
Top Management Team Psychological Characteristics and Organizational Performance

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Abstract: Previous strategic management researchers have argued that TMT psychological characteristics have the potential to significantly affect organizational performance. Some of these previous scholars have argued that inquiry into the influence of TMT psychological characteristics on organizational performance should start by examining the process by which traits affect behaviours of the TMTs and hence the outcomes of their actions. The specific objective of the study was to examine the effect of top management team psychological characteristics on organizational performance of the independent regulatory agencies in Kenya. To achieve this objective, the study adopted descriptive cross-sectional research design. The target population of the study was the twenty-three independent regulatory agencies currently existing in Kenya. Due to the uniqueness of each independent regulatory agency and the distinct roles played by each top management team member in their organization, the study adopted a census survey of all the top management team members in all the twenty-three independent regulatory agencies in order to capture the required information. Primary data was gathered using structured questionnaire administered through drop and pick later method. Descriptive statistics was then used to summarize the survey data into percentages, frequencies, means and standard deviations. Inferential statistics employed regression analysis to test hypothesis and draw conclusions. The findings of the study showed that top management team psychological characteristics significantly affect organizational performance. The study recommends that the recruitment process of the TMTs should include psychological characteristics as requirements apart from the normal demographic characteristic requirements mostly in use.

Keywords: Top Management Team Psychological Characteristics, Independent Regulatory Agencies, Organizational Performance

1. Introduction

There has been growing concern amongst strategic management researchers and practitioners alike to endeavour to understand reasons that lead to some organizations achieving superior organizational outcomes than others even if they are operating within the same or similar business environments [22]. Some previous researchers in psychological resource theories have asserted that top management team (TMT) psychological characteristics can give insights into employees' motivation to acquire, maintain, and build capabilities essential for achieving superior organizational performance. In particular, these categories of previous scholars have argued that a person's motivation and selections can be elucidated by psychological

characteristics or traits like efficacy, hope, optimism and resilience that create higher order capabilities that in turn drive individual performance [10, 30]. The upper echelons theory posits that in considering internal and external factors of the organization in their strategic decision making processes, top management teams (TMTs) act as filtering mechanisms, interpreting the data through their own cognitive bases and values. Thus, the TMTs' psychological characteristics are important predictors of the TMTs' potential to affect performance of their organizations, as these characteristics are the primary influencers of each individual's cognitive standing, values and biases [26].

The top management team in any organization are the highest-ranking officials in that organization. The titles of the TMT members however vary from one organization to

another depending on the nature of business, scope of operation, organizational culture and ownership of the organizations among other factors. The common titles however among the TMTs are chairman/chairperson, president, chief executive officer, managing director, executive directors, and executive vice presidents among others. These positions are responsible for either the entire organizations or departments/units [17]. Top management teams translate policies formulated by the board of directors of their organizations into goals, objectives, strategies and projects meant to steer their organizations to success in both the present and the future. They make decisions that affect everyone in their organizations or in key departments/units and therefore navigate these organizations to either successes or failures [24].

Psychological characteristics refer to attributes such as personality traits, personal attitudes and beliefs. Positive psychological attributes form what strategic management scholars usually refer to as psychological capital or an individual's positive mental framework [12]. Psychological capital manifests through attributes like confidence or eagerness to take on and put in the necessary effort to succeed at whatever task one undertakes. The positive psychological characteristics therefore gives the TMTs the perseverance to ensure that their job and personal goals are accomplished, having hope that leads to success, having optimism to succeed now and in the future, and when faced by challenges, having the resilience to look for solutions that lead to superior performance [15]. Psychological characteristics thus refer to either trait-like or state-like constructs. State-like constructs are more likely to change over time and open to development, while trait-like constructs are more fixed and difficult to change. With this kind of distinction, self-esteem, self-efficacy, locus of control and emotional stability are attributes of trait-like constructs while task specific self-efficacy, hope, optimism and resilience are attributes of state-like constructs [12]. The current study therefore conceptualized TMT psychological characteristics in terms of self-esteem, general self-efficacy, optimism, emotional stability, task specific self-efficacy, resilience and locus of control.

Superior organizational performance is the most sought after outcome by all organizations be they public, private, national or multi-national, profit or non-profit organizations. However, the definition of organizational performance remains to be a prickly subject within strategic management circles with various scholars and practitioners defining organizational performance differently [11]. Javier [13], while contributing to the subject defined organizational performance in terms of economic, efficient and effective utilization of organizational resources in its activities. This is closer to what Daft [5], suggested by postulating organizational performance to be the capacity of the organization to realize its objectives and attain its goals through utilizing its assets in a proficient and appropriate way. Richardo and Wade [27], in their argument viewed organizational performance as the capability of an

organization to maximize on its strengths while overcoming its weakness and to neutralize its threats while taking advantage of opportunities in order to achieve its objectives and goals. The current study therefore operationalized organizational performance in terms of effectiveness, efficiency, relevance and financial viability [13]. Effectiveness conceptualized in the current study as the degree to which the organization achieves its objectives and produces desired outcomes that lead to the fulfilment of its mission. The current study further conceptualized organizational efficiency in terms of optimal conversion of inputs into outputs. Key elements of organizational efficiency therefore are, worth of services and program delivery, accuracy and timeliness. The current study lastly, conceptualized financial viability as the capability of the organization to nurture the requisite capital to fund its operations in the short, medium and long term. The current study lastly, operationalized organizational relevance to mean the organization's capability to win the support of its stakeholders and to meet their expectations.

Independent regulatory agencies in Kenya are a special category of state corporations with oversight role over their sectors or sub-sectors. They license operators, set prices where necessary, protect consumers, enforce compliance to licence conditions and market rules, enforce standards as well as codes of practice for the industry. The independent regulatory agencies meant to spur growth and improve services to consumers or end-users of the services in their particular industries. Currently there are twenty- three (23) independent regulatory agencies in Kenya although there are plans to merge some of them to make them more efficient and effective. The management of the independent regulatory agencies are bestowed on their board of directors and top management teams. Therefore, the selection and identification of the top management teams with the requisite psychological characteristics for each regulatory agency has been identified as one aspect that affects their performance [25]. Previous studies on performance of state corporations in Kenya have identified that some top management teams are deficient of appropriate talents that can enable implementation of suitable strategic management practices that could positively influence the performance of their organizations. Some of the top management teams have also been associated with failure of their organizations to align themselves to their ever changing and demanding business environments [17]. The variation in the performance of the independent regulatory agencies have also been attributed to several other factors like; utilization of resources, poor identification of stakeholders and their needs, lack of sufficient resources, in appropriate organization structures and weak corporate governance structures [23]. The aim of the current study was therefore to examine the effect of top management team psychological characteristics on the performance of the independent regulatory agencies in Kenya.

2. Statement of the Problem

The task of managing the independent regulatory agencies

in Kenya are vested in their board of directors and their top management teams. The selection and identification of the board of directors and the TMTs with the right psychological characteristics for each specific independent regulatory agency has been identified as one of the factors that influence their organizational performance [25]. Some board of directors and TMTs of the independent regulatory agencies have been argued to lack appropriate psychological characteristics to support implementation of requisite strategic management practices to positively affect the performance of their independent regulatory agencies. Some of the TMTs of the independent regulatory agencies have been linked to failure of their independent regulatory agencies to create conducive work environments where employees are motivated to perform to the expected levels to stir their agencies to sustained excellent organizational performance [12].

Previous studies focusing on the effect of TMT characteristics on organizational performance have generated conflicting and inconclusive results. Some of these studies reporting positive significant effect of TMT characteristics on organizational performance while others have reported negative relationships and others showing no relationships. In addition, most of these studies have focused on the competitive environments. Several scholars have also pointed out the fact that, there is still insufficient studies conducted on the connotation between TMT characteristics and organizational performance, while other studies have highlighted methodological errors, misperception and irregularities in the conceptualization of the concept of the top management teams [29]. In addressing these identified gaps, the current study adopted both inward and outward looking measurements of organizational performance. The current study also expanded the conceptualization of TMT characteristics to include psychological characteristics unlike previous studies that tended to concentrate only of TMT demographic characteristics.

3. Literature Review

TMT psychological characteristics such as self-esteem, general self-efficacy, optimism, emotional stability, task specific self-efficacy, resilience and locus of control [12], have been singled out as the main predictors of how the TMTs influence performance of their organizations. The study of TMT psychological characteristics in this study was underpinned on the upper echelons theory advocated by Hambrick and Mason [8]. According to Hansen, Perry and Reese [9] how an organization utilizes its resources is as important as the resources it possesses. They argued that mere possession of capabilities does not create superior organizational performance, what matters most is how the TMTs utilize the organizations' capabilities toward attainment of agreed upon objectives and goals. According to Njoroge [21], organizational performance measurements must take into account the extent to which the organization satisfies its stakeholders' expectations and focus on building

closer stakeholder relationships as the stakeholders who form part of organizational environment have a legitimate claim and expectations on the organization's mission or reason for existence. This is consistent with arguments drawn from proponents of corporate governance that states that management policies should effectively address the interests of not only the environmental factors but also the diverse stakeholders. This argument is rooted in the multi-faceted view of organizational performance and supports Richard, Devinney, Yip and Johnson [27] exertion that different stakeholders view organizational performance differently and that the mission of an organization are as divergent as its stakeholders. The study of organizational performance was therefore underpinned on the stakeholder theory [6].

Strategic management researchers exploring the role of TMT psychological characteristics in organizational performance have argued that TMT psychological characteristics have the potential to significantly affect organizational performance ([14]; [3]). These scholars have argued that inquiry into the influence of TMT psychological characteristics on organizational performance should start by examining the process by which traits affect behaviours and outcomes, and their impact on situational factors [2]. These previous researchers have also asserted that psychological resource theories can be utilized to expound on employees' motivation to acquire, maintain, and build capabilities essential for achieving superior organizational performance. In particular, they have argued that a person's motivation and selections can be elucidated by psychological characteristics or traits like efficacy, hope, optimism and resilience that create higher order capabilities that in turn drive individual performance ([14, 30]).

The literature reviewed therefore revealed conceptual and contextual gaps that the current study purposed to address. First, most of the studies focusing on the effect of TMT characteristics have tended to focus only on TMT demographic characteristics. Lastly, most of the studies in Kenya focusing on the effect of TMT characteristics on performance in the public sector setting have generalized on the state corporations. The current study therefore focused on the combined effect of TMT demographic, TMT psychological and TMT cognitive characteristics as well as being specific to the independent regulatory agencies as a unique category of state corporations. The study operationalized TMT psychological characteristics in terms of self-esteem, general self-efficacy, optimism, emotional stability, task specific self-efficacy, resilience and locus of control (Kinuu, 2014). Lastly, the study operationalized organizational performance in terms of effectiveness, efficiency, relevance and financial viability (Muraga (2015). The study thus conceptualized a relationship as revealed by reviewed literature on TMT psychological characteristics and organizational performance. In the conceptual model below, TMT psychological characteristics is the independent variable while organizational performance of state regulatory agencies is the dependent variable. The relationship is captured in the schematic model in Figure 1.

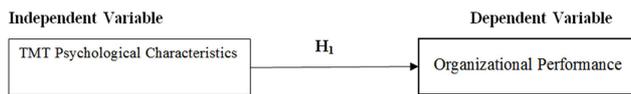


Figure 1. Conceptual Framework.

Based on the logic presented in the conceptual framework, the authors proposed that TMT psychological would affect performance of regulatory organizations in the public sector in Kenya. Specifically, the study proposed that:

Hypothesis H₁: Top management team psychological characteristics has a significant effect on the organizational performance of state regulatory agencies in Kenya.

4. Research Methodology

The study adopted positivist research philosophy since it delved to look at what causes the particular relationships and the effects of these relationships. Positivism philosophy favours quantitative methods where considerable amount of data is gathered for analysis [18]. Positivist research philosophy was likewise considered appropriate for the study as the researchers were independent of the phenomena being investigated and the properties of the occurrences under study were objectively measured [19]. The study used a cross-sectional survey design because cross-sectional surveys enable collection of data across a large number of organizations at one point in time for analysis. In a cross-sectional survey research design, the desired data for each variable in the study can be collected from the entire population or a section of it to help test the research hypotheses [21]. Other researchers like Mkalama [17], Muchemi [18], Ongeti [23] and Kasomi [11] while trying to test hypotheses and draw conclusions in similar studies have also used cross-sectional survey design successfully. The study context was the independent regulatory agencies in Kenya. According to the presidential task force on parastatal reforms (PTPR) of 2013, Kenya had a total of one hundred and seventy-eight (178) state corporations spread across eighteen (18) government ministries as at 30th June 2013, out of which twenty-three (23) were independent regulatory agencies [7]. The unit of analysis for this study was the twenty-three (23) independent regulatory agencies while the unit of observation was two hundred and thirty two (232) TMTs spread across the twenty-three (23) independent regulatory agencies in Kenya. The researcher used a census of all the 232 TMTs from the twenty-three independent regulatory agency as each was considered to have unique information relating to how the characteristics of the TMTs affected performance of their independent regulatory agencies.

Primary data was collected using structured questionnaire comprising of closed ended questions. The questionnaire was developed in line with the objectives and hypotheses of the study as guided by the literature review as well the upper echelons theory. Data on the variables were measured using a five point Likert scale ranging from “not at all” (1) to (5) “to a very large extent”. The positive responses were validated,

edited for completeness and consistency upon receipt in order to prepare them for statistical analysis. Descriptive and inferential statistics were then used to analyze the prepared data. Regressions analysis then was used to establish the effect of TMT psychological characteristics on organizational performance. The descriptive statistics included frequencies, Cronbach’s alpha, mean and standard deviation of the variables. Diagnostic tests of normality, multi-collinearity and homoscedasticity were carried out on the study data to confirm that there were no violation of the assumptions of linear regression analysis that could result in biased estimates, over or under confident estimates of the precision of regression coefficients and untrustworthy confidence levels and significance tests [4]. The inferential statistics included regression model summary, ANOVA and regression coefficients of the independent variables. The hypotheses were tested at 95 percent confidence level ($\alpha=0.05$).

5. Research Findings

5.1. Respondents Characteristics

The researchers distributed 232 questionnaires, out of which 166 were responded to positively. This represented an overall response rate of 71.6%. The respondents were from 19 independent regulatory agencies out of the targeted 23, representing 82.6% involvement of the independent regulatory agencies in Kenya. Similar previous studies conducted in the Kenyan context by Muchemi [18] and Muraga [20] had comparable response rates of 72.5% and 72.1 percentage respectively. According to Mugenda and Mugenda [19], 50% response rate is considered adequate, 60% good and above 70% very good. Very good response rates yield results that can be better inferred to a population [1]. Therefore, the study response rate was adjudged to be very good and appropriate. The respondent’s characteristics are as shown in table 1.

Table 1. Respondents’ Characteristics.

| Category | Number | Percentage |
|---------------------------|--------|------------|
| Designation | | |
| CEO | 10 | 6.0 |
| Director/GM | 45 | 27.1 |
| Head of Department | 84 | 50.6 |
| Deputy Head of Department | 1 | 0.6 |
| Head of Section | 24 | 14.5 |
| Others | 2 | 1.2 |
| Total | 166 | 100 |
| Gender | | |
| Male | 115 | 69.2 |
| Female | 51 | 30.8 |
| Total | 116 | 100 |
| Age | | |
| 30 and Below | 1 | 0.6 |
| 31 - 35 | 5 | 3.0 |
| 36 - 40 | 9 | 5.4 |
| 41 - 45 | 47 | 28.3 |
| 46 - 50 | 65 | 39.2 |
| 51 - 55 | 34 | 20.5 |
| Above 55 | 5 | 3.0 |
| Total | 116 | 100 |

| Category | Number | Percentage |
|-----------------|--------|------------|
| Education | | |
| Bachelors | 19 | 11.4 |
| Masters | 131 | 79.0 |
| PhD | 16 | 9.6 |
| Total | 166 | 100 |
| Tenure | | |
| 0 - 5 | 82 | 49.4 |
| 6 - 10 | 66 | 39.8 |
| 11 - 15 | 14 | 8.4 |
| 16 - 20 | 1 | 0.6 |
| Over 20 | 3 | 1.8 |
| Total | 166 | 100 |
| Functional Area | | |
| Support | 101 | 60.8 |
| Technical | 65 | 39.2 |
| Total | 166 | 100.0 |

The statistics in table 1 show that majority of the respondents were heads of departments at 50.6% (84) followed by directors/general managers at 27.1% (45), heads of sections at 14.5% (24), CEOs at 6.0% (10), others at 1.2% (2) and lastly deputy heads of departments at 0.6% (1). The findings in table 1 therefore demonstrated that all of the respondents were CEOs and those directly reporting to them as the top management team was conceptualized in the study.

The summarized statistics presented in table 1 further show that the respondents were not fairly distributed across gender. There were more male respondents at 69.2% (115) than female respondents at 30.8% (51). For age distribution of the respondents, majority were in the age bracket 46-50 at 39.2% (65) followed by 41-45 at 28.3% (47), 51-55 at 20.5% (34), 36-40 at 5.4% (9), a tie of 31-35 and above 55 at 3% (5), and lastly 30 and below at 0.6% (1). Concerning the highest level of education, majority of the respondents had master’s degrees at 79% (131), followed by bachelor’s degrees at 11.4% (19) and PhD at 9.6% (16). On the functional area of the respondents, support functions, which had many departments, had majority of the respondents at 60.8% (101) while technical departments, which had few departments, had 39.2% (65).

5.2. The Variable Characteristics

The descriptive statistics of the study variables comprising of the number of items used to measure the variables, Cronbach’s alpha (α), aggregate mean score and aggregate standard deviation are as shown in table 2.

Table 2. Descriptive Characteristics.

| Variable | No. of Items | (α) Score | Aggregate Mean | Aggregate Std Dev. |
|-----------------------------------|--------------|--------------------|----------------|--------------------|
| TMT Psychological Characteristics | 24 | 0.867 | 4.175 | 0.745 |
| Organizational Performance | 28 | 0.949 | 4.190 | 0.787 |

The descriptive statistics presented in table 2 show that the Cronbach’s alpha was 0.867 for psychological characteristics and 0.949 for organizational performance that were all greater than the threshold Cronbach’s alpha value of 0.7 adopted by the study, thus the research instrument passed internally consistency test. The overall aggregate mean score for psychological characteristics was 4.175 with a standard deviation of 0.745, that indicates that on average the respondents agreed to a large extent with the attributes under psychological characteristics as pertains to their job performance in their current roles. The standard deviation of 0.745 indicates that there were considerable variations within and among the state regulatory agencies. Lastly, the overall

aggregate mean score for organizational performance was 4.190 that indicates that the respondents agreed to a large extent that the attributes of organizational performance applied to their independent regulatory agencies while the standard deviation of 0.787 indicates that there were considerable variations within and among the independent regulatory agencies.

5.3. Test of Hypotheses

The results of the multivariate regression analysis comprising of the model summary, ANNOVA and coefficients of the variables are presented in table 3.

Table 3. Effect of Top Management Team Characteristics on Organizational Performance of Independent Regulatory Agencies.

| Model Summary | | | | | |
|---------------|-------------------|----------|-------------------|----------------------------|---------------|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
| 1 | .567 ^a | .322 | .309 | .37492 | 1.988 |

| ANOVA | | | | | |
|------------|----------------|-----|-------------|--------|-------------------|
| Model | Sum of Squares | df | Mean Square | F | Sig. |
| Regression | 10.815 | 3 | 3.605 | 25.646 | .000 ^b |
| Residual | 22.771 | 162 | .141 | | |
| Total | 33.586 | 165 | | | |

| Coefficients | | | | | | |
|-----------------------------|-----------------------------|------------|---------------------------|--|-------|------|
| Model | Unstandardized Coefficients | | Standardized Coefficients | | t | Sig. |
| | β | Std. Error | Beta | | | |
| (Constant) | 1.035 | .370 | | | 2.793 | .006 |
| Demographic characteristics | .148 | .086 | .132 | | 1.726 | .086 |

| Coefficients | | | | | |
|-------------------------------|-----------------------------|------------|---------------------------|-------|------|
| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
| | β | Std. Error | Beta | | |
| Psychological characteristics | .379 | .081 | .363 | 4.694 | .000 |
| Cognitive characteristics | .222 | .091 | .192 | 2.437 | .016 |

The statistics in table 3 show that the correlation coefficient (R) is 0.567, which indicates a moderately strong positive correlation between TMT characteristics and organizational performance. The adjusted R square (Adjusted R²) value is 0.309, indicating that 30.9% of variation in performance of the independent regulatory agencies in Kenya is explained by TMT characteristics. The remaining 69.1% of the variation in performance of the independent regulatory agencies in Kenya is explained by other factors not included in the empirical model of the study. The results further show that the F statistic is 25.646 with a p value of 0.000. This is an indication that the regression model is significant. The summarized statistics in table 3 further show a standardized beta coefficient for TMT demographic characteristics of 0.132 and calculated p value of 0.086 that indicates that at 95 percent confidence level, TMT demographic characteristics had no significant effect on organizational performance of the independent regulatory agencies in Kenya. The standardized beta coefficient for TMT psychological characteristics of 0.363 and significance p value of 0.000 indicates that at 95 percent confidence level, TMT psychological characteristics had a significant positive effect on organizational performance of the independent regulatory agencies in Kenya. Likewise the standardized beta coefficient for TMT cognitive characteristics of 0.192 and significance p-value of 0.016 indicates that at 95 percent confidence level, TMT cognitive characteristics had a significant positive effect on organizational performance of the independent regulatory agencies in Kenya. Thus based on the p value at $p < 0.05$, hypotheses one for the study is therefore supported.

6. Discussion of Findings

The findings of this study can be explained by the descriptive statistics, results from previous researchers and the upper echelons theory. The findings on hypothesis one show a positive significant effect of TMT psychological characteristics on performance. The findings of the current study are consistent with the findings of Kinuu [12] that TMT psychological characteristics had a significant effect on efficient and effective performance of companies listed in the Nairobi Securities Exchange. The findings are also consistent with Luthans and Youssef [14] and Cameron, Dutton and Quinn [3] that positive psychological characteristics of the workforce (TMTs and other employees) have the potential to enrich organizations by increasing individual and organizational effectiveness. The findings of the current study also supports the postulates of the upper echelon theory that top management teams in organizations make decisions that are consistent with their background characteristics and that those decisions positively influence the performance of their organizations. The descriptive statistics of the study for

TMT psychological characteristics indicated that except for emotional stability and optimism, all the sub-variables under TMT psychological characteristics had aggregate means scores greater than 4.0, with the overall aggregate mean score for TMT psychological characteristics being 4.175. This showed that the respondents agreed to a large extent that the attributes of the study under TMT psychological characteristics applied to their independent regulatory agencies while the overall aggregate standard deviation of 0.745 indicates that there were considerable variations within and among the independent regulatory agencies.

7. Conclusions

From the findings of the study reported, the research makes three conclusions. First, that on average the respondents agreed to a large extent with the attributes under TMT psychological characteristics as pertains to their job performance in their current roles in their independent regulatory agencies. Lastly, that TMT psychological characteristic significantly affects organizational performance positively. The current study findings therefore contribute in explaining why there has been inconsistencies in previous researches on the influence of TMT characteristics on organizational performance. The current study justifies that in investigating the influence of TMT characteristics on organizational performance, it is important to include other categories of TMT characteristics like TMT psychological characteristics that are better predictors of the influence of TMT characteristics on organizational performance. Another contribution of the study is in using validated constructs to reduce inclusive and conflicting study findings. Lastly the findings contribute to the upper echelons theory by giving empirical evidence that TMTs in organizations make decisions that are consistent with their background characteristics and that those decisions have significant positive influence on their organizational performance. Lastly, the fact that 30.9% of organizational performance is explained by TMT characteristics with a moderately strong positive correlation evident by coefficient of 0.567 is another proof that while studying organizational performance, TMT characteristics should not be ignored

8. Recommendations

Based on the results and the findings that TMT psychological characteristics have a great influence on organizational performance, the study therefore recommends that the recruitment process of TMTs should integrate ways of selecting candidates with appropriate psychological characteristics for the jobs. This is because the TMT psychological characteristics are better predictors of how the

TMTs will influence the performance of their organizations than the traditional demographic characteristics used in most recruitment processes. The context of the study was Kenyan independent regulatory agencies. Future research could be done not to replicate this study but instead compare the influence of TMT psychological characteristics on performance of Kenyan independent regulatory agencies with those of public companies quoted at the Nairobi Securities Exchange or other sectors of the economy to check whether the findings will be the same. Future research work could also be done in other non-commercial state corporations and public benefit organizations. Also the same study could be replicated but a different context could be used.

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