

**Top Management Team and Organizational Performance: The Moderating Role of
Differentiation & Integration Processes and Managerial Discretion**

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Thesis Summary

Research following Upper Echelon theory has shown conflicting evidences on the role of top management team (TMT) heterogeneity on organizational performance (Hambrick, Cho & Chen, 1996). TMT heterogeneity studies have focussed their attention either exclusively on the differentiation aspects of the team like conflict, debate, disagreement, etc. or solely on the integrating aspects of the team like social integration, communication etc. Thus, one reason why past research on TMT heterogeneity has shown conflicting results may be because research in the past paid no attention to include both differentiation and integration aspects as moderators of the effect of TMT heterogeneity on firm performance. The present research addresses the issue by proposing that TMT heterogeneity should be accompanied with both differentiation and integration processes in the team to yield benefits to the organization. TMT heterogeneity will have a positive impact on organizational performance only when it is moderated by the simultaneous presence of both task conflict and collaborative conflict management processes. The sole presence of either task conflict or collaborative conflict management in the team would result in heterogeneity having a negative impact on the performance of the organization. The study also argues that the heterogeneity present in the top team will manifest itself in the form of task conflict only when managers exercise high degree of discretion while making organizational decisions. Further, the determinants of managerial discretion at the organizational and personal level (both demographic and cognitive) of managers have been empirically evaluated. The present research drew data from a survey of 213 top managers, across TMTs of 41 companies in the Indian software industry, who responded to a questionnaire eliciting information on the manager's demographic & cognitive characteristics and the TMT group processes. The financial performance of the organization was the dependent measure. Moderated regression analysis was carried out using SPSS package to test the research hypotheses.

The regression results revealed that TMT functional and educational heterogeneity had a positive impact on performance only when moderated by both task conflict and collaborative conflict management mechanisms. At the same time, organization tenure heterogeneity in the top team had a negative impact on organization performance even when moderated by constructive group processes like task conflict and collaborative conflict management. The managerial discretion

model also yielded results confirming the hypothesis. Heterogeneity manifested itself in the form of task conflict only when it was moderated by the high discretionary levels of managers in the top team. Also, among the determinants of managerial discretion, the personal factors of managers played a more significant role than the organizational factors. Aspects like internal locus of control, tolerance of ambiguity, aspirational level, power base, and TMT tenure of executives were found to enhance the discretionary abilities of top managers. The environment as a source of managerial discretion was controlled by restricting the study in the software industry, which represents a high discretion environment.