

Constellation of the Top Management Team

The findings of the literature review have resulted in three main parameters defining the members of the Top Management Team; Age, Education and Tenure with the Company. The three parameters are to some extent independent however it is clear that a certain age is required in order to be endowed with a likewise education. But the same could be said about the qualifications of being Member of the Top Management Team at all. Finally this might be different from company to company and only gets its importance when compared among other members of the same team.

3.1.6 Age as a Parameter in TMT-Constellation

Age can be seen as positive under different pre-conditions. What all findings have in common is that age is not having a positive affect if it is completely different from all others in a group. It is ok, to have a group where all can be considered in the same age group but it is also ok to have a group which is homogenous in regards to an equally diversified age constellation. Whatever could be considered as a norm in that specific group – should not be challenged with something which is completely out of that norm. To rank age as a parameter we will use Standard Deviation to be applied on the group which is to be analyzed, and to calculate if all Top Management Team Members are falling in or out the norm. If all other members of the Top Management are 50 years old then most likely it is a disadvantage of being the only one being 40 years old in that team. However if in another group all members are equally diversified in the age between 40 and 50 then it just doesn't matter to be at any age in that range. There will be not much shades in allocating points to Top Management Team Members for the parameter as the question is unpretentious if someone fits IN a group or NOT.

3.1.7 Education as a Parameter in TMT-Constellation

Education potentially can compensate age and or experience for younger staff however we couldn't find any indication that education could be compensated when considering this other way around; one might qualify in an higher age group with the help of additional knowledge but it doesn't matter how smart you are you will not get younger with this – and in some cases, if for example the complete Top Management Group is constituted with younger members, this might be a disadvantage. The

authors we have reviewed seem to have a common agreement on the general idea that the kind of education is less important than the amount of education. This parameter is literally steadily increasing in importance from NO education until MUCH of education. In our online interview form each member of the Top Management Team has to be classified in their levels of education of Tertiary Education, Bachelor, Master or Doctor. For all levels it will be indicated 'or equivalent' in order to respect country specific terminologies. The points which each member of the Top Management Team can earn are depending on his or her education but not in proportion to the other Top Management Team Members as Age and Tenure due to the fact that according to our literature review being overqualified is not a direct problem once one is in the job it might just be hindering of being considered for this job at all at the first place.

3.1.8 Tenure as a Parameter in TMT-Constellation

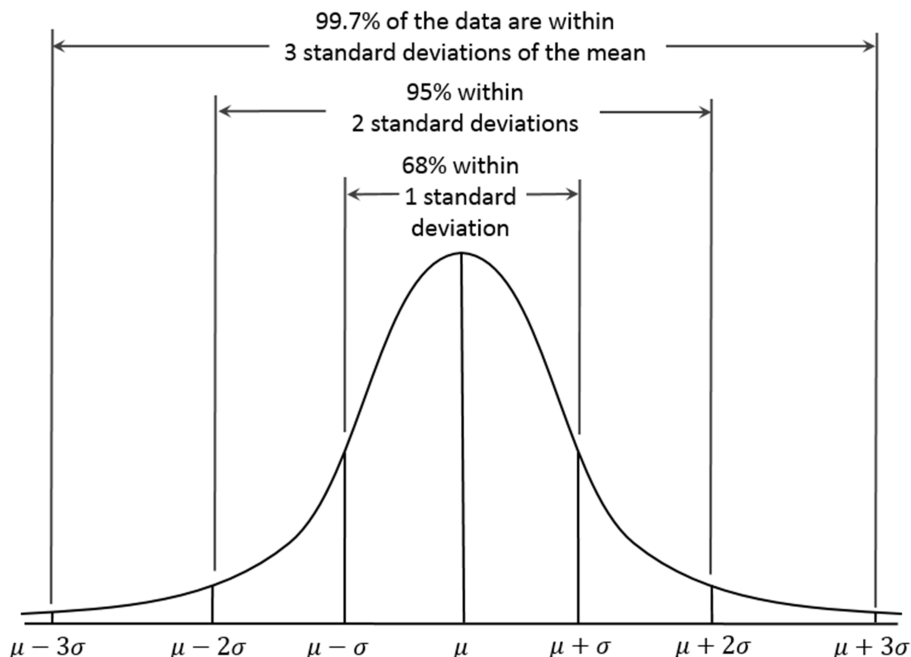
Tenure is considered as an inverted U-shape where a certain amount of tenure to the company is increasing the job holder's importance but exceeding the peak point the tenure is then losing its importance. Likewise age this parameter also has to be set in proportion to the other Top Management Team Members with Standard Deviation. Clearly the nature of the company does play a role in this. For an organization which is permanently exploring new markets an ideal tenure is certainly defined differently than the ideal tenure of members of an organization who is trying to keep the same values for as long as possible. Where the nature of the company is defined by its Typology (next Chapter) the analogies in regards to the composition of the Top Management Team are then organically given. Therefore in our attempt to collect primary data tenure can be monitored exclusively for one Top Management Team and the results might not being reflected in another company's Top Management Team. In further studies where a lot of data would be available it is most likely that one can identify similarities in comparable fields like industry wise for example.

3.1.9 Methodology of Collecting Data

This chapter is about the main factors qualifying one's personal fit into the Top Management Team which is measured in this thesis through Age, Education and Tenure. All three parameters are considered to be equally important and therefore similar maximum amount of points can be given for each parameter.

3.1.10 Conditions:

1. Our online Tool is created to capture a total of maximum 10 Top Management Team Members
2. The CEO possess by default 34% of the decision power as he is the only one who can say no to anything and for this he needs the blocking minority which is literally $1/3+1n$ (33.4 or 33.34 or 33.334). In order to avoid decimals in our calculation we will express the CEO's power simply as 34%.
3. Tenure will be measured in this thesis in a value curve like an inverted U shape: the contribution of a Top Management Team Member to the company is increasing if one stays a certain time with the company however it is then again decreasing if that person stays too long. The benchmark for what is considered short, right or long can only be given when having collected the data for all Top Management Team Members in the same company. The highest peak of contribution is in the middle of what the average is for that set of top management team members. By using standard deviation the sample set of data is analysed in a way that 68% of all samples are falling within 1 standard deviation, 95% will fall within the range of 2 Standard Deviation and 99.7% will be covered in the range of 3 standard deviations of the mean.



After having started our testing we figured out that Standard Deviation is certainly the right tool to measure Tenure however the issue was that the outcome was not really meaningful. The simple reason behind is that worldwide a normal age to enter into professional life would be somewhere in a person's twenties where a normal age to get retired is then usually in a person's sixties which gives us literally only 40 years of professional life at all. Under normal circumstances people don't start their professional life in the Top Management Team. However, once in there the membership in this club often lasts until retirement. If we assume in a simple example the youngest member to be 30 and the oldest to be 60, the average would be 45 and therefore the Standard Deviation 15. So by normal use of Standard Deviation everyone would fall into ± 1 Standard Deviation and definitely all would fall into ± 2 Standard Deviation (youngest age 15 and oldest age 75). Even though we consider an example with a smaller bandwidth like a range of 35 to 55 years; then the average would be 45 with a Standard Deviation of ± 10 years. Also in this example the majority of Top Management Team members would fall into the same group and any differentiation would be obsolete. For this reason we have given the points in smaller steps in order to recognize differences at all. So for Age as a parameter minimum 1 and maximum 4 points can be earned and we have separated in steps of 0.5 Standard Deviations:

4 points = within ± 0.5 standard deviation from average

3 points = within ± 1 standard deviation from average

2 points = within ± 1.5 standard deviation from average

1 point = more than ± 1.5 standard deviation from average

4. Age will also be measured similarly to Tenure with Standard Deviation and rated in steps of 0.5 Standard Deviation. There is literally no right and wrong in regards to one's age the only thing that matters is if it fits to the group or not. One's age might fit to a group if there is no pattern of age in this group or it might fit if there is a pattern of age. In other words if the pattern of age of the group members is homogeneous or heterogeneous is defining if the person who's being analysed fits into that group. The same person might fit in the Top Management Team of one

company but not in the same team of another company just because of the environmental conditions.

4 points = within +/- 0.5 standard deviation from average

3 points = within +/- 1 standard deviation from average

2 points = within +/- 1.5 standard deviation from average

1 point = more than +/- 1.5 standard deviation from average

So in summary for age and tenure the Standard Deviation was applied and bandwidths of half Standard Deviations were segregated in order to visualize differences. The goal is to differentiate how far from the average age and tenure the individual manager is. With the help of Ms Honey Yam, Kuala Lumpur, the below table and Algorithm was created:

$$\sigma = \sqrt{\frac{(x_1 - \bar{x})^2 + (x_2 - \bar{x})^2 + (x_3 - \bar{x})^2 + \dots + (x_n - \bar{x})^2}{n}} = \sqrt{\frac{\sum_{i=1}^n (x_i - \bar{x})^2}{n}}$$

5. Education Level: In one sentence it can be said that the level of education will have a significant relevance to a member of the Top Management Team. However the kind of one's education literally doesn't matter according to academic literature when it comes to the performance analysis of Top Management Teams. Important is first of all the amount of education and secondarily the comparison in regards to amount of education of the other Top Management Team Members. If all are having a Bachelor Degree then the similarity is already given and most important is not having less education. A question would be if for example someone has done two different bachelor degrees, would that have a value as someone who did one master degree. We will not be able to control this in our survey however it might be that some interviewees will rate in equivalence to no, little, normal and much education and therefore 'be giving additional points' to people who have taken several degrees but from the same level. The questionnaire will be in a way that one can chose a

level of degree 'or equivalent' in order to respect differences in grading systems by region.

Education: minimum 1 point, maximum 4 point

4 points = Doctor Degree or equivalent

3 points = Master Degree or equivalent

2 points = Bachelor Degree or equivalent

1 point = No Tertiary Degree or equivalent

In total in the section Constellation of our online application the maximum points which can be collected or awarded to one member of the Top Management Team is 12 (age 4, tenure 4, education 4) and the minimum one to be received is 3 (age 1, tenure 1, education 1).