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TOP MANAGEMENT TEAMS GROUP STRUCTURE AND GROUP DYNAMICS AS DETERMINANTS OF COMPANIES PERFORMANCE. EVIDENCE FROM POLAND

Abstract:
In traditional approach, company performance is related to Top Management Team (TMT) group characteristics, such as board size and composition, board tenure, age, experience, education, and competences. Initially, TMT characteristics were considered to have crucial significance for group effectiveness and organization performance. However, there is no consensus as to what extend and which TMT demographic features lead to which outcomes. The conclusion reached after numerous studies suggests that the relation between company performance, TMT effectiveness and TMT characteristics is indirect and more complex.

As studies based on TMT characteristics fail to explain company performance, the role of group dynamic is becoming more and more significant in analyzing board’s functioning. Dynamic models based on group processes, such as cognitive conflict, ability to use knowledge and skills, and effort norms, indirectly link group characteristics with company performance. According to the concept of group dynamics, team may be described by its static, i.e. structural, characteristics, as well as by group processes such as process of becoming a group member, acquiring and development of group norms, group cohesion, and group effectiveness. TMT effectiveness is understood as boards’ ability to perform their roles: strategic and operational role, control role, and service role. TMT effectiveness, directly depending on group processes and indirectly on boards’ structure, affects company performance.

The aim of the article is to analyze the relations between TMT structural and dynamic characteristics, and their impact on companies performance, basing on the research conducted in Poland among 291 domestic companies listed on the main market of Warsaw Stock Exchange from 2010 to 2013.

The project was funded by the National Science Centre (Poland) allocated on the basis of the decision number UMO-2011/01/N/HS4/02166.

Keywords:
Top Management Team, supervisory board, management board, effectiveness, group dynamics, group processes, company performance, Top Management Team structure, Poland