of candidate’s competency uncertainty. Outsider executives are currently emerging issue in organizational management context, and this study empirically tested which aspect of candidate influenced candidate’s likelihood of attaining the executive position.
REFERENCE


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설문지

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안녕하십니까?
바쁘신 와중에 귀중한 시간을 내어 설문에 응해 주신데 대해 깊이 감사 드립니다. 저는 서울대학교 경영학과에서 인사조직을 전공하는 석사과정 학생입니다. 이 설문지는 경영진 선발에 미치는 요인들에 대하여 알아보기 위한 것입니다.
귀하의 응답내용은 오직 학술적 목적으로만 사용됩니다. 절대로 다른 사람에게 귀하의 신분이 노출되지 않으며, 이로 인한 불이익도 없을 것을 약속드립니다.

설문지에 대한 응답은 총 30-45분 정도가 소요될 것으로 예상됩니다. 귀하의 응답 내용은 정확한 연구결과를 내기 위해 매우 중요합니다. 아래의 사항을 참조하시어 모든 문항에 대하여 빠짐없이 정확하게 응답하여 주시면 감사하겠습니다.

2012년 11월

<작성 요령>

1. 각 지원자의 대학 경영학과의 경영자와 비교하지 않고 개별적으로 선발할 것인지를 표기하여 주십시오.
2. 일반적으로 바람직하다고 생각되는 것이 답하지 마시고 귀하의 실제 느낌이나 생각을 사실 그대로 응답해 주시기 바랍니다. 온고 그建材답이란 없으며, 오로지 나의 개인적인 판단에 맡겨 답변을 선택하시면 됩니다.
3. 모든 지원자 시나리오에 관해 각각이 빠짐없이 응답해주시기 바랍니다.

76
귀하는 신 성장 사업을 찾기 위해 같은 산업군의 동일한 시장의 확장을 계획하고 있으며 새로운 사업을 개발하고자 합니다. 귀하는 자사 내부에서 새로운 사업을 개발하고 있는 직원들을 선발하려고 합니다. 그 직위는 오로지 한 명의 지원자가 지원하였다가는 가정하여 답변을 선택하시면 됩니다.

각 시나리오는 지원자의 직위에 대한 설명이 있습니다. 오로지 이 지원자가 동일한 성격을 가지고 있었을 경우 지원자로 선발할지, 하지 않을지 지를 판단하여 다른 지원자들과 비교하여 개별적으로 생각하여 질문에 답해 주세요.

지원자 A

- 성별: 남성
- 출신대학: 명문대학
- 본인과 지원자와의 관계: 이 지원자는 내가 전혀 알지 못하는 사람이며 나와 아무런 관계가 없습니다. 지원자와 나의 과거에 같이 일한 경험이 없으며 지원자가 내가 공통으로 알고 있는 지인도 없습니다.
- 지원자의 능력: 지원자의 역량은 보통, 우수, 탁월이라는 기준으로 평가할 때 우수하다고 평가합니다. 지원자의 역량에 대해 보다 자세히 알아보기 위하여 전 직장동료, 상사 부하 그리고 counter partner 등 그를 과거부터 알고 있는 사람들에게 자기 소개서에서 나타난 업무 스타일, management 스타일, 성격과 대인관계 등 숫자로 나타낼 수 없는 지원자의 역량에 대해 포괄적으로 물어본 결과 모든 사람이 우수한 능력의 소유자라고 평가하였습니다.

당신은 이 지원자를 임원 직으로 선발하시겠습니까?
Yes  No
당신이 이 지원자를 임원 직으로 선발할 정도를 표시하여 주십시오.

<table>
<thead>
<tr>
<th>확실히 선발하지 않음</th>
<th>선발하지 않음</th>
<th>아마도 선발하지 않음</th>
<th>잘 모르겠음</th>
<th>아마도 선발할 것</th>
<th>선발할 것</th>
<th>확실히 선발함</th>
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<tr>
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<td>□</td>
<td>□</td>
<td>□</td>
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</tbody>
</table>
지원자 B

- 성별: 남성
- 출신대학: 명문대학
- 본인과 지원자와의 관계:
  이 지원자는 내가 전혀 알지 못하는 사람이며 나와 아무런 관계가 없습니다. 지원자와 나는 과거에 같이 일한 경험이 없으며 지원자가 내가 공통으로 알고 있는 지인도 없습니다.
- 지원자의 능력:
  지원자의 역량은 보통, 우수, 탁월이라는 기준으로 평가할 때 우수하다고 평가드립니다. 하지만 지원자의 역량에 대해 보다 자세히 알아보기 위하여 전 직장동료, 상사 부하 그리고 counter partner 등 그를 과거부터 알고 있는 사람들에게 자기 소개서에서 나타난 업무 스타일, management 스타일, 성격과 대인관계 등 숫자로 나타낼 수 없는 지원자의 역량에 대해 포괄적으로 들이본 결과 평가하는 사람에 따라 탁월하다는 평가와 보통이라는 평가가 공존하고 있습니다. 업계에서 지원자의 역량에 대한 서로 다른 평가가 나오는 이유는 지원자가 일하고 있는 회사가 매우 빠르게 성장하고 있으며 지원자가 속한 팀의 다른 팀원들의 역량이 뛰어나기 때문에 조직이나 다른 팀원의 역량에 기인한 것일 수도 있기 때문입니다.

당신은 이 지원자를 임원 직으로 선발하시겠습니까?
Yes [ ] No [ ]
당신이 이 지원자를 임원 직으로 선발할 정도를 표시하여 주십시오.

<table>
<thead>
<tr>
<th>확실히 선발하지 않을 것이다.</th>
<th>선발하지 않을 것이 다.</th>
<th>아마도 선발하지 않을 것이다.</th>
<th>잘 모르겠 다.</th>
<th>아마도 선발할 것이 다.</th>
<th>선발할 것이다.</th>
<th>확실히 선발할 것이다.</th>
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</thead>
<tbody>
<tr>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
</tbody>
</table>
다음은 귀사가 속한 산업에 대한 질문입니다. 빠짐없이 응답해주십시오.

| 1. 다른 산업과 비교했을 때, 자사가 활동하고 있는 산업의 경쟁사의 수는 매우 적다. | 1 2 3 4 5 6 7 |
| 2. 다른 산업과 비교했을 때, 자사가 활동하고 있는 산업의 경쟁은 매우 치열하다. | 1 2 3 4 5 6 7 |
| 3. 자사가 활동하고 있는 산업에 새로운 회사가 성공적으로 진입하는 것은 매우 어렵다. | 1 2 3 4 5 6 7 |
| 4. 기존에 존재하는 회사들이 새로이 진입하는 회사들을 보다 유리한 위치에 있다. | 1 2 3 4 5 6 7 |
| 5. 자사가 활동하고 있는 산업의 대체재는 매우 많다 | 1 2 3 4 5 6 7 |

다음은 연구분석을 위해 꼭 필요한 사항들입니다. 여기서 언어진 자료들은 통계적인 목적 이외에는 절대 사용되지 않음을 다시 한 번 말씀 드립니다. 해당하는 곳에 표시 혹은 기술하여 주십시오.

<table>
<thead>
<tr>
<th>회사명</th>
<th>직위</th>
<th>현 직위에서의 근속년수</th>
<th>입원으로서의 근속년수</th>
<th>과거 임원 선발 경험이 횟수</th>
<th>배출역</th>
<th>총 직원 수</th>
<th>총 직원 수</th>
<th>성별</th>
<th>최종학력</th>
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<td>1-2번</td>
<td>3-5번</td>
<td>6-9번</td>
<td>10-14번</td>
<td>15번이상</td>
<td>남 □ 여 □</td>
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최종학력

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요약(국문초록)

외부임원 선발결정에 후보의 특성과 역량 불확실성이 미치는 영향

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유승아

금융위기 전에는, 내부자들이 임원으로써 선호되었다. 하지만, 내부임원들의 실패가 많아지고 기업들이 새 출발을 계획하면서 외부임원에 대한 선호도가 높아지고 있다. 외부임원 후보자들은 내부임원 후보자들에 비해 적은 정보를 제공하여, 역량에 대한 불확실성이 다분하다. 기존 임원 선발 연구에 따르면 누가 임원이 되느냐가 조직의 성공과 밀접한 관계를 가지고 있다고 한다. 하지만, 임원선발 결정과정은 확실하게 알려져 있지 않다.

본 연구는, 후보의 역량에 대한 불확실성, 인사권자와의 사회적 관계, 교육의 정도, 성별이 선발 과정에 미치는 영향에 대해 알아본다. 후보와 인사권자 간의 사회적 관계와 명문대 출신 여부가 후보
의 역량에 대한 불확실성을 줄일 것이라고 예상하였다. 연구 결과에 따르면 후보의 특성들이 임원선발 과정에 유효한 영향을 미친다고 나타났다. 하지만 역량의 대한 불확실성이 선발 가능성에 미치는 영향은 후보의 특성에 따라 변하지 않았다. 이러한 연구결과들로 볼 때 외부임원 선발과정에 있어서 사회적 편견이 존재한다는 것을 알 수 있었다.

주요어: 외부임원 선발, 역량 불확실성, 사회적 관계, 성별, 명문대학교
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