

# THE IMPACT OF TRAUMATIC EXPERIENCE ON CORPORATE DECISION-MAKING

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## INTRODUCTION

### Introduction (Including the Research Problem)

In today's world, increasingly confronted with systemic crises—wars, pandemics, and natural disasters—traditional models of strategic management and corporate leadership require rethinking. While demographic characteristics of executives (such as age, gender, and experience) have long been studied as factors influencing managerial decisions, recent research highlights a deeper layer: formative traumatic experience.

Trauma, especially war-related, leaves a psychological imprint that affects risk perception, crisis response capability, and stakeholder engagement. Studies show that CEOs who have lived through extreme events—combat, famine, natural disasters—exhibit distinct behavioral patterns: increased transparency, financial caution, effective crisis management, and heightened social responsibility. The war in Ukraine provides a unique context for exploring these phenomena. Ukrainian CEOs who have directly faced the conflict represent a natural laboratory for analyzing how trauma shapes strategic thinking, organizational resilience, and ethical leadership.

**Research Objective** – to identify and conceptualize how traumatic experiences—particularly war-related—shape CEO decision-making, with a focus on transparency, risk aversion, crisis management, and prosocial behaviour, using the Ukrainian context as a natural case study.

#### Goals:

- To explore how different types of traumatic experiences (e.g., war, famine, natural disasters) influence CEO behaviour and strategic decision-making.
- To identify behavioural patterns such as risk aversion, crisis management capability, and prosocial orientation linked to trauma.
- To analyse the Ukrainian context as a natural case study for leadership under extreme conditions.
- To develop a conceptual framework for trauma-informed strategic leadership and corporate governance.

**Research Methods:** Literature Review Using the Scopus Database, A series of semi-structured, in-depth interviews were conducted with CEOs of Ukrainian companies who have experienced wartime conditions. The interviews aimed to explore how traumatic experiences influence their strategic thinking, risk perception, crisis management approaches, and leadership behavior. The qualitative data collected provides empirical insights into the behavioural patterns and decision-making logic of executives under extreme stress

## Theoretical background

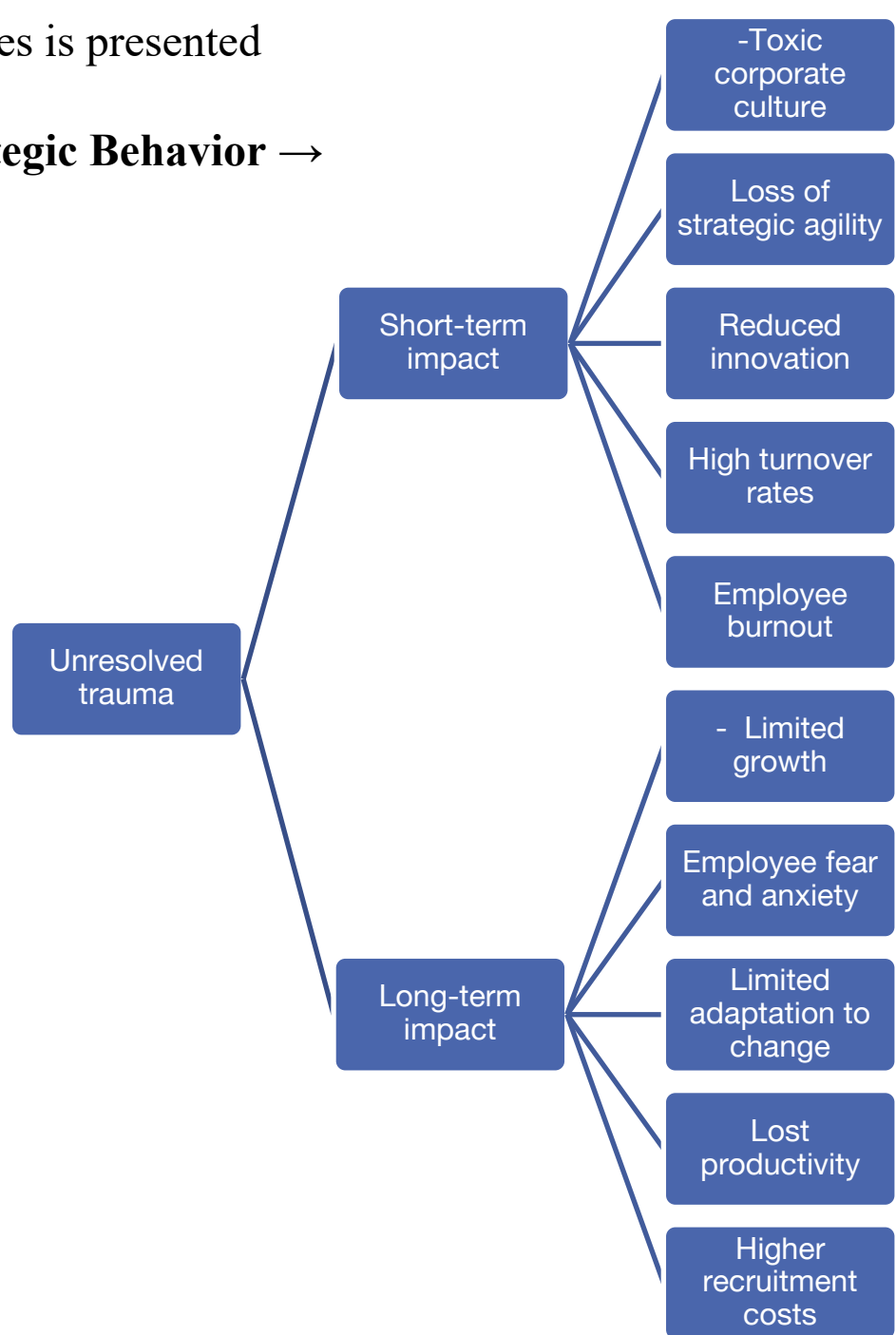
CEO's characteristics and how they affect organizational decision making has long been a subject of scholarly debate. Upper Echelon's theory introduced by Hambrick and Mason in their seminar article (1984) explains how individual attributes of the top management shape their perception of the situation and strategic decisions, and ultimately reflect in corporate outcomes. Voluminous research examining the link between executives' experience and corporate outcomes has emerged in the last several decades explaining the strategic decision through the lens of demographic characteristics of the top management and the board of directors focusing on gender, age, and work experience (Carpenter et al., 2004; Hambrick, 2007). Yet comparatively little is known about executives' formative experiences and their influence on their decisions. Yet a handful of studies on the topic have demonstrated significant “imprinting effects” of CEO traumatic experiences (O'Sullivan et al., 2021) on firm outcomes. Today when the systemic crises are becoming more frequent and impactful it becomes especially important to understand how significant negative events impact individuals in the upper echelons of the organizations and what are their implications for organizational decision-making and outcomes. When the organizations are facing systemic crises such as Covid-19 pandemic, armed conflicts and natural disasters the currently available management tools and approaches may no longer be relevant as these are designed under the assumption of a stable state environment.

The visual model of trauma consequences is presented in the diagram:

**Trauma Type → CEO Traits → Strategic Behavior → Organizational Outcomes**

The main problem in corporative management in extreme environment is making decisions under limited time, with overload, working with unconfirmed, uncertain and confirmed information, including management a large number of people who perform and possibly change roles. In dire emergencies management decisions are considered to be made intuitively.

Overall, this literature reveals the link between traumatic events in the life of top management and its corporate policy in the future/ The diagram illustrates how a CEO's traumatic experience can affect the company in both the short and long term.



## Key Findings

In this research project, we pose a question: What are the implications of extreme negative events for strategic leadership and corporate governance?

To answer this question, we dwell on extant research in corporate governance and upper echelons and behavioural perspectives in particular. The research on behavioural decision assumes that people tend to be oversensitive to rare events and experience of such events has a significant impact on subsequent decision-making (Feng and Johansson, 2018). According to Choi and Jung (2021) firms managed by CEOs who has gone through a war experience have a greater information transparency comparing to those led by CEOs with no such experience. Similarly, Bernile et al. (2017) find that the CEOs who experienced extreme downside risk from natural disasters implement more conservative corporate policies than the CEOs who did not have such experiences. In addition, having experience in combat is linked to a sense of personal growth and being able to cope with adversity (Elder, 1986, Elder and Clipp, 1989), which to some extent support the argument that people with military experience are more likely to exhibit lower risk aversion. Moreover, Choi et al. (2021) found that war-experienced CEOs make more conservative decisions during a period of financial crisis or when they have ownership. Benmelech and Frydman (2015) find that CEOs with a military background tend to handle crisis situations better.

Table 1. How Traumatic Experience Shapes Leadership Style

Trauma	Shift in Leadership Style
Adverse Childhood Experiences	It influences leadership style, emotional sensitivity, and the capacity for empathy. This manifests in more cautious decision-making and a focus on long-term resilience.
Childhood exposure to natural disasters	They more frequently use financial derivatives for risk hedging, which indicates increased caution in financial policy
Experienced natural disasters	They are more inclined toward CSR initiatives (corporate social responsibility), which can be explained by the development of prosocial values and a reduced tolerance for risk.
Experienced famine	They demonstrate a higher tendency toward “tunneling” management — that is, making decisions that restrict access to resources for other stakeholders in the company, as a means of self-preservation.
Early-life traumatic experience	They can both enhance a company's social effectiveness and lead to excessive caution.

## MAIN RESULTS AND CONCLUSIONS

We examined the experience of war in Ukraine and how it influences CEO decision-making:

- Increased transparency: CEOs with war experience demonstrate greater openness in corporate disclosures (Choi & Jung, 2021).
- Financial conservatism: They tend to make more cautious decisions during financial crises or when they hold ownership stakes (Choi et al., 2021).
- Improved crisis management: Military experience is associated with a stronger ability to operate under extreme conditions (Benmelech & Frydman, 2015).
- Personal growth: Combat experience contributes to the development of resilience and a reduced fear of risk (Elder, 1986; Elder & Clipp, 1989).

Perhaps there are additional effects yet to be discovered.

Thus, the key characteristics commonly observed in CEOs with wartime experience include: Information Transparency, Financial Conservatism, Crisis Management Capability, Personal Growth & Resilience, Risk Aversion, Strategic Conservatism, and Prosocial Orientation (CSR). These findings lay the foundation for developing behavioral models of strategic leadership in wartime and crisis conditions, as well as for comparing the impact of different types of traumatic experience (war, natural disasters, famine) on leadership styles.

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