

The Truth About Strategic Change: External Forces vs. Internal Motivation

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Session Overview

What drives strategic change?

- Diversity of Perspectives
- Leadership Team
- External Forces

Conflict in existing research!

Organizational mindset towards change.



Key Takeaways

Strategic Planning vs. Operational Planning

Definition of Strategic Change.

- Overview of its drivers.
- Financial statement ratios for identifying the occurrence of strategic change.

Equipping Your Team for Change.



Disruptor Origin

But first, let's toss some rocks...



Strategic Change

The outcome of changes in strategy.

Aimed to address external threats to the organization or to take advantage of potential opportunities.

Involves a redistribution of the organization's resources.

Essential for the long-term success of operating results and gaining or maintaining competitive advantage (if handled properly).



Many, Many Articles

Themes that began to appear:

- Diversity
 - Individual and Bundled Characteristics
- CEO Impact
- Personalities of Management/Leaders
- Age of Firm (How Long in Business)
- External Factors
 - Market Conditions
 - Economic Trends
 - Industry Shifts or Innovation
- 6 Common Ratios
 - Other Measurement Approaches



Diverse Backgrounds

Organizational leaders are agents of change.

Top Management Teams (TMT) and executive teams play a critical role in strategic change initiatives.

A diverse composition of leadership teams leads to a broader knowledge base and decision-making capabilities.

This diversity is considered to have a significant impact on decision-making and, consequently, on strategic change.



6 Common Ratios

“SRAP” The Strategic Resource Allocation Profile comprises six strategic dimensions calculated from financial statement ratios.

- Advertising Intensity (advertising/sales)
- Research and Development Intensity (R&D/sales)
- Plant and Equipment Newness (net P&E/gross P&E)
- Non-production Overhead (SG&A/sales)
- Inventory Levels (inventory/sales)
- Financial Leverage (debt/equity)



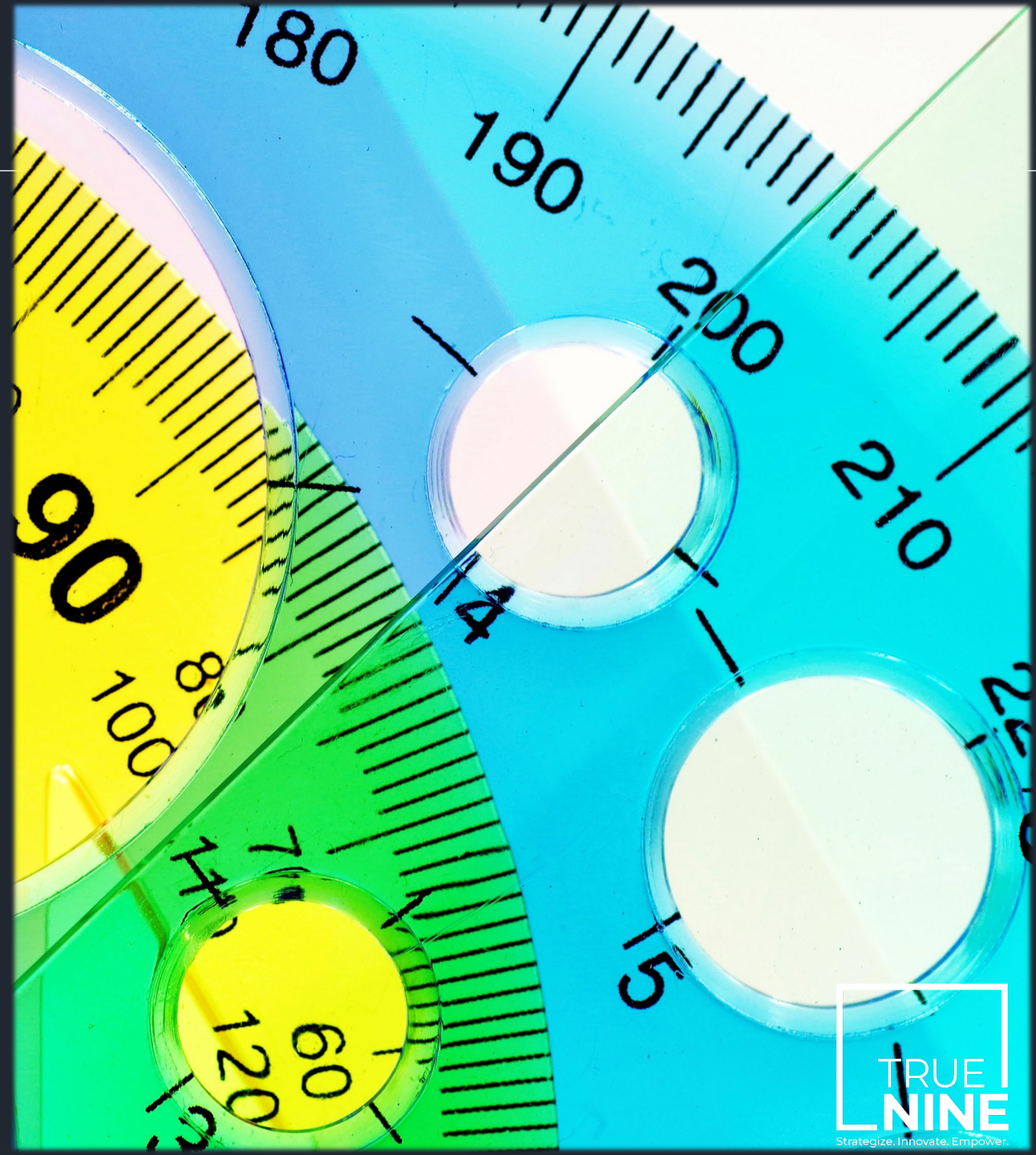
Inconsistencies

Inconsistent definition and measurement of strategic change in existing studies.

- An agreed-upon measurement should be made a priority for strategic change researchers.

Various approaches to defining diversity characteristics are used.

- Beyond the bundle, characteristics are not always treated the same way.
 - Example: educational background by years, country ranking, or maximum level completed.



Method

Meta-analytic review, encompassing multiple industries, studies, variables, diversity characteristics, and geographic locations.

For inclusion in this meta-analytic review, a study met the following criteria:

1. Includes strategic change as a variable;
2. Provides correlation coefficients;
3. Discloses the sample size.

This meta-analytic review was performed based on the method established by Hunter and Schmidt in 2004.



Sample and Dataset

8,600+ articles from the initial 2023 search

54 Articles from the abstract review

27 from thorough review → 29 after 2 added from backward/forward search

11 articles from the 2024 follow-up search

4 + 29 = 33 from thorough review

33 – 8 = 25 with all necessary data components (N, correlates, variables)

178 independent correlations and
N = 518, 475



Hypotheses Tested

Hypothesis 01: Greater **tenure** of leadership team members will have a negative relation with strategic change.

Hypothesis 02: Leadership team members' **age** diversity will have a positive relation with strategic change.

Hypothesis 03: Leadership team member **functional** diversity will have a positive relation with strategic change.

Hypothesis 04: A **gender**-diverse leadership team will have a positive relation to strategic change.

Hypothesis 05: Board member **gender** diversity will have a positive relation with strategic change



Summary Results

	n	k	ρ	CI 95%	τ	τ^2	Result
H1	30,831	11	0.08	-0.12, 0.28	0.33	0.11	Not Supported
H2	22,454	6	0.01	-0.12, 0.13	0.15	0.02	Nominally Supported
H3	30,503	9	-0.01	-0.08, 0.05	0.08	0.01	Not Supported
H4	21,906	4	0.00	-0.07, 0.09	0.07	0.00	Not Supported
H5	42,879	15	-0.00	-0.04, 0.03	0.06	0.00	Not Supported

n: Total sample size for each hypothesis. k: Number of studies included in the meta-analysis for each hypothesis. Coefficient (ρ): Estimated correlation coefficient. Confidence Interval (95%): Range of the effect size estimate at a 95% confidence level. τ : Square root of τ^2 , representing heterogeneity (variation in effect sizes across studies). τ^2 : Variance of heterogeneity, reflecting the degree of variability not attributable to sampling error. Decision: Whether the hypothesis is supported or not.



Results & Limitations

The diversity characteristics tested in this study have a relatively minor impact on strategic change.

Analyses on the diversity characteristic of gender show close to neutral results.

Unobserved or unconsidered variables that deny the linear impact of diversity on strategic change.

Articles identified in systematic search that could not be included due to incomplete or unprovided information.



Contribution

Recommend further evaluation of contextual factors of industry, organizational structure, and market conditions.

Expansion of individual diversity characteristics analysis vs. diversity construct (bundle).

Challenge the linear relationship between diversity and strategic change, demonstrating that the impact is contingent on additional factors.



What Did I Learn?

Interesting and illuminating project.

This work changed the way I look at:

- Strategic Change
- Operating Plans vs. Strategic Plans
- External Forces driving Internal Strategy
- CEO Origin (internal promotion vs. external hire)
- Leadership Team Influence



Why Does This Matter?

Strategic plans might not always be best or necessary for an organization.

- Operational plans can be effective depending on an organization's situation or place in its life cycle.

Gender diversity has a close to neutral impact on strategic change.

- Removing the argument that women impede strategic change as a reason NOT to include more women on leadership teams or in board roles.



Change is Everyday

How often does internal change (within your organization) impact you?

How often does external change (from outside forces) impact you?

How often are you responsible for driving change?

How often are you leading the response to external change?



Change Can Be Intimidating



Upper Echelons Theory

Prominent in strategic change and diversity research since publication in 1984 by Don Hambrick and Phyllis Mason.

Asserts that the individual characteristics of leaders can affect their decision-making and, thereby, the subsequent outcomes of those decisions.

Presents diversity as a general construct without specific attributes. Despite this, it is widely accepted by researchers.



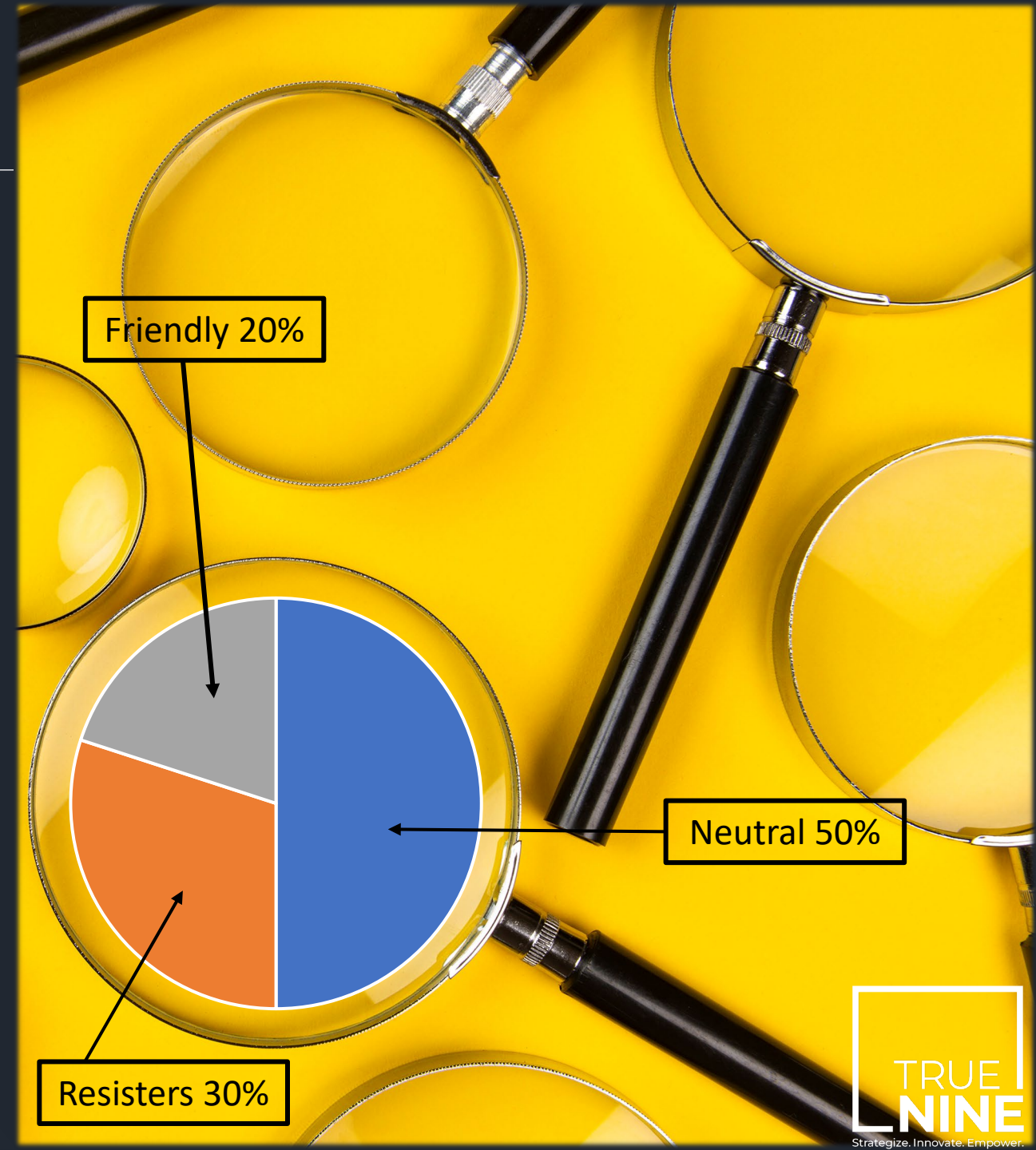
Your Change Lens

Friendly | Neutral | Resistant (1)

What is Your Natural Lens?

What is the Lens of Those You Work Most Closely With?

(1) <https://www.pritchett.net/change-management-resources>



What We Want



What We Might Experience



Culture of Change

Open Communications

Transparency

Celebration Mechanisms

Involve the “Leaders without Titles”

Be Ready to Pivot or Adjust Strategy



Change from the Top

Most change developed at the C-suite level and disseminated down the ladder in an organization is likely to:

- A. Succeed
- B. Fail



Collaborative Change

Shared Purpose

Bring Many Voices to the Table

Unlimited Resources Brainstorm

Translate Vision into Action

Build Momentum Through Transparency



Milestones

What Is Measurable?

Time-Based

Project-Based

Delivery or Assignment Based

Impact-Based



Milestone → Pivot

Calendar those Milestone Assessments!

Be Prepared to Adjust Your Strategy!

Review Metrics AND Gather Feedback!

If a Significant Pivot is Selected, Transparency is Key!



Old Habits

TRUE
NINE
Strategize. Innovate. Empower.



Recap + Q&A

1. Strategic Change is an Outcome
2. External Factors are More Likely to Drive Strategic Change
3. Strategic Plan vs. Operating Plan
4. Change Lens: Neutral, Friendly, Resistant
5. Beware of Old Habits



A Few Things About Me

Academic Director of the Executive Doctorate in Business Administration Program at the University of Houston

- ◇ Two-Time Founder and International Speaker
- ◇ Top 50 Women in Accounting Awardee
- ◇ Board Member and Committee Chair
- ◇ TXCPA Leadership Council Member
- ◇ LinkedIn Top Leadership Voice
- ◇ Former COO & Former CFO
- ◇ Chief & Big 4 Alum
- ◇ D2 College Athlete



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Let's Stay Connected

In soccer, or internationally, fútbol, a True Nine is focused on the goal. Calm under pressure and able to create opportunities for teammates, this player displays situational awareness, a high level of confidence, and a big-picture understanding.

Amy played soccer for over 30 years, including as a college varsity athlete. She brings the same team-driven mindset, resilience, and strategic thinking from the soccer field into her leadership philosophy today.



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