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Improving Firm Competitiveness via Conflicted and Integrated Top Management Teams

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IMPROVING FIRM COMPETITIVENESS VIA CONFLICTED AND INTEGRATED TOP MANAGEMENT TEAMS

Abstract

As key decision-makers in organizations, executives' decisions have important impacts on the competitiveness of the firm. In particular, those decisions that are both good-quality and made on-time will help the firm improve its competitiveness. In this conceptual study, I argue that TMT cognitive conflict positively affects the quality of strategic decisions and TMT behavioral integration positively affects the speed of their decisions. As a result, firms that have conflicted and integrated top management teams (CITs) will be better off in terms of their competitiveness among their industry rivals. This paper is grounded in the upper echelons and decision making theories.

Keywords: Top management teams, Firm competitiveness, Decision making, Cognitive conflict, Behavioral integration.

INTRODUCTION

Top management teams (TMTs) consist of executives who are key decision-makers in organizations. Their main role is to ensure that the firm becomes competitive among its rivals and survives in the long-run by making appropriate strategic decisions. As stated in the upper echelons theory (Mason and Hambrick, 1984), executives' characteristics have important impacts on decisions they make and their decisions will directly affect firm performance. Then, the question becomes what particular characteristics of TMTs will influence the "goodness" of their decisions so that the firm can become (or stay) competitive in the industry.

As Amason (1996) argues, cognitively diverse TMTs interpret issues differently. In other words, the diversity in their perceptions is expected to provide an opportunity for bringing in a unique analysis of complex situations (Amason, 1996). Ensley and Pearce (2001) define the cognitive conflict as "the process of thinking about multiple ideas" (p. 146). They argue that this sort of a conflict enables TMT members to critically analyze complicated situations and better realize challenges stemming from difficult decision-making processes (Ensley and Pearce, 2001). As a result of these, cognitively diverse top teams are expected to make better quality decisions.

According to Hambrick (1994), the TMT behavioral integration is "the degree to which the group engages in mutual and collaborative interaction" (p.188). In order to create a well-functioning TMT, it is very critical to establish an interdependent, team-oriented environment where the behavioral integration is accomplished among team members (Carmeli, 2008). This sort of an environment enables TMT members to better deal with high-risk involved situations

via promptly offering solutions (Carmeli and Halevi, 2009). As Ling, Simsek, Lubatkin, and Veiga (2008) state, the cohesive structure of behaviorally integrated TMTs helps these top teams come up with strategic decisions much quicker due to their effective information sharing and collaboration. In other words, their collaborative understanding and collective approaches will enable these TMTs to produce decisions much quicker (Ling et al., 2008). Thus, behaviorally integrated top teams are expected to make strategic decisions quickly.

In this conceptual paper, I look at characteristics of TMTs as well as those of their strategic decisions including their impacts on the firm competitiveness. In particular, I argue that the TMT cognitive conflict has a positive effect on the quality of strategic decisions and the TMT behavioral integration has a positive effect on the speed of those decision-making processes. This, these good quality and on-time decisions will help the firm stay competitive among its industry rivals. Therefore, this study offers a “brand new” composition of TMT characteristics called “CITs” in order to explain how characteristics of both top teams and their decisions may have a significant impact on the firm competitiveness. The conceptual framework can be seen in Figure 1.

Insert figure 1 about here

TMT Cognitive Conflict and Quality of Decision Making

Top managers are key decision makers in organizations and their decisions have vital impacts on the organizational performance (Amason, 1996). As Amason (1996) argues, the “diversity provides an assorted stock of capabilities upon which a team can draw when making

complex decisions” (p. 124). Additionally, according to Bantel and Jackson (1989), diverse capabilities of executives result in high-quality decisions in organizations. Therefore, the diversity within the executive team is an important element within decision-making processes.

In the literature, it has been argued that the “cognitive conflict contributes to the decision quality” (Amason, 1996: 127). Basically, the cognitive conflict refers to “the process of thinking about multiple ideas” (Ensley and Pearce, 2001: 146). During this process, decision makers create linkages among their cognitive maps in order to make the best possible decisions for their organizations (Ensley and Pearce, 2001). Forbes and Milliken (1999) also define this process as “task-oriented differences in judgment among group members” (p. 494). They argue that the cognitive conflict among key decision makers (executives) leads to the creation, consideration, and evaluation of several strategic alternatives before taking an appropriate action (Forbes and Milliken, 1999). On the other side, however, high levels of cognitive conflict among executives may create big issues in terms of creating negative emotions, less desire to work as a group, and less effective use of skills due to lack of communication and coordination difficulties (Forbes and Milliken, 1999). Therefore, it is possible to see both positive and negative consequences of the cognitive conflict on the firm performance outcomes.

Horwitz and Horwitz (2007) argue that one of the biggest advantages of cognitive conflict is to “promote creativity, innovation, and problem solving” (p. 989) within the team. By considering “large amounts of incomplete, ambiguous, and often conflicting data” (Marcel, Barr, and Duhaime, 2011: 119) that top managers need to process in their daily routine, it is important to realize the importance of different perceptions while analyzing complicated issues and making

the best possible decisions accordingly. As stated by Miller, Burke, and Glick (1998), cognitively-diverse teams use a diverse “lens” while analyzing antecedents and possible consequences of different issues and may offer a variety of solutions at the end. Through this diverse “lens”, these cognitively conflicted team will have an opportunity to see different sides of issues, which can enable them to make better-quality decisions. Therefore, the TMT cognitive conflict is positively related to the quality of decisions.

Proposition 1: *The TMT cognitive conflict has a positive impact on the quality of decisions made by executives.*

TMT Behavioral Integration and Speed of Decision Making

The TMT behavioral integration is defined as “interactions within the TMT and encompasses elements of information sharing, collaboration, and joint decision-making” (Carmeli, 2008: 713). Hambrick (1994) also defines this concept as “the degree to which the group engages in mutual and collaborative interaction” (p. 188). In the literature, it has been argued that “a well-designed and functioning TMT is the one that is behaviorally integrated” (Carmeli, 2008: 717). Therefore, it is very important to understand the underlying logic of these well-functioning teams. In particular, this concept helps to better understand what makes TMTs more effective during their strategic decision-making processes (Hambrick, 1994).

According to Carmeli (2008), behaviorally integrated TMTs work better as a team and are able to exploit diverse skills, experience, and knowledge while making strategic decisions. As Carmeli and Haveli (2009) also argue, TMTs are unique in the context that these executives’

responsibilities are at a very high level and their decisions have a direct impact on the firm performance. Furthermore, Hambrick (1998) argues that behaviorally integrated TMTs will be better off during strategy creation processes due to their abilities in combining their expertise and knowledge more effectively. In addition, the information exchange within these teams are expected to become effective since these behaviorally integrated teams can more easily adapt to different environments, better manage the change, and more efficiently deal with uncertainties (Carmeli and Haveli, 2009).

In these behaviorally integrated top teams, executives engage in both “mutual and collaborative interaction” (Ling et al., 2008: 559). Through their interactions, they are able to better create a collective understanding on both internal and external issues that their organization face (Ling et al., 2008). This sort of an understanding enables these teams to better identify task processes towards achieving successful performance outcomes (Lubatkin et al. 2006). During their active collaboration efforts, these teams also enhance their both “exploitative and exploratory orientation” (Lubatkin et al., 2006: 647). Particularly, being behaviorally integrated helps these teams “better able to manage contradictory knowledge processes” (Lubatkin et al., 2006: 651).

According to Magni et al. (2009), these top teams can be “characterized by open and timely information exchange among team members” (p. 1046). As a consequence of this interaction, the expected result is “to engage in more effective information exchange to obtain relevant information in a shorter time frame” (Magni et al., 2009: 1047). As a result, these TMTs

can react to issues quickly via the possession of alternatives readily available to them (Magni et al., 2009). Therefore, TMT behavioral integration is positively related to the speed of decisions.

Proposition 2: *The TMT behavioral integration has a positive impact on the speed of decisions made by executives.*

Conflicted & Integrated Teams (CITs) and Firm Competitiveness

Artto (1987) argues that the total competitiveness has three main dimensions, which are cost-, price-, and non-price-related competitiveness. He argues that the combination of these three dimensions will determine the level of overall competitiveness (Artto, 1987). According to Ho (2005), the competitiveness refers to the firm's "ability to sustain performance" (p. 213). This concept may be influenced by several other factors including the market share, firm size, and market growth (Ho, 2005). Besides, Pearce (1999) argues that both the marketing and R&D orientation of the firm may provide some critical hints in regard to the level of competitiveness.

Since the competitiveness "affects the wealth of companies and the value of their shares" (Sundaram, John, and John, 1996: 460), TMT members' strategic decisions and actions towards staying competitive among firm's industry rivals become very important. Maintaining (and improving) the competitive posture of the firm also provides the firm with a motivation in terms of "seeking complementary resources and developing new capabilities through collaboration with other firms" (Wu, 2008: 125) without only relying on firm-specific resources (Wu, 2008). All these firm-level efforts can be accomplished by good-quality and timely-made strategic decisions. In other words, if TMT members are able to analyze situations by utilizing different

views, which helps them improve the quality of these decisions, and share information effectively and work collaboratively, which helps them make their decisions on time, both of these conditions will enable the firm to stay competitive among its rivals. Therefore, both the quality and speed of strategic decisions are positively related to the level of competitiveness of the firm.

Proposition 3: *The decision quality and speed have a positive impact on the firm competitiveness.*

CONCLUSION AND DISCUSSION

In today's global and complex world, if companies want to stay competitive among their rivals and survive in the long run, their executive teams including characteristics of their decisions will play a very important role. In particular, I argue that cognitively conflicted teams will make better quality decisions and behaviorally integrated teams will make timely decisions. Both of these decision characteristics will help the firm maintain improve its competitiveness among industry rivals.

This very early-stage paper contributes to the management literature by offering a combination of two "opposite-sounding" team characteristics, namely cognitive conflict and behavioral integration, in order to explain the competitiveness of the firm. More specifically, it highlights important connections among TMT characteristics (behavioral and cognitive), decision characteristics (quality and speed), and the firm competitiveness. This paper can certainly be improved in several ways. For instance, it would be useful to look at the role of

board characteristics in this framework. Also, it would be fruitful to examine whether different environments might have some contingency effects on relationships identified in this model. And finally, it would be helpful to examine some other aspects of firm performance evaluations.

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FIGURES

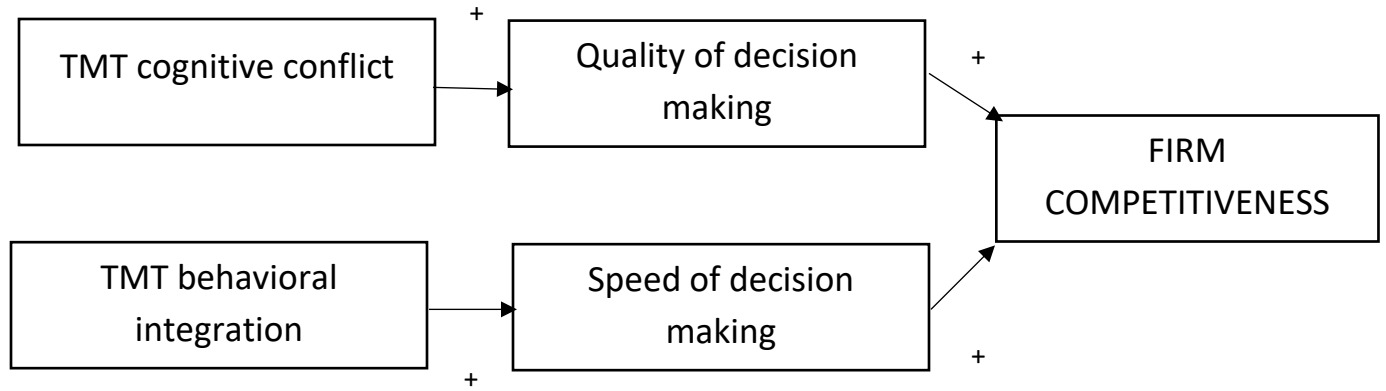


Figure 1 TMT Characteristics, Decision Making, and Competitiveness of the Firm