THE EFFECTS OF TOP MANAGEMENT TEAM DEMOGRAPHICS ON DECISION IMPLEMENTATION AND DECISION OUTCOMES

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ABSTRACT
In the strategy literature, top managers are seen as the strategic decision makers in organizations. Many scholars have argued that top management teams’ (TMTs’) decisions have critical effects on organizational long-term performance. In most TMT research, TMT demographic characteristics have been used as key predictor variables. Some of the most important components of TMT demographic characteristics include top managers’ age, functional background, education, level of tenure, and previous work experience. In this paper, we argue that these TMT demographics are related to the strategic decision making process. In other words, we propose that there are linkages between TMT demographic characteristics, how the executives implement their decisions, and the specific outcomes resulting from those implementations. More specifically, we offer a conceptual model explaining the relationships among TMT demographic characteristics (functional background, level of tenure, and level of education), decision implementation characteristics (decision specificity, familiarity, and assessability), and decision outcomes (decision understanding, commitment, and quality).

Keywords: Top management teams, TMT observable characteristics, decision implementation characteristics, decision outcomes.

INTRODUCTION

TMT members are the top executives who play critical roles in organization’s survival (D’Aveni, 1990). Cyert and March (1963: 280) define a firm’s top management team as the “dominant coalition of individuals responsible for setting firm directions.” Daily and Schwenk (1996:185) also define TMT as “a group of highly ranked members of the corporation.” Since top managers have critical responsibilities in terms of shaping their organization’s profile (Geletkanycz, 1997),
how they create and direct their firm’s strategy has been considered a very essential research question in the field of management (Wiersema and Bantel, 1992).

Finkelstein et al. (2009: 17) define executives as “first and foremost, careful and comprehensive deciders of major courses of action.” Top managers’ decisions in creating firm-level strategies are considered strategic decisions, which are “fundamental decisions that shape the course of a firm (Eisenhardt and Zbaracki, 1992:17), and these decisions have an important influence on organizational performance (Amason, 1996). Papadakis et al. (1998) mention that there are mainly three factors that affect the strategic decision making processes: manager’s individual characteristics, internal organizational context, and environmental factors. Our main focus in this paper will be on executives’ demographic characteristics.

Since these primary deciders are believed to have a big influence on firms’ performance outcomes, management scholars have tried to explore all possible relationships among the characteristics of top executives, their strategic choices, and organizational performance outcomes (Eisenhardt and Schoonhoven, 1990). Strategic decisions of top managers deal with many problems in organizational settings and these problems could be novel, ill-structured, and complex (Shrivastava and Grant, 1985). The executives, in general, have the responsibility of implementing those decisions in an effective and efficient way so that they would gain the best possible organizational performance outcomes as a result of their managerial actions.

In the upper echelons literature (Carpenter et al., 2004; Kilduff et al., 2000; Priem, 1990; Hambrick and Mason, 1984), most scholars have focused on identifying the relationships between TMT demographic characteristics and organizational outcomes. According to Smith et al. (1994:412), “demography refers to the aggregated external characteristics of the team.” Manager’s age, tenure level, educational level, and functional background can be listed as the most common identifiers of TMT demographic characteristics. Knight et al.’s research (1999) supports the idea that there is a systematic link between team members’ observable experiences and their cognitive orientation, which they actively use during their decision making processes. According to Miller (1997), there are ten factors that affect the implementation of success of strategic decision making. She defines these factors as differential contributors to the success of decision making. In this paper, we focus on three of these factors: specificity of the decisions, assessability of the decisions, and familiarity with the decisions. Our first main argument is that there are some links between top managers’ observable characteristics and decision implementation characteristics.

In general, “decision making means to make a choice from among two or more alternatives (Albers, 1961:201).” When we say managerial decision making, it refers to the “conscious direction of human behavior toward some future end (Albers, 1961:201).” Decisions and choices are made by thinking of their future outcomes (Hardwick and Landuyt, 1966). After the decision implementation process, the executives carefully focus on the outcomes of their decisions, which are considered decision understanding, decision commitment, and decision quality (Olson et al.,
2007). As they argue (Olson et al., 2007), a clear understanding of decisions, strict commitment to the decisions, and higher quality decisions should be considered the main three outcomes of a successfully-implemented strategic decision making process. If the top management team members understand the decisions clearly, it will provide the executives a common direction while implementing their organizational strategies Amason (1996). Therefore, understanding of decisions is important. According to Dooley and Fryxell (1999:392), “decision commitment refers to team members’ effort toward decision implementation.” In other words, commitment to the decision shows the amount of efforts of the team members in implementing the decisions successfully. Therefore, decision commitment is critical. The combination of decision understanding and commitment together would lead to higher quality decisions, which is the final outcome of a successful decision implementation process. Basically, our second main argument here is that there are some connections between decision implementation characteristics and decision outcomes. Figure 1 summarizes our conceptual arguments in this paper:

![Figure 1](image-url)

**Figure 1** The relationships between TMT demographics, decision implementation characteristics, and decision outcomes

### THEORITICAL BACKGROUND

**What is a Top Management Team?**

Teams are defined as “a collection of individuals who are interdependent in their tasks, who share responsibility for outcomes, who see themselves and who are seen by others as an intact social entity embedded in one or more larger social systems, and who manage their relationships across organizational boundaries (Cohen and Bailey, 1997:241).” By another definition, a team is “a distinguishable set of two or more people who interact, dynamically, interdependently, and adaptively toward a common and valued goal/objective/mission, who have each been assigned specific roles or functions to perform, and who have a limited life-span of membership (Mathieu
et al., 2000:273).” If we apply these two definitions to the TMT structure, we can define a top management team as a distinguishable set of the “most influential executives at the apex of an organization (Finkelstein et al., 2009: 10).” In other words, top management teams are a unique set of people who manage top-level relations inside and outside of an organization to accomplish strategic goals.

In the TMT research, scholars have looked at top managers as a group rather than as individuals because of the fact that this would help them gain more accurate insights on the relationship between top managers’ characteristics and firms’ outcomes. As Marks et al. also mention (2001: 358), “success is not only a function of team members’ talents and the available resources but also the processes team members use to interact with each other to accomplish the work.” Basically, team work at the top management level is expected to have a significant impact on firms’ performance since these key decision makers (Jackson, 1992) are the individuals who are responsible for reaching their organizational goals and keeping the firm’s long-term survival by making the best possible strategic choices.

**What are the Top Management Team Characteristics?**

In the management literature, TMT demographics have been explored under two main categories. The first category is called observable characteristics and the second one is called unobservable characteristics. In the first category, which is our focus in this paper, we refer to the executive’s demographic characteristics that are easy to observe and measure. These include age, level of education, functional background, level of tenure, and previous work experience. The second category, which we will not focus on in this paper, refers to the cognitive characteristics of the top managers. These are the ones that are very difficult to observe and measure. They include beliefs, values, and norms of executives. Hambrick and Mason (1984:193) state that “organizational outcomes are viewed as reflections of the values and cognitive bases of powerful actors in the organization.” From their statement, we can see that the members of the TMTs have a critical impact in organizational life and the choices that they make would determine the direction of the firm.

The first observable characteristic that we focus on in this paper is executives’ functional backgrounds. As Waller et al. (1995:944) explain, functional background refers to “an executive’s past work experience in jobs within functional areas of organizations.” When individuals start to hold managerial positions in organizations, they also start to create their functional background portfolio. For instance, if a person mostly has held positions at the marketing departments of the firms for years, this person will most likely get hired for a marketing-related top management position in the future levels of his or her professional career. That’s why top managers’ functional background is one of the strongest indicators in TMTs’ demographic characteristics.
The second observable characteristic that we focus is executives’ education. As Wiersema and Bantel (1992:99) explain in their paper, the level of education reflects “an individual’s cognitive ability and skills.” When we think of the complexity of the environment at the top-level in organizations, the executives usually deal with a big load of information while making their decisions. They are expected to make both good and fast decisions. The ambiguity of the environment that they are in and the complexity of the information that they need to process in a timely manner have managers use their skills and abilities that they have gained through their education. From this point of view, educational level is another critical component of TMT demographics.

The last observable characteristic that we focus on is executives’ tenure. According to Zenger and Lawrence (1989:357), organizational tenure functions as an indicator of both “organizational experience and familiarity with the organizational language.” As they clearly mention in their paper, the increase in the level of tenure will lead to a better understanding of the organizational and managerial issues as well as specific procedures and policies by the top managers in organizations. Organizations are “composed of multiple sets of relationships” and the individuals who have longer tenure in organizations could make the communication and problem solving processes much easier through their organization-specific knowledge and experiences (Tsui and O’Reilly, 1989:403). This shows that the tenure level within the top teams is another important component of TMT demographic characteristics.

**Decision Implementation Characteristics and Decision Outcomes:**

Executives’ strategic decisions are “complex choices about corporate goals and the means to achieve them, choices that outline the strategic direction of the company (Donaldson and Lorsch, 1983:6).” As Miller et al. (2004) emphasize, decision implementation requires a considerable amount of time. This phase in decision making is considered a challenging stage since top managers have to put their strategies into practice (Miller et al., 2004). There are some factors that affect the implementation of success of strategic decision making. Miller (1997:584) calls these factors as the “differential contributors” to the success of decision making. Three of these factors that we focus on in this paper are specificity of decisions, assessability of decisions, and familiarity with decisions. She defines these three constructs as follows (Miller, 1997:584):

- **Specificity:** “the degree to which precise details of implementation tasks and activities are decided beforehand.”
- **Assessability:** “the degree to which success of implementation can be evaluated with precision.”
- **Familiarity:** “the degree to which those involved have experience relevant to implementation.”

Top managers face various different and difficult problems in their organizations. To handle those tough situations, there are two main requirements: “good decision making and effective
implementation of those decisions (White et al., 1980:428).” As they also mention, one of the biggest challenges for the executives is to create an organizational setting where they could execute both good decision making and effective implementation of those decisions. Baird (1989) clearly emphasizes how important making correct decisions is by defining it as a crucial characteristic to success at the top management level, especially when managers are faced with imperfect information in decision making. When we think of the complexity of the environment and ambiguous and uncertain situations (Shapira, 1997) in work settings, it will also not be too difficult to realize how important and stressful the decision implementation process could be for the top managers. As Miller (1997) explains, the three success contributors, which are also related to TMT member’s demographic characteristics, would hopefully make this process more efficient for the primary decision makers in the organizational settings. If we address each factor one by one;

- regarding specificity, top managers are expected to be clear and precise on what has to be done to achieve organizational goals.
- regarding assessability, managers are expected to evaluate what has been and is happening with their decisions critically and precisely.
- regarding familiarity, the executives are expected to know the key features of the path that they are going to follow while making decisions. Thus, the combinations of these three key factors would both make the decision implementation more effective and efficient and eventually result in better decision outcomes.

According to Olson et al. (2007), decision outcomes can be grouped in three categories: decision understanding, commitment, and quality. Amason (1996:125) explains why decision understanding and decision commitment are important as follows: “understanding is important because it provides common direction to team members; commitment is also important because it reduces the likelihood that a particular decision will become the target of cynicism or countereffort.” Regarding these two important outcomes of decisions, he further argues that a clear understanding of decisions would enable the team members to act both dependently and independently, which holds a great deal of importance in the business world. He also adds that since decision implementation would most likely take a considerable amount of time, being committed to those decisions would keep the team members on the right track in terms of accomplishing their goals. We believe and argue that the successful combination of these two factors, decision understanding and decision commitment, would lead to better-quality decisions.

A good quality decision can be defined as the one “that results in satisfying states of affairs for its intended beneficiaries (Yates, 2003:31).” From a more practical viewpoint, he also sees a good decision as the one “that is strong with respect to aim, need, aggregated outcomes, rival options, and process costs criteria (Yates, 2003:32).” According to Dooley and Fryxell (1999), decision quality has a direct connection with organizational goals, meaning that we can measure the quality of decisions against organizational goals that are set up by the top management. As they also mention, improving the quality of strategic decisions will enable the top managers to fully-explore organizational issues and help them focus on their future tasks better. That’s why decision quality plays a vital role in organizations from the cognitive perspective in management.
Main Theoretical Arguments:

In our model here, we propose that there are some links between TMT demographic characteristics, decision implementation characteristics, and decision outcomes. Our first main argument is that there are linkages between TMT demographic characteristics and decision implementation characteristics. More specifically, we propose that there are some relationships between executives’ functional background and specificity of decisions, executives’ tenure level and familiarity with the decisions, and executives’ education level and assessability of decisions. First, functional background shapes through the responsibilities that a manager has held throughout the years. This demographic feature of an executive allows him or her to be more knowledgeable in specific areas of his or her business. Further, being specific with decisions means being as precise as possible during the implementation of organizational and managerial tasks. Therefore, an executive who is an expert in some specific area of the business can use his or her knowledge to make more specific decisions. Thus, we can say that there is a linkage between a top managers’ functional background and the specificity of decisions that they make.

Second, as long as a manager stays in one company, he or she would be able to improve his or her knowledge on organization-specific issues such as procedures and rules and would be more proficient with the organizational “language” than the other co-workers who have stayed there for a shorter time period. While implementing some decisions in the organization, it is very important to know what would work better for this organization and how things might get affected by this specific decision either positively or negatively, which refers to being familiar with the physical and decision-making environment at work. Therefore, we can say that there is another possible linkage between a top managers’ level of tenure and the familiarity with the decisions.

Third, managers gain an important part of their skills and abilities through their education. In other words, education provides the managers a solid information basis that they can use in their managerial activities and tasks. From the decision-implementation perspective, executives are expected to evaluate situations effectively by using their technical knowledge and cognitive skills. Therefore, it is possible to say that there is another linkage between a top managers’ educational level and the assessability of decisions. By thinking of these three arguments, we propose the following three propositions:

**Proposition 1:** Top managers’ functional background is positively related to decision specificity.

**Proposition 2:** Top managers’ tenure level is positively related to decision familiarity.

**Proposition 3:** Top managers’ educational level is positively related to decision assessability.

Our second main argument is that there are linkages between decision implementation characteristics and decision outcomes. More specifically, we propose that there are some
connections between decision specificity and decision understanding, decision familiarity and decision understanding, decision assessability and decision commitment, decision understanding and decision quality, and decision commitment and decision quality. First, if the TMT members understand the rationality of their decisions, they will most likely be able to follow a common direction towards their organizational goals. This is very important because acting as a team while trying to accomplish something is a key factor for success. If the managers are specific and familiar with the decisions that they have made, this will enable them to have a better overall understanding of this decision making process. Therefore, we propose that there is a relationship between decision specificity and familiarity and decision understanding. Second, being committed to something refers to the fact that people feel comfortable with what they have done before. From the decision making perspective, being committed to the decisions means that the deciders are happy with what decisions they have made and feel that they are on the right track towards accomplishing their goals. If the managers are able to assess what they have decided and their effects on their organizations, their commitment to those decisions will most likely be strong. Therefore, we propose that there is a relationship between decision assessability and decision commitment. Third, top managers need to care about making good decisions since those decisions would determine the level of their organization’s performance. Although it is pretty tough to define what a good decision is, it can still be thought as a decision that satisfies the needs and aims of the decider and leads to a better firm performance. The main antecedents of a good decision may be related to a good understanding and strong commitment to the decisions of deciders. If these two antecedents take place in the decision implementation process, it will be possible to see good quality decisions as a result. Therefore, we propose that there is a relationship between decision understanding and commitment and decision quality. By thinking of these three relationships, we offer the following three propositions:

Proposition 4: Decision specificity and familiarity are positively related to decision understanding.

Proposition 5: Decision assessability is positively related to decision commitment.

Proposition 6: Decision understanding and commitment are positively related to decision quality.

In our model, it is also possible to define some mediation effects. As Frazier et al. (2004:116) define, a mediator is “a variable that explains the relation between a predictor and an outcome. In other words, it is a mechanism through which a predictor influences an outcome variable.” According to Kraemer et al. (2008), we can call a variable as a mediator if it helps to explain how and why the predictor is related to the outcome. Therefore, mediation can be defined as “the effect of an independent variable on a dependent variable that is transmitted through a third variable (Edwards and Lambert, 2007:1).” When we look at our general conceptual model in this paper, we see that decision implementation characteristics fully-mediate the relationship between TMT demographic characteristics and decision outcomes. The following propositions show the mediation effects among our variables:
Proposition 7: Decision implementation characteristics fully-mediate the relationship between TMT demographic characteristics and decision outcomes.

Proposition 7-a: Decision specificity fully-mediate the relationship between executives’ functional background and decision understanding.

Proposition 7-b: Decision familiarity fully-mediate the relationship between executives’ tenure level and decision understanding.

Proposition 7-c: Decision assessability fully-mediate the relationship between executives’ educational level and decision commitment.

Proposition 7-d: Decision understanding fully-mediate the relationship between decision specificity and decision quality.

Proposition 7-e: Decision understanding fully-mediate the relationship between decision familiarity and decision quality.

Proposition 7-f: Decision commitment fully-mediate the relationship between decision assessability and decision quality.

DISCUSSION

In this paper, we suggest that TMT members’ demography is closely related to the decision outcomes through the characteristics of decision implementation. Strategic decisions are critical because they are the ones that will play a giant role in shaping an organization’s future success (Hickson, 1986). Top managers as the strategic decision makers in organizations have to make good decisions in order to keep their firm’s long-term survival and this decision-making action can be considered “the most characteristic task of the executive (Jones, 1962:1).” This is not an easy task to handle since the uncertainty and ambiguity in the environment may make this process quite challenging and difficult. What we mainly argue here is that executives’ observable characteristics would be critical determinants for the success of decision implementation stage as well as achieving positive decision outcomes including better understanding of decisions, strong commitment to decisions, and better-quality decisions.

There are some limitations in this conceptual research paper. First, we used only three observable demographic characteristics of TMT members here. It might be helpful to look at some other observable characteristics as well as cognitive characteristics in the model in the future. Second, we just used three specific characteristics under decision implementation. Adding more factors for this construct would allow the researchers to explore more about this topic. Finally, our main dependent variable in the model is decision quality. For future research, it might be very useful to explore some possible linkages between this construct and firm performance. Regarding the implications of this model for managerial practice, the key decision makers, who are the TMT
members, in organizations might be interested in learning under what conditions they could reach high-quality decisions (Huber, 1980) by using all the possible resources available to them. Therefore, it is extremely important to establish these linkages between observable and cognitive concepts in the field of management so that in the real business life, the practitioners would have a better sense of how to make good-quality decisions in their organizations.

CONCLUSION

Overall, we offer seven propositions relating TMT demographics to ultimate decision quality, as reflected in Figure 1. These propositions view TMT demographics as influencing decision outcomes through their impacts on decision implementation characteristics. In offering this model, we hope to contribute to an enhanced understanding of why TMT demographics may influence decision outcomes, and thus to provide some insight into the “black box” linking TMT demographics to decision quality.

In this paper, we focus only on observable characteristics and do not address unobservable characteristics such as cognitive characteristics. Further, we consider just levels of characteristics rather than their distribution. As such, the propositions we offer are intended to be illustrative rather than exhaustive. Further, we do not in this paper offer empirical data to address the propositions. However, we are in the process of collecting such data.

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