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## The Interface between CEO-TMT and its Effects on the Firm Performance

Dr. Nayel Mousa Rababah

Assistant Professor, Department of Business Administration, Jazan University, Saudi Arabia

### **Abstract:**

*This study employs the upper-echelons perspectives by examining the mediating role of psychological empowerment, and redresses the deficits by devoting attention to the interface between CEO-TMT exchange and TMT personality compositions-psychological empowerment and as well as affect firm performance. By collecting sample from firms in Jordan, using the structural equation model (SEM). The research results show that TMT personality traits have significant effects on psychological empowerment. CEO-TMT exchange moderates some of the relationships between TMT personality traits and psychological empowerment. An integrated consideration of TMT personality compositions and firm performance through the mechanism of psychological empowerment may provide a more complete picture of how the entire top executive research. CEO-TMT exchange can advance TMT psychological empowerment. CEOs leader as a view also are critical in most of top team effectiveness and firm performance. Limitations and implications are discussed.*

**Keywords:** Upper-echelons perspective, top management team, personality compositions, psychological empowerment, CEO-TMT exchange, firm performance

### **1. Introduction**

The literature has been revealed the relationships between personality composition and its performance outcomes in workplace team contexts (Barrick, Stewart, Neubert, & Mount, 1998). Conversely, researchers have been established that firm upper echelons can be discerned from demographic aspects and from the team's composition (Hofmann & Jones, 2005). Despite the progress, prior studies nonetheless have almost focused on the organizational consequences of TMT demographics (Carpenter, Geletkanycz, & Sanders, 2004).

Nonetheless, research has not yet systematically examined how TMT personality compositions affect through mechanisms on a firm's various outcomes, "personality variables have long been included in the parlance of the UE literature but rarely incorporated specifically in studies" (Carpenter et al., 2004: 771). This omission is problematic as the benefit of TMTs personality has in creating internal consistency and the achievement of synergistic firm performance (Hambrick & Mason, 1984). As a result, directly identifies TMT cognitive frames, such as personality traits, have been flourishing (Peterson, Smith, Martorana, & Owens, 2003), and "personality is a stronger predictor of typical performance .... maximum performance contexts" (Lim, & Ployhart, 2004: 613).

Conversely, research in workplace team context has shown the power distribution of team members proximal work environment and, consequently, strength on various team outcomes (Smith, Houghton, Hood, & Ryman, 2006). Research has also presented us with quite a few insights about the determinants and consequences of psychological empowerment (Chen, Kirkman, Kanfer, Allen, & Rosen, 2007), although the importance of TMT psychological empowerment has been not stressed in past theorizing, because various types of teams exhibit different drivers for team processes and performance (Kirkman, Rosen, Tesluk, & Gibson, 2004). An examination of perceived psychological empowerment of TMT members is consequential (Ling, Simsek, Lubatkin, & Veiga, 2008) and a scrutinizing team perceived empowerment is the next step to understanding how TMT empowerment affects firm performance (Smith et al., 2006).

Although a little investigation has been made into the ways in which CEO-TMT uses their psychological characteristics sources to overcome these biases and/or relationship between TMT socio-psychometric characteristics and the properties of the firm outcome (Lin & Rababah, 2014). Therefore, an examination of psycho-cognitive dynamics among TMT members thus will have great filtering mechanisms that may explain how attributes dispose TMT toward specific strategic behaviors and performance implications for a firm (Nadkarni & Herrmann, 2010).

Additionally, upper echelon approach in an organization typically "often yields better explanations of organizational outcomes" (Hambrick, 2007: 334) that focuses on ways to achieve and maximize organizational performance. Further, studies of the link between top executive characteristics and firm performance often yield inconclusive results (Carpenter et al.,

2004), perhaps owing to the lack of attention to such critical moderator factors such as CEO-TMT (Hambrick, Cho, & Chen, 1996). However, an integrated consideration of TMT personality and psychological empowerment provides a more complete picture of how a dominant coalition functions, and that such consideration in combination with the idea of CEO-TMT exchange as a moderate mechanism may help explain inconclusive results in TMT research.

By collecting sample from firms in Jordan, using the structural equation model (SEM) and hierarchical regression, this research aims to build a comprehensive model of TMT compositions within upper echelon perspectives to the broader context of TMT personality compositions, TMT perceived psychological empowerment, and firm performance. As research aims to demonstrate, non-CEO TMT members will be motivated to accomplish their tasks if they feel empowered by the CEOs. The benefit of the moderating effects of CEO-TMT exchange is to link between TMT personalities and psychological empowerment often yields facilitating the relationship is examined as well. While CEO-TMT exchange is scrutinized as a moderator considered because the most promising and successful TMT performance jointly depends on team and leader dynamics and interactions (Buyl, Boone, Hendriks, & Matthyssens, 2011).

The study contributes to the upper echelons literature by examining the deep-level cognitive dynamics among TMT members and their effects on TMT collective psychological strength and then firm outcomes. I utilize the well-known Five-Factor (or Big-Five) Model (Costa and McCrae, 1992), which characterize a person's personality with five types of psychometric attributes, to identify the personality discrepancies among TMT members, although a number of studies concern significant and generalizable relationships between each dimension of the five-factor model and either leadership emergence or effectiveness (e.g., Judge Erez, Bono, & Thoresen, 2002).

Contributing to TMT research also, by builds a far-reaching model that reveals the intricate interplay between a CEO and the rest of team member's personality can advance organizational performance sensory abilities within the broad context of a psychological empowerment, and advances the generalizability of a team-level empowerment (Chen et al., 2007). Further, the scrutinizing of TMT characteristics (empowerment) firm strategic help identify a critical psychological process (Cho & Hambrick, 2006), and understanding how top management affects firm performance (Smith et al., 2006).

The study also advances the generalizability of the upper echelons theory by responds to the recent call upon doing research in the Arab Middle East. As a result, an examination of TMT issues in the Eastern context can expand the theoretical and practical implications of the upper-echelons theory (Cannella, Park, & Lee, 2008).

## 2. Theoretical Background & Hypotheses Development

### 2.1 Theoretical Background

#### 2.1.1. The Upper-Echelons Perspective

An organization is "the reflection of its top managers" (Hambrick & Mason, 1984, p. 193). Upper-echelons perspective has been interested in the effects of TMT on firm strategic and performance outcomes (Carpenter et al., 2004; Hambrick & Mason, 1984). Upper-echelons perspective also proposes that the values, cognitive bases, and breadth of perspective of top executives will lead a firm's directions and determine its strategic and ultimate effectiveness (Carpenter et al., 2004). Conversely, upper echelon literature has not yet paid significant attention to the sequential relationships among TMT social/psychological characteristics, strategic choices and their impact on performance (Lin & Shih, 2008).

To elaborate that, this study extends Hambrick et al.'s (1996), Hambrick's (2007) and Carpenter et al.'s (2004) research, which established the critical theoretical link between effective mechanisms at upper-echelons perspective and TMT process. Indeed, the socio-cognitive bases and dynamics among executive members and their outcome implications are critical for the theoretical and empirical advancement of upper-echelons research (Cannella et al., 2008). Conversely, the mediating role of psychological empowerment in this study highlights the significance of cognitive frames in linking TMT process factors with performance outcomes, a vital premise of the upper echelons perspective (Hambrick & Mason, 1984).

#### 2.1.2. TMT Personality Compositions

Harrison, Price, Gavin and Florey (2002) classified team composition into *surface-level* composition, which characterizes team members' overt demographic characteristics per se (e.g., gender, race, and age), and *deep-level* composition, which refers to the aggregation of team members' psychological characteristics such as personalities and attitudes. Nonetheless, critiques about the reliabilities and validities of TMT demographic proxies have been flourishing (Carpenter et al., 2004).

Given that almost all of personality measures can be located on FFM or Big-five (Goldberg, 1993), FFM had been examined as the highly generalizable, stable (Costa & McCrae, 1992), applicable to various cultures, and universally accepted personality traits model (Goldberg, 1993). FFM include five personality dimensions: conscientiousness, extraversion, openness to experience, agreeableness, and neuroticism (Costa & McCrae, 1992).

Further, the study focuses on the average level, rather than the deviation, of team members' personality traits. Therefore, top management team is "a group of senior managers that generally makes decisions that are important to the firm's future" (Simsek, Veiga, Lubatkin, & Dino, 2005: 74). Thus, it may be considered as "collective personality" within a team (Hofmann & Jones, 2005).

### 2.1.3. CEO-TMT Exchange

This study investigates the associations of leader-member exchange (LMX), is highlighted here because it can elucidate the complicated socio-cognitive dynamics among TMT members. Equally, to characterize TMT process concerns, the study focuses a psycho-socio integration which is comprised of TMT cognitive, social behavior and task by CEO-TMT exchange, such as information exchange and joint decision, which have advance constructive dialogues among TMT members (Simsek et al., 2005). Indeed, the examination of CEO-TMT exchange is consequential because it's the interactions, and relationships of top executives that form the cornerstone of the upper-echelons theory (Hambrick & Mason, 1984). Since LMX is focused on workgroup aspects, team leadership also observes the same relational behavior and exchanges of team leaders and members (Wilson, Sin, & Conlon, 2010).

In the same vein, the basis of CEO-TMT exchange is the relationship between leaders and members built on reciprocity, which is influenced by emotional support and valuable resources this exchange provides (Wilson et al., 2010). Team members also may therefore feel more empowerment, because CEO-TMT exchange may interactions within-team member differentiation in predicting team-outcomes (Boies & Howell, 2006). Thus, the cognitive constraints and biases of top executives have been considered important sources of organizational performance, and the facilitation of CEO-TMT exchange interactions among team member to shape its members psychological and abilities in the workplace in which effects on outcomes (Lawrence, 1997).

### 2.1.4. Psychological Empowerment

Nonetheless, an examination of the degree to which TMT members perceive empowerment has been missing in literature, let alone its associations with TMT compositions and various organizational outcomes (Finkelstein, Hambrick, & Cannella, 2008). Equally, psychological empowerment refers to a process of enhancing feelings of self efficacy among team members (Conger & Kanungo, 1988). The study focuses on team-level empowerment, which emerges from collective or socially-constructed cognitions or reflects "team members' collective belief that they have the authority to control their proximal work environment and are responsible for their team's functioning" (Mathieu, Gilson, & Ruddy, 2006: 98) and is composed of four shared cognitive attributes (Spreitzer, 1995; Thomas, & Velthouse, 1990). Meaningfulness refers to the value of a task in terms of team members' ideas or standards, and it can energize people to work (Spreitzer, Kizilos, & Nason, 1997). Potency, or self-efficacy, reflects the degree to which member's perceived ability to accomplish work-related tasks (Conger & Kanungo, 1988; Chen et al., 2007), autonomy or self-determination to choose how team members carry out their tasks (Mathieu et al., 2006). As to impact, it reflects the degree to which team members feel their tasks affects their organization (Chen et al., 2007).

## *2.2. Hypotheses Development*

### 2.2.1. TMT Personality Compositions and Their Psychological Empowerment

The consistent behavior of team members is the demonstration of aggregation of individual-level personality (Barrick, Stewart, & Piotrowski, 2002). Team personality composition demonstrates team-level collective personality, to examine group dynamics and to explore the relationship among TMT personality compositions and psychological empowerment, which shows members' behavioral consistency.

**Conscientiousness.** Conscientiousness reflects the degree to which person shows dependability, responsibility, perseverance, and achievement orientation (Peterson et al., 2003). People who are high in conscientiousness tend to be dependable, careful, thorough, responsible, and organized (Barrick & Mount, 1991). Indeed, TMT members who work in a team comprised of conscientious colleagues will exhibit high motivation, confidence and keenness in accepting responsibility (Conger & Kanungo, 1988), and high conscientious TMTs would exhibit greater team-level concern with legalism (Peterson et al., 2003).

Conscientiousness includes a volitional component that is related to achieve, self-motivation, and efficaciousness. Research has shown that in the FFM, conscientiousness is the most consistent and critical predictor of team processes and outcomes (Barrick et al., 1998). Research has shown that a team with high mean of conscientiousness trait help advance and predicted of team performance (Neuman & Wright, 1999), and to be a powerful predictor of performance. Conscientiousness also can promote task-specific self-efficacy beliefs, which can be organized to achieve team goals, and affect task cohesion (van Vianen & De Dreu, 2001).

- Hypothesis 1a: TMT conscientiousness in the form of personality compositions will be positively associated with psychological empowerment.

**Extraversion.** Extraversion describes the extent, to which people are assertive, dominant, energetic, active, and talkative (Costa & McCrae, 1992). Extraverted people are likely to generate confidence, enthusiasm and may score high on intellectual stimulation; they tend to have more trust in themselves (Bono & Judge, 2004). Research has shown that extraverted persons are more comfortable, skilled in communicating, and cooperative behavior (LePine, & Van Dyne, 2001), which can promote a TMT's collective psychological strength toward goal attainments.

Extraverted people like to socialize and teamwork with others, and like to people' energy level, potency, and positive affectivity, which help advance team cohesiveness and efficacy. When TMT extraversion is high, a well-conceived team

empowerment often involves a complete on a breadth of cognitive resources and extensive information exchange (LePine, & Van Dyne, 2001), and increase members' positive assessment of their tasks (Kirkman et al., 2004).

- Hypothesis 1b: TMT extraversion in the form of personality compositions will be positively associated with psychological empowerment.

**Openness to Experience.** People who are open to experience are generally broad minded and intelligent (Barrick & Mount, 1991). Openness trait often manifests cultural sophistication, originality, imagination, and preference for cognitive complexity. Openness to experience identifies individual's differences in consciousness, both in breadth and depth; thus, they will consider a variety of alternatives rather than simply supporting the status quo (LePine & Van Dyne, 2001).

Research has shown that openness can increase social interaction (Mount & Barrick, 1998) and put ideas into action. Open expression of different opinions can enhance decision quality (Lin & Rababah, 2014). Highly in openness would reward team behavior that is intellectually flexible and open. As a consequence, a TMT with high openness trait will feel empowered to resolve problems or conflicts with flexible, adaptive, nontraditional, and understanding approaches (Costa & McCrae, 1992), and promote communication and cooperation and hence, increase TMT empowerment.

- Hypothesis 1c: TMT openness to experience in the form of personality compositions will be positively associated with psychological empowerment.

**Agreeableness.** Agreeable people are sympathetic, considerate, trusting, and soft-minded. People high on agreeableness are thought to be motivated to have positive social situations (Bell, 2007). Agreeable individuals tend to engage in more teamwork, are more cooperative, and have higher quality interpersonal interactions (LePine & Van Dyne, 2001), although more willing to cooperate and partner with each other (Neuman & Wright, 1999), leading to increased team competence and motivation.

Conversely, TMTs with high in agreeableness would encourage especially cohesive and decentralized teams (Peterson et al., 2003), and encourage working together as a single team and share critical information. Research has also shown that high mean level of agreeableness is positively related with various team outcomes. TMTs with high agreeableness are more likely to adapt to power dynamics (Peterson et al., 2003), which in turn increase members' constructive interpretation of empowerment (Kirkman & Rosen, 1999).

- Hypothesis 1d: TMT agreeableness in the form of personality compositions will be positively associated with psychological empowerment.

**Neuroticism.** Neuroticism is associated with emotional instability, hostility, negativity and lacking of positive psychological adaptation (Judge et al., 2002). High level of neuroticism would not be cooperative and would have lower quality interactions with others at work (LePine & Van Dyne, 2001). Conversely, people who are emotionally stable (low in neuroticism) may contribute positively to teamwork, and make suggestions for change because they do not feel helpless (LePine & Van Dyne, 2001).

As results, neuroticism makes people more likely to encounter conflict with others and then destroy their social connections. Indeed, under psychological pressure of negative affectivity, it's unlikely for a TMT to think or act in a meaningful way and positively evaluate their tasks, because CEO-TMT emotional stability significantly related to team cohesion, intellectual flexibility, and leader dominance (Peterson et al., 2003). Neuroticism is also likely to a poor self-image characterized by low self-esteem and low self-efficacy (Judge et al., 2002).

- Hypothesis 1e: TMT neuroticism in the form of personality compositions will be negatively associated with psychological empowerment.

### 2.2.2. Psychological Empowerment and Firm Performance

However, access to the information resources required distribution of power on a team member, has been also identified as a capacity to mobilize resources' which has relates to team decisions and firm outcomes (Lin & Rababah, 2014). Although TMT members with such empowerment are able to make more informed decisions quality that is more aligned with organization performance (Kirkman & Rosen, 1999). Equally, the more perceived team empowerment, the more TMT members feel they need to account for a firm's strategic decisions (Lin & Rababah, 2014), which can advance information search and idea inquiry for decisions and then enhance firm outcomes.

Conversely, team members who feel that their task are meaningful and that by completing their job responsibilities (Rababah, 2017), they to be have an impact on others and organization, because empowerment provides an opportunity for members to determine work roles and accomplish meaningful jobs. When TMT members are confident to make decisions, the more TMT members feel they need to account for a firm's strategic decisions that are high-impact to a firm outcome. As results, prepare the firm for taking new competitive initiatives, increasing the probability of being extend in the marketplace.

- Hypothesis 2: TMT psychological empowerment will be positively associated with firm performance.

### 2.2.3 TMT Psychological Empowerment as a Mediator

The degree of top team empowerment has been viewed critical in most studies of team effectiveness, in which TMT will lead a firm's directions and determine its strategic and ultimate firm performance. TMTs with high personality (c.f., agreeableness) encourage work together and will feel empowered, through decentralization of power (Peterson et al., 2003), which enhances members' shared decisions, and motivation to perform well. Research has shown that self-efficacy, an

important element of psychological empowerment, mediates the relationship between conscientiousness and performance outcome, because positive emotions and the traits (e.g., self-efficacy, confidence) lead people to think and feel they are successful.

Additionally, TMT personality (c.f., conscientiousness) within a team motivates psychological empowerment, and fosters breadth and depth of thinking. Researchers have also shown that empowerment in team elevates strategic decision making, which in turn diminishes firm performance (Chen et al., 2007; Mathieu et al., 2006; Spreitzer, 1995). Further, TMTs with high personality (c.f., agreeableness) would encourage especially cohesive teams with decentralized power (Peterson et al., 2003). Research suggests that TMTs open to the influence of others on the team tend to perform better. As a result, the influence that, cohesiveness and decentralization may have on team process and firm performance (Lin & Rababah, 2014).

- Hypothesis 3: TMT Psychological empowerment partially mediates the relationship between TMT personality compositions and firm performance.

#### 2.2.4. Moderating Effects of CEO Leader-Member Exchange

This section presents hypotheses that link CEO leader, personality compositions-psychological empowerment of TMT. Researchers have suggested that team process should be considered a moderator of the link between TMT characteristics and performance (Hambrick, 1995). However, there is reason for expecting a relationship between CEO-TMT exchange, personality compositions and psychological empowerment is based on upper echelon theory; CEOs leader are guided by their values and have the responsibility to evaluate, reward, motivate, coach TMT members, and facilitate interactions-collectivists (Simsek et al., 2005; Ling et al., 2008).

**TMT Conscientiousness, CEO Leader-Member Exchange, and Psychological Empowerment.** An empowered TMT is often characterized by interpersonal trust and respect, which can increase members' enthusiasm and active participation in decision improvement efforts. As a result, higher CEO-TMT conscientiousness is likely to exhibit more task cohesion and team morality, less social loafing and advance team members'.

Information exchange will likely help the CEO to localize the distributed functional knowledge within the TMT (Buyl et al., 2011). Indeed, as the frequency, depth, and breadth of social interactions increase, because team members high in conscientiousness were able to identify when they needed assistance from teammates, and supportive of task completion (Bell, 2007). Given that CEOs act on the basis of their positive beliefs, which helps build a trust climate in a team, and motivation of members in the pursuit of goal accomplishment.

- Hypothesis 4a: CEO leader-member exchange will positively moderate the relationship between TMT conscientiousness and psychological empowerment.

**TMT Extraversion, CEO Leader-Member Exchange, and Psychological Empowerment.** A higher level of extraversion has been shown to be beneficial when jobs or situations require interpersonal interaction (Barrick & Mount, 1991) and ultimately team empowerment. CEO leaders value team goals and encourage members to proactively participate in team affairs, and CEOs with higher core self-evaluations are adjusted, positive and self confident (Lin & Rababah, 2014).

Extraverted has shown that persons are willing to discuss with others and seek for suggestions in decision-making process, which help develop collective confidence. In this way, highly specialized CEOs tend to attract and empower TMT members of their specialization (Buyl et al., 2011). CEO leaders may advance the social and psycho aspects of TMT behavioral integration, such as CEO's personality can impact the dynamics of the TMT (Peterson et al., 2003), which can promote a TMT's collective psychological strength toward goal attainments.

- Hypothesis 4b: CEO leader-member exchange will positively moderate the relationship between TMT extraversion and psychological empowerment.

**TMT Openness to Experience, CEO Leader-Member Exchange, and Psychological Empowerment.** CEOs leader recognize every member's ideas in articulating team vision and appreciate collective efforts in performing job tasks. High TMT openness to experience is likely to score high in rating CEO's intellectual stimulation (Judge et al., 2002) which can promote their perceived competence and impact on a team. CEO openness was significantly related to TMT risk-taking (Peterson et al., 2003).

Conversely, a CEO's shared experience with TMT members enhances information exchange and integration, to create semantic equivalence (Buyl et al., 2011). Higher team-level openness implies better adaptability and creativity (LePine & Van Dyne, 2001), which can help problem-solving, mutual support and joint decision. As a result, an effective leader is likely to create a climate that encourages supportive behavior and adaptability. A CEO uses relevant knowledge and shared experience more efficiently with the other TMT members will enable to enhance the quality and quantity of TMT information sharing (Simsek et al., 2005), which can also promote a TMT's collective psychological strength and managerial work (Chen et al., 2007).

- Hypothesis 4c: CEO leader-member exchange will positively moderate the relationship between TMT openness to experience and psychological empowerment.

**TMT Agreeableness, CEO Leader-Member Exchange, and Psychological Empowerment.** CEO leaders are believed to induce organization team members to constantly anticipate and enhance their abilities to innovate (Ling et al., 2008). CEOs leader also are likely to promotes the psychological attachments and social exchanges and their collegial executive team members, which cultivate mutual trust, and team empowerment (Chen et al., 2007). A high CEO-TMT agreeableness can

exhibit more effective social functioning within the group (Neuman et al., 1999). CEO preferences and interpersonal was significantly related to TMT cohesion and decentralization of power (Peterson et al., 2003).

Equally, CEO leader can increase interdependence and collaboration, advance coordination, motivate, and coach TMT members (Simsek et al., 2005) which further improve the quality and quantity of information exchange and the possibility of joint decision (Ling et al., 2008). CEO-TMT high level of positive traits (c.f., agreeableness) may be related to the degree to which team members engage in positive interpersonal processes and ultimately team empowerment (Lin & Rababah, 2014).

- Hypothesis 4d: CEO leader-member exchange will positively moderate the relationship between TMT agreeableness and psychological empowerment.

**TMT Neuroticism, CEO Leader-Member Exchange, and Psychological Empowerment.** Under such a circumstance, if a TMT is occupied by neurotic members, a tight atmosphere with negative stereotypes, self-serving biases and emotional conflicts will be created, which further produce physical and psychological stress beyond that typical of managerial work (Zhao & Seibert, 2006). CEO-TMT with high level of neuroticism believes will be relatively low in willingness to take risks, cohesion, and intellectual flexibility (Peterson et al., 2003). As a result, tasks of team composition, requires each group member to perform at a minimally acceptable level for the team to succeed (Barrick et al., 1998). CEOs more traits of neurotic would not be cooperative and would have lower quality interactions with team members, which further reduce team efficacy (Judge et al., 2002).

Conversely, because entrepreneurs have been described as highly self-confident (Zhao & Seibert, 2006), and CEOs have believed of emotionally stable (low in neuroticism) may be created a relaxed atmosphere that promotes cooperation and engage in less disruptive behavior (Peterson et al., 2003). Although self-confidence of TMT and controllability their own emotions are related to the pursuit of pioneering and application of TMT abilities will result in positive outcomes (Simsek et al., 2005). On the other words, CEO-TMT under the emotionally stable construct brings together in one coherent dimension of personality such traits as imagination, creativity, and independence of judgment.

- Hypothesis 4e: CEO leader-member exchange will positively moderate the relationship between TMT neuroticism and psychological empowerment.

### 3. Research Design and Methodology

#### 3.1. Research Design and Sample Selection

TMT is a group of executives, identified by a firm's CEO, who decide the strategic directions and actions of the firm (Hambrick & Mason, 1984). In this study, the research sample is drawn from Jordan. The "majority of empirical upper echelons studies have used samples of American firms" (Hambrick, 2007, p. 339), with very few empirical studies conducted in non-US settings (Papadakis & Barwise, 2002). Thus, an examination of TMT issues in the Eastern context (like Jordan) can expand the theoretical and practical implications of the upper echelons theory (Cannella et al., 2008).

Although organizational and environmental factors are complex and have unstable influences, TMT attitude is an important determinant of a cultural shift towards market orientation, but it occurs under conditions of high external risk and uncertainty. Jordanian society is easier than other Arab countries due to the fact that Jordan is relatively liberal. Thus, the private sector of Jordan will adopt a differentiated organizational culture suitable for rapid decision making in today's business environment. Moreover, given the lack of clarity and/or agreement on the practices of business, CEO-TMT exchanges in Jordan attempt to manage the company and emphasize the culture more as a dynamic process.

For the Jordanian sample, the final usable sample includes 716 executives in 210 firms. The average capital of the sample firm age of 18.82 years (s.d.= 12.94). About 27% are in the industrial sector, 12% in the banking and financial services sector, 49% in the services sector, and 12% in the insurance sector. A large portion of sample firms are totally private sector (83.3%). The average TMT size is 5.34 (S.D. 2.20) and the sample averages 45.30 years of age (S.D. 6.06). Further, respondents had an average of 20 years of experience in the firm's industry and had been top executive for 9.42 years with an average age of 45.91 years with (S.D. 6.98). 85% of the sample was male and 95.9% are married.

#### 3.2. Measurements of Variables

##### 3.2.1. Independent Variables

**TMT personality compositions:** TMT personality compositions are assessed with the Big-Five personality attributes. The 7-point Likert-type (1= strongly disagree; 7= strongly agree) International Personality Item Pool (IPIP) measure developed by Goldberg (1993) was used to assess TMT Big-Five personality attributes. Respondents are asked how they would describe themselves. The instrument comprises 50 items designed to reflect five dimensions of personality characteristics (conscientiousness, extraversion, openness to experience, agreeableness and neuroticism). Each dimension consists of ten items which represent positive and/ or negative aspects of a specific personality.

To measure TMT personality composition, the study used an additive approach to calculate the mean score for each of the five personalities attributes. The internal consistency reliabilities for the Five Factor scales calculated for this study based on these a single score was: ( $\alpha = 0.89$ ), ( $\alpha = 0.96$ ), ( $\alpha = 0.88$ ), ( $\alpha = 0.85$ ), and ( $\alpha = 0.95$ ) for extroversion, agreeableness, conscientiousness, neuroticism, and openness to experience, respectively. Also, for CFA results showed acceptable model fit indices for each of Big-Five personality attributes.

**Psychological empowerment:** Kirkman et al.'s (2004) 12-item, 7-point Likert-type (1= strongly disagree; 7= strongly agree) scale was adapted to measure TMT empowerment. The 12 items reflect four dimensions of psychological empowerment: meaning ( $\alpha = .91$ ), impact ( $\alpha = .85$ ), potency/self-efficacy ( $\alpha = .89$ ), and autonomy ( $\alpha = .86$ ). Cronbach's  $\alpha$  for the overall scale was (.95). CFA results showed acceptable model fit indices ( $\chi^2 = 3.25$ ,  $df = 2$ ; NNFI = .98, CFI = .99, SRMR = .02, RMSEA = .05).

### 3.2.2. Dependent Variable

**Firm performance:** This variable represents a firm's relative performance, as compared with its direct rivals, over the last three years (2013-2015). The five 7-point (1= far low than competitors; 7= far high than competitors) items used in this study are adapted from (Garg, Walters, & Priem, 2003). These include such indicators as profitability, sales growth rate, market share growth rate, return on investment, and overall firm performance. CFA results also showed good psychometric property of the variable and the fit indices were all higher than the acceptable thresholds ( $\chi^2 = 29.28$ ,  $df = 5$ ; NNFI = .94; CFI = .95; SRMR = .05; RMSEA = .10).

### 3.2.3. Moderating Variable

**CEO-TMT exchange:** CEO-TMT exchange was evaluated by the mean value of team members' LMX information collected with a five-item measure adapted from Linden, Wayne, & Stilwell (1993) ( $\alpha = .86$ ). Respondents were asked to indicate the extent of their CEO agreement with each statement on a 7-point Likert-type scale (1 = strongly disagree, 7 = strongly agree). CFA results showed the model fitted the data well ( $\chi^2 = 5.21$ ,  $df = 5$ ; NNFI = .99, CFI = .99, SRMR = .04, RMSEA = .01).

### 3.2.4. Control Variables

To decrease the likelihood of spurious results, several control variables are added to the model (Rababah, 2017). The study controlled for variables that may affect psychological empowerment and firm performance, including TMT-level information (i.e. average age, team size, education heterogeneity & FFM personality heterogeneities), industry-level variables (i.e. environmental dynamism and munificence), and firm-level characteristics (i.e. size, age, and organizational slack) (Papadakis & Barwise, 2002).

## 3.3. Statistical Analysis

### 3.3.1. Structural Equation Modeling (SEM)

Structural equation modeling (SEM) can closely examine the relationships between observed indicators and latent variables while simultaneously controlling for measurement errors. Nested models are applied to assess alternative models by testing the sequential chi-square difference  $\Delta\chi^2$  and thereby producing the final model, a better-fitting structural model (Lin & Shih, 2008; Ling et al., 2008). To assess model fit, the chi-square  $\chi^2$  test was used. Additionally, the four fit indices of (CFI), (NNFI), (RMSEA), and (SRMR) are applied, following Hu and Bentler (1999). The full measurement model was evaluated by incorporating the control variables into the model.

### 3.3.2. Moderating Hierarchical Regression Analysis

To test the moderating hypotheses, the study uses hierarchical regression analysis (Cohen, Cohen, West, & Aiken, 2003). For interaction effects, first the mean-centered independent variables were entered and then multiplicative terms were created between the mean-centered variables (Chen et al., 2010). Several models are estimated to test the moderating hypotheses-four models. In step (1) the control variables were regressed model 1. In step (2) the TMT personality composition FFMs were entered model 2. In step (3) the CEO-TMT exchange quality was entered model 3. In step (4) both the independent and moderating variables (TMT personality composition & CEO-TMT exchange) were already entered and the interaction term of both the mean-centered of TMT personality compositions and the CEO-TMT exchange were entered model 4.

## 4. Nested Structural Models And Hypotheses Testing.

### 4.1. Nested Structural and Hypotheses Testing

Table (1) presents the means, standard deviations and intercorrelations for the variables examined in the study. Table (2) presents the value of fit indices for the nested models. The significant difference ( $\Delta\chi^2 = 2383.328$ ,  $\Delta df = 129$ ,  $p < .001$ ) between the hypothesized model 2 and null structural model 1 provided the basis for further examination of various nested models. To determine whether the five TMT personalities individually presented a direct relationship with firm performance, five paths model was tested by separately adding TMT personalities-performance relationship Model 3 to the hypothesized mediated model. Significant differences between Model 2 and Model 3 ( $\Delta\chi^2 = 28.378$ ,  $\Delta df = 5$ ,  $p < .001$ ) suggested that adding TMT personalities-performance relationship into the hypothesized model indeed improved model fit. The results revealed the fact that five paths-performance relationships exhibited a significantly incremental contribution to Model 3. Then, I obtained Model 3 as the final model ( $\chi^2 = 419.087$ ,  $df = 301$ ,  $p < .001$ ; NNFI = .95, CFI = .95, RMSEA = .04 and SRMR = .05).



Variables	M	SD	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1. TMT extraversion	4.40	1.43																
2. TMT agreeableness	4.38	1.31	-.04															
3. TMT neuroticism	2.71	.89	-.05	.04														
4. TMT conscientiousness	4.51	1.34	.07	-.19**	.16*													
5. TMT openness	3.41	1.23	-.08	.30**	.26**	.03												
6. Psychological empowerment	2.75	.88	.13	.22**	-.12	.17*	.39**											
7. Firm performance	3.50	.96	.00	.23**	.26**	.25**	.60**	.54**										
8. CEO-TMT exchange	3.42	1.15	.04	.34**	.37**	.31**	.60**	.49**	.53**									
9. Environmental munificence	3.87	1.45	-.02	.23**	.30**	.10	.45**	.31**	.52**	.48**								
10. Environmental dynamism	5.76	.76	.11	.03	.04	.10	-.05	.00	-.04*	-.01*	-.01							
11. Firm slack	4.84	1.24	.22**	-.20**	.05	.13	.00	.02	.11	-.03	.04	.02						
12. CEO tenure	26.7	8.42	-.01	-.09	-.11	.12	.06	.08	.06	.06	.06	.16*	.02					
13. TMT educational heterogeneity	.52	.30	.01	.04	.01	-.10	-.03	.01	-.06	-.04	-.03	.01	-.03	.03				
14. TMT size	5.35	2.20	.05	-.17*	-.15*	-.02	.26**	.18**	.34**	.30**	.32**	-.13	.07	.14*	.10			
15. TMT age	1.31	.33	.02	.03	-.01	.07	.07	.06	.08	.06	.10	-.01	.02	.00	.02	.02		
16. Firm size	2.42	.49	.02	.03	-.05	-.09	.15*	.08	.10	-.01	-.06	-.03	.01	-.13	.15*	.28**	.10	
17. Firm age	1.19	.56	.02	-.01	-.04	.13	.01	.01*	.02*	.01*	-.05	.01	-.03	-.02	.18*	.16*	.06	.09

Table 1 : Means, Standard Deviations, and Correlations  
N = 210, \*\*p < .01, \*p < .05

Models	$\chi^2$	Df	NNFI	CFI	SRMR	RMSEA
1. Null structural model	2830.793***	435				
2. Hypothesized model	447.465***	306	.94	.94	.05	.05
<b>3. TMT personality compositions → Firm performance</b>	<b>419.087***</b>	<b>301</b>	<b>.95</b>	<b>.95</b>	<b>.05</b>	<b>.04</b>

Table 2 : Comparisons of Nested Structural Models

**Note:**

1. Model 3: adding personality-empowerment and personality-performance paths into Model 2; the final model.
2. \*\*\* p < .001

Figure (1) presents the completely standardized path estimates for the examined relationships. Consistent with expectations, TMT conscientiousness ( $\beta = .26$ ), extraversion ( $\beta = .16$ ), openness to experiences ( $\beta = .46$ ), and agreeableness ( $\beta = .17$ ) were all positively while neuroticism ( $\beta = -.32$ ) was negatively related to psychological empowerment (all  $p$ 's < .05), supporting H1a-H1e. Also, psychological empowerment was positively related to firm performance, supporting H2 ( $\beta = .43$ ,  $p < .001$ ).

Moreover, Sobel tests suggested the indirect effects found in our model were all significantly different from zero (for neuroticism,  $t = -3.16$ ,  $p < .01$ ; for the other four traits,  $t > 2.01$ ,  $p < .05$ ) (Sobel, 1982), a finding that supports hypothesis 3. Thus, the results show that psychological empowerment plays a partially mediating role in linking TMT personality compositions and firm performance.

Finally, as shown in table 3, hypotheses 4a-4e, which predicted CEO-TMT exchange would positively moderate that relationship between TMT personality compositions and psychological empowerment were supported by TMT openness to experiences ( $\beta = .133$ ,  $t = 2.11$ ) and TMT agreeableness ( $\beta = .234$ ,  $t = 3.84$ ) (all  $p$ 's < .05), while TMT conscientiousness and TMT extraversion were not supported moderating effect in model 3 and also model 4 (all  $p$ 's > .05) see table 3. With respect to Hypothesis 4e, prediction that CEO-LMX exchange would positively moderate that relationship between TMT neuroticism and psychological empowerment was also significantly but negatively affect ( $\beta = -.407$ ,  $t = -5.04$ ,  $p < .000$ ). As I found hypothesis 1e, TMT emotional stability was significantly positively related to psychological empowerment. Therefore, this result is expected relationships, because psychological empowerment such as of the extreme self-confidence that is implied by high emotional stability (Lin, & Rababah, 2014; Peterson et al., 2003).



To estimate the level effect of CEO-TMT explained by the interactions, I conducted hierarchical regression analyses by creating two simple regressions of TMT personality compositions on psychological empowerment, the change can be estimate when the interaction term was entered (Cohen et al., 2003). As the moderating effects shown for TMT openness x CEO-TMT exchange and TMT agreeableness x CEO-TMT exchange Figures 2 and 3 respectively, plotting the interactions terms were supports the clarification. Furthermore, this clarification is not supported by the plotting of interactions terms TMT conscientiousness x CEO-TMT exchange, and TMT extraversion x CEO-TMT exchange which depicts in Figure 4 and 5 respectively. Conversely, when referring to moderating effects of CEO-TMT exchange in model 4, table 3 between TMT neuroticism and psychological empowerment, the situation reveals a negative relationship ( $\beta = -.407, t = -5.04, p < .000$ ), support this situation model 2 and model 3 ( $\beta = -.280, t = -4.41, p < .001$ ), ( $\beta = -.363, t = -5.91, p < .001$ ) respectively, plotting the interactions terms were also supports the clarification as shown in Figure 6.

Variables		Model 1	Model 2	Model 3	Model 4
Control	CEO tenure	.056	-.004	-.018	-.047
	TMT size	-.177*	-.101	-.052	-.058
	TMT age	.060	.004	.004	.013
	TMT educational heterogeneity	.022	.047	.047	.018
Independent	TMT extraversion		.137*	.102	.121*
	TMT agreeableness		.143*	.037	.122*
	TMT neuroticism		-.280***	-.363***	-.121
	TMT conscientiousness		.227***	.094	.008
	TMT openness		.401***	.205**	-.033
Moderating	CEO-TMT exchange			.442***	.570***
Interaction	TMT extraversion x CEO-TMT exchange				.047
	TMT agreeableness x CEO-TMT exchange				.234***
	TMT neuroticism x CEO-TMT exchange				-.407***
	TMT conscientiousness x CEO-TMT exchange				-.060
	TMT openness x CEO-TMT exchange				.133**
<b>R</b>		.200	.547	.623	.729
<b>Adjusted R<sup>2</sup></b>		.021	.268	.357	.496
<b>F</b>		2.15	9.51***	12.61***	14.71***
<b>Δ R<sup>2</sup></b>		.040	.300	.388	.532

Table 3: Results of Regression Analysis (Dependent Variable Psychological Empowerment)  
*n* = 210; \* *p* ≤ .05, \*\* *p* ≤ .01, \*\*\* *p* ≤ .001

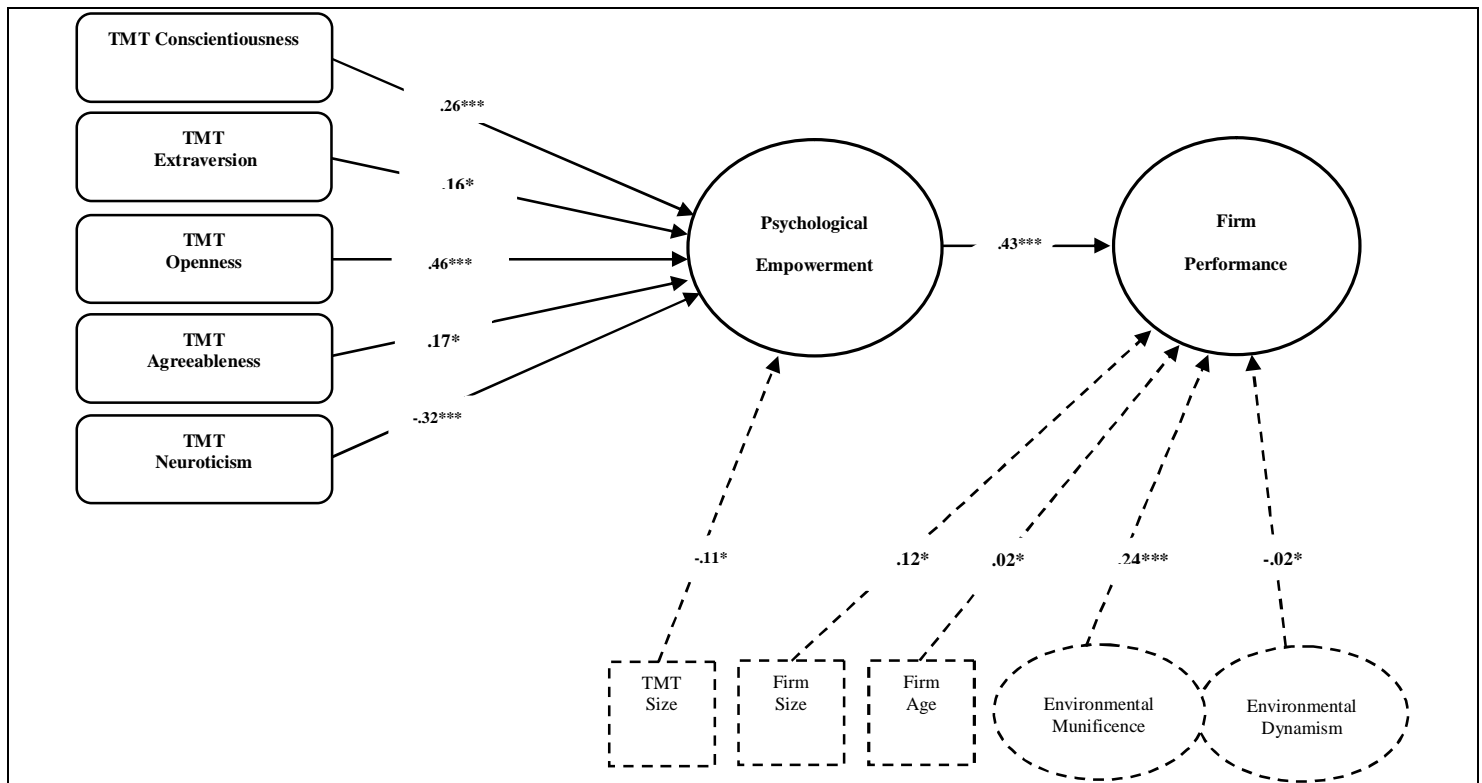


Figure 1: Completely Standardized Estimates of the Final Model

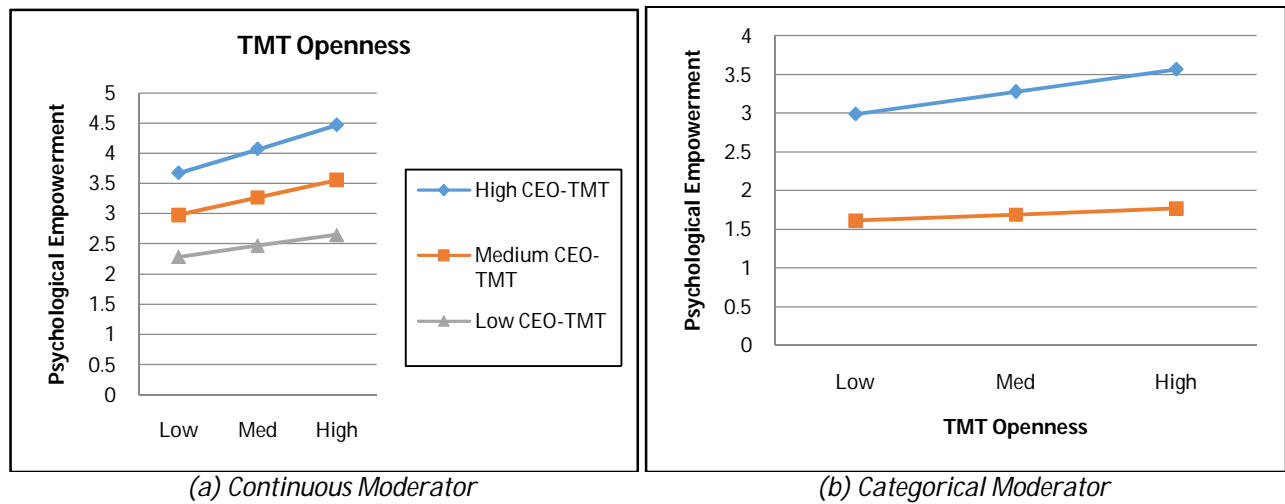


Figure 2: Moderating Role of CEO-TMT Exchange

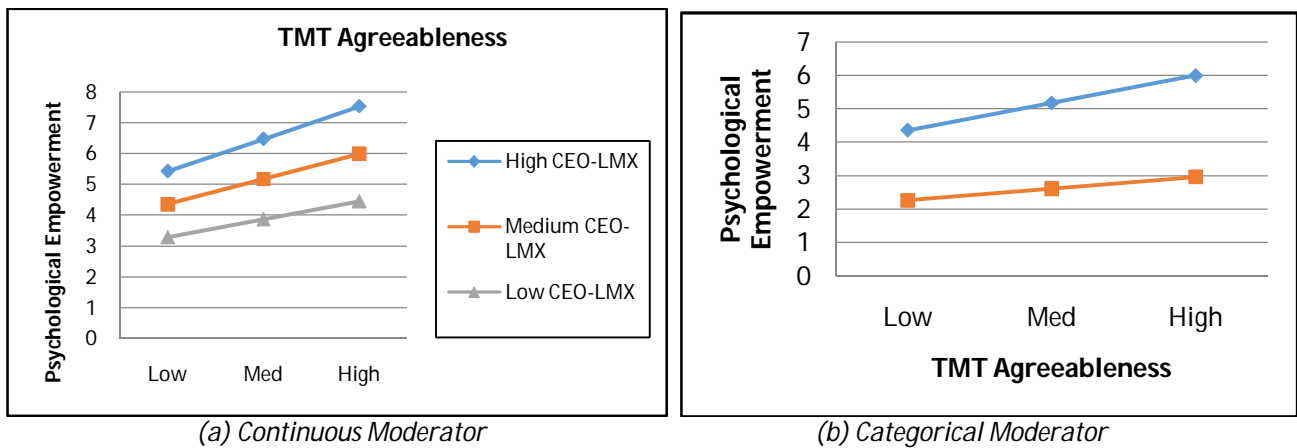


Figure 3: Moderating Role of CEO-TMT Exchange

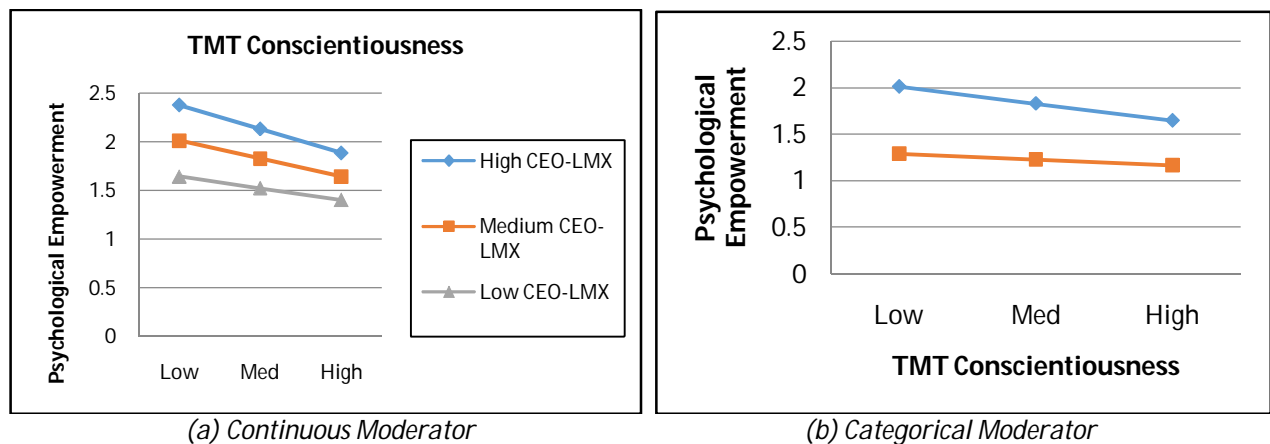


Figure 4: Moderating Role of CEO-TMT Exchange

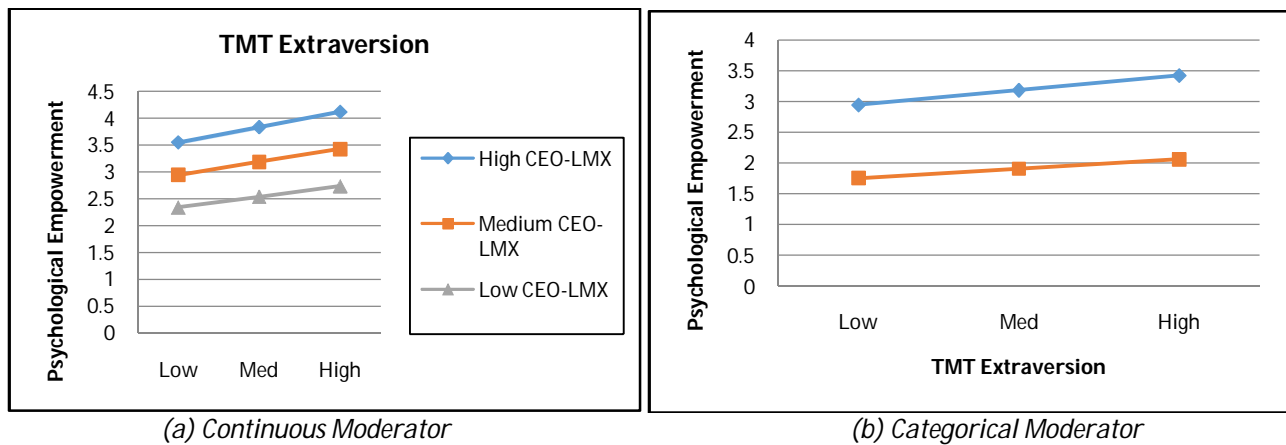


Figure 5: Moderating Role of CEO-TMT Exchange

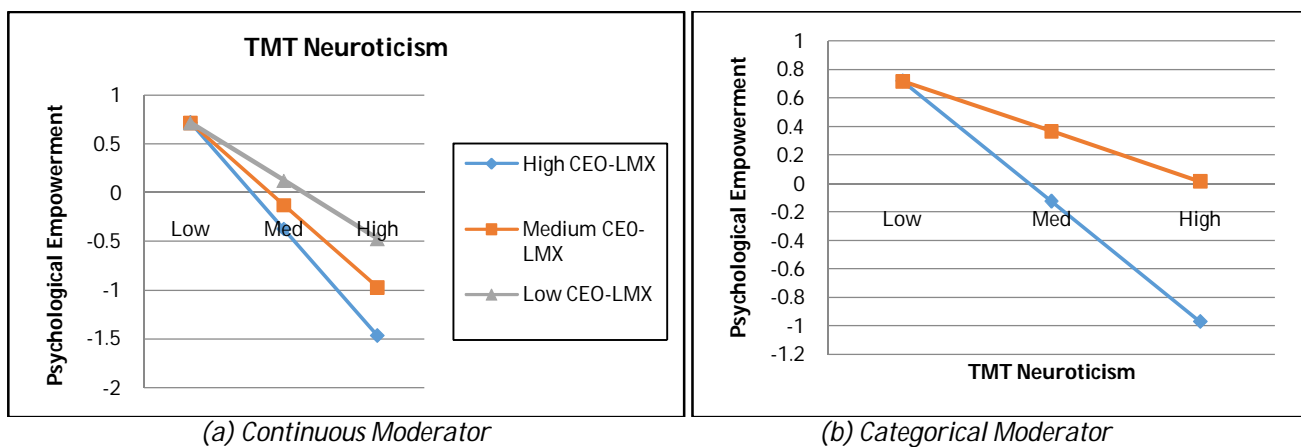


Figure 6: Moderating Role of CEO-TMT Exchange

## 5. Discussion, Conclusions and Future Research

### 5.1. Research Discussion

This study significantly advances the upper echelons perspective by explaining the “black box” between TMT psychometric compositions and performance outcomes. This study examines the relationships among TMT personality composition, TMT psychological empowerment, and firm performance, which addresses the upper echelons perspective. Results almost all support the theoretically derived causal model and key hypothesized relationships. The high mean levels of TMT conscientiousness, extraversion, agreeableness, and openness, as well as a lower level of neuroticism appear to directly and indirectly enhance psychological empowerment and firm performance.

The findings of this study show that TMT psychological empowerment has a significant and positive correlation with firm performance. I believe that psychological empowerment will enhance TMT performance. The findings of this study are also consistent with recent upper echelons studies which have asserted that TMT psychological empowerment has an effect on performance outcome (Rababah, 2017).

The significance of TMT psychological empowerment is also shown by its mediating role in the relationships between TMT personality compositions and firm performance. Moreover, the CEO-TMT exchange had a moderating effect, which, in association with TMT personality compositions and psychological empowerment as perceived by TMT members, can indeed enhance their perception of decision quality and firm outcomes.

This study contributes to the upper echelons research. The study extends Hambrick et al. (1996), Hambrick (2007) and Carpenter et al. (2004), which established the critical theoretical link between effective mechanisms in TMT processes and performance outcomes using the upper echelons perspective. This study thus advances the upper echelons perspective. TMT research, which often explores Western firms (Carpenter & Fredrickson, 2001), seemed not to be the case in the Jordan sample as TMT personality related positively and/or negatively -directly & indirectly- with psychological empowerment firm performance, which can advance the generalization of findings in the stream of TMT research (Hambrick, 2007). For that matter, different personality characteristics could interact in their effect on TMT dynamics. Then, the study contributes to the upper echelons perspective research, which has only recently begun to explore cross-border and cross-cultural concerns (Yu

& Cannella, 2007). By using a representative sample from a Middle Eastern country comprised of firms in a variety of industries, this study also increases the generalizability of findings in the upper echelons research stream.

The study findings illuminate the inconclusive results in studies of the relationships between TMT characteristics and performance outcomes (Carpenter et al., 2004). The partially mediating effect of psychological empowerment on the link between TMT personality compositions and firm performance highlights the importance of TMT as the ultimate empowerment that generates strong top team performance and good firm outcomes.

This study contributes to the CEO-TMT literature. Examining the role of CEO-TMT exchange as a moderating in bridging the relationship between CEO-TMT exchange, TMT personality attributes, and TMT psychological empowerment reveals the comprehensive influence that CEO-TMT exchange can have, as the internal dynamics and dispositional tendencies (Lin & Rababah, 2014; Rababah, 2014). Further, an integrated consideration of CEO-TMT exchange quality facilitating the relationship between executives' perceived empowerment and its resulting outcome, highlights the significance of psychological processes in performance outcome, and both have significant strategic and behavioral implications (Ling et al., 2008; Peterson et al., 2003).

This study also contributes to the team psychological empowerment research. Beyond gaining a greater understanding of the relative role of TMT processes in capturing the key interrelated and reinforcing elements of TMT psychosocial empowerment which has been related to the firm performance. This study differs from previous studies by not relying on financial performance to reveal the incidence of psychological empowerment, which represents a critical first step in the literature of psychological empowerment as well (Seibert, Wang, & Courtright, 2011).

This study fills in the gap by investigating key TMT concerns and personality characteristics and empowerment through the use of self-report measures provided by senior executives. This consideration, combined with the study's exploration of psychological empowerment, a process concern that is vital for firm success in high power distance cultural contexts such as Jordan, as well as its impact on ability to empower of TMTs. Examination of the mediating role of TMT psychological empowerment and firm performance highlights the TMT competences, which are required to shape TMT psychological states and can be a strong indicator of a firm outcome.

## 5.2. Research Implications

This study examines the extent to which certain personality compositions and CEO characteristics are related to specific the psychological states of TMT members, as well as firm outcome. This research has numerous implications, including bridging executive dynamics and identifying factors for predicting various firm-level outcomes.

First, the study of what constitutes an effective of CEO-TMT exchange has become imperative (Ling et al., 2008). The results of this study suggest a number of broader implications. CEOs could maximize TMT performance by recruiting and selecting team members with compatible personalities attributes and communication skills. As a result, a CEO should make an effort to discern the personality attributes of TMT candidates and their level of function or dysfunction with respect to each attribute (Lin & Rababah, 2014).

Second, researchers should be considering how the CEO-TMT relationship and firm outcome are mediated by empowerment of the TMT. Upper echelon research should focus simultaneously on both the CEO and TMT characteristics, because their effects seem to be complementary. In the same vein, CEOs will be more apt to guide their firms and foster a climate that reinforces TMT organizational tasks. The study findings suggest that CEO-TMT boards should attempt to cross-functional interactions and interpersonal and informational exchanges. Executive training should foster the ability of firm executives to enhance TMT performance. For instance, training programs can highlight communication, problem-solving, and cross-functional courses.

Additionally, this study's preliminary findings are consistent with recent studies indicating that Jordanian culture is low in power distance because it has the region's highest skilled workers (Alkailani, Azzam, & Athamneh, 2012). In considering the opposing forces of low TMT psychological empowerment and CEO-TMT exchange, an empowering style of leadership becomes important for doing business in Jordan (Carmeli et al., 2011).

Third, TMT research has shown that only when power dynamics among TMT members are adequately captured can the accuracy of strategic predictions be increased (Finkelstein et al., 2008). Thus, an integrated consideration of CEO-TMT members' psychological empowerment and its cognitive determinants can be expected to help delineate the intricacies of a CEO-TMT's socio-psychometric processes and dynamics. This issue is particularly vital in managerial settings where the power dynamics between the CEO and other TMT members is different from those in West cultures (Hofstede & Hofstede, 2005).

Fourth, to prepare a firm for development of high performance, it is critical for the firm to manage a few executive process concerns and mechanisms. The findings of this study indicate that a more complete understanding of what drives levels of firm performance may need to include some focus on how TMT members feel empowered within their work roles and the relationship they have with CEOs. CEOs thus need to make good use of their power and develop individualized relationships with TMT members so as to advance firm effectiveness.

Fifth, under different environment conditions, the most appropriate strategies can be selected and/ or formulated when the strategy is harmonious with environment requirements. In other words, TMTs can respond flexibly to changes in the environment, which it becomes an even more significant factor in top team sociobehavioral integration (Chen et al., 2010), and those dynamic teams can generate more actions and, through these actions, better performance.

Finally, in cultural managerial implications, TMT attitude was an important determinant of a cultural shift towards market orientation. However, under conditions of high external risk, Jordanian society is easier than other Arab countries due to the fact that the country is relatively liberal. Thus, the private sector of Jordan will adopt a differentiated organizational culture suitable for rapid decision making in today's business environment. Further, in an environment with the lack of clarity and/or agreement on the practices of business, CEOs of Jordan attempted to manage the company and emphasize the culture more as a dynamic process, by instructing their TMT nominees and members in cultural dynamics.

### 5.3. Research Limitations and Future Directions

This study provides evidence that advances an unexplored area of a TMT research. It considers only the mean level of TMT personality attributes and its impact on psychological empowerment and outcome performance. Future studies might examine TMT personalities and consider the degree of both elevation and heterogeneity of personality characteristics among executives (Lin & Rabababah, 2014). Further, this study made considerable effort to operationalize personality using the FFM. An exploration of core self-evaluation framework in real business work teams may also provide useful results (Judge et al., 2002).

Although this study takes a first step in exploring the CEO-TMT exchange, TMT personality, psychological empowerment, and firm outcomes. The role of boards of directors is critical in managing the interaction between CEOs and TMTs, and in creating an atmosphere conducive for top managers to succeed and monitoring the maladaptive behaviors (Carpenter et al., 2004; Peterson et al., 2003). CEO-TMT exchange is able to recombine acquired personality compositions of TMT members and their perceived level of psychological empowerment, and therefore, to enhance firm outcome. Future research should devote attention to the study of how members' characteristics affect their collective psychological states and performance outcome.

In addition, due to the greater difficulty in collecting appropriate data, cross-level data for examining the relationships between team composition variables and performance is difficult, though it is, however, the source of much theoretical work on TMTs. Several moderators appear to be simultaneously affecting those relationships, and there are few correlations for those relationships (Bell, 2007) to guide future research.

The sample in this study comes from Jordan. The generalizability is affected by the geographic, industry, and firm dimension scope. Due to the fast-changing environmental factors, especially those closely related to culture and society. One of the misleading recommendations researchers do is to generalize findings obtained from one culture to other cultures without careful consideration of major differences exist among these cultures (Alkailani et al., 2012). Despite the merits of sampling from the population of Jordan's companies, the generalizability of research findings can be improved by selecting research samples and by implementing cross-cultural comparisons, such as, to other Arabic communities or countries with a similar cultural background. Research should also investigate TMT characteristics in a variety of cultural contexts. For instance, identifying the predictors of TMT members' (e.g. personality) characteristics having different cultural orientation through a cross-cultural study would be interesting. Such an extension would offer a promising avenue for international comparative studies.

More, respondents in this study represent at least 50% of the senior executives in a firm. Thus, the response bias cannot be excluded. Future studies can attempt to gather data from all TMT members (Carpenter et al., 2004). Future research should explicitly take into account the broad industry and environmental context. Future research could also consider using multi-source data to reduce the possibility of common method bias to increase the reliability of results.

In sum, the examination of TMT personality characteristics as a source of firm performance using the upper echelon perspectives has shed light on the TMT research and practitioners, by drawing attention to the social dynamics between CEO and TMT members, as well as the psychological characteristics and psychological states, to create advantages for a firm.

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