

**TOP MANAGEMENT TEAM DIVERSITY, STRUCTURAL INTERDEPENDENCE,
STRATEGIC ORIENTATION AND ORGANIZATIONAL PERFORMANCE: A
CRITICAL REVIEW OF LITERATURE**

BY

JACQUELINE OPIYO

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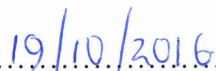
**AN INDEPENDENT STUDY PAPER SUBMITTED IN PARTIAL FULFILLMENT
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DECLARATION

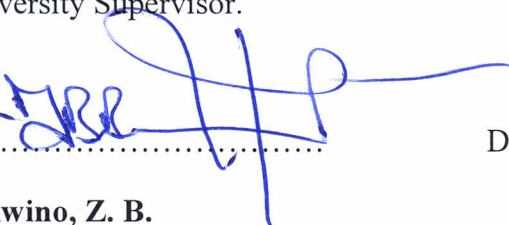
I declare that this independent study paper is my original work and has not been submitted to any other college, institution or university other than the University of Nairobi for any award.


Signed..........

Date..........

Jacqueline Opiyo (D80/94110/2014)

This Independent Study Paper has been submitted for examination with my approval as the University Supervisor.

Signed..........

Date..........

Prof. Awino, Z. B.

Department of Business Administration, School of Business

University of Nairobi

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ABSTRACT

Organizations aspire to achieve their goals in dynamic, competitive environments. In order for them to do this, they rely on the key people charged with steering them towards corporate success through the strategic decisions that they make. Empirical studies refer to these decision makers as Top Management Teams (TMTs). TMT characteristics have been linked to strategic decisions like diversification and acquisitions that have changed the direction of their firms. However, research differs as to whether TMT diversity affects strategic decisions and hence organizational performance. This has called for further research on TMTs and especially on their performance as influenced by other factors like their structures. Structures provide the necessary systems and processes required for effective strategy implementation. In reviewing TMT structures, we find that in some, members are independent while in others, they highly depend on each other to achieve organizational goals. When there is high interdependence and diversity, team processes may be affected and consequently firm performance. Despite interdependence receiving scholarly attention, focus in earlier studies was on work groups and not TMTs. Additionally, it was not objectively operationalized. These gaps together with the inconsistent findings on how interdependence relates to performance require attention in upper echelon studies. This study paper seeks to provide insights on TMT structural interdependence by answering the question on how it may impact on performance and hence advance theory in TMT studies. It also brings in strategic orientation to see its influence on this relationship. Research from this study paper will have implications on policy and practice for managers charged with selection and structuring of TMTs in organizations as it will give an understanding on how TMTs should be structured or designed for effectiveness and better firm performance.

Key Words: Top Management Team Diversity, Structural Interdependence, Strategic Orientation, Organizational Performance

SECTION ONE: INTRODUCTION

Organizational success is achieved when the strategic decisions made are aligned with the organizational capabilities and its environment. To understand why organizations perform as they do, we must consider the biases and dispositions of their most powerful actors, the top management teams (Hambrick & Mason, 1984). A key inclusion in the definition of top management teams (TMTs) is on their role in strategic decision making (Papadakis & Barwise, 2002; Knight et al., 1999). Finkelstein et al. (2009) define TMTs as the small group of most influential executives at the apex of an organization, the Chief Executive Officer (CEO) or general manager and those who report directly to them.

TMT diversity is defined as the relative homogeneity or heterogeneity of a team characteristic (Wiersema & Bantel, 1992). It is manifested in their demographics such as age, educational level, tenure in the organization or in their cognition and values. Effects of diversity on performance has been widely researched (Wasike et al., 2015; Homberg & Bui, 2013; Bolo et al., 2011; Cannella et al., 2008) and TMT characteristics shown to influence their decisions. Age has been shown to indicate propensity to risk, influencing firm acquisitions and education shown to influence innovation (Irungu, 2007).

Porter (1991) defines strategy as the act of aligning a company and its environment. Strategy focuses on the long term plans of an organization that are intended to enable it attain a competitive advantage in a changing environment and to fulfill stakeholder expectations. Strategy is also viewed as decisions made by TMTs on how and where to compete. Strategic decisions like international diversification (Tihanyi et al., 2000), innovation (Qian et al., 2013) and strategic change (Wiersema & Bantel, 1992) influence firm outcomes.

Organizational performance is a concept that incorporates the two aspects of efficiency and effectiveness. TMT studies define organizational performance as effectiveness (Cohen & Bailey, 1997). Performance is a result of strategic choices made and affects the varied organization stakeholders. It reflects largely on the TMTs as the result is seen by a

firm's profitability, customer and employee satisfaction. Despite the robust research on TMTs, there are mixed and conflicting results on the effects of diversity on performance. While some scholars have demonstrated that diversity has positive outcomes (Qian et al., 2013; Tihanyi et al., 2000) others have shown that it may have negative outcomes on team processes (Knight et al., 1999; Haleblian & Finkelstein, 1993). Diversity has also been shown to not have significant effects on performance (Awino, 2013; Homberg & Bui, 2013).

Hambrick et al. (2015) argue that structural interdependence may be the answer to the conflicting results in the TMT diversity- performance relationship. TMTs have structures where in some, members have high autonomy yet in others they highly depend on each other to be able to achieve organizational goals. When there is strong interdependence, group members have to interact. Therefore any advantage or disadvantage that comes with diversity becomes reflected in the outcomes.

Empirical research on the effects of interdependence on TMTs is conflicting and limited (Hambrick et al., 2015; Barrick et al., 2007). Interdependence in earlier studies was also not operationalized objectively (Barrick et al., 2007; Comeau & Griffith, 2005; Van der Vegt et al., 2000). This study paper seeks to address these gaps and additionally review the joint impact of TMT structural interdependence and strategic orientation on organizational performance. It hopes to advance theory in upper echelon studies that will impact on policy formulation and application.

This study paper has nine sections that successively provide an understanding of its four variables and their importance in this paper. The paper presents a comprehensive review of literature on the concepts under study and a conceptual framework that can guide future research. This first section has introduced and briefly defined the key variables in the study paper. It has also highlighted the gaps in upper echelon studies related to diversity and interdependence that it seeks to address. The next section presents the theoretical foundation that is the basis of this study paper.

SECTION TWO: THEORETICAL FOUNDATION

2.1 Introduction

Homberg & Bui (2013) cite two theoretical approaches to TMT diversity studies. The first is the upper echelon theory where individual characteristics of top managers are captured using the demographic characteristics. The second has its roots in social psychology and is related to the role of individual psychographics in influencing decision making. Research related to interdependence has developed from two perspectives (Stewart & Barrick, 2000). In one, interdependence is viewed as a product of technological requirements and not as a structural feature that can be manipulated. The second applies social psychology theory where group level goals and feedback are assumed to affect interdependence.

2.2 Upper Echelon Theory

The dominant theory in many studies on TMTs is the upper echelon theory (Hambrick & Mason, 1984). It states that organizations are a reflection of its top managers and organizational outcomes are partially predicted by managerial background characteristics. This theory relates observable managerial characteristics like age, tenure in the organization, functional background and education to the cognitive and psychographic characteristics of managers which are then related to their decisions and firm outcomes.

The organizational demography approach has dominated a lot of research on TMTs (Hambrick et al., 2015; Irungu, 2007). Hambrick & Mason (1984) argue that they can be used as valid though imprecise measures of managerial characteristics. This is owing to the difficulties of gaining access to and assessing intricate psychological dimensions of top managers and their actual behaviours (Daily et al., 2003). Despite its dominance, arguments on its accuracy remain. Scholars have called for a better understanding of the psychographics of managers in influencing strategic choices.

2.3 Social Psychology Theories

Social Psychology is the study of an individual as it is related to their social situation. It is concerned with studying or measuring the thoughts, feelings and behaviors' of human beings (Nielsen, 2010). Social psychology theories look deep into the cognitive and behavioural aspects of top managers. They help us understand how psychographics and behavior influence team processes and organizational outcomes (Wasike et.al, 2015; Kinuu, 2014; Knight et al., 1999).

According to Homberg & Bui (2013), the social psychology theories have two perspectives, namely the "information-decision making" and the "similarity-attraction" perspective. In the information decision making perspective, information shared within a team enhances the quality of the decisions and impacts positively on performance. Conversely, in the similarity-attraction perspective, groups will be formed within a team based on similarity or familiarity. It decreases team cohesion and can have a negative effect on performance.

2.4 Structural Theories

Organizational theorists define structure as the arrangement of relationships that affect the allocation of tasks, responsibilities and authority (Stewart & Barrick, 2000). There are many theories on structure in the strategic management literature (Miles & Snow, 1978; Chandler, 1962). According to Hambrick et al. (2015), structural interdependence has three critical facets that include, horizontal, vertical and reward interdependence. They state that structuration theories help define these facets of interdependence.

Chandler's (1962) theory on strategy and structure explains the importance of structure in organizations and argues for strategies being aligned to the structures for a firm's success. Burns & Stalker (1961) differentiate organizational structures into mechanistic and organic structures according to how tasks are allocated among organizational units and how decision making authority is specified. Miles & Snow (1978) demonstrated how organizations with different strategies (Defenders, Prospectors, Analyzers and Reactors) must align them to their structures for a firm's success. The theories on structure are important as variation in team performance can be explained by differences in team structure (Cohen & Bailey, 1997; Wageman & Baker, 1997; Gladstein, 1984). Structures give designs to organizations and may shed light on the role of structural interdependence in the TMT diversity performance

relationship. In situations where performance can be improved through high interdependence or interactions, this should be reflected in the TMT structures. According to Kiggundu (1981), job design theories should incorporate task interdependence. This serves to design jobs in a way that interdependence can impact positively on performance.

2.5 The Resource Based View

Firms that are successful are argued among other things to have a sound resource base. The resource based view (RBV) advances that competitive advantage is a result of a firm possessing valuable resources or competences that enable it gain a competitive advantage (Barney, 1991; Wernerfelt, 1984). Valuable resources are those that are superior in nature, hard to imitate and more valuable within the firm than outside (Porter, 1991). They enable certain strategies. Organizations for example that have advanced technology may attain market leadership through a differentiation strategy.

Newman et al. (2014) differentiate the three people based resources: psychological, human and social capital. Human capital refers to an individual's stock of knowledge, skills and abilities that can be influenced by training. Social capital is the actual or potential resources that come from having social networks and psychological capital refers to the "inner self" with values and beliefs that will influence decision making. The RBV is useful in this study paper because TMTs are a people based resource. They bring to the organization knowledge, expertise, skills and unique abilities that influence strategic choices which affect performance.

This section has covered the theoretical foundation of this study paper. It has highlighted the four theories that anchor it, namely the upper echelon theory, the social psychology theories, structural theories and the resource based view. These four theories are important in this study paper as they enable us understand the importance of the variables from empirical studies and how they influence organizational performance. In the next section, the study paper reviews diversity as it is manifested in TMTs and its role in organizational performance.

SECTION THREE : TOP MANAGEMENT TEAM DIVERSITY

3.1 Understanding Top Management Team Diversity

TMT diversity is defined as the relative homogeneity or heterogeneity of a team characteristic (Wiersema & Bantel, 1992). Diversity is a reflection of the variety of information, skills and competencies among top managers and is a key driver of organizational innovation (Qian et al., 2013). TMT diversity can be manifested in demographic characteristics like age, functional background, level of education, tenure in the organization (Hambrick & Mason, 1984), race, ethnicity and gender (Awino, 2013). Diversity can be based on psychographics resulting in differences in personalities, beliefs, values and preferences (Hambrick, 2007).

Harrison & Klein (2007) define diversity in three ways: as separation, variety and disparity. They state that as separation, it represents differences in opinion among unit members and as variety the differences primarily on knowledge or experience. As disparity it portrays differences in social assets such as pay and status among group members. Wiersema & Bantel (1992) posit that a team's diversity with respect to demographics is a key indicator of receptivity to change, willingness to take risks, diversity of information sources and creativity in decision making.

Diversity is termed a mixed blessing (Canella et al., 2008). In TMTs, it is argued to have negative, positive and no effects on team outcomes. It can lead to enhanced creativity and innovation (Bantel & Jackson, 1986), better generation and evaluation of alternatives and better prediction of environmental changes (Canella et al., 2008). Conversely, it may result in slower decision making, poor communication and a lack of cohesion (Knight et al., 1999) causing member departures. Halebian & Finkelstein (1993) state that the increased capabilities and resources a diverse and large team brings to the strategic decision making process is advantageous especially in turbulent environments.

TMT diversity on its own does not drive performance. Many other factors come into play to moderate performance; key among them are structure and the environment (Machuki & Aosa, 2011). Focus more recently has shifted on interdependence and its influence on the

TMT diversity-performance relationship (Hambrick et al., 2015). This study paper after reviewing empirical studies on TMT diversity hopes to give a contribution into understanding how TMT diversity and structural interdependence impact performance.

3.2 Measuring Top Management Team Diversity

TMT characteristics can be classified into demographics, psychographics and behavioral characteristics (Wasike et al., 2015). The demographics such as age, level of education and functional background can be operationalized objectively. Kinuu (2014) operationalized psychographics using qualities such as innovativeness, proactiveness, perception to risk, tolerance to ambiguity, open mindedness and aggression. Hunt et al. (1990) included personal attributes like locus of control, cognitive complexity, tolerance for stress, value structure, machiavellianism and self monitoring in their analysis of top managers psychographics.

Hambrick & Mason (1984) state that since cognitive frameworks cannot be measured directly, observable managerial characteristics can be used to represent them. Similarly, Daily et al. (2003) posit that owing to the difficulties of gaining access to and assessing intricate psychological dimensions of top managers and their actual behavior, the organizational demography approach is preferred. Scholars have measured cognitive diversity by analyzing the content of cognitive beliefs and the degree of influence of individual members on TMTs. This approach is criticized as the use of such constructs is difficult to reliably measure and conceptually validate (Nielsen, 2010). The demographic approach in upper echelon studies remains the dominant approach.

This section has broadly looked at diversity as manifested in the demographics and in the psychographics of TMTs. Using empirical studies, it has highlighted TMT diversity measurements and the positive, negative and no effects of diversity on organizational performance. TMT diversity is especially critical where TMTs are structured such that managers are highly dependent on each other for organizational outcomes. This is covered in the next section which gives an understanding of TMT structural interdependence and its performance implications.

SECTION FOUR: STRUCTURAL INTERDEPENDENCE

4.1 Structural Interdependence Concept

Wageman (1995) states that the term “interdependence” refers to different things in the organizational and social psychological literature: from an inherent property of relationships between organizational units, to the extent of cooperation between individuals performing a task. Barrick et al. (2007) define interdependence as the extent to which contextual features outside an individual and his or her behavior define a relationship between entities such that one affects and is affected by the other. Van der Vegt et al. (2000) refer to interdependence as a situation in which the outcomes for individual group members are affected by each other’s actions.

Researchers have identified many facets of interdependence: structural, behavioural, psychological and task (Barrick et al., 2007; Wageman & Baker, 1997; Kiggundu, 1981). Structural interdependence is the degree to which roles and administrative mechanisms are arranged such that members of an executive group affect each other (Hambrick et al., 2015). It can be differentiated into task and outcome interdependence (Wageman, 1995), where task refers to feature of inputs into the work itself that require many individuals to complete the task and outcome focuses on work outcomes.

Kiggundu (1981) defines three dimensions of task interdependence namely scope, resources and criticality. He defines scope as the breadth of interconnectedness of a particular job with other jobs, resources as the degree to which the interdependence of two or more jobs involves sharing resources and criticality as the extent to which the interdependence between the focal job and one or more other jobs is crucial for the performance of the focal job. Behavioral interdependence is the amount of task related interaction actually engaged in by group members in completing their work (Barrick et al., 2007; Wageman, 1995).

Hambrick et al. (2015) define horizontal, vertical and reward interdependence as key aspects of structure affecting interdependence. They further define horizontal interdependence as the degree to which members’ tasks and responsibilities bear on each

other, vertical as the degree to which members are hierarchical peers and reward as the degree to which members receive payoffs for collective accomplishment. Barrick et al. (2007) differentiate structural interdependence as one that differs according to the nature of the team's task or technological requirement and psychological as one that begins with the task requirements of work but extends to the social requirement of achieving goals and rewards as a unit in the work place. Common among the different concepts of interdependence is the sharing of resources and interactions that may affect relationships, team processes and organizational outcomes.

4.2 Structural Interdependence and its performance implications

Scholars have hypothesized that differences in team outcomes can be attributed to differences in team structure (Cohen & Bailey, 1997; Wageman, 1995; Gladstein, 1984). Structures provide the necessary systems and processes required for effective strategy implementation. The structures of TMTs may influence reliability or a lack of it on team members to be able to accomplish organizational goals. Where there is high interdependence, members have to take responsibility for each other's actions (Hambrick et al., 2015). Team processes become very important where structural designs require high interdependence and interaction (Stewart & Barrick, 2000). Communication and cohesion in these cases are critical processes that will affect outcomes.

As organizations become more complex, division of labour increases and individuals increasingly depend on others for overall organizational outcomes. Interdependence is argued by scholars to be rooted at the role of the task. Katzenbach & Smith (1993) refer to teams with high interdependence as "real teams" and teams with low interdependence as "working groups". Beersma et al. (2003) state that when people are interdependent, collaborative reward allocations may promote trust, cohesiveness and mutually supportive behavior among them consequently improving group effectiveness and firm performance.

Interdependence in TMTs is argued to explain the mixed results in the TMT diversity-performance relationship (Hambrick et al., 2015; Barrick et al., 2007). According to Kiggundu (1981), initiated task interdependence was positively related to quality performance. Cohen & Bailey (1997) showed that group effectiveness increases with high interdependence and cited positive effects on learning, achievement, cognitive complexity of thought and interpersonal relationships. Van der Vegt et al. (2000) found task interdependence to be positively related to team satisfaction and team commitment hence satisfying the social needs of individual team members.

Conversely, Katzenbach and Smith (1993) found that increased levels of interaction among team members were not always beneficial to team or firm performance. Campion et al. (1993) found both positive (increased productivity and employee satisfaction) and negative (low productivity, poor decisions and conflict) outcomes of interdependence. Barrick et al. (2007) caution that for higher performance to be achieved where there is interdependence, there has to be more cohesion and communication within the TMTs.

This section has from empirical studies defined and differentiated the varied facets of interdependence. Among them are structural, psychological, task and behavioural interdependence. It has also presented the conflicting results on the role of interdependence on performance. Kozlowski and Bell (2001) concluded that research that fails to address interdependence has limited value for building knowledge about team effectiveness justifying the importance of this study paper. In the next section, strategy as a concept is defined and organizational strategies are also reviewed.

SECTION FIVE: STRATEGIC ORIENTATION

5.1 The Concept of Strategy

The reason why firms succeed or fail is the central question in strategy (Porter, 1991). Strategic management focuses on improving organizational performance through strategic decisions made by the TMTs. Mintzberg (1990) views strategy formation as a process where an organization wants to achieve a fit between external threat and opportunity and internal distinctive competence. Similarly, Porter (1991) states that a firm's strategy defines its configuration of activities and how they interrelate, he refers to strategy simply as the act of aligning a firm to its environment.

Corporate strategy is also viewed as the range of products and services offered by an organization and the number of different industries and markets in which it competes. It incorporates resource allocation to different parts of the organization and is the responsibility of TMTs. Jauch & Osborn (1981) define strategy as the combination of environmental, contextual and structural elements affecting an organization at any one time. They view structures as important elements in determining success of strategy implementation.

Farjoun (2002) defines a firm's strategy as the planned or actual coordination of the firm's major goals and actions, in terms and space that continuously co-aligns the firm with its environment. He identifies two concepts of strategy: mechanistic and organic. In the mechanistic perspective, strategy is viewed as a posture and requires alignment with organizational elements (activities and structure) and environmental elements such as customer groups.

Hambrick & Mason (1984) view TMTs as the dominant coalition in organizations who are responsible for formulating and implementing an organization's strategy. Empirical studies done on TMTs differ as to the extent to which their characteristics influence strategic decisions and hence performance. The strategies they choose will influence performance and determine success or failure of organizations.

5.2 Organizational Strategies

Successful firms are argued to achieve a competitive position by the creation and exploitation of their distinctive competences (Barney, 1991; Wernerfelt, 1984). Conversely, the Structure Conduct Performance (SCP) paradigm and the industrial organization theory (Porter, 1991) emphasize that the external environment influences the success of firms. Porter (1980) defines three competitive strategies that firms can use to gain a competitive advantage, among them are cost leadership, differentiation and focus. Miller (1986) argues that these competitive strategies contain variables that can be manipulated by managers to influence performance.

Miles et al. (1978) identify four strategic types of organizations that include defenders, analyzers, prospectors and reactors. Defenders produce limited products directed at narrow markets, prospectors find and exploit new products and markets and analyzers combine prospector and defender strategies. The reactor organization lacks a match between its strategies, structure and environment. The Strategy Structure Performance (SSP) theory views factors like organizational structures as important in determining firm outcomes. It proposes that different growth strategies should be matched by different internal structural arrangements (Farjoun, 2002).

Empirical research has linked TMT characteristics to strategies employed by firms. Wiersema & Bantel (1992) found that the firms likely to undergo strategic change had TMTs characterized by relative youth, higher educational level and diversity in education. Tihanyi et al. (2000) concluded that lower average age, higher average tenure and higher average international experience are associated with international diversification.

This section has looked at the various concepts of strategy and strategies that can be adopted by organizations to achieve success. Definitions of strategy congregate around long term plans, organizational capabilities and resources and aligning strategies to an organization's structure and the environment. Strategic choices influence organizational performance. Organizational performance and its measurement are discussed in the next section.

SECTION SIX: ORGANIZATIONAL PERFORMANCE

6.1 Understanding Organizational Performance

Success or failure of organizations is reflected in their performance. According to Cohen & Bailey (1997), TMT studies define organizational performance as effectiveness. Performance is a result of strategic choices made. It reflects largely on the TMTs and affects the varied organization stakeholders. Organizational performance is viewed as a concept that incorporates the two aspects of efficiency and effectiveness. Kozlowski & Bell (2001) posit that team effectiveness incorporates both internal (member satisfaction and team viability) and external (productivity performance) dimensions.

Scholars distinguish performance into operational and organizational performance. Operational includes functions like marketing and sales, human resource service, procurement and logistics, whereas organizational has the constructs of stock market performance, accounting returns and growth. Venkatraman & Ramanujam (1986) distinguish between three levels of performance that include operational performance, organizational effectiveness and financial performance. Performance has also been distinguished into aspects of efficiency, growth, profitability and size (Murphy et al., 1996).

The importance of organizational performance can be seen from the theoretical, empirical and managerial lenses (Venkatraman & Ramanujam, 1986). The theoretical lens looks at strategy effectiveness, the empirical lens looks at performance as operationalized in research and the managerial lens focuses on the quality of decisions made by managers that reflect on firm performance. Performance of firms should reflect in the different aspects of an organization. Among these should be on the profitability and growth of firms, the welfare of employees working in an organization, organizational processes and systems and the environment at large.

6.2 Organizational Performance Measurements

Despite its many constructs, organizational performance measures have been largely termed as either qualitative or quantitative in nature. Some scholars refer to them as financial and non financial measures of performance (Kaplan & Norton, 1992). Many researchers have

relied on financial measures of profitability to gauge performance (Hambrick et al., 2015; Cannella et al., 2008; Barrick et al., 2007). These are widely accepted as objective. They include, Return on Assets (ROA) and Return on Investments. The issues arising with the use of traditional measures of performance is that they fail to include the less tangible factors of organizational performance like customer satisfaction.

Awino (2013) states that performance can be measured in two ways: based on stewardship of TMT or how efficient it utilizes its resources and the prevailing price of an organization. He cites qualitative measures as affective (satisfaction, commitment, turnover, role conflict, group social number, quality of ideas), cognitive (innovation, range of perspective, quality of ideas) and symbolic (behavior of lower level employees, communication among others). Similarly, Venkatraman & Ramanujam (1986) state that firm performance can be measured using qualitative aspects of employee and customer satisfaction, social and environmental performance.

Kaplan & Norton's (1992) Balanced Score Card (BSC) is a performance tool that includes both financial and non financial measures of performance. It incorporates measures of aspects such as quality, customer satisfaction and employee morale hence taking into consideration the varied stakeholders in organizations. The BSC has been advanced to the Sustainable Balanced Score Card (SBSC) as a stakeholder measure of organizational performance. The SBSC has six perspectives of financial, customer satisfaction, internal business process, learning, social and environmental measures of performance.

After reviewing empirical literature on TMT studies, this section has presented the different constructs of organizational performance used. It has also differentiated the financial and non- financial measures of performance while highlighting the need to combine both measures of organizational performance as done in the SBSC. Many TMT studies have used financial measures of firm performance citing their objectivity. The next section integrates the variables in this study paper to understand how they relate to each other. It also presents the conceptual framework used and knowledge gaps from empirical studies.

SECTION SEVEN: TOP MANAGEMENT TEAM DIVERSITY, STRUCTURAL INTERDEPENDENCE, STRATEGIC ORIENTATION AND ORGANIZATIONAL PERFORMANCE.

7.1 Top Management Team Diversity and Organizational Performance

TMT members are individuals having chief responsibility for their organizations and multiple stakeholders making them an important influence on organizational outcomes (Barrick et al., 2007). Many TMT studies define performance as effectiveness. Organizations that fail to achieve superior performance are perceived to have weak TMTs. Hunt et al. (1990) state that up to 45 percent of a firm's performance is determined by the leadership in organizations.

Diversity is defined as the degree to which TMT members differ with respect to background characteristics such as age, tenure and functional experience (Cannella et al., 2008). Diversity brings with it different experiences, talents and skills hence creativity and innovation that will result in superior organizational performance. Conversely, diversity may result in increased conflicts and challenges in information processing resulting in poor organizational performance.

7.2 Top Management Team Diversity and Structural Interdependence

Structural interdependence refers to elements outside the individual and his or her behavior that define a relationship between entities such that one affects and is affected by the other (Wageman, 1995). TMTs have unique structures such that in some, members are independent yet others are such that they are highly interdependent. Small group researchers explored the role of task interdependence on work groups but not on TMTs (Kiggundu, 1981). Barrick et al. (2007) introduced the role of team interdependence in TMT studies and found that it affected team processes and performance.

Interdependence is argued to have both positive and negative outcomes. Arguably, where there is high diversity in TMTs, they should be structured such that there is less interdependence. When TMT members have diversity but are independent in their roles and tasks, team processes and hence organizational outcomes may not be affected. When

TMTs are structured such that there is interdependence, team processes may be affected or team cohesion may result as members have to work towards a common goal and reward despite their diversity (Beersma et al., 2003).

7.3 Top Management Team Diversity and Strategic Orientation

Strategies have been shown to be the drivers of performance in organizations. TMT characteristics have been shown to influence their strategic decisions. TMTs in organizations may adapt a limited number of strategies as these are cognitively manageable. Papadakis & Barwise (2002) found that the characteristics of both the TMT members and CEO influenced the strategic decision making process and their rationality in decision making.

Empirical research has linked TMT characteristics with diverse strategies employed by firms. Youthful managers are argued to have a high propensity for risk and may drive strategic changes like firm acquisitions. Wiersema & Bantel (1992) found that the firms likely to undergo strategic change had TMTs characterized by relative youth and diversity in educational specialization. Tihanyi et al. (2000) concluded that TMT characteristics are associated with international diversification.

7.4 Top Management Team Diversity, Structural Interdependence, Strategic Orientation and Organizational Performance

Empirical studies on TMT diversity and performance have linked diversity in member characteristics with both positive and negative outcomes. The exact extent to which TMT characteristics influence strategic choices continues to be a subject of debate making research on TMTs robust. Few studies have related TMT structural interdependence to performance (Hambrick et al., 2015; Barrick et al., 2007). Earlier studies on interdependence were on small work groups and teams (Kiggundu 1981) and interdependence was not objectively operationalized. This study paper reviews the roles of TMT structural interdependence and strategic orientation and their influence on organizational performance. It hopes to make a unique contribution to TMT studies by addressing the identified gaps. It presents a unique conceptual framework with variables as not done in previous TMT studies.

7.5 Table 1. A Summary of previous studies and knowledge gaps

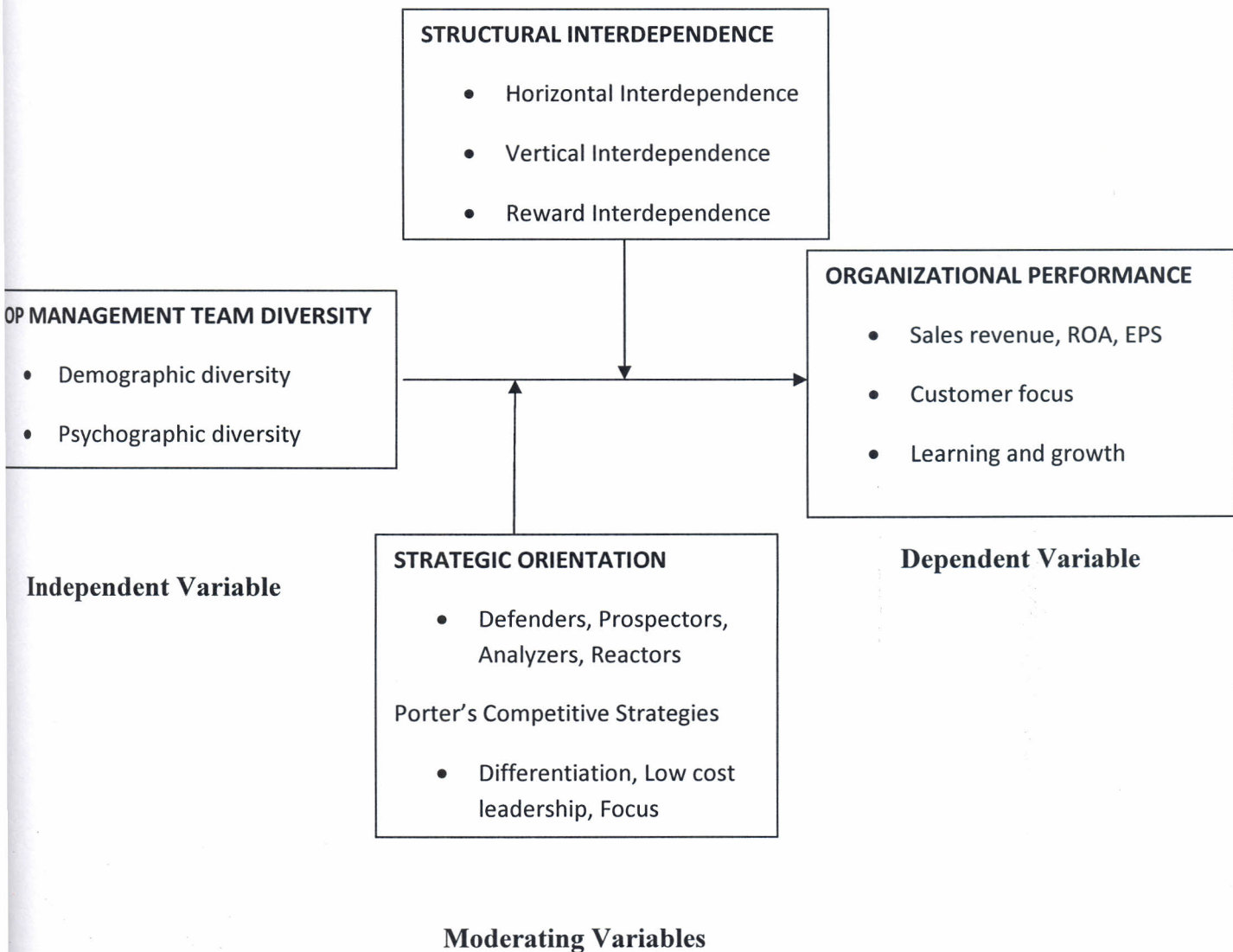
Researcher(s)	Focus	Findings	Gaps
Irungu(2007)	TMT demographic characteristics and performance	Effects of TMT characteristics will vary with context. Demographic characteristics affects creative solutions	Need to examine other factors that will moderate the relationship
Qian et al. (2013)	The environmental effect on TMT functional diversity and innovation	The environment influences TMT decision making and firm outcomes	Need to examine other factors like TMT structures that can influence this relationship
Barrick et al. (2007)	Effect of team interdependence on team processes and performance	Team interdependence has an impact on team processes and performance	Team interdependence not operationalized objectively. Need to examine the role of vertical, horizontal and reward interdependence on performance. Subjective measures of interdependence used
Wasike et al. (2015)	Studied TMT diversity and its effect on performance of tea companies	Found that the behavioural and psychographic characteristics play an important role on TMT performance	Additional variables can be considered as potential moderators of the TMT performance relationship
Wageman (1995)	Interdependence in influencing group effectiveness	Performance best when tasks and outcomes were either highly interdependent or independent	Study focused on technicians and subjective measures of effectiveness and interdependence used
Hambrick et al. (2015)	Structural interdependence in influencing TMT performance	Structural interdependence has an influence on TMT performance	Did not include the role of strategic orientation in the relationship. Different contexts of study required
Bolo et al. (2011)	The effects of TMT diversity on firm performance	Top management team diversity does not affect performance	Need to include other moderators that may influence this relationship
Campion et al. (1993)	Focused on characteristics for designing effective work groups	Interdependence was related to work group effectiveness	Study focused on lower cadre employees. Need to examine the degree to which interdependence affects performance and use non archival measures

Cohen & Bailey (1997)	Focused on interdependence and effectiveness in team and work groups	Team effectiveness is a function of task, group, organization design factors and the environment	Need for focus on TMT interdependence and the use of objective measures to operationalize constructs
Comeau & Griffith(2005)	Focused on effect of structural interdependence on behavior	Task and goal interdependence have a strong effect on behavior	Need to focus on its influence on TMTs and performance
Wageman and Baker(1997)	Focused on task and reward interdependence on behavior and performance	Reward interdependence affects performance while task interdependence influences observed cooperative behavior	Focus of interdependence on students not TMTs
Beersma et al. (2003)	Focused on influence of cooperative, competitive and reward structures on team performance	Team member traits affect performance where there are team structures. Reward structures influence teams with low performance	Focus of study was on business students
Stewart & Barrick (2000)	Focused on team structure and interdependence and effect on performance	Interdependence improves team performance depending on if tasks are conceptual or behavioural	Study focused on work groups, not TMTs. Subjective operationalization of interdependence
Van Der Vegt et al. (2000)	Focused on task interdependence on technical consultants	Task interdependence was positively related to job/team satisfaction and commitment	Did not focus on TMTs but lower cadre employees and related interdependence to other outcomes
Kinuu(2014)	Focused TMT psychological characteristics and the moderating roles of team processes and environment on performance	Psychological characteristics influence performance	Need for focus on demographic characteristics also and other variables that can affect performance
Mutuku et al. (2013)	Focused on quality of decisions of TMTs in influencing performance	Quality of decisions made by TMTs has a significant effect on performance	Need for focus on other variables that can moderate this relationship

7.6 Conceptual Framework

This conceptual framework integrates four theories to address the identified gaps in previous TMT studies with respect to concepts and operationalization of constructs. It proposes a unique relationship between TMT diversity and performance moderated by structural interdependence and strategic orientation. It proposes measurement of TMT diversity using organizational demography, structural interdependence using horizontal, vertical and reward interdependence and mixed measures of organizational performance.

Figure 1: Conceptual Framework



SECTION EIGHT: CONCLUSION

From the empirical studies reviewed, TMTs influence firm outcomes. However, there are conflicting results as to the effect of TMT diversity on performance. Scholars have argued that this may be explained by the variation of the constructs used in research, the varied methodologies and the contexts of the studies. Majority of the studies on TMTs have used the arguably imprecise organizational demography approach as proxies of TMT psychographics. These issues have highlighted a number of gaps in TMT studies making it necessary to study the roles of other factors in influencing TMT performance.

Earlier studies on work groups and teams suggested that interdependence moderates performance relationships in small groups (Kiggundu 1981) but the results have also been conflicting. TMTs are different from other work groups on the basis of their status in the organization, their roles in strategic decision making and their rewards. Although scholars agree that team interdependence plays a role in influencing team effectiveness and performance (Hambrick et al., 2015; Barrick et al., 2007), few studies have related TMT structural interdependence to performance. Earlier researchers focused on task interdependence in small teams or work groups as opposed to TMTs and lacked an objective operationalization of interdependence.

This study paper seeks to make a contribution to upper echelon studies by addressing the gaps identified in previous studies. It combines two moderating variables, structural interdependence and strategic orientation to see their impact on the TMT diversity performance relationship. This paper has presented a unique conceptual framework with four variables that can guide future research on TMTs. It may be the first to examine jointly the role of TMT structural interdependence and strategic orientation of organizations in influencing organizational performance.

SECTION NINE: IMPLICATIONS OF THE STUDY

A lot of research has been conducted that relates TMT diversity to organizational performance (Wasike et al., 2015; Qian et al., 2013). However, limited research has been done on interdependence and how organizations should structure their TMTs for effectiveness (Hambick et al., 2015; Barrick et al., 2007). Existing research done on team interdependence was majorly on work groups and not TMTs (Beersma et al., 2003; Wageman & Baker, 1997). This study paper seeks to advance theory in upper echelon studies by giving insights on how TMT structural interdependence may affect organizational performance. Using the proposed variables to conduct an empirical study, the results from this study will advance understanding of the influence of team interdependence on TMT effectiveness.

Secondly, research based on this paper will help practitioners in designing reward structures for TMTs in organizations. It will give insights on which reward structures work best to improve performance. If shown that reward interdependence results in higher performance, then organizations would look at enhancing interdependence in rewards, roles and tasks and invest in team building efforts to improve communication and cohesion in teams (Barrick et al., 2007).

Thirdly, results from research based on this paper will give insights on the roles of both TMT diversity and strategic orientation of organizations in influencing their performance. It would add to existing studies on TMTs as there are mixed results on the roles of diversity in influencing TMT performance. Additionally, it would bring out the role of strategic orientation in influencing organizational performance. The results will therefore, after conducting a study, advance theory in upper echelon studies and have practical implications on policy and practice for designing more effective TMTs in organizations.

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