What Makes Top Management Team Diversity? : A Behavioral perspective

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Abstract. Top management team in organizations has become increasingly diverse over the years. So many researchers try to find out relationships between diversity and performance. But in my knowledge, there are not much research in management filed related with factors that generating TMT diversity. Thus this research tries to explain why and how top managers becoming diverse. The outline of concept is 'a behavior theory of the firm' which is introduced by Cyert and March(1963). This study suggests two propositions written below;(1)performance below historical and social aspiration level will be positively related to TMT diversity, (2)prior failure will strengthen relationship between historical and social aspiration. Its' theoretical implication is describe which factors generating TMT diversity by applying BTOF perspective.

Keywords: Top Management Team, Functional Diversity, Performance Feedback, Problemistic Search

1. Introduction

It has long been in question about relationship between TMT (Top management Team) functional diversity and firm performance. Prior empirical finding show that there is inconsistent relationship [9, 22, 25, 27]. We normally believe that functional diversity significantly affects organization performance. In information elaboration perspective, diversity associated with information heterogeneity between members composite organization's cognitive resources [28]. By using these recourses, organizations could gain creative and innovative ideas and solutions [2]. But diversity has not only positive aspects, but also negative aspects. Diversity generates negative factors like less communication, and interpersonal conflict [12, 30]. Inconsistent research results changed focus of diversity research. Though it has two sides, functional diversity does affect organization.

Upper echelon theory explains Inertial and human limits choice allow TMTs' characteristics affect outcome. Hambrick and Mason (1984) explained bounded rationality and manager's perceptions affect to information select and it becomes basis of strategic choice. Basis on their research, many scholars try to show relationship between TMT diversity and outcome. There is growing consensus among researchers that TMT diversity affects to some factors like strategy, team member interactions and environmental stability [3, 4, 8]. These prior researches lead to consensus that although relationship with performance is inconsistent, TMT functional background diversity does affects to organization outcome. Thus understanding which factors generate TMT diversity is also very important research area. But in my knowledge, there is not extensive research in management area concerning determinants of TMT diversity.

This research tries to explain why organization's TMT is becoming diverse using Behavior Theory of the firm perspective which emphasizes the organizational process of performance evaluation, search and organizational changes [6, 13]. In this research, we will primarily explore two important concepts of BTOF; performance feedback, problemistic search.

2. Performance Feedback and Problemistic Search

2.1. Performance Feedback

Performance feedback theory's main idea is organizations evaluate their performance by using their aspiration level [14]. In this concept, aspiration level is central idea which is kind of reference point of

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organization behaviour. Organizations judge perception of their success or failure by their performance is above or below aspiration level. This perception occur organizations' reactions; change, innovation etc. This is the outcome of bounded rationality because decision makers want to measure firms' performance is whether success or not [20, 21]. Organizations judge perception of their success or failure by their performance is above or below aspiration level. This perception occur organizations' reactions; change, innovation etc. The aspiration is formed by comparing between not only inside but also outside of the organization [6]. These two types of aspiration level is called 'historical aspiration' and 'social aspiration'.

Historical Aspiration: Historical aspiration is defined as Aspiration levels based on focal firms' historical performance [15]. The past performance is important because it could be not only an indicator of organizations' potential ability but also standard for future purpose [14]. Additionally, its' basic information is focal firms' past history and it implies diverse characteristics which are relatively stable [1, 26]. Such character allows understanding of the focal firm because information based on historical aspiration is same organization's property.

But there are also weak points of such historical aspiration. It is possible to forecast by using historical aspiration when environment that surrounding organization is relatively stable. But it has relatively disadvantage to forecasting under effects of environmental change because this kind of aspiration is internal perspective. Thus understanding how environment effect to organizational outcome is possible, but reverse factor or predicting change of environment is not predictable. Such problem lead us need additional type of aspiration

Social aspiration level: Using information of other organizations which is similar to the focal firm is an alternative way for making aspiration level. This kind of aspiration is called social aspiration level. Social comparison theory supports such idea by suggesting that aspiration level is also determined by similar others' performance [6, 11]. Social comparison theory explains that people compare themselves with similar others for self-assessment and self-enhancement [29]. And similar others' better performance could be a direction that focal organization also has ability and potential. Such comparisons with others have differences between organizations and individuals. Thus different factors are considered when using this concept is organizational level. In organization, size, industry and performances are important when deciding reference group [7, 18]. And factors which is considering when judge industry similarity - product, market, production methods - could also be a factor to consider as reference group [23, 24].

2.2. Problemistic Search

If organization perceives prior performance is below aspiration level, search is occurring. This kind of search is problemistic search: search which is motivated by problem [6]. This problemistic search is main concept of this research and it explains how organizations behaving when problem occurring. Purpose of problemistic search is finding solution. There are important concepts in problemistic search; motivated search, simple-minded search

Motivated search: Problemiseic search is problem-oriented search it means problem motivates search. Problem is recognized when organization experience failure or problem is recognized near future[6, 21]. Because problem indicates to organization members that their existing models are inadequate to the reality, problem motivates them to discard existing models and search for new models which are more adequate to apply and represent reality [6, 21]. Search is increasing as increasing gap between aspiration level and how much performance is below. And this problem is solved by discovering alternative, satisfy the goal or change the aspiration level [6]. By this way, problemistic search resolves problem.

Simple minded-search: This concept is primarily important because it explains how organizations search range is expanding. Initially, organizations have two basic search rules [6]: "search in the neighbourhood of the problem symptom", "search in the neighbourhood of the current alternative." This kind of search is 'local search' which means organizations search locally [6]. Search is continuing until organizations find appropriate solution. But sometimes it is impossible to find it near organization. As failure is continuing, organizations expand their search range over time [14]. By expanding, organizations could assume resources from outside of neighbourhood and it could potentially generate organizational change.

3. Connection between TMT Diversity and BOTF Perspective

3.1. Local Search

Why is performance feedback and problemistic search relevant for TMT diversity? As we studied above, organizations perception of success or failure motivates search. Prior studies have shown that decisions of organizational outcomes are the responsibility of the top managers [5, 16]. Sometimes such outcomes lead organizations to the failure and if organizations perceive TMT as a problem factor, it behaving to find appropriate person. Because problemistic search is simple-minded search so if organization perceives TMT is vulnerable area, it will continue search until find appropriate person. Organizations have expectation that new managers will give new direction to the firm or give solution to unresolved issues [10]. Entrance of new managers' human capital expanding firm's cognitive resources and it will affect to outcomes. Also as upper echelon theory suggested, different TMTs' character affects to organization outcomes. Thus, organizations could expect diverse effects when bring new person as a solution. By this process problemistic search allows enter of human resources from outside and it generates diversity. Search behaviour is initially based on 'local search' which means search locally, at then organizations search neighbourhoods symptom or alternatives [6]. Before search, firm was organized with homogeneous members. It is because as organizations have more knowledge, they become homogeneous until share same belief and dimension [19]. But search makes firms to allow resource from outside and it leads organizational resources more fruitful and diverse. It leads to first proposition

Proposition1a: performance below historical aspiration level is positively related to TMT diversity.

Proposition1b: performance below social aspiration level is positively related to TMT diversity.

3.2. Prior Failure

As noted at simple minded-search, organizations search range is expanding to resolve the problem and it continues until satisfied. Thus prior failure experience leads firms extend search range. This is because problemistic search is problem-oriented search, therefore firms continuing search until the problem been solved [6]. And as failure is continuing, organizations expand their search range over time [14]. Organizations are likely to find appropriate manager in expanded range because they failed at local search. By expanding search range, it is more likely that focal firm find new human resources outside of the firm. Such extended search makes firms more likely to find person who has more different from other people. This leads to another hypothesis

Proposition2a: Prior failure positively moderated the relationship between performance below historical aspiration level and TMT diversity.

Proposition2b: Prior failure positively moderated the relationship between performance below social aspiration level and TMT diversity.

4. Conclusions

In management research there are extensive research concerning TMT diversity. But, there are not much extensive research related antecedents. This research proposes that organization's failure would generate problemistic search and it makes TMT diverse. And prior failure positively moderates such relation because of simple-minded search. To advance this research, empirical research is needed. Problemistic search suggests that organizations search until problem is solved. This means TMT will become diverse when organizations perceive TMT is problem. But, there are lot of things that could affect firms chooses to solve. And why organizations are becoming diverse for specific direction is another future research topic. This research is focused on why organization is becoming diverse. But it is not explain why organizations becoming diverse for specific direction. I hope that other scholars will join to prove those unsolved issue.

5. Reference

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