

Diversity in the top management teams and effects on corporate performance

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The globalization process has dramatically changed the business landscape and the society in which we live. This has affected all the business organizations. As the environment becomes more complex, firms seeking to gain competitive advantage over other firms in their environment should attempt to become more innovative and proactive (Brittain and Freeman, 1980). Firms should increase experimental behaviour to find novel answers where old ones no longer work (Dutton and Freedman, 1985).

Managing with uncertainties is among the most difficult tasks executives face. The challenges faced by top managers is to process many, complex, and often ambiguous stimuli when making strategic decisions under high uncertainty (Starbuck & Milliken, 1988). This is precisely the reason why the strategist must pay close attention to the top management. The notion that the characteristics of senior management, or the upper echelon of an organization, can influence the decisions made and practices adopted by an organization dates back to early upper echelon theory (Hambrick & Mason, 1984).

Hambrick and Mason argued that managers' characteristics (demographic) influence the decisions that they make and therefore the actions adopted by the organizations that they lead. They suggest that this occurs because demographic characteristics are associated with the many cognitive bases, values, and perceptions that influence the decision making of managers. Admittedly, to a large extent, diversity enhances greater creativity, innovativeness and quality decision making and could create greater competitiveness (Hambrick et. al., 1996). This paper explores empirical literature and gives conceptual overview that will have its unique contribution on exploring the scope of diversity in the top management, as well as widening the application of the upper echelon theory and the implications on firm performance. It will further help organizations in identifying what characteristics they need to identify in a person who is to take a top management job