

Diverse skills, personalities aid top management teams -- up to a point

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Organizations that diversify the skill levels of their top leadership benefit more than those that try too hard for similar diversity in personality, according to the Management Insights feature in the current issue of Management Science, the flagship journal of the Institute for Operations Research and the Management Sciences (INFORMS).

Management Insights, a regular feature of the journal, is a digest of important research in business, management, operations research, and management science. It appears in every issue of the monthly journal.

"Top Management Team Diversity and Firm Performance " is by Christophe Boone of the Faculty of Applied Economics, University of Antwerpen, 2000 Antwerpen, Belgium and Walter Hendriks of the Faculty of Economics and Business Administration, Maastricht University, 6200 MD, Maastricht, The Netherlands.

An empirical analysis of 33 medium-sized Dutch and Belgian information technology (IT) firms reveals that teams with diverse expertise and work experience tend to be more effective in managing organizations, particularly when these managers cooperate and share accurate information and decision-making power.

On the other hand, analysis shows that diversity in the personalities of members of the management team hampers firm performance.

The authors found that one means of avoiding the disruptive

consequences of these personality differences is to concentrate authority in the office of the CEO. But centralization of power comes at a price, because organizations must decentralize decision making to reap the full benefits of diverse expertise and experience.

In the sample examined by the authors, the mean return on sales (ROS) of IT firms with the ideal team configuration (diverse expertise and work experience, similar personalities, and decentralized decision making) was 10%, whereas the mean ROS of IT firms with the worst possible team configuration (similar expertise and work experience, diverse personalities, and decentralized decision making) was -7%.

Based on these findings, the authors suggest that management team recruiters use carefully designed personnel selection techniques screening personality and knowledge experience.

More information: The current issue of Management Insights is available at mansci.journal.informs.org/cgi/reprint/55/2/iv .

Source: Institute for Operations Research and the Management Sciences

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