

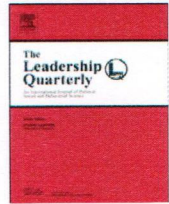


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How CEO empowering leadership shapes top management team processes: Implications for firm performance

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ABSTRACT

This study examines how CEO empowering leadership shapes top management team (TMT) behavioral integration and potency, thereby enhancing firm performance. Using a sample of 82 TMTs, structural equation modeling supports a mediation model in which CEO empowering leadership is positively related to TMT behavioral integration, and, in turn, it enhances TMT potency and firm performance. The effect of TMT potency on firm performance is stronger when the TMT members perceive high environmental uncertainty. We discuss both theoretical and practical implications of the paper for research on Upper Echelons Theory and TMTs.

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1. Introduction

Upper Echelons Theory points to the key role of the top management team (TMT) in shaping work processes and influencing organizational outcomes (Finkelstein & Hambrick, 1996; Hambrick & Mason, 1984). As interpretation systems, TMTs reflect the firm's structure and processes (Hambrick & Mason), and integrate the diverse perceptions, judgments, and orientations of TMT members into a set of specific strategic behaviors (Hambrick, 2007).

Although research on the TMT and its effects on organizational processes and outcomes has become ever more abundant, we have yet to gain a good understanding of the processes by which the TMT may better manage its complex tasks (Carmeli & Halevi, 2009; Carmeli & Schaubroeck, 2006; Lubatkin, Simsek, Ling, & Veiga, 2006; Pettigrew, 1992; Smith & Tushman, 2005). Much of the research on TMTs focuses on the link between TMT member demographic variables and organizational outcomes without carefully considering the intervening process constructs (Jarzabkowski & Searle, 2004). Thus, the research has overlooked "the actual mechanisms that serve to convert group characteristics into organization outcomes" (Hambrick, 1994, p. 185), and evidence on TMT processes has been "slow to accumulate" (Barrick, Bradley, & Colbert, 2007, p. 544). Unraveling TMT processes is seen as a critical potential refinement to Upper Echelons Theory (Hambrick, 2005).

TMT processes are distinct from group dynamics at other levels in the organization. The meta-construct "behavioral integration," defined as "the degree to which the group engages in mutual and collaborative interaction" (Hambrick, 1994, p. 188), captures this uniqueness. TMT behavioral integration captures three interrelated features of the TMT process: (a) the quantity and quality of information exchange among team members, (b) the level of collaborative behavior among the team members and, finally, (c) the extent to which they emphasize joint decision making (Hambrick, 1994).

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