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**UNIVERSITY OF SOUTHAMPTON**

**FACULTY OF BUSINESS AND LAW**

School of Management

**Top Management Teams' Influence on Strategic Decision Making and  
Firms' Outcome in the Case of Saudi Arabia's Private Sector**

by

**Samar Abdullah M. AlQahtani**

Thesis for the degree of Doctor of Philosophy

January 2014



**In the name of Allah, The Most Beneficent and The Most Merciful**

The work of this thesis is dedicated to

Abdallah M. AlQahtani (1952-1996)



UNIVERSITY OF SOUTHAMPTON

## **ABSTRACT**

FACULTY OF BUSINESS AND LAW

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### **TOP MANAGEMENT TEAMS' INFLUENCE ON STRATEGIC DECISION MAKING AND FIRMS' OUTCOME IN THE CASE OF THE SAUDI ARABIA'S PRIVATE SECTOR**

By Samar Abdullah AlQahtani

Even though firms face strong influential environmental forces, they 'are in some important sense a reflection of their top managers' (Pitcher and Smith, 2001: 2). Despite the vast amount of TMT research, there are several areas where research remains sparse, rare and, when available, generates conflicting results (Menz, 2012; Hambrick, 2007; and Higgs, 2006). Researchers have attributed the lack of empirical research to the difficulty in gaining access to TMTs, resulting in a huge number of studies relying on demographic data and/or archival documents.

The primary objective of the current study, and the main gap addressed, was the investigation of the TMT strategic decision making process and organisational outcome in a new cultural context, drawing conclusions from qualitative primary data. In addressing the research gap, a pragmatic ontology with a critical realism epistemology was adopted. The multi-case research design was informed by Eisenhardt (1989)'s research design, with Hambrick and Mason (1984) UET as the theoretical lens applied. A qualitative methodology was applied, assisted by mixed methods. Strategies for this research were: semi structured interviews, a survey in the form of a pre-existing questionnaire (Higgs, 2006), and document analysis.

The data was collected in a cross-sectional research framework, looking at a particular event at a specific time in fourteen different private organisations. The data was collected from four cities, covering the three main regions of Saudi Arabia. Thirty two interviews were conducted with TMT members, who then completed a short survey. Documents were collected for analysis.

The TMTs in the sample were demographically heterogeneous (nationalities, education, age, tenure, and experience), with team sizes between two and three members. TMT diversity led to conflict and slowed the decision process down. Politics, power, internal alliances within the firms, and lobbying were used to overcome conflict. Decisions were challenged by market labour laws and a lack of skilled nationals. Centralisation of decisions was witnessed via the strong grip held by the Board of Directors. This resulted in strong Board influence in order to enforce decisions. The current study contributes to TMT literature, national context and practice. The limitations and future research are discussed.



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# DECLARATION OF AUTHORSHIP

I, Samar Abdullah AlQahtani

declare that the thesis entitled

Top Management Teams' Influence on Strategic Decision Making and Firms' Outcome in the Case of Saudi Arabia's Private Sector

and the work presented in the thesis are both my own, and have been generated by me as the result of my own original research. I confirm that:

- this work was done wholly or mainly while in candidature for a research degree at this University;
- where any part of this thesis has previously been submitted for a degree or any other qualification at this University or any other institution, this has been clearly stated;
- where I have consulted the published work of others, this is always clearly attributed;
- where I have quoted from the work of others, the source is always given. With the exception of such quotations, this thesis is entirely my own work;
- I have acknowledged all main sources of help;
- where the thesis is based on work done by myself jointly with others, I have made clear exactly what was done by others and what I have contributed myself;
- none of this work has been published before submission,
- Signed: .....
- Date:.....





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# Definitions and Abbreviations

TMT: Top Management Team

UET: Upper Echelon Theory

MENA: Middle East and North Africa

OECD: Organisation for Economic Co-operation and Development

K.S.A.: Kingdom of Saudi Arabia

CMA: Capital Market Authority

SAMA: Saudi Arabian Monetary Agency

TASI: Tadawul All Share Index

MOL: Ministry of Labour

WTO: World Trade Organisation

SFDA: The Saudi Food and Drug Association

SAR: Saudi Arabian Riyal

PDI: Power Distance

IDV: Individualism versus Collectivism

MAS: Masculinity versus Femininity

UAI: Uncertainty Avoidance

LTO: Long Term versus Short Term Orientation



# 1. Chapter One: Introduction

The complexity of the business world is growing, due to organisational structure (Taylor, 2003), turbulent environments (Eisenhardt, 1989), changing governance systems (Kakabadse and Kakabadse, 2007), and resources (Burgelman and Grove, 2007), which has put focus on organisational strategic leadership (Higgs, 2009 and Menz, 2012). The complexity of the business world has emphasised the importance of Top Management Teams' (TMT) role, relating TMT as a crucial factor to organisational health and survival (Pitcher and Smith, 2001).

Pettigrew (1992) described TMT research as a one of the most important, yet difficult, research frontiers. Management failings at the top, leading to a series of business scandals, have resulted in the introduction of the Cadbury report in 1992 in the UK, although Boyd (1996) questioned its ability to halt business scandals in the UK. Similarly, in the US, the introduction of the Sarbanes-Oxley Act in 2002 came after billions of dollars had been lost, due to scandals, at the top of several key corporations (Romano, 2004).

Today, following the 2007-2008 U.S. sub-prime mortgage financial crisis, with a global domino effect (Reinhart and Rogoff, 2008), business scandals continue to unfold, with the top management being the common denominator. Therefore, researching top management teams sitting at the top of their organisations is becoming a necessity in order to understand the process by which they take the strategic decisions effecting their organisations (Menz, 2012 and Pettigrew, 1992).

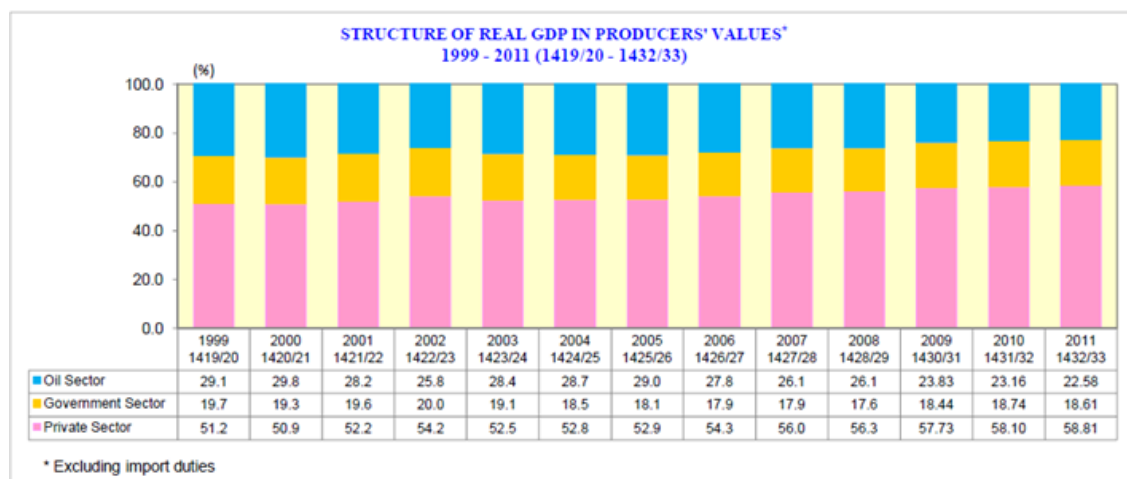
Research linking top management teams and strategic decisions with organisational performance has been given a 'fresh lead' by Hambrick and Masons (1984) Upper Echelons Perspective (Pettigrew, 1992: 164). But, as noted by Kahl (1957: 10): 'Those who sit amongst the mighty do not invite sociologists to watch them make the decisions about how to control the behaviour of others'. Despite that early interest in the top management research, Kahl (1957) view still stands today. And, despite the few successful attempts to gain access and decipher the 'black box' of the upper echelons, little is known about them (Menz, 2012). This research attempts to get closer to those who sit at the top of their organisations, in order to understand how

and why they take strategic decisions, and how this translates into organisational outcome, in a new, uncharted area, known to be very conservative, territory, Saudi Arabia.

This chapter contains the introduction to the research and the thesis outline. The current research aim, identified gaps, the research approach and the contribution of the research are stated. Then, the structure of the thesis is outlined, followed by its conclusion.

The purpose of this research is to explore and explain strategic leadership and strategic decision making, and their implications for an organisation's outcome. This will help to understand top management team processes and interactions during the strategic decision making process, and will then link the process with the outcome, namely the decision implication for the organisation. The research was conducted in a cross sectional framework in the private sector in the Kingdom of Saudi Arabia. The private sector in the Kingdom of Saudi Arabia has contributed over 50% of the real gross domestic products (GDP) to the economy for the last ten years (see Figure 1).

Figure 1: Structure of Real GDP in Producers Value 1999-2011.



Source: Central Department of Statistics and Information.

The current research investigates: Top Management Teams' Influences on Strategic Decision Making and Firms' Outcomes in the Case of Saudi Arabia's Private Sector. This investigation is divided into four objectives, namely:

- I. Identifying TMTs involved in the strategic decision making,

- II. Understanding TMTs' interaction during the process of making a strategic decision,
- III. Identifying the outcome of the TMT strategic decision making process, and
- IV. In Saudi Arabia's Private Sector (new national context).

The following section will discuss the research aim.

## **1.1 Research Aim**

The main aim of this research was to address and bridge the gap in the knowledge about the top management team (TMT) processes and interactions linked to strategic decision making and performance. This gap in the knowledge has resulted mainly from the lack of access to organisational senior executives (Pettigrew, 1992; Higgs and Dulewicz, 1998; Kilduff, Reinhard, and Mehra, 2000; and Higgs, 2006), resulting in many studies relying on demographic data and/or archival documents (Pettigrew, 1992; Higgs, 1999; Lichtenstein, Samouel, and Higgs, 2005; Higgs, 2006 and Menz, 2012). The ability to bridge the gap in the knowledge will be through exploring and explaining the factors effecting firm performance in relation to strategic leadership and strategic decision making. Even though firms face strong influential environmental forces, they 'are in some important sense a reflection of their top managers' (Pitcher and Smith, 2001: 2).

On the 17th December 2012, the Vice President of Nazaha, which is the Saudi Anti-corruption Committee, stated that the number of national projects falling behind schedule had reached over 3000, mainly due to challenges within management (nazaha.gov.sa). The Vice President of the Committee stressed the importance of private sector help, urging the private sector to get strategically involved. Such a call was an indication of the managerial expertise and financial performance of the private sector being recognised by the officials in the governmental sector. Therefore, another aim of the study was a contextual contribution to the knowledge of strategic management in Saudi Arabia's private sector.

A further aim of this current research was to explore the extent to which existing research (predominantly from developed, Western economies) is applicable in a non-Western context. By examining how strategic leaders form



strategic decisions and how that translates into an organisational outcome will give scholars a cross-cultural perspective, answering the calls of Menz (2012); Rost and Osterloh (2010) and Shrivastava and Nachman (1989).

The following section will discuss the gaps in the literature to which this research aims to contribute.

## 1.2 Research Gap

Hambrick and Mason (1984) initiated a new direction in the leadership literature by changing the focus from the individual leader to a focus on the top management team, and from giving the environment the power over the decision making and output to the characters of the leaders as well (Menz, 2012; Higgs, 2009; Pitcher and Smith, 2001; Thomas and Ramaswamy, 1996; Pettigrew, 1992; Hambrick and D'aveni, 1992).

The Upper Echelons Theory (Hambrick and Mason, 1984) was developed to explore top management teams (TMT) taking strategic decisions and their effect on organisational performance, linking the three parts in a theoretical framework. The Upper Echelon Theory (UET) proposed by Hambrick and Mason (1984) suggested:

‘executives’ characteristics serve to filter and distort information in a three-step process: executives’ experiences, values, and personalities affect their (1) field of vision (the directions in which they look and listen), (2) selective perception (what they actually see and hear), and (3) interpretation (how they attach meaning to what they see and hear)’ (Hambrick, 2007: 337).

Despite the significant volume of research generated by the Upper Echelon Theory, there are several areas where the research remains sparse, rare and, if available, has conflicting results (Menz, 2012; Hambrick, 2007; and Higgs, 2006). Researchers such as Menz (2012) synthesised research from the top one hundred journals in the fields of management, business and finance in order to identify all research into top management teams conducted up to 2009. The result was 39 published articles with disconnected contributions. Menz (2012) attributed these to be for several reasons: new research not building on older, existing research; different theoretical frameworks; the

application of different research methodologies and samples; and different research domains (e.g. strategy, finance, economics).

Other researchers have attributed the lack of empirical research to the difficulty in gaining access to top and senior management teams (Higgs and Dulewicz, 1997; Kilduff et al., 2000; and Higgs, 2006), resulting in a huge number of studies relying on demographic data and/or archival documents, using demographic data as a proxy to explain individual difference and organisational performance (Pettigrew, 1992; Higgs, 1999; Lichtenstein, Samouel, and Higgs 2005; Higgs, 2006 and Menz, 2012). Despite the importance of strategic leadership and strategic decision making as part of the top management team's organisational role (Angwin, Paroutis, and Mitson, 2009; Applegate and Elam 1992; and Zhang, 2006), research into the effect of top management teams, both as individual members and as a group, on organisational strategy, strategic decision making, and organisational performance, remains inconclusive and rare (Menz, 2012).

In this particular research, the primary objective and gaps addressed are the relationships and processes between the top management team members during the formulation of strategic decisions. The research conducted into top management teams' relationships with each other and the interaction process is still sparse, despite its critical importance (Finkelstein, Hambrick, and Cannella, 2009 Hambrick, 2007 and Menz, 2012). This investigation of top management team characteristics, how they interact with each other to formulate strategic decisions, and how that impacts organisation's will help bridge the gap in the knowledge in top management team literature. Applying a qualitative methodology, collecting primary data and building on the previous research methodology of Eisenhardt (1989) and Higgs (2006) were conducted in order to avoid coming to a disconnected contribution, as informed by the reasoning of Menz (2012) described above and Ancona, Goodman, Lawrence and Tushman, ( 2001).

The secondary objective of this research was to address a neglected area in the research field, which is the relationship of top management teams with the Board of Directors (Menz, 2012). This current research touches on the relationship of TMTs and their Boards of Directors, describing and explaining some of the political power games, forced by the Board in some cases, and

used by the TMT in other cases, which influence the strategic decisions. This research also describes the TMT hierarchical structures in the Saudi firms visited, which adds to the small body of disconnected research conducted into the effect of geographical differences on the top management team roles, characteristics and presence (Menz, 2012). Given that the extant research is dominated by studies conducted in the USA and the UK, the current study provides an opportunity to explore the applicability of UET in a distinctively different cultural context.

The research conducted for this thesis will answer different calls by scholars for more empirical studies in the area of top management teams (TMT) and strategic management. For example, scholars such as Dalton, Daily, Ellstrand, and Johnson (1998) called for more research to be conducted, relating strategic leadership structure and firm performance, to help clarify the several conflicting inconsistent research results in the literature. To understand an organisation's decisions and performance, consideration should be given to 'the biases and dispositions of the most powerful actors – top executives' (Hambrick, 2007: 334). Moreover, looking at the 'varying involvement of different executives in different decision domains could be one of the next research frontiers for upper echelons scholars (Hambrick, 2007: 336).

Table 1: Research Investigation/Objectives Addressed in the Current Study.

Top Management Teams' Influences on Strategic Decision Making and Firms' Outcomes in the Case of Saudi Arabia's Private Sector.	
i. TMT involved in the strategic decision making.	Hambrick (2007), Knight et al (1999), Pettigrew (1992), Eisenhardt (1989), Hambrick and Mason (1984).
ii. TMTs' interaction during the process of making a strategic decision.	Menz (2012), Finkelstein et al (2009), Higgs (2009), Hambrick (2007), Burgelman and Grove (2007), Higgs (2006), Zhang (2006), Pitcher and Smith (2001), Mador (2000), Pettigrew (1992), Eisenhardt (1989), Hambrick and Mason (1984).
iii. The outcome of the TMT strategic decision making process.	Menz (2012), Eisenhardt (1989), Hambrick and Mason (1984), Miles and Snow (1978).
iv. In Saudi Arabia's Private	Menz (2012), Rost and Osterloh

Sector (new national context).	(2010), Shrivastava and Nachman (1989).
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The following section describes the research approach, and will discuss the methodology applied to answer the research question.

### 1.3 Research Approach

Guided by Silverman (2010) notion that the research question dictates the research methods which will help to answer the research question, an epistemological philosophy with a critical realism paradigm is adopted (Burrell and Morgan, 1979 and Guba and Lincoln, 1994). The research design was informed by Eisenhardt (1989) research. A qualitative methodology was applied assisted by mixed methods. Informed by Eisenhardt (1989) research design, the adopted methods of the research strategy were: semi-structured interviews with questions derived from the literature, a pre-existing survey (Higgs, 2006) in the form of a questionnaire to be used under a qualitative lens, and document analysis, all of which helped in building the multi-case design applied.

The use of the three research methods mentioned earlier allowed for triangulation of data via source, in order to minimise bias. Tools were used to refine the application of the chosen strategies. The Critical Incident Technique (CIT) (Flanagan, 1954 and Chell, 1998) was used to help focus the respondents' answers from the semi-structured interviews. The 24 hour rule (Eisenhardt, 1989) was used to keep note of any observations during the data collection. After the data was collected it was analysed using template analysis (King, 1998) with the aid of the computerised software, Nvivo.

This was a cross-sectional study looking at particular events at a specific time in different organisations. The data was collected from four cities covering the three main regions of Saudi Arabia. The cities were Riyadh, Jeddah, Dammam and Khobar. Fourteen private sector firms were visited. Thirty two interviews and surveys were conducted with top management team members. Documents were collected for analysis.

The following section outlines the contributions of this research.

## **1.4 Research Contribution**

There are four aspects to the potential contribution of this research:

- I. The knowledge gap in the literature about top management teams' (TMT) decision making process and its links to organisational outcome.
- II. Access to TMT actors, allowing for the drawing of conclusions from primary data qualitatively, as opposed to the studies that were able to get access to top management team, but which used a quantitative methodology to collect data, and other studies that relied on archival data to draw conclusions.
- III. A contextual contribution, as this is one of the rare studies done on such a sensitive subject, namely strategy and strategic decisions in a conservative society i.e. Saudi Arabia. The fact that fourteen private firms gave access to conduct this research will encourage other researchers from the country, which has over 140,000 students studying outside Saudi Arabia on different scholarship programs, to use qualitative research as a method to collect data from organisations in the field of strategic management.
- IV. As Pitcher and Smith (2001) noted, the 'ultimate goal' of strategic management researchers is to point to, or advice managers of, success factors. Guided by that notion, the fourth contributory aspect of this study is its contribution to practice, by presenting cases of TMT strategic decision making and success factors which can aid in identifying possible biases and/or and how it effects organisational outcome.

The following section outlines the structure of the thesis.

## **1.5 Structure of the Thesis**

This Thesis is divided into six chapters:

This chapter provided a brief introduction to the research. The research aim, gaps identified in TMT literature, the research approach, and its contributions, are stated.

The second chapter examines the literature of TMT, strategic leadership of top management teams (TMT), strategic decision making, organisational context, and the theoretical lens adopted in this research and the research gaps identified.

The third chapter presents the research methodology applied to answer the research question. The research philosophy, design, approach, purpose, strategy and case selection, data collection and analysis are discussed. The limitations of the methodology and strategy are also discussed.

The fourth chapter presents the findings from the data collected. The fifteen private firms researched are described in a multi-case study design, together with an introduction to the context in which the private firms operate.

The fifth chapter is the data analysis, which represents the analysis of the data collected in light of the theoretical lens applied, which is the UET. The analysis is presented in themes informed by Eisenhardt (1989) research design.

The sixth chapter is the discussion of the results concluded from the empirical evidence. In addition, the contribution of the research is stated in this chapter.

The seventh chapter is the conclusion, which summarises the work done in the research, while also stating the research contributions, limitations and possible future research.

## **1.6 Conclusion**

In this first chapter the research question was stated, together with the reasons why, and how, it was investigated. The achieved aims of the research were discussed. The research gaps, highlighting the study's importance to the relevant top management team literature, were discussed. Then the research approach, with a brief description of the research methodology applied to investigate the research question, was followed by the research contributions. The thesis structure was outlined in the order of the chapters in the thesis.

The following chapter is the literature review, drawing on the top management team literature and the theoretical lens that was applied in this research. In critically reviewing the extent literature the major gaps were identified and key research questions formulated.

## **2. Chapter Two: Literature Review**

This chapter discusses the literature about top management teams (TMT) in relation to their strategic leadership, decision making and effects on firm outcome, as well as the theoretical lens for the research. Initially, TMT significance and definitions are discussed. Then, strategic leadership is defined and its characteristics and typologies are discussed in relation to their effects on organisational outcome. Strategic decision definitions and processes are discussed, followed by reference to the organisational internal and external contextual challenges which affect TMT leadership and decision making. These are defined by the literature as corporate governance, markets and resources. The research gaps identified in the literature, together with the research questions, follow in a summary. This chapter is concluded by a discussion of the theoretical lens applied to this research and a conclusion.

### **2.1 Top Management Teams**

Because of the amount of interest in top management teams (TMT), there is a huge volume of research on the subject (Carpenter et al, 2004). The Upper Echelon perspective of Hambrick and Mason (1984) gave TMT research a 'fresh lead' (Pettigrew, 1992: 164) and it was viewed as 'a central catalyst' (Carpenter et al, 2004: 750) for TMT research. This resulted in a shift in the organisational leadership literature, moving from a focus on the individual leader to that of the top management team, and from giving the environment the power over the decision making and output to the characters of the leaders as well (Menz, 2012; Higgs, 2009; Pitcher and Smith, 2001; Thomas and Ramaswamy, 1996; Pettigrew, 1992). Pettigrew (1992) described the managerial elites research as a one of the most important, yet difficult, research frontiers.

Despite the vast amount of research generated in the area of top management teams and Upper Echelon Theory literature, there are still gaps and questions that will benefit from further research (Menz, 2012), as discussed in chapter one.

Due to its vast amount, the literature on TMT branched into from different disciplines as will be seen below. This part of the literature review starts with



the definitions of TMT, in order to narrow it down and to focus the scope of the research on the research question of the current research. The definitions will clarify who are considered to be TMT members, what acts define a TMT, which will link to the outcomes of those acts, translated into organisational outcome.

The definition of TMT has varied throughout the literature, according to the research purpose and discipline in which the research was conducted. Menz (2012) defined TMT members as senior executives in the TMT responsible for one or more functional areas in their organisations. Carpenter and Fredrickson (2001: 538) defined top management teams as the top two management tiers, concluding from the dominant collusion or TMT literature that it includes up to six members, typically: 'CEO, chairman, chief operating officer (COO), chief financial officer (CFO), and the next highest management tier of a firm'. Boeker (1997) defined the top management team as the CEO and those who directly report to the CEO.

Carpenter, Geletkanycz and Sanders (2004: 753), reviewing the literature on TMT theory in the last thirty years, concluded that 'the top team construct and team membership are often identified using the measurement heuristic of senior hierarchical level, as indicated by title or position, since individuals at higher levels are expected to have greater influence on decisions that are strategic in nature'. Other scholars, such as Pettigrew (1992: 163), looking at the research conducted on managerial elites, summarised them to be those who are occupying roles with authority or strategic positions, such as 'Chairman, President, Chief Executive Officer, Managing Director, or inside or outside Director' but he also included executive teams in operation, such as Board of Directors, Executive Committees or Top Management Teams'. But after a reflection on previous TMT research, Pettigrew (1992: 178) suggested that 'rather than assuming titles and positions as indicators of involvement, the first task of the process scholars is to identify which players are involved and why'. Pettigrew (1992) attributed the lack of agreement about a definition for TMTs by drawing attention to Keck (1991) argument that members in the organisation without a title could have a role in the TMT, whereas others with titles might be 'marginalised' as TMT members.

Following that line of logic, Carpenter et al (2004) suggested CEOs as key informants to identify team members who are likely to be part of strategic decisions. Amason and Sapienza (1997) defined TMT as those identified by the CEO to be involved in strategic decisions. Eisenhardt (1989), in her research into strategic decision making in high velocity environments, used the CEOs of eight computer companies as key informants to identify both the strategic decisions and those who were involved with the CEOs in taking those decisions, as opposed to looking at titles, when deciding who is a TMT member. Iaquinto and Fredrickson (1997) asked the CEO to identify who would be involved in a team after describing different strategic decisions.

Pitcher and Smith (2001) concluded in their research discussion that, despite the various means adopted by other scholars to define a team, TMT researchers would be closer to a more accurate definition if they asked the CEOs, either via surveys or interviews, to define the TMT. By doing so power relations in teams would be revealed, as inclusion of some members and exclusion of others shows who has the power over the decisions. Knight, Pearce, Smith, Olian, Sims, Smith, and Flood (1999) used CEO interviews as an access point to firms by which the research goals were explained and, if access was granted, CEOs identified TMT members and sent each member a memo requesting participation, which Knight et al (1999) described as a method of increasing the likelihood of participation. Therefore, asking CEOs to identify TMT members would bring a more accurate definition of who is in a TMT (Pitcher and Smith, 2001; Pettigrew, 1992), it would help identify power relationships (Pitcher and Smith, 2001) and would play a role in helping researchers in gaining data access (Knight et al, 1999).

Whether looking at the theoretical or the empirical TMT definitions, both describe the functions top management team members occupy in the organisation and their activities involving 'strategic leadership and decisions' (Menz, 2012: 47).

In conclusion, the TMT empirical definition is very different from the conceptual definition of TMT (Carpenter et al, 2004) but, despite the different functional roles top management team members have in an organisation, they 'comprise strategic decision making and leadership as a TMT member' (Menz,

2012: 48). The job of the top management team members is becoming more complex and demanding with strategic leadership as a specific key role for a successful top management team member (Applegate et al, 1992; Benjamin Dickinson, and Rockart 1985; and Menz, 2012). The following section will discuss strategic leadership and strategic decision making with regard to their importance and strong association to TMTs and how that affects organisational performance (see Figure 2).

Figure 2: Literature Review Map.



## 2.2 Strategic Leadership

‘Strategic leadership emerges in processes of strategic decisions. Processes by which such decisions are made become vehicles for individuals and groups to shape organisational strategies’ (Shrivastava and Nachman, 1989: 52).

### 2.2.1 Definition of Strategic Leadership

The importance of strategic leaders has increased with the growing complexity of the business environment (Menz, 2012 and Higgs, 2009). In the twenty-first century, companies have been facing growing tensions caused by several factors at both the macro and micro levels. Therefore, managing organisations has become more complex with the increases in firm size (Jensen and Zajac, 2004), the environment and technologies (Marcel, 2009). Such volatile and complex organisational environments have emphasised the importance of leadership (Higgs, 2009). The manner in which strategic leaders respond to these challenges determines the company's chances of success. In fact, their role is crucial to ensure a company's 'continuity and change' (Trice and Beyer, 1991). Even large and mature firms, regardless of their industries, are influenced by the strategic choices and performance of their top management teams (Thomas and Ramaswamy, 1996).

Looking at different definitions of strategic leadership forms is the first part of this section of the literature review, with the aim of distinguishing leadership or functional leadership from strategic leadership, which is associated with TMT members both as individuals and as a group.

Maccoby (2000) explained the differences between the roles of a manager and a leader as follows. A manager is someone who fulfils a function or occupies a post. The main tasks of a manager are planning, budgeting, evaluating and facilitating. A leader's function is essentially described with respect to his/her relationship with the people that he/she leads. A strategic or operational leader is responsible for selecting talented people, and motivating, coaching and building trust amongst his/her existing staff. Moreover, leaders lead their teams either by creating a sense of fear, or by building constructive relationships via trust, and a sense of mutual missions and goals.

Acknowledging that a turbulent business context can put stress into an organisational context, Maccoby (2000) suggested transparency by explaining why and how decisions were taken as a way of increasing trust, stating that there is a need for not only 'good managers' but also 'great leaders' (Maccoby, 2000: 58). Moreover, regardless of how many observable examples of good or great leadership there may be, there is no one ideal example. Maccoby (2000)

notion of great leaders is similar to that described by Collins (2001), in his in his 'widely noted book' (Chatterjee and Hambrick, 2007: 379) *Good to Great*, as 'level five leaders'. Deducing from 11 listed companies Collins (2001) proposed that a strategic leader is a 'paradoxical blend of personal humility and professional will'. Bass (1981: 11) defined a strategic leader as follows: '(a) a focus on group processes, (b) a personality trait, (c) the art of inducing compliance, (d) the exercise of influence, (e) a form of persuasion, (f) a power relation, (g) an instrument of goal achievement and (h) the initiation of structure'.

Although the two definitions are twenty years apart, both of them focus on professional traits and personal qualities. In the second definition, the paradox of seeing a strategic leader exercising power and influence, yet having the ability to convince other stakeholders by using persuasion and bargaining, emphasises the degree of flexibility required by strategic leaders. A strategic leader with the ability to use more than one leadership style, depending on the existing situations within the organisation, and exhibiting a higher level of flexibility, will have a higher probability of success. Burgelman and Grove (2007) emphasised the importance of strategic leaders' flexibility with respect to an organisation's long-term performance. For example, a leaders' ability, to shift between highly disciplined control over organisational recourses and, in a different context, the ability to relax such control to pursue an opportunity, facilitates organisational evolution (Burgelman and Grove, 2007).

Another definition was produced by Hosmer (1982: 51): 'Strategic leadership refers to the creation of an overall sense of purpose and direction which guide integrated strategy formulation and implementation in organizations'.

However, Hitt, Ireland and Hoskisson (2009) related strategic leadership with envisioning, and predicting environmental changes, while at the same time enabling self-growth, by being flexible, and others' growth by empowering them. The flexibility of strategic leaders enables them to work with, and through, firms' employees to realize the desired strategies. The importance of working with other employees and the ability to influence their behaviours is increasing with the growing vertical and horizontal complexity of firms (Hitt et al., 2009). Certain characteristics of effective strategic leadership are defined through strategic actions. Hitt, et al. (2009) proposed five elements which are

indications of effective strategic leadership. Firstly, effective strategic leaders define the firm's long-term strategic direction, both the core ideology and the envisioned future. The core ideology is achieved by the use of the firm's legacy as a tool to motivate employees, while the envisioned future is achieved by stepping beyond the firm's current legacy. Secondly, the effective management of a firm's strategic resource portfolio, both tangible assets (financial, core products and human capital) and intangible assets (firm's culture, social capital and knowledge) to ensure the firm's longevity and prosperity. Thirdly, that the organisational culture has effective sustainability, represented by the organization's values, system of beliefs, ideologies and symbols, evident in the way that a firm conducts business. Fourthly, the stress upon ethical practices which inspire and enable ethical conduct, thus reducing the probabilities of self-centred and I-centric behaviours. Fifthly, effective strategic leaders form balanced firm's controls, aiding strategic leaders in defining credibility and liability. Establishing financial controls and firm corporate governance systems can work as a compass to a firm's progress, according to the selected strategy (Hitt, et al., 2009).

Despite their successful history, large organisations, such as Chrysler, Rubbermaid and Lehman Brothers, have failed to sustain their success due to deteriorating leadership (Collins, 2001; Azadinamin, 2012). In fact, some companies, such as Lehman Brothers, have even disappeared from the business map after it filed for bankruptcy in 2008. Moreover, companies such as Fannie Mae, which was characterised as built to last by Collins (2001), struggled right from the beginning of the subprime mortgage crisis in 2008. It was taken over by the US Federal Department its CEO with an external candidate after what was seen as severe leadership failure (U.S. Department of the Treasury, 2008). In a study to detect characteristics of failing TMT, Hambrick and D'Aveni (1992) compared 57 large bankruptcies with 57 survivors, relying on publically available data by capturing snapshot events of the life of both groups of firms. Hambrick and D'Aveni (1992) suggested that TMT deterioration accelerates firms' death by strategic errors made by TMT under stress, or TMT of flawed composition, and stakeholder frustration, and that firms' deterioration accelerate TMT decline through lack of resources, scape-goating and voluntary resignations.

Therefore, despite the sizes of companies and their successful histories, strategic leaders taking strategic decisions are crucial players who are responsible for the success or failure of organizations (Hambrick et al, 1992; Burgelman, 1994; Thomas and Ramaswamy, 1996; and Collins, 2001). This raises the following question: If strategic leaders shape the company's performance, what shapes the decisions of strategic leaders in top management teams? When successful leaders sustain the level of performance in more than one decision, they leave behind physical clues that can guide researchers in opening the 'black box' of TMT (Chatterjee and Hambrick, 2007). One of the tools to enable this is Hambrick and Mason (1984) Upper Echelons Theory (UET), which has been perceived as one of the core theories in TMT literature (Hambrick, 2007 and Carpenter et al, 2004). The main premise of the UET is that TMT characteristics and demographics, which include TMT experiences, values, and personalities, work as a lens to filter the information they receive and, therefore, how they react or respond to different business situations, which is translated into the decisions they take (Hambrick and Mason, 1984).

The following part of the literature review discusses the characteristics of strategic leadership research, which has tried to explain strategic orientations and organisational outcomes through strategic leaders' characteristics and behaviour.

### **2.2.2 Characteristics of Strategic Leaders**

The decisions taken by strategic leaders provide a compelling reflection of their personalities (Chatterjee and Hambrick, 2007). Therefore, considerable strategic research attention has been paid to labelling or describing the behaviours and characteristics of strategic leaders and linking them to organisational performance (Chatterjee and Hambrick, 2007). The behaviour of individual team members and their cognitive traits are of importance to TMT research, as much as those of the TMT as a group, because in times of uncertainty, which is a common characteristic of strategic decision making (Hambrick and Mason 1984; Homburg, Krohmer, and Workman, 1999; Mador, 2000 and Carpenter and Fredrickson, 2001), individual characteristics override both organisational and group norms (Carpenter and Fredrickson, 2001).

Evaluated below is the branch of literature that discusses the strategic leader's personal traits in relation to organisational outcomes.

Unlike the common perception that a strategic leader of a large organization is a strong dominant character with several good helpers, current research has indicated the description of a strategic leader to be more complex (Chatterjee and Hambrick, 2007). Regardless of the different industries and contexts in which they operate, strategic leaders apparently have several personal characteristics that determine their success. Rather than asking strategic leaders to describe themselves, a deeper understanding of the factors that determine their success or failure can be obtained by monitoring their actions and behaviours in a company (Chatterjee and Hambrick, 2007).

Empirical studies have used the following characteristics to describe strategic leaders: humble, knowledgeable or experts in their fields, creators of new rules, ethical, committed, autonomy oriented, alert, leading by example, company-grown leaders, confronting harsh business realities without losing faith, passionate about their work, quiet, preparing successors, learning and emerging from tough personal experience, and putting the interest of the company before their own (Shrivastava and Nachman, 1989; Collins, 2001; Smith and Tushman, 2005; Burgelman and Grove, 2007; Senge, Jaworski and Scharmer, 2008). Some studies have linked higher firm strategic dynamism, which is the irregularity usually associated with volatile environments and rapid growth (Baum and Wally, 2003), with dominant leadership. Chatterjee and Hambrick (2007) found a positive relationship between narcissist CEOs and strategic dynamism, strategic grandiosity, extreme performance and performance fluctuation. A narcissist CEO with a tendency to take bold decisions not only creates opportunities for the organisation to make enormous profits, but also exposes the organization to incurring considerable losses. Maintaining a stable performance and reducing fluctuation is difficult for narcissistic CEOs, who are described in the extant research as CEOs who use organisations as tools to achieve personal goals. Narcissism can be divided into 'productive' and 'destructive' narcissism. Narcissism can be productive, as it can enable narcissistic leaders to produce a strong vision to steer their organisations in a new direction, if required. Nevertheless, since narcissistic leaders lack the ability to produce long-term goals, narcissism can also be



destructive (Higgs, 2009). Another challenge to productive narcissism is that such CEOs often leave behind 'damaged systems and relationships' (Maccoby, 2004: 12), which conflicts with their ability to sustain desired performance (Collins, 2001 and Higgs, 2009). Even effective behaviours, when employed by leaders to serve their own goals, lead to failure in organizations that are attempting to change (Rowland and Higgs, 2008). Nevertheless, strategic leaders who prefer to adopt defensive mechanisms would be of little help to organisations that need to introduce innovation.

Chatterjee and Hambrick (2007) highlighted that a low or manageable level of narcissism is essential for enabling strategic dynamism, especially for those organisations that are trying to introduce organisational change. Moreover, narcissism should not be considered a purely evil tendency or a psychological defect in a leader, as narcissism can be associated with vision and innovation. Although previous research into the subject of strategic leadership focused mainly on the positive or desirable leadership characteristics, Higgs (2009) noted that negative or less desirable characteristics are not considered to be leadership characteristics, and therefore had not received much attention by researchers. Leadership is seen to be associated with ethical good practice, and 'if it is unethical or immoral, it is not leadership' (Burns, 2003: 48). Higgs (2009) summarized the literature on the various typologies of unsuccessful leadership behaviours into four themes: abuse of power, inflicting damage on others, over-excessiveness, and rule-breaking to serve own purpose.

### **2.2.2.1 Demographic Characteristics**

The following section will discuss the literature which focuses on the demographic character of a leader as opposed to the personal traits discussed above. Demographic characteristics, as defined by Pfeffer (1983), are those attributes related to level of education, gender, age, tenure, race etc. Some scholars have investigated the relationship between individual demographic characteristics and organisational outcome (Rost and Osterloh, 2010). Other scholars have investigated the presence, or absence, of two TMT structure/functions and their effects on organisational outcome (Johnson, Schnatterly and Hill, 2012; Marcel, 2009; Zhang, 2006; Hambrick et al, 2004), while others have investigated the collective demographic characteristics of

teams i.e. TMT heterogeneity or homogeneity and its effect on organisations (Nishii, Gotte and Raver, 2007 and Knight et al, 1999). As noted by Menz (2012), top management team members compensate or complement each other's knowledge in a certain function or/and organisational knowledge.

Rost and Osterloh (2010) investigated the links between TMT characteristics, namely: gender, financial expertise, and biased decision making based on the UET bounded rational premise with the aid of behavioural economics. Similar to other TMT researchers, Rost and Osterloh (2010: 214) were faced with difficulty gaining access, as 'to open the black box, access to executives is required, and they generally do not participate in research, psychological research in particular'. Therefore, a sample of banking and finance students in a natural experiment research design were surveyed. The finding of the research was that, in uncertain turbulent environments, males with financial expertise underestimate risk, as opposed to females and non-experts. Moreover, they found that 'the market disciplines firms by penalizing homogeneous corporate elites during turbulent periods' (Rost and Osterloh, 2010: 227) i.e. homogeneous TMTs are at more risk of making biased decisions in turbulent environments than heterogeneous TMT. However, homogeneous TMTs had a better performance in certain stable environments (Rost and Osterloh, 2010). The ability to create alternatives to, or generate scenarios about, a certain decision is linked to TMT with a higher degree of composition diversity. The ability to generate different scenarios minimises the probability of biased and poor information processing as a result of identifying possible alternatives and the risks of the chosen decision (Rost and Osterloh, 2010).

Researching TMTs' demographic heterogeneity effect on group process and strategic consensus, Knight et al (1999) drew conclusions from 78 US and Irish high technology firms, both publicly and privately owned. CEOs were interviewed to identify the 'real' TMT members to be surveyed. Knight et al (1999) concluded that TMT heterogeneity did have an effect on strategic consensus, but that effect was stronger when adding the two variables, agreement seeking and interpersonal conflict. Looking at whether TMT demographic heterogeneity alone explains TMT strategic consensus levels, Knight et al (1999) found a significant relationship between strategic

consensus and TMT function, education, and tenure, with a negative direction between strategic consensus and TMT function and education. Knight et al (1999) found that the four TMT tested demographics affected the TMT strategic consensus differently; attributing this to the possibility that different demographic diversity affects TMT cognition differently and, by extension, strategic consensus and group processes. An interesting finding was that the level of strategic consensus amongst the Irish TMT was higher than that of the US TMT, which they attributed to possible cultural belief differences i.e. nationality, religion and/or geography. This notion finds support from Rost and Osterloh (2010), who suggested that looking at TMT members' individual characteristics, such as religious beliefs, nationality or family background plays a role in shaping behaviour and therefore filters how TMT members process information. Pettigrew (1992) went a step further by suggesting the inclusion of media, religious entities, culture, trade unions etc while studying and/or analysing managerial elites as being the inner circle that influences the managerial elites.

### **2.2.2.2 TMT Composition**

A different branch of TMT research looked at the combination of TMT two different functions and their effects on organisational outcomes. For example, investigating CEO/COO duos frequency and their effect on firm performance, using a sample of 404 companies in 21 industries over 10 years and by applying contingency theory, Hambrick and Cannella (2004) found insufficient CEO expertise to be the main reason for hiring a COO. Moreover, firms with both a CEO and a COO perform less well. Such a finding gave partial support to Hambrick and Cannella (2004) initial proposal that CEOs who lack certain expertise or under-function in their job demand the hire of COOs, which will enhance the CEO's performance and, by extension, the firm's. Hambrick and Cannella (2004) found that the presence of COOs was contingent on: CEOs who are the Chairperson, and so have a high job demand, CEOs who lack expertise in certain areas, so hiring a COO will help fill the gap, or CEOs who anticipate having a problem, and having a COO will provide them with a scapegoat.

Another study adopting the UET was Marcel (2009), who investigated the CEO/COO duo effects on a firm's performance, using a sample of 153 firms across five industries. Marcel (2009) found a positive relationship between firms' performance and the presence of a COO in the firm to be contingent with TMT characteristics, which are age, tenure and functional diversity. Marcel (2009) suggested that the presence of two TMT members (CEO and COO) results in decentralisation of the decision making process and the distribution of power, which will benefit the TMT information process, and therefore performance. Task-oriented conflict, as noted by Marcel (2009), results in an exchange of opinion and information amongst the executives until an agreement is reached, which allows the fusion of TMT diversity to cover a wider range of options. Marcel (2009) findings came in contradiction to those of Hambrick et al (2004) that firms with COOs performed less well than those who did not have COOs.

Zhang (2006) investigated 207 CEOs tenures' longitudinal data, looking at the CEO/COO duo effect on strategic change and CEO dismissal. Zhang (2006) found that the effect of firms' structures with separate COOs on the magnitude of strategic change and CEOs' dismissal dependant on the financial performance of firms i.e. when firms are performing poorly, COOs had an increased magnitude on strategic change and increased CEOs dismissal probabilities, but this was not the case when firms were performing well. Therefore, the CEO/COO duos' effect is context dependant across the life of organisations. The lack of agreement about the benefits of having CEOs and COOs as separate functions in the research findings of Hambrick and Cannella (2004), Marcel (2009) and Zhang (2006) can be attributed to methodological differences. Looking at different data sets, applying different methods of analysis and building the hypothesis on different literature will lead to different results (Menz, 2012; and Pitcher and Smith, 2001).

### **2.2.2.3 TMT Diversity**

In a different area of research generated by the UET, researchers looked at the effect of TMT heterogeneity and/or homogeneity on organisational outcome. For example, trying to address some of the inconsistent research findings in the UET studies, Carpenter and Fredrickson (2001) tested the effect of TMT

diversity on a firm's strategic posture in a randomly selected sample of 300 industrial listed U.S. firms. They tested TMT diversity using four characteristics which are TMT education, tenure, international experience and functional diversity with uncertainty as a moderating factor in relation to firm's strategic posture. The UET assumed uncertainty to be a common characteristic across firms and therefore varied little, so Carpenter and Fredrickson (2001) argued that uncertainty was a neglected, but important, moderator in the TMT research. Carpenter and Fredrickson (2001) justified the use of TMT education as it is considered to be an important indication of skills, cognitive processes and knowledge. Added to work experience, both characteristics are 'important detectors of global skills and overall global mind-sets' (Carpenter and Fredrickson, 2001: 535). Whereas, the use of the TMT tenure because of its relation to the ability of TMTs using their networks to consult or seek advice. Carpenter and Fredrickson (2001) found that TMT education, tenure and international experience heterogeneousness were positively related to firms' global strategic posture, whereas functional diversity was negatively related. Nevertheless, the association of the TMT demographic with their firm's global strategic posture was nonlinear when the level of uncertainty was accounted for. They asserted that some complex effects of TMT characters will be of more relevance than others when 'explicit attention' to the uncertainty level facing TMT is taken into consideration (Carpenter and Fredrickson, 2001). Each TMT demographic characteristics would result in a unique effect on TMT behaviour and, therefore, a unique organisational outcome. In short 'TMT diversity should not be viewed as an all-inclusive, generic concept' (Carpenter and Fredrickson, 2001: 542).

A high level of TMT demographic heterogeneousness can result in conflict amongst TMT members and therefore was seen to weaken TMT integration, thus affecting firms' performances (Pitcher and Smith, 2001; Carpenter and Fredrickson, 2001). In contrast, Rost and Osterloh (2010) found that homogeneous TMTs are at higher risk of taking biased decisions in turbulent environments and, therefore, at the risk of missing opportunities, but they found homogeneous TMTs to perform better in certain stable environments. While a homogeneous TMT demographic can deprive the TMT of the benefits of different skills sets, knowledge, experience and can result in group think, a 'moderate' level of heterogeneity might be the balance needed to achieve a

desired organisational outcome (Pitcher and Smith, 2001; Carpenter and Fredrickson, 2001). Carpenter and Fredrickson (2001) found functional heterogeneity to have a negative linear relationship with global strategic posture, which is supported by the research findings that TMT heterogeneity characteristics hinder TMT teams' cohesiveness and bring out disagreement about the goals of an organisation. For example, Greening and Johnson (1997) found that heterogeneous TMT demographics, in terms of function and tenure, were seen to have a negative relationship with a firm's outcome when it came to responding to a crisis in the firm. Such conflict amongst TMT members hinders the team's ability to process information, thus affecting organisational outcome (Carpenter and Fredrickson, 2001).

Despite finding that demographic diversity reduces the level of strategic consensus among TMTs, Knight et al (1999) warned that such a finding should not encourage firms to look for homogeneous TMTs, as this could deprive firms of the benefits of a more comprehensive environmental scan and the diversity of alternatives and inputs. Marcel (2009) argued that functional heterogeneity can present the TMT with task oriented conflict which will encourage a thorough decision making process, and was associated with organisational innovation (Bantel and Jackson, 1989). Tenure heterogeneity, for example, was seen as an indication of members joining the TMT at different times, which saved the TMTs from falling into a norm or a similar thinking process (Michel and Hambrick, 1992 and Marcel, 2009). Eisenhardt and Schoonhoven (1990) noted that heterogeneous teams with different industry tenures will benefit from industrial operational knowledge, but those with fewer industrial tenures will bring new viewpoints. Eisenhardt and Schoonhoven (1990) added that such different industrial viewpoints within a team also encounter differences in the ages of its members, which could save TMTs from the risk of coming to a decision without covering the other available alternatives.

It can be concluded from the above research that finding consensus amongst the TMT research results has proved to be hard, leaving behind a lot of areas to be investigated. But what TMT researchers do agree upon is that strategic leaders are expected to fulfil the two main organisational goals of enhanced performance and longevity (Trice and Beyer, 1991), and that TMT

characteristics affect the organisational outcome (Hambrick and Mason, 1984; Michel and Hambrick 1992; Marcel, 2009; and Greening and Johnson, 1997) Nevertheless, different leaders influence companies differently (Thomas, et al., 1991).

The following section will discuss the patterns and typologies of strategic leadership in relation to organisational outcome.

### **2.2.3 Types and Patterns of Strategic Leadership**

Although strategic leaders are said to be 'cut from the same cloth' (Collins, 2001: 22), their leadership styles differ, distinguishing their company from others owing to the different background in values and experience (Thomas and Ramaswamy, 1996).

Drawing on individual or personal traits and characteristics of leaders or organisations, different scholars have built different typologies or patterns trying to label different forms of strategic leadership and to link its effect on organisational outcomes. Typologies gather commonalities and similarities related to a specific strategy, which mostly include TMT and strategic decision making, enabling researchers to look at strategic patterns to help predict organisational outcome (Thomas and Ramaswamy, 1996).

Shrivastava and Nachman (1989), for example, developed four strategic leadership patterns, building on the UET premise. Using 27 existing business cases, Shrivastava and Nachman (1989) categorised the patterns as follows: (i) entrepreneurial, (ii) bureaucratic, (iii) political, and (iv) professional. The first typology, entrepreneurial strategic leadership, is characterized by a combination of strong personality and charisma and entrepreneurial leaders create their own roles and give themselves the right to initiate and guide the company strategy with knowledge and confidence. The second typology, bureaucratic strategic leadership, bases the formation of company strategy on the company's policies and procedures. Therefore, in this leadership pattern, strategic plans are not formulated by one person or a group of people, but by the structure and the system. The leader's role is to analyse the information, guided by the system, and to generate strategy options for the company.

However, the selection of the strategy will occur only according to the company's policy.

The third typologies, political strategic leaders, are strong and dominant characters, who formulate the company's strategy by using their functional power and authority. A political leader does not delegate authority to other line managers, and gives them the minimum amount of power that they require to conduct their daily operational work. This can have a negative impact in that it may increase the opportunistic behaviour of managers, where every manager attempts to fulfil his/her own interests. However, it can also encourage debate, negotiation, open systems and new ideas over strategic decisions. The fourth and last typology, professional strategic leaders, are the creators of new rules, possessing professional expertise and/or are highly trained autonomy seekers, and they maintain high ethical standards with commitment to their work. They work in small groups within the guidelines of the company, but by introducing new rules. Professional leaders are responsible for creating and maintaining the cultures in their companies. Therefore, the decision making process is conducted by making sense of their environment and the data collected from the organisational members.

Shrivastava and Nachman (1989) concluded that their research provided evidence of the variability of the upper echelons' effect on organisational strategy. Organisational strategic leadership comes in the form of a group, not necessarily large but not in the form of an individual, aided by the organisational culture and environment. But, as noted by Shrivastava and Nachman (1989), the research sample was drawn from US and European organisations, which limits the categorisation of strategic leadership, calling for researchers to investigate different social and cultural contexts.

Maccoby (2000) bureaucratic leadership pattern was described as having more managers and fewer staff than required. This usually results in a lack of motivation and enthusiasm amongst the staff. On the other hand, Maccoby (2000) entrepreneurial leadership was described as being more leadership-oriented and less manager-oriented at the start of its business cycle. Such a pattern would result in higher levels of motivation and enthusiasm, but a loss



of control over financial resources and at the appearance of unexpected challenges.

By investigating the managers who like to do things differently versus those who like to do things better i.e. being innovative versus being efficient, Miles and Snow (1978) empirical research relates the bases of organisation strategy to leaders' preferences (Thomas and Ramaswamy, 1996 and Miles, Snow, Meyer and Coleman, 1978). Miles and Snow (1978) developed four typologies by categorizing organisations into four types according to their strategies. Miles and Snow (1978) typologies were derived from four industries namely: electronics, food processing, publishing and health care. Their study addressed business level strategy, which is looking at how organisations compete in a specific business, as opposed to corporate level strategy, which looks at the business an organisation should be in (Hambrick, 1983a). Each of these four typologies has three organisational strategy domains: entrepreneurial, administration and technological. The four typologies are presented as follows:

- I. A prospector strategy, which is adopted by companies that undergo continuous strategic change. For example, a strategy for introducing changes in services or products in pursuit of achieving the first-mover advantage. Such companies are flexible and focus on introducing innovative ideas into the market to gain increasing market share.
- II. A defender strategy, which is adopted by companies who are not seeking first-mover advantage, and hence do not introduce any changes to their products and services. Such companies focus on maintaining their market share with increased efficiency.
- III. An analyser strategy, which is adopted by companies that apply formal and thorough investigation before introducing a change. Selectivity in introducing changes stabilises the company's lines of products. The decisions of companies adopting this strategy exhibit a balance between risk and reward.

IV. A reactor strategy, which is adopted by companies that do not have a clearly defined purpose or strategy and follow the dictates of the market. Tracing back a reactor company strategy will reveal the adoption of different strategies at different times. It is difficult to determine the identity of companies that adopt the reactor strategy.

Miles and Snow (1978) typologies attracted a wide interest in the research, testing its validity on different sample sets. For example, Snow and Hrebiniak (1980) found that in a competitive context, analysers and defenders perform better than reactors, but this does not hold true in highly regulated sectors. However, their research was critiqued for its limited sample size, vague performance measurement and the subjectivity of the strategy measurement (Hambrick, 1983a). Hambrick (1983a) showed a consistent outperformance by defenders in comparison to prospectors in terms of cash flow and profit generation. However, defenders underperformed in comparison to prospectors in terms of both innovation and market share.

Hambrick (1983a) indicated that the Miles and Snow (1978) typology was exploratory and did not elucidate the influence of firm strategy on firm performance. According to Hambrick (1983a), the typology explains the business-level strategy and its contribution to the corporate-level strategy would be limited, adding that the typologies ignore the effect of industry peculiarities. To overcome the shortfalls of the typology, Hambrick (1983a) proposed financial performance measurement, such as the returns on investment (ROI), cash flow (CF) and market share (MS), to be a clearer and a more objective method for measuring performance. Moreover, Hambrick (1983a) supported the need to consider the environment in the formulation of organisational strategy. When leaders select a strategy, it should enable the organization to fulfil the requirements of the environment and achieve the desired performance (i.e. ROI, CF or MS).

Relying on publicly available data from the PIMS project, Hambrick (1983a) tested defenders' and prospectors' financial performance in four environments, which were growth, mature, innovative, and non-innovative, environments. Hambrick (1983a) found that organisations following a defender

strategy outperformed in every type of environment tested in terms of current profitability and cash flow. Nevertheless, organisations following the prospector's strategy in innovative industries were found to achieve a higher market share. However, prospector organisations operating in non-innovative industries ended up wasting cash on unnecessary prospecting, and lost profit and cash flow with no market share return. Therefore, the market rewarded prospectors investing in new products and research for their adoptive abilities in an innovative environment, and punished unnecessarily risky prospecting in a non-innovative environment.

Zajac and Shortell (1989) found that in a turbulent environment, prospectors and analysers outperformed defenders. This finding corresponds with that of Shortell and Zajac (1990) who tested the Miles and Snow (1978) typology by using different strategic contexts: Mintzberg (1978) theory of intended and realised strategies, Henderson (1973) strategic approach to portfolio management, and Hambrick (1983b) rules for introducing new products and services.

Shortell and Zajac (1990) described the benefits of the Miles and Snow (1978) typology to be its applicability to a different range of sectors and industries when measuring strategy. Shortell and Zajac (1990) assessed the validity and reliability of the Miles and Snow (1978) typology by using data from 574 hospitals. The data was collected over two different periods to monitor the strategic changes because the strategies were assessed over a period of time. The main informants in the data collection process were the CEOs of the hospitals. However, they were permitted to seek the assistance of other key staff, such as vice presidents and planning analysts. The findings of the research showed considerable support for the Miles and Snow (1978) typology.

The findings of Sortell and Zajac (1990) indicated that prospectors exerted greater efforts when entering new market domains and introducing new diversified services than both analysers and defenders. With respect to high-growth areas, the percentage of services offered by defender organisations was lower than those offered by analysers, while those offered by prospectors were the highest. Prospectors paid greater attention to developing new markets in their main existing line of business than analysers and defenders. Prospectors

had a higher probability of offering more diversified services in the same line of business than starting new diversified services within the two-year period following the collection of the market data than analysts, although the probability of analysts in this regard would be higher when compared to defenders.

In terms of planning, innovation and market research, prospectors scored higher than analysts, and analysts scored higher than defenders. However, in terms of planning, both prospectors and analysts had significantly high levels and they outperformed defenders. Moreover, in a sector where technology is changing rapidly, and in an environment stressing the importance of diversification, adopting 'a pure defender strategy' was not sustainable.

Applying the Miles and Snow (1978) prospector and defender typology as the theoretical lens, Thomas and Ramaswamy (1996) investigated the performance implications of top managers' characteristics alignment with an organisation's strategy using a sample of firms listed in the fortune 500 and operating in the following industries: petroleum refining, chemicals and electronics.

Demographic characteristics used were education, age, and tenure. The performance indicators used were return on assets (ROA), return on equity (ROE), and return on sales (ROS) and the demographic characteristics were collected from sources such as 'Dun and Bradstreet's Reference Book of Corporate Management (1987), and America's Corporate Families (1987)', which were available publicly. Thomas and Ramaswamy (1996) found that firms with noticeably different strategies have noticeably differently characterised leaders and that performance is positively related to a firm's strategy alignment with its leader's characteristics. Moreover, the firms' strategy alignment with leader's characteristics had a greater influence on performance over a firm's contextual characteristics i.e. size, age, and industry. Thomas and Ramaswamy (1996) indicated that leaders described as prospectors were younger, with shorter tenures and higher educational levels, as compared to defenders. Moreover, they found that defenders usually came from within the firm with throughput oriented experience i.e. engineering, finance, and manufacturing, while prospectors' functional experience was found to be output i.e. marketing and product research and development. The

research did not include analysers, as their research focus was only on prospectors and defenders. Moreover, it did not include the processes and mechanics of how firms can select and/or align leaders for a preferred strategy. The research also relied on publicly available data; therefore, the actual strategy process undertaken by leaders of the firms was not addressed.

The findings of the research presented in this section can be summarized as follows: executive leaders do exercise an influence on firms, either through their personalities or the strategies that they select for the organisation (Thomas and Ramaswamy, 1996; Shrivastava and Nachman, 1989; Maccoby, 2000; Shortell and Zajac, 1990; Hambrick, 1983a and 1983b; Miles and Snow, 1978).

The following section discusses strategic decision making definitions and processes.

## **2.3 Strategic Decision Making**

### **2.3.1 Definition of Strategic Decision Making**

Eisenhardt and Zbaracki (1992: 17) described strategic decisions as fundamental decisions 'which shape the course of a firm' and '...infrequent decisions made by the top leaders of an organization that critically affect organizational health and survival'. According to Nutt (1998: 198), 'a strategic decision was defined as a choice with important consequences and resource demands for the organization'. In an empirical study, Eisenhardt (1989: 546) used the following categories to identify strategic decisions: '(1) involve strategic positioning, (2) have high stakes, (3) involve as many of the functions of the firm as possible, and (4) be considered representative of the process by which major decisions are made at the firm.'

The definitions of TMT and strategic leadership discussed earlier in the literature review so far have linked with strategic decisions, company performance and survival in a cause and effect relationship, confirming with Menz (2012) research about TMT research done to date, putting leaders at the top in the link to decisions which are strategic in nature and effecting organisational outcome. The decision process to align the company strategy,

context and people in the current dynamic environment needs to be continuous. Otherwise, companies run the risk of creating a performance lag/gap. Although it is believed that executives shape their decisions and strategies according to the requirements of the environment, in reality, it is their personal interpretation of the environment that shapes their decisions (Hambrick and Mason, 1984 and Miles and Snow, 1978).

A study, described as exciting on different levels, by Eisenhardt, Pitcher and Smith (2001) looked at the following three strategic outcomes: diversification because it is agreed on as an organisational strategic importance, innovation for its important link to performance and, finally, performance because of its clear link to organisations. Pitcher and Smith (2001) investigated the three strategic outcomes above in relation to TMT personality, power and demographic heterogeneity, namely, age, team tenure, industry experience and functional background. The sample was three TMTs from three different strategic eras of a multidivisional and multi billion global financial firm and compared the result with a large sample TMT of previous research. Capturing changes in the TMT over three strategic eras yielded interesting insights, For example, a Chairman and CEO who was labelled as an artist i.e. dreamer, entrepreneurial and visionary, had the highest number of team members, nine, with a higher degree of demographic heterogeneity and decentralisation of decision-making, and lower levels of power and politics amongst the team. Changing the Chairman and CEO, brought a change of strategy. The new Chairman and CEO was labelled as a technocrat, described by his team members as stiff and distant, seeing the need to reduce the level of the diversification strategy that had been adopted by his predecessor and bringing in more hierarchy to the organisation with the formalisation of the decision making process and planning. The team members eventually dropped to seven members with a lower level of demographic heterogeneity and a higher level of power centralised in the head office, with the divisional CEOs receiving instructions and executing them without having any real impact on strategic decisions.

The level of tension and disagreement increased and the organisation eventually disappeared in a takeover, after failing to find a means to raise capital. The research by Pitcher and Smith, (2001) enabled a qualitative

understanding of TMT strategic decisions over time, reporting changes in teams and linking the changes to teams' strategic choices and firm performance.

Other research looked at strategic decision making in terms of its speed and its effect on organisational performance, such as Bourgeois and Eisenhardt (1988) Eisenhardt (1989), Baum and Wally (2003), Judge and Miller (1991), and Forbes (2001).

Eisenhardt (1989) research was a three-dimensional study, which included (i) executive teams making (ii) rapid decisions in (iii) a high-velocity microcomputer industry. Eisenhardt (1989) employed an inductive approach and used eight case studies. Eisenhardt (1989) research primarily addressed the gap in research on the speed of strategic decision making in high-velocity environments and its impact on firm performance. Eisenhardt (1989) found that fast decision makers use more information, a two-tiered advice process, treat conflict resolution as a critical matter and integrate strategic decisions and tactical plans, linking all these behaviours to superior performance. Moreover, politics delay decision making and, as a result, firms may lose their technical and market advantage. Another finding of Eisenhardt (1989) research was that centralised processes do not necessarily speed up the process of decision making, although, a layered advice process from experienced counsellors does. Also, the study confirmed Hambrick and Mason (1984) notion that 'Uncertainty is typical of strategic decision, especially in high velocity environment' (Eisenhardt, 1989: 545).

Different researchers, informed by Eisenhardt (1989), looked at the speed effect of strategic decision making on firm performance but did not necessarily come to the same conclusion. This can be attributed to the different methodologies, samples and or contexts applied. For example, Judge and Miller (1991), looking at 32 firms in 3 different industries, found strategic decision making speed positively related to performance in the high velocity industry in their sample, which was biotechnology, but negatively related to the low velocity industries, which were hospitals and textiles. However, Forbes (2001) did not find a relationship between strategic decision making speed and firm performance when looking at 83 internet companies. Baum and Wally

(2003), looking at the data of 318 CEOs surveyed in heterogeneous firms over a period of four years (1996-2000), tested and confirmed that the speed of strategic decision making can predict firms' growth and profitability, and mediates firm performance through centralisation of strategy, decentralisation of operational management, dynamism, formalisation of routines and informalisation of non-routines. Making a fast decision can give a firm a competitive advantage for an early adaptation to a new system or an environmental change and in producing new products (Baum and Wally, 2003). Nevertheless, making a fast decision does not necessarily mean that strategic decision makers are overlooking information and/or alternatives (Eisenhardt, 1989 and Baum and Wally, 2003).

It can be concluded from the studies discussed above that, strategic decisions, taken by strategic leaders, enable firms to identify opportunities, solve problems and shape firms futures. However, the strategic decision formulation process, aiming to solve problems, is 'prone to failure' and could be successful if it is 'reframed' to be a solution-oriented process instead (Nutt, 1993: 1083). Looking at how strategic leaders scan and filter different strategic decisions and what the rate of success of that particular decision is compared to other possible alternatives, Nutt (1998) identified four assessment approaches that leaders of a study of 168 decisions used to evaluate and select strategic decisions. These approaches are as follows:

- I. The analytical approach, in which a selective approach is used through (a) a quantitative-data tactic, by drawing inference from archival data sourced from the organisation's own files or other external files of vendors, competitors or publications, (b) a quantitative-pilot tactic, by analysing data outcomes from possible alternatives based on a pilot study conducted in the field and (c) a quantitative-simulation tactic, which uses a simulated scenario of possible alternative outcomes through feasibility studies, sensitivity analysis or any other mock-up method, without having to retrieve facts or real performance from actual events. In the sample, Nutt (1998) found this approach to be applied the most, producing the best outcome.



- II. The bargaining approach, in which additional members are involved for finalising the approval of the decision, after reaching a general consensus amongst the concerned stakeholders. Generally, after collecting the data regarding the alternatives, a decision is reached on the basis of the best performing option. In the sample Nutt (1998) found this approach infrequently used, despite its high adaptation rate, fast implantation and better strategic decision quality.
- III. The subjective approach, in which decision makers select alternatives by drawing subjective inferences from data using (a) a subjective-data tactic, where archival data is used with subjective assessment to build an argument for manipulating the meaning of the data, (b) a subjective-sponsor opinion tactic, where decision makers use their own system of experiences and values to select an alternative and attempt to sell it to others by emphasising its merits, (c) a subjective-expert opinion tactic, using internal or external consultants and experts to justify a pre-agreed alternative between the decision makers and the experts and (d) a subjective-user opinion tactic, where decision makers directly ask the receivers of the service or product for their opinion, and subsequently study the feedback and build the argument around the alternative that was supported the most by users. In the sample Nutt (1998: 1165) found this approach to produce the least successful rate, with decisions described as 'tainted by self-interest'.
- IV. The judgmental approach, in which decision makers use their own judgment to select an alternative without giving any justifications to other stakeholders. In this case, decision makers rely on their experience and perceived values, drawn from their knowledge. In the sample Nutt (1998) found this approach to be used the least and produced the poorest success rate. Nevertheless, decision makers found it easier to use judgemental tactics when the context was perceived as difficult and held sensitive information that they did not want to reveal to others. However, extant literature provides that if resistance and objections start to rise in an organisation, decision makers usually involve other stakeholders to form alliances within the organisation to

enforce the implementation of their decisions (Eisenhardt and Zbaracki, 1992; Golden and Zajac, 2001; and Pitcher and Smith, 2001).

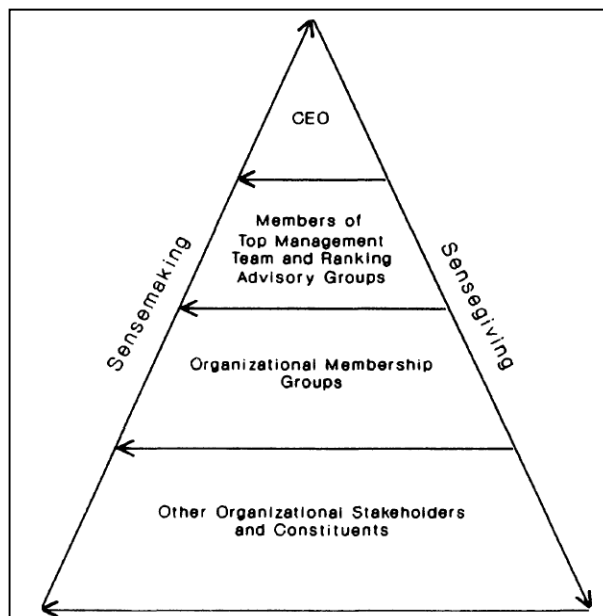
Each organisation has its own set of regulations. Therefore, when a strategic leader is asked to present possible solutions or decisions, the context of the organisation influences the alternatives. The more complex the organisational context, the more difficult it is to generate alternatives. Both political and procedural challenges within an organisation can influence the course of assessing alternatives and selecting one of them (Nutt, 1998). The success of decisions can be measured by calculating the time taken to select and implement an alternative and the percentage of adaptation obtained.

The following section will discuss decision making processes.

### 2.3.2 Types of Strategic Decision Making Processes

Since strategic decisions that aim to introduce changes in organisations involve different stakeholders, they evolve over different phases. Gioia and Chittipeddi (1991) divided the progress of strategic decision making into four phases (Figure 3): (i) visioning, (ii) signalling, (iii) re-visioning, and (iv) energising.

Figure 3: Sensemaking and Sensegiving Loop.



Source: Gioia and Chittipeddi. (1991: 443).

Visioning is initiated by the strategic leader by making sense of his surroundings (the organisation and the external environment) and it can be conducted even before the task begins. The second, though overlapping, phase is signalling. Signalling initiates the declaration of the strategic change, which begins either by direct announcement or by using ambiguity by design to introduce some necessary anxiety and a reality call for change, especially in derelict environments. Re-visioning is the third phase, where all the stakeholders can clearly perceive the change effort. The CEO, chairman or the champion of the change is regarded as the symbol of change. All parties that will be affected by the change are involved, and the bargaining and negotiation begins. During this phase, resistance and compromise are expected to occur, especially with respect to the status quo. The strategic leader is expected to manoeuvre between different types of leadership styles, according to the situation, and to dissipate any possible tension that may arise in this stage.

The fourth and final phase, though overlapping with the third phase, is the energising phase. The reason for the possible overlap between the third and fourth phases is that challenges resulting from resistance can appear, even after the final strategic plan is implemented. In the final phase, the plans to be implemented and activities to be conducted are clear. At this stage, the activities are discussed to seek the agreement and approval of more stakeholders than those involved in the previous phases.

In a more theoretical framework, the first phase, 'envisioning' can be viewed as sense-making, where the strategic leader, before embracing his/ her new task, attempts to consider and understand the situation. The second stage, 'signalling', can be viewed as sense-giving, where the strategic leader attempts to transfer his/her vision to other stakeholders. The third and fourth phases are a repetition of the first and second phases respectively, but from the stakeholder's perspective. In particular, the third phase, 're-visioning', is the stakeholder's sense-making of the proposed strategic change, and the fourth phase, 'energising', can be seen as the stakeholder's sense-giving resulting from an understanding of the vision and the final trials to reformulate it in a feedback loop amongst the parties involved. Such a model enables a deep understanding and appreciation of the variables involved in strategic decision making and the overlap amongst the activities involved. Even though the

activities started from the top, autonomy and consensus are crucial for the successful execution of a strategic decision.

Eisenhardt (1989) identified politics and conflicts as factors that delay the decision-making process of top management teams, thereby causing anxiety. Therefore, organisations use experienced counsel executives to enable their top management teams to continue the decision-making process and reduce anxiety (Eisenhardt, 1989). Nevertheless, ignoring what can feel like less strategic decisions can deteriorate company performance (Maitlis and Ozcelik, 2004). When strategic leaders show signs of lack of control or weakness while confronting issues regarding a decision, it can create a toxic emotional environment. Such environments can lead to poor strategic decisions.

By conducting a qualitative longitudinal research, Maitlis and Ozcelik, (2004) identified three phases resulting in toxic decisions. Their research is unique in that it considers the effects of collective group emotions, rather than individual emotions concerning strategic decisions. Moreover, their study reveals the systematic nature of emotion in decision making. Strategic decisions, such as mergers, acquisitions, downsizing, hiring or firing of key decision makers, and organisation change cause emotional responses and reactions amongst organisation members (Maitlis and Ozcelik, 2004). Therefore, there is a critical relationship between rational decision making and emotions.

The first phase involved in organisations making toxic decisions is inertia. This phase is characterised by avoidance, that is to say, although strategic leaders have identified the issue or the individual causing the problem, they choose to avoid addressing the issue and divert their attention to other less important matters. Any attempts to resolve this issue are conducted in an informal manner. Organisational members follow the leaders and avoid the core issue that is creating anxiety and distress amongst them. Decision makers remain in a state of apprehension, which continues to increase as long as the issue remains unresolved. Besides experiencing embarrassment and indignity, the person responsible for the problem will develop similar feelings to those felt by the group. Lack of training and knowledge with respect to dealing with tough decisions may be one of the reasons that leaders adopt the path of avoidance. Another reason can be lack of clarity regarding the responsibilities

and duties of leaders on different levels. Therefore, strategic leaders will avoid getting involved in resolving the problem in the hope that direct supervisors will deal with the issue.

The second phase is detonation. In this stage, the issue is apparent to the public, thereby urging leaders to take a decision swiftly. Leaders will tend to take hasty decisions, which may be perceived as insensitive by the public, especially after the long period of inertia in the first phase. This will result in an increase in the intensity of negative emotions. The person in question will feel even more humiliated after a formal decision is made, and the group or other organisational members will begin harbouring feelings of resentment or fear regarding subsequent events.

The third and final phase is containment. The decision makers start rationalising their decision. The negative emotions amongst organizational members are either ignored or suppressed by the leaders by taking a strong organisational stand, suggesting new measures or attempting to find a position of compromise. As a result of this rationalising process, the decision makers may develop feelings of remorse. The organisational members continue to feel fearful and resentful, with a growing lack of trust and confidence in other members of the same organisation. This provides fertile ground for more toxic decisions.

It can be concluded that while executives work in organisations with limitations imposed upon them by strong internal and external influences, they 'often have some latitude of action, or leeway to make volitional choices' (Chatterjee and Hambrick, 2007: 357). From this discussion of the literature, strategic decision making can be seen to be effected by TMT characteristics (Pitcher and Smith, 2001; Hambrick and Mason 1984 and Miles and Snow, 1978), the decision process (Eisenhardt, 1989; Judge and Miller, 1991; Baum and Wally 2003; Gioia and Chittipeddi, 1991), and alternative scanning and evaluation (Nutt, 1998).

The following section of the literature review discusses the organisational context, derived from the TMT literature review above to have an effect on organisational outcome through TMTs aligning organisational internal structures and resources with the external environment.

## 2.4 Context

Baum and Wally (2003: 1107) acknowledged that besides strategic decision makers own personal characteristics, there are limitations imposed on them by their context, finding support in the strategic decision process proposition 'that decision-makers' cognitions are motivated and constrained by their business environment, organization structures, and resources, as well as their personal experiences and perceptions.' Carpenter and Fredrickson, (2001: 536) highlighted environmental uncertainty as a central aspect associated with the UET, defining it as 'Uncertainty is a consequence of environmental factors that generally result in a lack of the information needed to assess means-ends relationships, make decisions, and confidently assign probabilities to their outcomes.'

At a certain point in time in an organisational cycle evolution organisations which once operated in stable linear environments are faced with turbulent strategic nonlinear dynamics, which hinder their strategy making ability (Burgelman and Grove, 2007). Nonlinear environmental challenges can introduce themselves either explicitly or implicitly through change in technologies, new entrance to the market, new market laws and regulations, changes in the market power relationship, etc. (Burgelman and Grove, 2007).

Identifying and analysing the constraints that top executives consider when making a decision can facilitate the understanding of organisational outcomes (Chatterjee and Hambrick, 2007). Environmental elements that influence the strategic decision makers and organisational outcome include competition, laws changed by governing bodies, companies' capabilities, companies' knowledge, the urgency of the decision to be taken, risk vs. return, political power (both inside and outside the company) and leadership structure (Trice and Beyer, 1991; Eisenhardt and Zbaracki, 1992; Grant, 1996; Dalton, et al., 1998; Papadakis, Lioukas, and Chambers, 1998; Collins, 2001; Baum and Wally, 2003; Burgelman and Grove, 2007; and Senge, et al., 2008).

These contextual forces are explained in more detail in the following section.

### 2.4.1 Boards and Corporate Governance

The involvement of the board of directors and associated rules and regulations are effective tools for a firm's governance systems (McNulty and Pettigrew, 1999). The globalisation of organisations, which can be used as a strategy to spread risk (Kim, Hwang and Burgers, 1993), has placed organisations in an open ground for changing corporate governing systems internationally (Taylor, 2003). For example, although the 2002 corporate governance crisis started in the US, due to organisations' global presences and/or global trade, organisations around the world were affected in what was described as 'the year of scandals' (Taylor, 2003: 155). The US 2002 Sarbanes-Oxley Act (SOA) was introduced as a result to govern the corporate system and prevent similar financial scandals. After the introduction of the SOA, certain behaviours in organisations' boards were noted, such as the meetings of the outside directors becoming more frequent without the presence of the executive, CEO or Chairperson to independently discuss TMT performance (Taylor, 2004). Also, some outside directors' committees are taking on responsibilities which used to be CEO/Chairperson responsibilities, showing a shift of power with independent audit committees (Taylor, 2004). Moreover, the time taken and the topics boards discuss have changed, as there is a shift from discussing strategy and innovation to examination of a firm's accounts, governance and financial performance. Outside directors have become more vulnerable to legal suits, reflected in the doubled malpractice insurance prices for directors and executives (Taylor, 2004). In Canada, the same independent committees increased in the Canadian listed companies, and by 2002 more than 80% had independent audit, compensation and nomination/governance committees (Taylor, 2004). In the same year in Germany the crisis in the financial market wiped out retail investment for a generation to come, which forced the government to introduce a new corporate governance code (Taylor, 2003).

Earlier, in 1992, the Cadbury Report was introduced in the UK as a result of a series of corporate failures and scandals in the 1980's and 1990's (Financial Reporting Council, 2010 and Dahya and McConnell, 2007). Since its first introduction in 1992, the Cadbury Report recommendations were gradually added to the market (FRC, 2010). Then new recommendation regarding the remuneration of directors was added in 1995 to what was referred to as the UK

Combined Code and now known as the UK Corporate Governance Code (FRC, 2010). The UK Corporate Governance Code adopts a 'comply or explain' approach to governance with five main principles. The principles are: (i) leadership, (ii) effectiveness, (iii) accountability, (iv) remuneration, and (v) relations with shareholders (FRC, 2012). The Cadbury Report (1992) placed the UK as a leader in corporate governance, as it was used by self-governing board systems outside the UK (Taylor, 2004).

Taylor (2004) summarized the radical changes that took place in the US and the UK boards as a shift of power from the CEOs and TMT to boards, in particular the non-executive directors, with an increase of regulatory, shareholders' and courts' power. Therefore, the power relation changed from that between Chairperson and CEO to Chairperson and non-executive board members.

The importance of boards cannot be limited to policing or governing firms, as research has found a positive relationship between the involvement of board of directors in strategic decision making and firm performance (Hitt, et al., 2009). Pearce and Zahra (1991) argue that a link between a firm and its environment through useful contracts are products of a strong, powerful Board of Directors, resulting in a strong code of ethics and protecting shareholder interest. But regardless of the vast amount of research done about boards, little is known about how boards affect organisational strategy, with split views describing boards as either active members involved in firm strategy by either influencing change or protecting the status quo, or as inactive members used by the TMT as rubber stamps (Golden and Zajac, 2001).

Using survey and archival data of 3000 US hospitals, Golden and Zajac (2001) looked at the behaviour of boards that are TMT independent in terms of what they want, and the possible conditions that could enable boards to achieve this. The significance of their research was suggesting curvilinear relationships as a possible answer to the conflicting results in the previous literature looking at TMT demographic indicators. Golden and Zajac (2001) found a curvilinear relationship between board influence on strategic change and the board's size, tenure, and both business and occupational orientation, but a positive linear relation with a board's age. Moreover, the stronger the board is, the more



inclination a board will have towards strategic change and a strong positive relation between the board's attention and strategic change. Interestingly, their hypothesis of a curvilinear relationship between board inclination for strategic change and age was not supported. They found it to be a linear relationship, which supports the notion that the more experience and knowledge board members have, the more positive and confident they are with regard to strategic change. Also, Golden and Zajac (2001) found organisations with strong boards and prior poor performance to speed and motivate strategic change as oppose to organisations performing poorly but suffering from weak boards.

Kakabadse and Kakabadse (2007) looked at UK, US and Australian board structure in a comparative study discussed below summarised in Figure 4.

Figure 4: Demographic representation of the roles of the chairman and CEO.

Demographics	UK	USA	Australia
Role boundary	Chairman runs board; CEO leads the enterprise	CEO/chair leads the enterprise and the board	Chairman role delineation jointly determined with CEO/MD
Status: executive or non executive	Little difference in practice	Executive dominant	Extensive difference
Accountability	Chairman accountable for board performance	CEO/chairman accountable for board and business performance	Chairman accountable for board and business performance
Vision ownership	Chairman: vision passive	CEO/chairman: vision active – if role split, then passive	Chairman: vision active
Recruitment Domicile	International Not relevant	National Not relevant if role is split, otherwise CEO/chairman resides in the same city as headquarters	National Chair resides in same city as headquarters
Counter balancing role	Senior independent director (SID)	Lead independent director (LID)	Deputy chairman (n.b. little need for the counter balance)
Tenure	More effective longer in role (12 to 15 years)	More effective longer in role (eight to ten years)	More effective longer in role (12 to 15 years)
Governance application	Voluntary: increasingly compliant	Legislative: compliant	Voluntary: compliant

Source: Kakabadse and Kakabadse (2007: 180).

Naturally, different geographical locations have different structures of chairmen, CEOs and boards due to the differences in the adopted governance systems. Despite these differences, fundamentally, they have much in common. These systems are instituted to ensure that boards will define accountability, act in goodwill, serving both minor and major shareholders' rights and control financial and non-financial reporting (Kakabadse and Kakabadse, 2007). Firms in the UK and Australia prefer to separate the roles of the chairman and the CEO. The chairman is responsible for leading the company's board and acts as the face of the company, whereas the CEO handles the daily activities in the company and has more resources at his/her disposal. Therefore, it can be concluded that the responsibility of the firm's future and its sustainability jointly lie with its chairman and CEO (Kakabadse and Kakabadse, 2007). The chairman is also liable for any actions of the staff and those taken on behalf of the company. Such a defined separation of

responsibilities reduces the power of one individual over the company's strategic decisions. In the UK, the governance system is self-regulatory, with no distinctions between the executive and non-executive director's liabilities. Moreover, to encourage such separation of roles, rather than nominating the current CEO, the chairman of a company is selected from amongst the non-executive members of the board. Both the UK and Australia share a self-regulatory governance practice. In the UK, companies choose to comply with the rules or explain their approach. In Australia, companies choose self-regulation, which strongly conforms to the state authorities that regulate and govern companies. As mentioned earlier, although legal liability is equally shared by the chairman and the CEO in the UK, in Australia the chairman carries the ultimate liability. The boards in the UK comprise at least 50% independent directors, whereas in Australia, except the CEO, the board comprises a majority of independent directors (Kakabadse and Kakabadse, 2007).

The board and governance structures of companies in the UK and Australia are different from those in the USA. The practices in the USA are driven by strict legislations that do not permit companies the freedom of self-regulation. Both the CEO and CFO hold legal accountability, described in the Sarbanes-Oxley Act of 2002 (which was implemented to limit any possible unethical behaviour of companies' leaders). However, American companies do not separate the roles of the CEO, president and chairman and lean toward role duality. This means that no one person has the authority to allocate resources, shape the vision, set goals, motivate people and exercise control over the company. Moreover, in the USA, with exception of the CEO, the board comprises a majority, if not all, of independent directors, (Kakabadse and Kakabadse, 2007).

The investigation regarding the differences in the board structures that different countries prefer to adopt helps to explain their management practices, and sheds light on the structures that might be more suitable for less developed countries to adopt. However, what factors influence the roles of the Chairman or CEO? Kakabadse and Kakabadse (2007) identified nine determinants in the three countries ( $n = 103$  chairmen/CEOs) that influence the roles of the chairman and CEO of a company (Figure 4). Role boundary, which

depends on the board context, was found to vary on the basis of the individual/chairman's input. Firstly, the board context can be established on the basis of the company's history and culture, and rules adopted regarding the methods of hiring, interpersonal interaction among the board, degrees of power and politics, manners of communication in the boardroom and external demands from the regulatory bodies and other stockholders. Secondly, the power of individual input can be seen in the interview replies. For example, a chairman from the UK said, ' ... I decide how I wish to run my board' and a Chairman/CEO/President from the USA said, ' ... but irrespective of all [Sarbanes-Oxley Act] ... I am the chairman I want to be ... ', whereas a chairman from Australia said, ' ... it's up to me to have the board I want and the chief executive that I feel is right for the business ... ' Regardless of the context and geographical location, the leaders found a way to exercise their power and enforce their vision for their company.

The second determinant is the executive and non-executive status. In the UK, no real differences exist between both statuses. However, there are differences in terms of the chairmen being full time or part time. If a company has a full-time chairman, he/she is involved with managing the company's board on a daily basis, whereas the relationship between a part-time chairman and the CEO is based on trust and reliance. In Australia, most chairmen hold executive chairman posts, where the role of the CEO role was similar to that of an MD or COO, and he/she is responsible for managing the company's operational matters. On the other hand, in the USA there was no clear line of difference between the executive and non-executive chairman because of role duality. However, the processes regarding the CEO's and CFO's financial reporting and transparency in the USA clearly abided by the rules of the Sarbanes-Oxley Act (2002).

The third determinant is accountability spread. In the UK, owing to the executive and non-executive status of the chairman, he/she is responsible for the board management, firm performance and strategic decisions. In the USA and Australia, the chairman is accountable for both the board and firm performance.

The fourth determinant is vision. In the UK, chairmen reported that their job entailed directing the board to question and challenge the vision set by the CEO and his team. However, in Australia, the chairmen described themselves as the company's 'long-term anchor', as they help the management team to set the vision. In the USA, the chairmen stated that it is their responsibility to shape and enforce the company's vision.

The fifth determinant is recruitment. In both the USA and Australia, the recruitment of the chairman/CEO is based on talent, experience, knowledge, track record and management skills and, preferably, they should be from within the company for sustainability reasons. In the UK, the emphasis is primarily on personal leadership skills and secondarily on expertise, and this has extended the talent pool to Europe and the USA, enabling the products and services from companies in the UK to reach international markets.

The sixth determinant is domicile. In Australia, owing to the nature of their responsibilities, that is, the management of operational matters, chairmen are expected to live in the city where their companies are headquartered. In the USA, because of role duality, chairmen are expected to live close to the company's headquarters. However, in the UK, most of the chairmen head different boards in different countries, and as a result, their jobs entail considerable travelling.

The seventh determinant is the counter-balancing role. The counter-balancing role is to ensure compliance and reduce the probabilities of scandals and concentration of power within one individual, that is, the chairman of the board. In the UK, the post of senior independent director (SID) and in the USA, that of the lead independent director (LID) have been created to balance the chairman's influence on the board, and consequently on the company. In Australia, the deputy chairman is expected to counter the power of the chairman by conducting open debates and ensuring continuous involvement.

The eighth determinant is tenure. In the UK and Australia, the chairmen and non-executive directors who had spent 12–15 years in their companies were positively associated with the high performance of both the company and board. The reason for this positive influence was attributed to the deep understanding of the business gained from working in the same company for a

substantial time. In the USA, chairmen confirmed that it was important to complete approximately 8–10 years in the same company to be able to have a positive impact.

The ninth, and last, determinant is governance pursuit. Governance refers to the rules and regulations set at the national level or the voluntary codes adopted by companies to ensure ethical conduct. All three countries reported almost the same reaction towards enforced governance. They perceived governance to be expensive, unnecessary and a waste of time. They agreed that any misconduct in the company would be related to weak leadership and that regulations, such as the Sarbanes-Oxley Act (2002), cannot resolve leadership problems. Moreover, they all reported that their companies were complying with ethical standards rules that had evolved naturally within the companies.

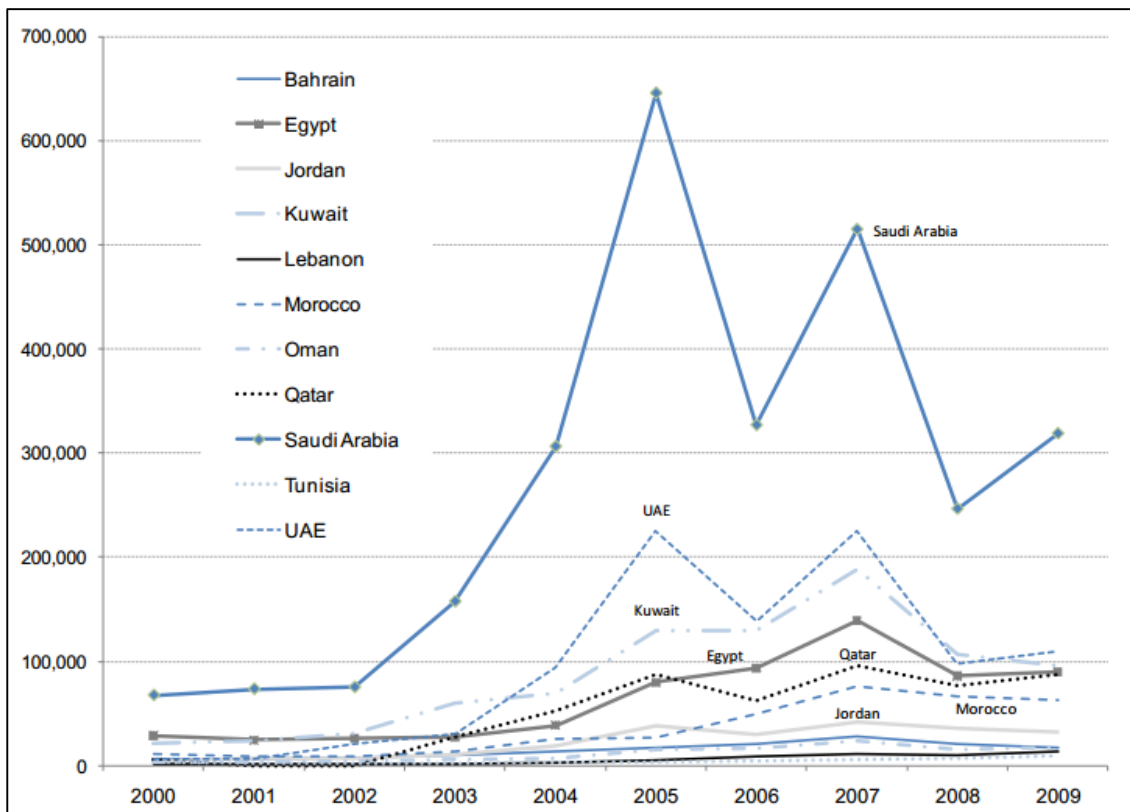
Bowman and Helfat (2001) found that individual leaders, boards of directors and top management team/strategic management hold a strong relationship with corporate performance. Therefore, the manner in which boards and leaderships are structured in firms influences the quality of the firm's decisions and performance. Nevertheless, in a meta-analytic review of a huge sample (board composition/performance more than  $n = 40,000$  and approximately  $n = 13,000$  of leadership structure/performance) conducted by Dalton, et al. (1998), no relationships were found to link either board composition or leadership structure to financial performance. Nevertheless, Dalton, et al. (1998) found such a conclusion 'quite aggressive' and encouraged additional studies to further investigate their conclusions.

Unlike the long established corporate governance codes in the western developed countries, the corporate governance code in the Middle East and North Africa (MENA) region is still in its early stages (OECD, 2010). In 2005, with the aid of the Organisation for Economic Co-operation and Development (OECD), eighteen countries from the MENA region participated in an initiative to develop a corporate governance framework (OECD, 2010 and 2005).

The introduction of corporate governance codes in the MENA region can be summarised as follows (OECD, 2010):

- I. Cultural issues related to the banks' risk-averse profile and corporate disclosure averse nature slowed down the process of corporate borrowing process from banks.
- II. In 2000, both the private sector and government regulators realised the importance of a corporate governance code. That was followed by the 2006 financial market crash (shown in Figure 5 below). Accepting that the market's crash was not due to corporate scandals, the regulators were looking for tighter corporate governance systems.

Figure 5: Market capitalisation (2000-2009, in USD million)



Source: OECD (2010: 3)

- III. Transparency and investors' education were the two main factors to be addressed by a new corporate governance code i.e. listed companies should publish sufficient information regarding investors holdings and investors should be educated about the financial investment tools.
- IV. All the MENA corporate governance codes introduced started as voluntary guidelines to best practise using existing international standards (Figure 6).

- V. Later, some MENA region countries, namely, United Arab Emirates, Saudi Arabia, Oman, Qatar and Jordan, changed their voluntary systems to an obligatory one.

Figure 6: Corporate Governance Codes and Recommendations in the MENA Region

Country	General Corporate Governance Code	Date of issuance	Compliance required	Other Codes/Guidelines
Algeria	Yes	2009	No	-
Bahrain	Yes	2010	No	Guidelines for banks
United Arab Emirates	Yes	2007	Yes	Code for banks
Egypt	Yes	2005, currently under revision	No	Code for state-owned enterprise Code for banks being drafted
Jordan	Yes	2008	Yes	Code for banks
Kuwait	No	-	-	-
Lebanon	Yes	2008	No	Code for small and medium-size enterprises Code for state-owned enterprises being drafted
Morocco	Yes	2008	No	Code for small and medium-size enterprises Code for state-owned enterprises being drafted Code for banks/credit institutions
Tunisia	Yes	2008	No	-
Saudi Arabia	Yes	2006, amended 2009	Yes	Guidelines for banks
Oman	Yes	2002	Yes	-
Qatar	Yes	2009	Yes	-
Syria	Yes	2008	No	Code of governance for financial intermediaries
Yemen	Yes	2010	No	Code for banks being drafted
Palestinian National Authority	Yes	2009	No	Code for banks
Libya	No	-	-	-
Iraq	No	-	-	-

Source: OECD (2010: 5)

The aim of showing different corporate governance systems in this section of the literature review is to identify the provokers and aims of introducing such governing systems to the market. Discussed in the introduction of the first chapter, the scandals of TMT failings resulting in the loss of billions and the



introduction of the Cadbury report in 1992 which Boyd (1996) questioned its ability to stop business scandals in UK. In 2007-2008 up to date business scandals continued to unfold after the 2007-2008 U.S. sub-prime mortgage financial crisis, with a global effect starting in the US and spreading to the financial markets around the world (Reinhart and Rogoff, 2008). In less developed governance system countries, such as the MENA region, new codes were established to attract foreign investment (OECD, 2010). However, the financial market's collapse in the MENA region worked as a motivation to speed up the process (ROSC, 2009). Therefore, it can be concluded that the nature of corporate governance is continuously changing to protect stakeholder interest.

The current study sample was from Saudi Arabia and, a description of the Saudi Corporate Governance Code is detailed in chapter four (sample description under corporate governance system). The following section will discuss organisational resources and how TMTs allocate resources.

### **2.4.2 Organisational Resources**

Eisenhardt (1989: 570) indicated that high-velocity environments are challenging with regard to strategic decision making, due to the following factors: 'information is poor, mistakes are costly and recovery from missed opportunities is difficult'. Strategic leaders should be able to balance external and internal business pressures. As mentioned earlier, professional flexibility is one of the important characteristics of successful strategic leaders.

Professional flexibility can be described as the ability to move both backwards and forwards to balance contradictions, and to respond to industry pressures using autonomous and induced strategic processes (Burgelman, 1983; 1991; 1994; 1996; 2002; Smith and Tushman, 2005; and Burgelman and Grove, 2007). After studying strategic management at Intel Corporation for approximately 37 years and while working at an Intel for approximately 35 years, Burgelman and Grove (2007) emphasised the importance of a firm's strategic flexibility and balance. Moreover, they indicated that the firm's long term performance and longevity rests in the hands of alert strategic leaders. Intel represented international capability, as a leading technology firm, as well as structural complexity, due to its size and resources. Nevertheless, without

balancing the cycles of induced and autonomous strategic process, the firm could have risked longer strategic inertia or even the end of its existence (Burgelman and Grove, 2007).

Induced strategy process entails increased commitment to current core competences by the top management team, represented by the firm's executives, to achieve economies of scale. The top management team will establish the firm's strategy and subsequently ensure that the framework of the set strategy includes the exploitation of all current business prospects. On the other hand, an autonomous strategy process is the process of exploring new prospects outside the current scope of the firm's core competence. Front-line managers or operational managers are usually the first to acknowledge the arrival of new environmental challenges (for example, a new product arrival to the market or new customers' demand). Then, the operational managers, seeing an opportunity in the new market, seek the approval of the top management team to pursue the new business ideas. In such a scenario, the top management is presented with a challenge, and they can either reject the prospect of operational managers championing new ideas or accept and encourage such initiatives.

Figure 7: Strategic Dynamics Framework

	<i>P<sub>i</sub></i> 's Strategic actions	
	Rule-abiding	Rule-changing*
<i>(E, e)</i> 's Strategic actions	Rule-abiding	Stable industry structure  <i>P<sub>i</sub></i> -controlled industry change
	Rule-changing	<i>P<sub>i</sub></i> -independent industry change  Runaway industry change

Source: Burgelman and Grove (2007: 969).

Burgelman and Grove (2007) proposed a framework with four different outcomes of strategic dynamics as the result of firms adopting either the induced or autonomous strategies after their interaction with environmental instability (Figure 7: 53). Environmental instability can be a result of the classical five forces defined by Porter (1990): suppliers, customers, competitors, market new entrance or threat of being substituted. Other non-industry forces include new governmental rules, discoveries of new technologies, or notable financial capital markets instability.

The interaction of a firm with both industry and non-industry environmental instabilities can result in either agreeing on rule-abiding strategic actions or rule-changing strategic action. In the former, firms are involved in a normal, consistent, competitive context guided by the current set of rules. A consistent environmental context will place the firm in either (1) a stable industry structure or (2) a controlled industry change. In the latter, the firm will control the changes because the firm itself has initiated the change. For example, if the firm introduces new agile logistical practices, which will reduce the cost or speed production, then it will be starting a wave of change for other firms. Competitors in the market will begin experiencing the pressures of cost or speed and attempt to cope with the market, resulting in nonlinear dynamics. In this case, the firm initiating the change will be in a successful rule changing, as well as a control market, position.

The last two outcomes of strategic dynamics are the result of rule-changing strategic action from one of the environmental players (industry or non-industry players). A firm can choose to maintain its control market position by seeking new innovative solutions to cope with the new environmental changes. This will result in (3) independent industry change, which is again a nonlinear dynamic, but a result of a change coming from the context in which the firm is operating, and a response to the reaction from the firm. If the environmental players change the market rules and the firm responds by introducing rule changes as well, then this will result in (4) a runaway industry change. This dynamic outcome is described mainly by chaos, turbulence and unexpected events, and is the most unstable outcome of the interaction between a firm and its industrial environment. Eventually, the runaway change situation will adjust and become one of the first three dynamic outcomes. The main

challenge faced by a firm in this situation is whether pursuing a rule-changing action eventually turns out to be the accurate choice. While a firm is exploring new territories, success can lead the firm to new heights. However, failure can risk the long-term continuity of the firm.

Strategic leaders who are balancing such challenges ensure their companies are progressing and dealing with environmental challenges in a timely manner. Moreover, the company has to enhance its current competencies and capabilities to ensure its continuity, improvement and flexibility. Burgelman and Grove (2007) found that strategic leaders cannot select either induced or autonomous processes, but rather they select both in a balanced manner depending on the business context. If strategic leaders cannot find a way to balance both induced and autonomous processes, they may run the risk of finding themselves in a situation where they are fighting over resources, rather than growing the values of the resources (Smith and Tushman, 2005). Moreover, strategic leaders of companies are responsible for plotting the strategic direction and selecting the strategic process to enable and improve the adaptation of the company to change. On the other hand, strategic leaders are also responsible for identifying the strategies that should not to be pursued, by controlling possible undesired autonomous initiatives.

Strategic decisions are initiated to deal with challenges within the company (internal) or those posed by the environment (external). Zajac, Kraatz, and Bresser (2000) developed four possible scenarios to explain organisations' pursuit of strategic fit. The following two conditions are considered in this regard: firstly, whether the need for strategic change exists or not and secondly, whether the organisation takes steps to introduce the necessary strategic change.

If both conditions indicate the need for a strategic change and the organisation attempts to pursue the dynamic strategic fit, then the organisation is in a beneficial strategic change (dynamic fit). For example, if an organisation experiences changes in customer attitudes or behaviours, or amendments in the market's governance systems, then the organisation must implement some strategic changes, since the current strategy cannot cope with these changes. It is important to introduce improvements in such a manner that one

improvement does not negatively affect other existing capabilities. Moreover, the organisation should maintain flexibility to enable the reintroduction of changes, whenever required.

If the organisation initiates a strategic change when there is no requirement for such a change, then the organisation is in an excessive change (dynamic misfit). Occasionally, some strategic leaders drag the entire organisation through continual change simply because they have the resources. This relates to leaders' malpractice of power. On the other hand, some leaders encourage the introduction of the change that is required only at one level to all organisational levels for the betterment of the company. In fact, Zajac, et al. (2000) discovered that taking such change measures places organisations in a better situation than those that are in insufficient strategic change (dynamic misfit).

If the organisation does not introduce any strategic change initiatives when there is a need for a change, then the organisation is in an insufficient strategic change (dynamic misfit). Some organisations do not recognise the internal or external pressures for introducing changes, or do not respond in time. For example, a new trend could arise in the market as a result of increasing competition and not responding to this change could lead to the loss of losing market share for such organisations. In fact, organizations in an insufficient strategic change are placed in the least favourable situation when compared to the organisations in the other three situations discussed above.

If an organisation is not introducing any strategic changes because there is no requirement for them, then the organisation is in a beneficial inertia (dynamic fit). If the organisation is already strategically placed in the market, then there is no need for change. Such a situation will give the organisation the time to understand the strengths and limitations of its resources, and therefore, this scenario is termed beneficial inertia.

Organisations' size introduces complexity into the TMT structure and decision making (Marcel, 2009; Hambrick and Cannella, 2004). Alongside their complexity, larger companies represent internationality, diversification and the ability to influence, and be highly influenced by, turbulence in both macro-level economics and politics (Grant, 2003).

In an in-depth case study, Grant (2003) investigated the following eight oil majors: Royal Dutch/Shell, Exxon, Mobil, British Petroleum, Elf, Texaco, ENI and Amoco. These eight companies provided a useful insight into the turbulent environment faced by them since the 1970s, due to fundamental strategic instability. To adapt to unknown environments, or to be able to make sound strategic decisions, the big companies used the following strategies: scenario planning, strategic intent, strategic innovation, complexity and self-organisation. Scenario planning aims at building the strategic thinking of a group rather than individualistic single perspectives. It introduces greater strategic flexibility by envisaging other alternatives for strategic decisions, by carefully considering all the variables.

For example, Shell saw that scenario planning is an opportunity to change the 'mental models' of strategic leaders. Strategic intent is a commitment to long-term strategic planning by defining the vision and missions. Strategic flexibility, as mentioned earlier, requires less-detailed plans to survive the uncertain environment. Therefore, large organisations require long-term plans, delivered clearly as strategic goals, which direct the short-term strategic plans. Strategic innovation is required for a company to be able to grow and not just simply survive. Planning cannot guarantee innovation, although it can result in strategic inertia. For example, as discussed earlier, Burgelman (1989) indicated that the strategic decision making of big companies can go through strategic inertia while changing the allocation of resources to a new product from the existing core business. This concurs with Grove (2003) and Anton and Yao (2011) suggestion that strategic inertia is a result of planners, rather than the plan itself. Diversity amongst organisation members and the ability to emotionally comprehend business opportunities can improve adaptation and enable innovation. Complexity and self-organisation is an organic method adopted by organisations to take incremental organic steps to prepare themselves for the future. Different organisation members can simultaneously investigate different possible solutions to ensure firm survival and prosperity in a turbulent environment.

Grant (2003) found commonalities amongst the oil companies including the strategic planning cycle, the management role, and strategic decision making. The strategic planning cycle starts with the communication of the planning

guidelines from the head office of the organisation to the business's line managers. These guidelines are a set of different scenarios or a hypothesis of market demand and supply and possible marginal profits. In addition, financial performance targets and resource allocation are established to provide a frame of what the head office expects business lines to deliver in the new fiscal year. Business line managers are then expected to set the strategic plan within the overall corporate goal parameters. This enforces a more decentralised management and permits strategic leaders at the corporate level to focus on meeting shareholder expectations. Moreover, it provides strategic leaders with access to a wider range of diverse knowledge. The planning guidelines stage is followed by the drafting the business plan stage in the strategic planning cycle. The first stage, or strategic planning stage, indicates that the oil companies adopt a bottom-up strategic planning method. The third stage entails the discussion of the draft with the senior management. Discussions are initiated among the senior managements from the business lines, corporate planners and corporate senior management. Meetings in oil companies vary from two hours to twenty-four hours. The aim of this meeting is to discuss the basis of the drafted plans and their alignment with the overall corporate goals. Subsequently, the drafted plan undergoes revision based on the points discussed in the meeting.

Following this, the annual capital and operating budgets are set, to provide business line managers the limits of the new fiscal year spending. The corporate planners then set the final corporate plan based on the data and approved plans. Next, the board approves the plans and this concludes the formal cycle of setting the plan for both the business and corporate levels. The corporate plan and performance targets are used as control, coordination and appraisal tools on both the business and corporate levels. The final stage is the performance appraisals. The performances of business line managers are evaluated in an annual meeting on the basis of the execution of the targets and plans set at the beginning of year. The annual appraisal meetings vary from two to four days in which managers openly discuss what they were, and were not, able to deliver.

As seen above, corporate planners play an important role in formulating the strategic plan. Corporate planners are selected from within the companies and

are either managers or staff from different business lines. Their experience varies from three to five years. Through the years, corporate planners in oil companies have helped in strategic decision making, such as resource allocation and investments, mergers and acquisitions, financial and management restructuring and the identification of threats and opportunities.

Besides these commonalities, Grant (2003) also identified some differences amongst the oil companies. Some of the companies had adopted more formal corporate planning processes than others. Elf and ENI were found to encourage written reports as well as more frequent meetings and presentations, and had less flexible management structures. Other companies, such as BP and Texaco, encouraged less structured systems and more open communication behavioural management. Moreover, some companies planned for as long as twenty years ahead, with both short- and medium-term plans, while others had planned simply for three to five years. However, the short-term plans were quantifiable targets, whereas the long-term plans were qualitative plans. Companies such as BP have lived the dangerous downside of relying on short-medium quantitative plans. In 1992, BP suffered major losses after relying on a short-term strategic plan, predicting oil prices to cost \$20/barrel. As a result, oil companies reduced their reliance on market predictions and speculation, and began using the economic analysis of oil prices only as a reference price.

Grant (2003) concluded that although the overall framework of strategic planning in large oil companies had not undergone major changes, the work involved in strategic planning had transformed them to be able to cope effectively with the ever-changing business environment. This corroborates Mintzberg (1994) finding, which concluded that although strategic planning has undergone major changes, it continues to remain an essential tool for organisations.

### **2.5 Summary of the Literature Review**

The complexity of the business world is growing, due to organisational structure (Taylor, 2003), turbulent environments (Eisenhardt, 1989), changing governing systems (Kakabadse and Kakabadse, 2007), and resources



(Burgelman and Grove, 2007), which has put a focus on organisational strategic leadership (Higgs, 2009 and Menz, 2012).

TMT research was given a fresh lead by Hambrick and Mason (1984) upper echelon theory (Carpenter et al, 2004 and Pettigrew, 1992). TMT research has witnessed widespread interest investigating TMT from many different angles. Agreement about who is a TMT member and who is not was found to be difficult by TMT researchers (Pettigrew, 1992). While some researchers used a theoretical definition (Carpenter and Fredrickson, 2001), other researchers have used an empirical definition (Eisenhardt, 1989; Amason and Sapienza, 1997; and Iaquinto and Fredrickson, 1997). TMT demographic characteristics were investigated through the relationships between TMT gender and financial expertise and biased decision (Rost and Osterloh, 2010), bankruptcies (Hambrick and D'Aveni, 1992), TMT function, education, and tenure and strategic consensus (Knight et al, 1999), and TMT structure and firm outcome (Hambrick and Cannella, 2004; Zhang, 2006; Marcel, 2009; Carpenter and Fredrickson, 2001; and Greening and Johnson, 1997).

TMT research was also investigated through typologies, with the aim to understand and predict organisational outcome (Shrivastava and Nachman, 1989; Miles and Snow, 1978) and through the TMT strategic decisions process (Eisenhardt, 1989; Baum and Wally, 2003; Judge and Miller, 1991; Nutt, 1993; Gioia and Chittipeddi, 1991; and Maitlis and Ozcelik, 2004). Another aspect of TMT research looked at organisational resources (Burgelman and Grove, 2007; Zajac, et al., 2000) and organisational governance systems (Taylor, 2003 and 2004; Kakabadse and Kakabadse, 2007).

Nevertheless, TMT research can still benefit from further research. The current study aims to address the following gaps in the TMT literature:

- I. Overcoming access to TMT hardship, to draw conclusions from primary data via qualitative research to understand TMT processes and interaction links to strategic decision making and organisational outcome, building on existing research which remains inconclusive and rare (Pettigrew, 1992; Hambrick, 2007; and Finkelstein, Hambrick, and Cannella, 2009).

II. Exploring new cultures represented by different nationalities, backgrounds and religions into TMT demographics and context, which could give new insights to TMT literature, which is predominantly from developed, Western economies (Rost and Osterloh, 2010; Menz, 2012; and Pettigrew, 1992).

III. Power relationships between firms' boards of directors and TMT reporting to the boards effecting organisational outcome (Pettigrew, 1992 and Menz, 2012).

The research of the current thesis, as discussed earlier in chapter one, has been informed by the research of Eisenhardt (1989) and Higgs (2006), applying the upper echelons theory of Hambrick and Mason (1984) with the aim to building on the current research, as suggested by Menz (2012), Hambrick (2007), Pettigrew (1992) and Pitcher and Smith (2001). Moreover, the current research data has been drawn from primary data using a qualitative methodology in a new cultural context, thus answering the calls of Rost and Osterloh (2010) Menz (2012) and Pettigrew (1992) and touches on the power relation of firms' boards and TMT reporting to the boards Pettigrew (1992) and Menz (2012).

Based on the above, the final section of this chapter discusses the theoretical lens applied to this thesis. The UET developed by Hambrick and Mason (1984) has been applied as a theoretical lens informed by Eisenhardt (1989) and Higgs (2006) research. The UET focuses on the influence of top management teams on strategic decisions and its relationship with firm performance, which will help in answering the research question of this thesis.

## **2.6 Theoretical Lens**

'Hambrick and Mason (1984) watershed article, 'Upper Echelons: The Organization as a Reflection of its Top Managers', has spawned an important and prolific stream of research on top management teams' (Pitcher and Smith, 2001: 1).

The significance that UET had on leadership literature was discussed in the first chapter under the heading of the research gap. The UET shifted the focus

of leadership from individual leaders to the top management team (TMT) as a group giving the TMT characteristics a power over organisational outcome within the environmental context (Menz, 2012; Higgs, 2009; Pitcher and Smith, 2001; Thomas and Ramaswamy, 1996; Pettigrew, 1992; and Hambrick and D'aveni, 1992).

Pitcher and Smith (2001), acknowledging the importance of UET on the basis of the impact the theory had on TMT research, found that by 1996 approximately 40 empirical studies had used UET to investigate TMT demographics and its effects on firms' outcomes. Carpenter et al (2004), recognizing the wide interest Hambrick and Mason (1984) had created in the literature, reviewed the research which built on Hambrick and Mason (1984) in order to identify possible gaps in the research and possible reasons why they had been overlooked. Carpenter et al (2004) noted that the UET was cited in more than 500 refereed journal articles in different disciplines. Menz (2012) found 39 published articles while synthesising research completed up to 2009 from the top 100 management, business and finance journals. Despite this vast interest in the UET, research into the UET can benefit from further inquiries as discussed in the summary of the literature review above. Hambrick (2007) was asked to write an update of the theory by the editorial board of the Academy of Management Journal (AMR), considering the significant effect that the UET had had on the literature.

The following part of the theoretical lens starts with a description of Hambrick and Mason (1984) UET, followed by a critique drawn from studies building on the UET. This followed by the links to, and the importance of, UET to the research question of this thesis, followed by an evaluation of Eisenhardt (1989) and Higgs (2006) research, which was used to complement and inform the research of this thesis. The theoretical lens conclusion ends the literature review chapter and introduces the next chapter.

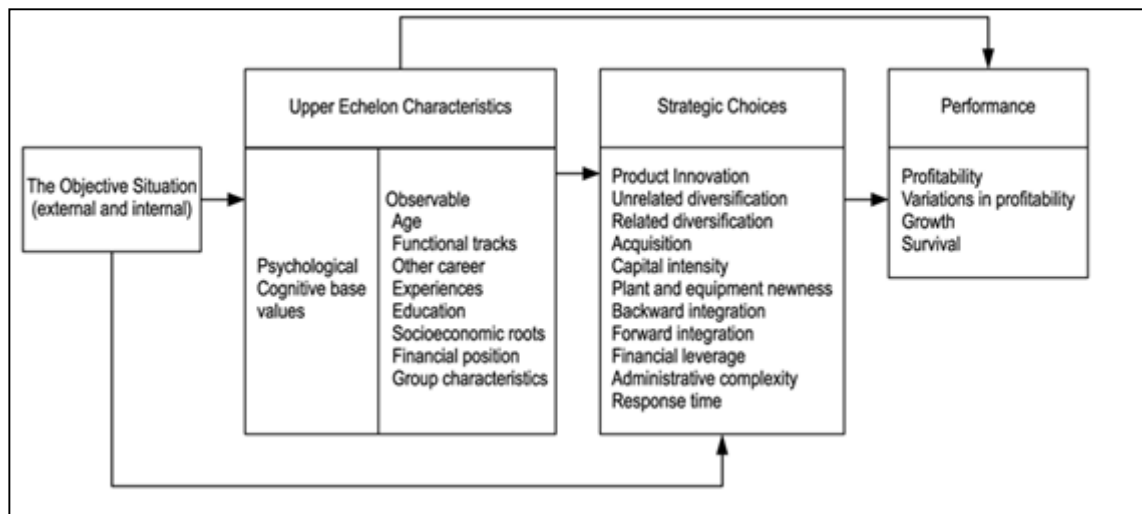
The theoretical lens applied to this research is the Upper Echelons Theory (UET), which was first introduced by Hambrick and Mason (1984). This theory was chosen for two reasons. Firstly, UET considers (1) strategic leaders taking (2) strategic decisions and their (3) effect on performance, which is of high relevance to the current research question. Secondly, the UET is a theory in

which the three points mentioned above are linked in a framework to an existing body of literature which has tested the UET allowing conclusions to be drawn.

The UET suggests that the characteristics and background of top managers influence the firm's strategic choices and performance. Hambrick and Mason (1984) indicated that strategic choices are complex and significant to a firm's structure and are therefore considered by UET. However other organisational decisions, such as inventory decisions, are of an operational nature and hence are not the focus of the theory.

Hambrick and Mason (1984) based their theory upon the premise that the decisions made by strategic decision makers are driven by their own set of 'cognitive bases', 'givens' and 'values'. Moreover, they indicated that the influence of these drivers on the decision making process can be seen in the listing of preferred course of actions and alternatives (Figure 8).

Figure 8: Outline of the Upper Echelons Theory (UET).



Source: Hambrick and Mason (1984: 198).

Figure 8 above shows that when top management teams are faced with a situation, regardless of whether it arises from within and/or from outside the firm, the situation undergoes various stages of filtering, until a solution or a course of action is identified.

Firstly, Hambrick and Mason (1984) identified the characteristics of the upper echelons, which are divided into two parts: the psychological and the cognitive. The psychological echelons characteristics, which are not easily observed, refer to the beliefs and values of the upper echelons. The second set of upper echelons characteristics are the observable characteristics such as age, functional tracks, other career experience, education, socioeconomic roots, financial position and group demographic characteristics. Hambrick and Mason (1984) urged researchers to use 'objective, observable and verifiable' top management team characteristics. The UET proposed that both observable sets of characteristics work as filters for the upper echelons preserved situation, limiting their field of vision and therefore, limiting the number of alternatives, and ultimately the manner, in which the situation is interpreted.

The UET, Hambrick and Mason (1984) suggested that a younger top management team member is considered to have the tendency of taking risky strategic decisions. Moreover, they are associated with greater growth and inconsistent profitability in comparison to the industry average.

The functional track is likely to influence strategic choices. Hambrick and Mason (1984) describe top management team members as dominant characters who use their experience for making decisions. Therefore, Hambrick and Mason (1984) proposed a positive relationship between the total output functional experience of the top management team, i.e. marketing and research and development, functional experience, and both growth and output strategies, such as advertising and product innovation strategies. On the other hand, top management team members who have more throughput functional experience, i.e. finance and accounting functional experience, have a positive relationship with throughput strategic decisions, such as backward integration and automation. However, in a stable environment, top management team members with throughput functional experience in a commodity-based industry are positively linked to profitability. On the other hand, in a turbulent environment and a differentiation-based industry, executives with output functional experience are positively related to profitability. Top management team members with peripheral functional experience and law or finance backgrounds are positively related to unrelated diversification and administratively complex decision making.

Other career experience is proposed to have an important impact on top management team decisions. Top management team members with long tenures in the same firm have a negative relationship with new area exploration-related decisions, such as unrelated diversification. However, in a stable environment, the top management team members with long tenures are positively related to both profit and growth. In contrast, in a turbulent environment, top management team members who have managed the same firm for a long period are negatively related to both profitability and growth.

Another premise of the UET is related to formal education. The length, but not the type, of formal education of top management team members is related positively to innovativeness. Although the length of formal education is not related to average performance or growth, it is positively related to a less variable performance and the complexity of administrative affairs, such as formal planning and compensation systems.

Another characteristic of the upper echelon that can influence the top management team's decision making is socioeconomic background. Top management team members belonging to less advantaged socioeconomic groups will actively pursue decisions related to mergers and acquisitions, and experience more variable performance when compared to other top management team members belonging to higher socioeconomic groups.

The upper echelons theory suggests that the percentage of the total earnings by top management teams, such as bonuses and stock options, is related to firm profitability. However, the relationship between a firm's share performance and the top management team is weak.

The decision making process in firms with a homogeneous top management team is faster than in firms with a heterogeneous top management team. The upper echelons theory suggests that profitability will be positively related to heterogeneous top management teams in a turbulent environment, and to homogeneous top management teams in a stable environment.

Hambrick and Mason (1984) summarise the importance of their theory in three main possible contributions. Firstly, the UET can offer a more accurate basis for predicting organisational outcomes. Secondly, the UET can enable the

selection and hire of senior management executives. Thirdly, the UET can offer enable strategists to understand their competitor's moves and actions.

Based on Hambrick and Mason (1989) insight, that studying a single firm with multiple divisions and conducting a detailed analysis of top managers can reveal interesting insights, Pitcher and Smith (2001) studied a single global financial corporation, Burgelman and Grove (2007) studied Intel, while Lovas and Ghoshal (2000) studied Oticon a hearing aid firm. Others looked at TMT multiple firms in a single industry, such as Eisenhardt (1989) researching 8 microcomputer firms and Grant (2003) researching 8 oil firms. Some researchers looked at TMTs in multiple industries, such as Judge and Miller (1991) researching hospitals, textiles and biotechnology and Higgs (2006) investigating 2 non-governmental organisations and 1 governmental organisation in the same study. Each of these research designs has their benefits and downfalls, which will be discussed in chapter three under research design.

Inspired by the UET and Hambrick and Mason (1984) notion to test measurable demographics, much research has focused on individuals, mainly CEOs, and TMT demographic characteristics, as seen earlier in the literature review. Pitcher and Smith (2001) concluded that it is extremely difficult and complex to measure personality and 'cognitive base'. However, it is important to do so because different personalities showed different systems of attitudes in their study. For example, an artist labelled top management teams perceive slack as an opportunity or recourse for future investment, while a technocrat perceives slack as system inefficacy, and a craftsman top management team perceives slack as a resource to fund people development.

Scholars such as Higgs and Dulewicz (1998) emphasized the limited scope of the UET, as it focuses only on a limited set of variables. The UET has resulted in systematic 'flaw and limitation' due to the use of TMT characteristics as surrogates to predict organisational outcomes (Higgs, 2009). In addition to the limited scope of UET, Pettigrew (1992) argued that it is extremely difficult for researchers to get access to top management teams to collect data, and so some scholars had to rely on archival data instead. He added that to empirically and conceptually develop TMT research, existing research needs to

be a starting point from which researchers complete and progress, via the use of new data and research forms. Pettigrew (1992) described firms' contexts i.e. power, industry, sector, politics, economics to be of high importance and relevance to the study of TMT to be able to have a complete picture. He emphasised that 'Tilting research on managerial elites towards processual studies of interlocking networks, boards, and top management teams in action is surely no longer a nice to have, but now an essential' (Pettigrew, 1992: 177).

In line with Hambrick and Mason (1984) notion, Pitcher and Smith (2001:2) agreed that even though firms face strong influential environmental forces, they 'are in some important sense a reflection of their top managers'. However, the results of various studies applying the UET have been conflicting (Hambrick, 2007; Higgs, 2009; Pitcher and Smith, 2001; Menz, 2012). From the literature discussed earlier in the chapter, the conflicting results can be attributed to the following reasons:

- I. The difficulty in getting access to TMT primary data (Pettigrew, 1992; Higgs and Dulewicz, 1997; Knight et al, 1999; Rost and Osterloh, 2010; and Menz, 2012). Therefore, researchers used TMT archival data and demographics as a surrogate to predict organisational outcome (Pettigrew, 1992; Higgs, 1999; Lichtenstein, Samouel, and Higgs, 2005; Higgs, 2006 and Menz, 2012).
- II. Neglecting possible curvilinear relationships between TMT demographics and organisational outcome, by testing relationships linearly and comparing them to existing body of research (Golden and Zajac, 2001).
- III. Researchers not building on the existing body of literature and by using different theoretical frames, methodologies and background (Pettigrew, 1992 and Menz, 2012).
- IV. Paying little attention to the social and organisational contexts which can be affected by factors such as power and attention to preferences (Pettigrew, 1992; and Golden and Zajac, 2001).

Based on the conflicting results from the literature about top management team demographics and not fully accepting Finkelstein and Hambrick(1996)



suggestion that it is methodological, Pitcher and Smith (2001) suggested five possible reasons for conflicting results using the UET:

I-The proposed hypothesis is wrong and it does not hold a relationship with TMT demographics.

II- The proposed hypothesis is correct. However, since a moderating variable was overlooked, the relationship is not represented or explained properly.

III- The proposed hypothesis is correct. However, since an intervening variable was overlooked, the relationship is not represented or explained properly.

IV- The proposed hypothesis is correct; However, an independent or dependant variable has been measured weakly. This can result in a false positive or negative relationship, which contradicts the findings of another study.

V- A small mislabelling of both independent and dependant variables can cause a significant result or cancel out a significant statistical finding, resulting in a non-finding.

In light of the discussions above and to avoid coming to disconnected contributions, the current research relied on primary data by successfully gaining access to TMTs as opposed to relying on archival data. Attention was given to the social and organisational context by exploring the social and organisational changes taking place which were relevant to the sample in the study. Moreover, the current research built on existing literature, in particular the work of Eisenhardt (1989) and Higgs (2006). Below is a discussion of the work of Eisenhardt (1989) and Higgs (2006).

This part of the theoretical lens discusses Eisenhardt (1989) research, which informed the research design of this thesis.

Eisenhardt (1989) employed a multiple case design that permitted logic replication. Eisenhardt (1989) research considered multiple levels of analysis (i) TMT, (ii) strategic decision and (iii) firm performance. The following data sources were used by Eisenhardt: (i) initial CEO interviews, (ii) semi-structured

interviews with each TMT, (iii) questionnaires completed by each TMT member surveying politics and power, and (iv) secondary data. The details regarding the design are discussed subsequently in the research methodology chapter under research design.

Higgs (2006) looked at top management teams' success factors. One of the motives for Higgs (2006) when conducting this research was that there is a paucity of research into senior teams' linkage to performance outcomes (Higgs, 2006). One of the reasons for the lack of empirical research on this topic is that researchers find it difficult to gaining access to top and senior management teams (Higgs and Dulewicz, 1997, Kilduff, et al., 2000; Higgs, 2006). And linking the characteristics of top management teams and firm performance relying on 'archival and demographic data' (Higgs, 1999; Lichtenstein, et al., 2005; Higgs, 2006).

Based on the direct data from 54 senior management teams comprising 196 members, Higgs (2006) considered senior management teams, their different personalities, how they work together and how that affects firm performance. The study was designed to explore individuals' characteristics in teams as inputs, and the processes employed by the team which translate the inputs into productive outputs. Accepting that team performance is more critical than individual performance, Higgs (2006: 163) looked at 'process intervention' as a means of 'successful senior team performance'. In measuring those intervening factors Higgs (2006) employed the Belbin team roles/team role mix, supra-competences, critical thinking appraisal, a Team processes survey and a Team outcome survey.

Higgs (2006) investigated 54 senior management teams in three organisations. The three organisations included two large UK-based financial organisations and a local government organisation. The team outcome survey that was completed by the team leaders measured the following three factors: team cohesion, improvement orientation and achievements. The team process survey that was filled out by team members measured fourteen factors: atmosphere, communication and interaction, performance orientation, involvement and participation, confidence and comfort, learning and improvement, roles, composition and contribution, process orientation,

realistic focus, alignment, enabling leadership, interface management, and distribution of contribution. The data analysis showed that team size, team tenure and company did not have an impact on any of the outcome variables (Higgs, 2006). Enabling leadership (one of team processes' survey and critical thinking appraisal factors) was found to have a significant relationship with improvement orientation. Moreover communication, involvement, performance orientation increased the influence of the team characteristics mix on team performance. Higgs (2006) found that elements of teams' characteristics (character and skills) as a group, in addition to the processes employed by the teams, will explain team performance variance more than team characteristics or team processes elements individually. Moreover, team outcomes have a relationship to the Belbin team roles in terms of team mix and team capabilities. Moreover, he found that team processes do mediate team performance and team characteristics.

In a reflective article on the work done so far on TMT applying the UET, Hambrick (2007) identifies possible points to consider for future TMT researchers. To understand the organisation's decisions and performance, it is important to consider 'the biases and dispositions of the most powerful actors—top executives' (Hambrick, 2007: 334).

The first premise of the UET, as mentioned above, is that the top management team members' individual perceptions influence their interpretation of the strategic situation and thus, dictate their actions. The second premise is that individual perception is a construct of executives values, characters and experiences, which brings the UET to the bounded rationality theory, which states that a complex and uncertain organisational environment will produce an interpretation that includes 'biases and dispositions of the strong actors', instead of producing an objective analysis (Hambrick, 2007: 334). Hambrick (2007) views leadership of large and/or complex organisations as a 'shared activity', rather than the job of a single person. Therefore, the shift in strategic leadership focused more on the compositions and processes of top management teams (Hambrick, 2007).

Researchers such as Carpenter and Fredrickson (2001) and Bantel and Jackson (1989) have concluded that 'organisational outcomes depended at least in part

on TMT composition' (Hambrick, 2007: 334). The UET does not specifically focus attention on top management teams or a particular group, but examining executive groups usually better explains the outcomes of organisations (Hambrick, 2007).

Another premise of the UET which was tested is executive demographic characteristics used as valid, but incomplete proxies to their cognitive frames (Hambrick, 2007). It is extremely difficult to obtain psychological data for members of top management teams. Lawrence (1997) described the motivation behind executives' decisions and behaviours as the 'black box'. Therefore, as explained above, it is very challenging for researchers to use information regarding executive's educational credentials, functional background and firm tenures as the only explanations for TMT behaviours. Despite this challenge, researchers such as Eisenhardt (1989), were able to gain access to relevant information and establish a positive relationship between top management executives/teams and organisational strategy and performance (Hambrick, 2007).

Based on the existing studies in the field that have employed the UET, Hambrick (2007) enhanced the theory by adding two possible refinements: (1) managerial discretion and (2) executive job demands.

- I. Managerial discretion was added as a refinement to bring the following two opposing theories closer: (i) executives do have a considerable influence on organisational outcomes, which finds its support in the strategic management tradition and (ii) organisations and their environments have a greater influence on organisational outcomes, which finds its support from the population ecologists and institutional theorists, who claim that individuals/teams have little influence on the decision making processes in complex mature organisations, due to the strong effect of external environmental forces (Hambrick, 2007).

Based on Hambrick and Finkelstein (1987) work, Hambrick (2007) argues that both of the views mentioned above are 'conditionally valid' and that it depends on the level of managerial discretion. Hambrick (2007) argued that the more options that are available to an executive due to ambiguity or lack of constraints, the higher the level of discretion he/she has. Therefore, the level

of managerial discretion depends on environmental forces, internal organisational contexts and the executives themselves. If a high level of discretion is exercised, then there is a higher likelihood of witnessing a strong influence by the executives' characteristics on both strategic decision and performance. In contrast, if only a low level of discretion is exercised, then executives' characteristics do not considerably influence strategy and performance.

II. Executive job demands, as a moderator, was introduced by Hambrick, et al. (2005). The more demanding an executive's job, the more their decisions will reflect their work experience and draw heavily on their managerial background and expertise. In contrast, the less demanding an executive's job, the greater the time that executives invest in analysing the situation. Moreover, some executives have capable subordinates, whereas other executives do not. Overall, there are three factors that influence job demands: task challenges, performance challenges and executive aspiration. Undoubtedly, organisations are unique in terms of certain factors, for example, being a monopoly or having higher levels of corporate governance, and therefore, job demands differ from one organization to another.

Other refinements are (i) power distribution within the top management team and (ii) behavioural integration of top management team.

I. The first refinement was derived from Finkelstein (1992) research, which concluded that to measure or predict the influence of top management team members' strategic behaviours, there is a need to account for their individual powers (Hambrick, 2007). This is because some members have more decision-making powers than others.

Investigating the 'varying involvement of different executives in different decisions domains could be one of the next research frontiers for upper echelons scholars' (Hambrick, 2007: 336).

II. The second refinement, behavioural integration of the top management team, was introduced by Hambrick (1994; 1995). Hambrick observed that in some cases, top management team members choose to

have direct relationships with a single top executive, such as a CEO or a CFO, rather than with each other. This influences the organisational outcomes of both strategic decisions and performance. Therefore, behaviours' integration is 'the degree to which a TMT engages in mutual and collective interaction. A behaviourally integrated TMT shares information, resources and decisions' (Hambrick, 2007: 336).

To enhance the UET, 'predictive strength' researchers need to examine not only the structures of top management teams, but also that of the sub-teams. This will enable a better understanding of 'TMT composition and processes' (Hambrick, 2007).

As mentioned above, the UET proposed by Hambrick and Mason (1984) suggests that 'executives' characteristics serve to filter and distort information in a three-step process: executives' experiences, values and personalities affect their (i) field of vision (the directions in which they look and listen), (ii) selective perception (what they actually see and hear) and (iii) interpretation (how they attach meaning to what they see and hear)' (Hambrick, 2007: 337). However, only a few researchers have examined the influence of the characteristics of top management team members on information processes. Therefore, the manners in which both the psychological and social processes translate to strategic choices remain unknown (Hambrick, 2007). An understanding of this will improve strategic decision making because it will enable strategic leaders to gain an awareness of their own biases.

Although Hambrick and Mason (1984) developed the UET in 1984, Hambrick (2007) added refinements to the theory and revealing unexplored territories will enable researchers to add to the extant literature.

## **2.7 Conclusion**

The aim of the literature review chapter was to highlight and discuss extant research on top management teams (TMT) strategic leadership, decision making and effects on firm performance, as well as the theoretical lens for the research. The literature review helped to shape and to identify the research gap and intends to best answer the current research question.

The first part of the literature review discussed TMT significance and differences between the empirical and theoretical TMT definitions. Due to the empirical nature of the current research, the researcher applied the empirical definition to identify TMT members, informed by Eisenhardt (1989) research.

Drawing from TMT definitions, the second and third sections discussed strategic leadership and strategic decision making respectively, and their effects on organisational outcome.

Strategic leadership was discussed through definition, characteristics and typologies in relation to their effects on organisational outcome. Then strategic decision was discussed through definitions and process.

The fourth section of the literature review discussed organisational context, which was highlighted by several scholars to be of great importance to TMT research. The structure of TMT was discussed through the corporate governance literature, as well as the organisational resources managed by TMT to achieve organisational goals.

The fourth part was followed by the identified gaps in TMT literature which the current study aimed to address. The gaps identified were: (i) investigating TMT strategic decision making process and its influence over organisational outcome, building on primary qualitative data (ii) exploring new cultural national contexts (iii) uncovering power relationships between firms' Boards of Directors and the TMT reporting to the Board.

The fifth and final section of the literature review discussed the upper echelon theory, which was the theoretical lens applied to this research. Hambrick and Mason (1984) upper echelon theory was explained through their own published original work and then critiqued through the extant research which built on the upper echelons theory, providing possible insight to overcome any shortfall of the theory. The current research was informed by the work of Eisenhardt (1989) and Higgs (2006) which were therefore discussed. The current research investigation/objectives stated in chapter one (Introduction, Table 1: 6) are now detailed in Table 2 below in relation to the literature review discussed in the current chapter.

Table 2: Research Investigation in Relation to the Literature Review Discussed

Top Management Teams' Influences on Strategic Decision Making and Firms' Outcomes in the Case of Saudi Arabia's Private Sector.	
i. TMT involved in the strategic decision making process.	<p>Adopting the empirical TMT definition helps in:</p> <p>(a) Identifying who is actually involved in making the strategic decision as opposed to assuming involvement (Hambrick, 2007; Knight et al, 1999; Amason and Sapienza, 1997; and Iaquinto and Fredrickson, 1997).</p> <p>(b) Uncovering possible power and political relations within the TMT (Pitcher and Smith, 2001; and Pettigrew, 1992).</p> <p>(c) Following Eisenhardt (1989) research design thus enabling contribution by extension (Pitcher and Smith, 2001) and building on existing research (Menz, 2012).</p>
ii. TMTs interaction during the process of making a strategic decision?	<p>Applying Hambrick and Mason (1984) UET, drawing conclusions from primary qualitative data helps in:</p> <p>(a) Establishing access to the TMT, thus getting closer to the TMT strategic decision making process rather than relying on archival data (Menz, 2012; Hambrick, 2007).</p> <p>(b) Understanding possible TMT demographic effects on TMT interactions e.g. TMT cognitive characters, TMT composition and diversity (Johnson et al, 2012; Marcel, 2009; Chatterjee and Hambrick, 2007; Carpenter and Fredrickson, 2001; Zhang, 2006; Hambrick et al, 2004; and Taylor, 2003) via qualitative primary data.</p> <p>(c) Understanding how TMTs translate internal and external environmental forces (e.g. resources, corporate governance, competition, etc.) through their own words (Burgelman and Grove, 2007; Pitcher and Smith, 2001; Mador, 2000; and Pettigrew, 1992).</p> <p>(d) Understanding the power relationship between</p>



	firms' boards of directors and the TMT reporting to the boards (Menz, 2012; Golden and Zajac, 2001; and Pettigrew, 1992).
iii. The outcome of TMT strategic decision making process.	<p>Applying Hambrick and Mason (1984) UET will enable:</p> <p>(a) Understanding how the TMT strategic decision process influences organisational outcomes e.g. growth, backward diversification etc. as the UET last framework dimension (Menz, 2012; Thomas and Ramaswamy, 1996; Hambrick et al, 1992; Eisenhardt, 1989; Hambrick and Mason, 1984; and Miles and Snow, 1978).</p>
iv. In Saudi Arabia's Private Sector (new national context).	<p>Investigating the TMT strategic decision making process in a new national context helps in:</p> <p>(a) Identifying possible differences and similarities in the TMT strategic decision making process, thus contributing to the existing body of TMT literature mainly drawn from Western developed countries (Menz, 2012; Rost and Osterloh, 2010; and Shrivastava and Nachman, 1989).</p>

The following chapter is the research methodology chapter where the current research methodology and design will be explained and discussed.

## **3. Chapter Three: Research Methodology**

### **3.1 Introduction**

This chapter discusses the research methodology used in the research. The research methodology provides researchers with the means to investigate their research question. Nevertheless, one approach is no better than another, unless applied in a certain context in which one methodology is more suited to help answer the particular research question (Saunders, Thornhill, and Lewis, 2007). For example, a research question looking to test cause and effect relationships in a controlled experiment is better answered through a positivistic paradigm and a quantitative methodology, whereas, a research design seeking to understand and gain a deeper insight into a phenomena in its context through the words of its social actors is better answered via an interpretivist paradigm and qualitative methodology.

This chapter is divided into four main parts. The first part covers the research philosophy and paradigm, while the second part discusses the research design, and includes the methodology, approach, purpose, and strategy. The third part covers the data collection and analysis. Finally, the fourth part is a conclusion summarizing the chapter.

The current study investigates the influence of top management team strategic leadership on strategic decision making and organisational outcome in the case of the Saudi Arabian private sector. The extant research helped in identifying the current research contributions to literature and shaping the research investigation. Yin (2009) advised researchers to look at literature review as a mean to an end i.e. to gain insightful knowledge of a matter and to sharpen the research question. In achieving the current study aim, a pragmatic ontology and an epistemological philosophy with a critical realism paradigm was adopted. A qualitative methodology was applied, assisted by mixed methods. Silverman (2010) highlighted that the research question should determine the research methods, by choosing the most appropriate methods to answer the research question. Guided by that notion, and informed by the Eisenhardt (1989) research design, the adopted methods of the research strategy were: semi-structured interviews, survey in the form of a

questionnaire, and document analysis, all of which helped to build the multi-case design adopted. Tools to refine the application of the chosen strategies were used. The Critical Incident Technique (CIT) (Flanagan, 1954; Chell, 1998 and Saunders et al, 2007) was used to help focus the semi-structured interview answers. The 24 Hour Rule (Eisenhardt, 1989) was used to keep note of any observation done during the data collection within the frame of 24 hours of making any observation. Triangulation of the data source was used to minimise bias (Miles and Huberman, 1994 and Hartley, 2004). After the data was collected it was analysed using template analysis with the aid of the computerised software Nvivo. Below is a critical review of the applied research philosophy and design with a review of other available philosophies, methods and techniques.

### 3.2 Research Philosophy

‘Paradigm issues are crucial; no inquirer, we maintain, ought to go about the business of inquiry without being clear about just what paradigm informs and guides his or her approach’ (Guba and Lincoln, 1994: 116).

Guba and Lincoln (1994) argued that deciding which research paradigm is applicable to the research question is of primary importance when compared to research methods. They defended their position by pointing out that both quantitative and qualitative methods can be applied to any research paradigm appropriately, and that the way in which a researcher views the world around him/her is of more importance as a guide to the development of the research.

Paradigms in social science studies refer to ‘the way of examining a social phenomenon from which particular understandings of these phenomena can be gained and explanations attempted’ (Saunders et al, 2007: 112). The research paradigm helps researchers to describe and understand their assumptions about their own, and other researchers’, nature of social constructs and, therefore, how to plan and execute their research (Burrell and Morgan, 1979). Guba and Lincoln (1994: 107) defined paradigm as ‘a set of basic beliefs (or metaphysics) that deals with ultimate’s or first principles. It represents a worldview that defines, for its holder, the nature of the world, the

individual place in it, and the range of possible relationships to that world and its parts, as, for example cosmologies and theologies do.’. Guba and Lincoln (1994: 108) identified three connected fundamental questions with each answer, thus informing the answer of the following questions, namely:

- I. The ontological question, which identifies the nature of the reality studied i.e. are the social actors given a weight in the research to influence reality, or are they considered to be separate from their entities?
- II. The epistemological question, which is concerned with what represents ‘acceptable knowledge’ in research being the relationship between ‘the knower and what can be known’
- III. The methodological question, which is concerned with the mean a researcher applies to answer the research question.

In a similar approach, but as a definition of the qualitative research process, Denzin and Lincoln (2011: 11) labelled the qualitative research process as ontology, epistemology and methodology. Starting with the researcher approaching a study with an agenda of how he/she views the world ‘ontology’, which will lead to certain questions, ‘epistemology’, which he/she investigates ‘methodology’ in an explicit manner.

Adopting Guba and Lincoln (1994) three questions above, the research of the current study answers each question in detail below.

### **3.2.1 Ontology**

In the current study, a pragmatic ontology is adopted. Pragmatism emerged as a paradigm post -1990, an era when researchers accepted that qualitative and quantitative methods are compatible (Denzin and Lincoln, 2011). Therefore, pragmatism allows the researcher to be guided by their research question in choosing the methods that best answer the question, rather than being guided by the research philosophy to answer the question (Denzin and Lincoln, 2011). Tashakkori and Teddlie (1998) argue that pragmatist researchers find that it is hard to adopt only one philosophy to answer a research question, and that the same research question can be answered using both philosophies (positivism and interpretivism) under the same research umbrella. Tashakkori and Teddlie

(1998) argue that researchers at the same point in a study can see themselves as a separate reality from what they are studying, although at another point in the same study it is possible that it interacts with his/her reality.

The researcher of the current study, guided by the research question, adopted a qualitative methodology with a mixed method using semi-structured interviews, surveys and document analysis informed by Eisenhardt (1989) to answer the research question (the reasons for the use of mixed methods will be discussed later in the chapter headed Research Design).

The second ontological philosophical branch is subjectivism. Here researchers give social actors weight, with influence over the reality of the organizational phenomena which is a result of their actions. Such a view entails continuous change in the researchers' view, due to the nature of the social actors.

Subjectivism is usually associated with social constructionism, which emphasizes the importance to understand the subjective meanings that cause the social actors' behaviours in a trial, in order to understand the behaviours. For example, if a researcher is investigating managers in a certain organization, he/she will study each manager, as they will interpret the environment around them differently, according to their perception of the reality, and act accordingly. Therefore, managers' actions can be explained by their own perceptions.

On the other hand, objectivist researchers see organizations as existing in a reality where social actors have nothing to do with altering that reality. Objectivists view the entities and social actors as two separate existences that have little, if any, influence on each other. Such a philosophical view conflicts with the current study core base of knowledge, where TMT own cognitive abilities and values work as a filter as to how they view the organizational context and are believed to possess the power to change the course of organizations action (Hambrick and Mason, 1984; Pettigrews, 1992; and Golden and Zajac, 2001). If an objectivist ontological philosophical researcher is studying a certain organization, he/she will argue that the organization has its own set of policies and procedures, and that the leaders of the different levels in the organization are expected to follow a certain job description.

### 3.2.2 Epistemology

Epistemology ‘concerns what constitutes acceptable knowledge in the field of a study’ (Saunders et al, 2007: 102).

The current research adopts a critical realism epistemology. A realism epistemology researcher adopts the view which claims that what we perceive through our senses is the truth, and that there is a reality in objects which is independent from our minds. Realism in social science was advanced by Harre’s philosophical writings, then followed by two of his students, Keat and Bhaskar (Blaikie, 2007). However, critical realism is associated with Bhaskar, as Harre diverted more to social constructionism (Blaikie, 2007). Bhaskar’s critical realism, as will be explained below, seeks a middle way between natural science positivistic views and pure interpretivism (Sayer, 2000 and Blaikie, 2007). Bhaskar’s (1979: 442) motivation for a new way was to answer what he called ‘the primal problem of the philosophy of the social sciences’ which was ‘to what extent can society be studied in the same way as nature?’.

There are two forms of realism: direct realism and critical realism. The direct realism researcher argues that ‘what you see is what you get’, whereas critical realism claims that what we witness in the world around us is a ‘sensation’ through the images we see, but not the truth, as our senses can be deceptive. Critical realists do not believe in ‘universal claims to truth’ (Denzin and Lincoln, 2011: 11). Moreover, critical realism does not claim to yield the ‘true knowledge’ (Sayer, 2000). A direct realist would settle for a subject and the sensation it carries to make a decision, while a critical realist would add a second step, which is the ‘mental process’ that continues after seeing the subject, and will use this to inform a decision and look for explanations. For a critical realist, structure and power are accepted qualities related to objects which can be discovered through a critical look at what conditions/mechanisms produce or cause certain actions rather than others i.e. emphasis is on contingency and necessity as opposed to regularity (Sayer, 2000 and Bhaskar, 1975). The critical realist view identifies the importance of multi-level studies and their changing nature (Denzin and Lincoln, 2011), whereas the direct realist stance sees the world as ‘relatively unchangeable’,

functioning in an environment of a single level, which would be individuals, teams or corporations.

In this research critical realism was the adopted philosophy, since this research was concerned with a complex multiple dimensional being: the input of strategic leaders, with the product being strategic decisions and how they affected organizational outcome, in the context of the private sector in Saudi Arabia. In this study the researcher looked at possible explanations by exploring the strategic decisions taken by the strategic leaders of top management teams, and how that process affected the organizational outcomes in Saudi Arabia. In doing so, the researcher did not simply accept the participants' explanation of their realities, but took a critical evaluation of the reality through the use of different research strategies and different levels of analysis, looking for patterns in the strategic decision making process.

The current study collected participants' words and explanations of the strategic decision making process. Then, the researcher took a critical look at their interpretations. For example, participants explaining some challenges during the process of gaining approval to start the implementation phase were collected, and then the researcher: (i) compared the participant's interpretations to those of his/her team members interpretations of the same event, (ii) looked at the participant demographic characteristic and context to seek possible new understanding relying on the extant literature, and (iii) used the archival data collected and surveys to look for confirmation and/or further understanding. By doing so, possible reasons for TMTs members' behaviour e.g. conflict amongst the TMT were seen, possibly, to be connected to the TMT heterogeneous demography, which, in some cases, was emphasised due to a high velocity environment.

Critical realism rejects pure cause and effect positivist views or the interpretivist interpretation of the social world (Sayer, 2000). Social science for a critical realist 'is neither nomothetic (that is, law-seeking) nor idiographic (concerned with documenting the unique)' (Sayer, 2000: 3).

Another way of understanding critical realism is by comparing it to positivism. A positivist epistemology researcher is concerned mainly with collecting and analysing generalizable facts in a cause and effect relationship with variables

and in a controlled setting, arguing that this will be 'bias free' and more objective (Denzin and Lincoln, 2011). The end result of such a study is likely to be rule-like generalizable findings, which are mostly found in natural scientists' research (Remenyi, Williams, Money, and Swartz, 1998). A positivist epistemology researcher usually relies on a developed theory and testing a hypothesis, and views his/her position in the data collection process to be external and independent, with no influence on the research subjects.

A third branch of epistemology is interpretivism. An interpretivist epistemology researcher puts emphasis on the importance of humans' different roles as social actors in the research. Interpretivism sheds light on the individual's diverse roles within the researched context. For example, interpretivism highlights the significant concept of the empathetic position taken by the researcher as part of the research, and does not separate the researcher from the context. Therefore, interpretivist epistemology is one of the suitable research philosophies when investigating business related topics. However, every context has its own uniqueness in the business world and, therefore, the finding's generalisability is not a goal aimed at by interpretivist researchers. Interpretivism is derived from the two 'intellectual traditions': (i) phenomenology, which represents the manner in which humans interpret the world around them, and (ii) symbolic interactionism, which refers to a non-stop interpretation of the world around us, the individuals involved with us in the research, and their behaviour, resulting in continuous amendment of prior interpretations of behaviour and its meaning.

In the first part of this chapter both the researcher's pragmatic ontology and critical realism epistemology were discussed. The application of the epistemological critical realist philosophy was explained, and the area into which the research paradigm fell was argued in relation to the other available paradigms. The second part of this chapter discusses the research design.

### **3.3 Research Design**

Research design can be defined as the logical set of research, which includes identifying the desired question/s for the study, important data, the method to collect the data, and analysing the data results (Philliber, Schwab and



Samsloss, 1980). Therefore, the research design covers the research strategy, choice and time horizon, which turns the research question into a project (Robson, 2002). Hartley (2004: 326) defined research design as 'the argument for the logical steps which will be taken to link the research question(s) and issues to data collection, analysis and interpretation in a coherent way'. In short, it defines how a researcher plans to progress from one point to the other in a certain order to answer the research question against the background of the chosen paradigm. It is important to distinguish a research design from tactics, as a research design focuses on a broader view of the research, whereas tactics focuses on the smaller details in the research, such as choosing to apply the critical incident technique (CIT) to focus interviews answers (Flanagan, 1954; Chell, 1998 and Saunders et al, 2007). In choosing a method, technique or an approach for the data sources that best help answer the research question, a researcher must also take into account her/his training or/and experience to be able to build a comprehensive case for the phenomena studied (Trumbull, 2005). The researcher of this study had attended and passed a mandatory research methodology course at the beginning of the research. In addition, the researcher attended the Nvivo training course before and after the data collection, and a data protection course, both of which helped in coding, analysing and protecting the data. The researcher already had experience of qualitative research methodology with semi structured interviews and document analysis, as this had been the research structure used to obtain a Masters in Business Administration.

The research investigated the influence of top management team strategic leadership on strategic decision making and organisational outcome in the case of the Saudi Arabia's private sector. Adopting a qualitative research methodology aided the researcher in achieving the current study aim, as it accounts for the human experience, such as systems of belief and feelings' (Silverman, 2010). Trumbull (2005) described qualitative research as 'a multi-method in focus', as it studies the phenomena in their own natural context in order to be able to interpret it and make sense of it through the meanings that people bring in. Kirk and Miller (1968) viewed qualitative research as social researchers investigating people in their own territories and interacting with them in their own 'language and terms'.

The theoretical lens of the current research was the 'The Upper Echelon Theory' developed by Hambrick and Mason (1984), who grounded their theory upon the premise that strategic decision makers derive their decisions from their own set of 'cognitive base', 'givens' and 'values'. The theoretical lens was discussed in detail at the end of the literature review chapter. By applying a qualitative methodology, TMT were investigated in their organisation settings by looking at the processes and interactions between TMT members, which answers the calls of several scholars (Pettigrew, 1992; Hambrick, 2007; and Finkelstein, Hambrick and Cannella, 2009). By using a qualitative methodology Burgelman and Grove (2007) traded off external validity to gain a deeper understanding and insight into a certain incomplete phenomenon.

The organisational setting for the current research is in Saudi Arabia and the results will be discussed in comparison to the existing body of literature, which is predominantly from developed, Western economies (Rost and Osterloh, 2010; Menz, 2012; and Pettigrew, 1992). Therefore, as noted by Pitcher and Smith (2001: 2) 'replication with extensions', which is a rarely used methodology, yet one which would facilitate comparability more, was applied to the current research.

Moreover, in avoiding coming to disconnected contributions by looking at intersecting topics without attempting to build on mutual ground, as noted by Thomas and Ramaswamy (1996), the application of Eisenhardt (1989) research design and the use of Higgs (2006) executive teams' processes surveys, with the application of the UET as the theoretical lens, helped in contributing to TMT literature as well as facilitating comparability.

### **3.3.1 Research purposes**

This part of the research design is concerned with what the result of the research question would be. The result can be descriptive, explanatory, exploratory or a mix of any of them. Robson (2002) highlighted that the purpose of research can change over the course of the research. The purpose of the current research was to explore and then explain the phenomenon which is TMT making strategic decisions and linking this to firm outcome in the Saudi Arabia's private sector. The strategy to achieve that was by firstly exploring TMT literature and collecting the available archival data of the

private 14 firms researched, and then trying to understand the how and why through data analysis with the aid of the theoretical lens. However, guided by Robson (2002), researchers are advised to keep an open mind if the course of the research demands a change of purpose to answer the research question.

Exploratory studies are useful for researchers who are looking to understand what is happening, and can be useful to check whether a particular issue or problem is worth researching. Saunders et al, (2007) identify three ways to explore research: (i) start the research by exploring the available literature, (ii) conduct interviews with people who are labelled as 'expert' in the matter to be researched, and (iii) start conducting focus groups.

Explanatory studies explain cause and effect relationships in quantitative studies, whereas in qualitative studies, for example, data is collected to explain why a phenomenon is taking place. A researcher seeking to understand the causes of a certain issue can explain it by the use of correlation to connect various variables and thereby identify possible reasons for that relationship if applying a quantitative methodology (Saunders et al, 2007). Questions of why and how are more explanatory in nature, which usually apply a case study strategy as one of their preferred strategies beside experimental and historian research (Yin, 2009).

Descriptive studies are seen as part of the exploratory, or explanatory, studies. A researcher prior to exploring or explaining a specific phenomenon can start by describing phenomenon by collecting and synthesizing data. Saunders et al, (2007) see descriptive studies as a useful tool as a part of exploring or explaining studies, but not as a standalone purpose of a study.

### **3.3.2 Research Strategy**

The research strategy used in the current research is discussed in the four sections below. The first part discusses the actual choice of strategy for this research. The second part discusses Eisenhardt (1989) research design which informed this research strategy design, as explained in the literature review chapter earlier. The third part, discusses the available research strategies, while the final part discusses the triangulation of the research.

There are different research strategies, all of which can be employed for any research purpose mentioned above i.e. exploratory, explanatory or descriptive (Yin, 2003). However, some research strategies will enable researchers to answer their research question better than other research strategies, not because they are better but simply because each research question is unique in its nature (Saunders et al, 2007). Research strategies are divided into: case study, experimental research, action research, grounded theory, ethnography and archival research. Each will be discussed below.

I. A case study strategy was used for this research. The merits of a case study strategy are discussed followed by a definition of the case study.

Pitcher and Smith (2001) have strongly encouraged researchers applying a qualitative methodology to use case study as means to help in identifying and linking relationships and constructs. Trumbull (2005) and Hartley (2004) pointed out several advantages to a case study strategy, such as that it is applicable to both qualitative and quantitative studies, and that it can be used with other data sources such as interviews, questionnaires and documents. Multiple data sources will enrich the case study and give it depth, helping the researcher to validate data and build a case study which enables him/her to understand the phenomena within its own context and build up themes (Hartley, 2004). More importantly, case studies are beneficial when looking at the environmental context effect on organizational processes and/or behaviours (Hartley, 2004).

Yin (2009: 4) defines case study as the ability to 'retain the holistic and meaningful characteristics of real life events such as individual life cycles, small group behaviour, organisational and managerial process, neighbourhood change, school performance, international relations, and the maturation of business'. A summary of Yin's case study design merits can be listed as follows:

- a) It is the preferred method when studying current phenomena/events when the behaviours related to the events cannot be manipulated by the researcher.

- b) It is the most useful method when the line between a phenomena and its context cannot be clearly drawn.
- c) It enables researchers to observe what is happening in real time, with the privilege of being able to interview the people involved in the events.
- d) It has the ability to deal with the different data collected (multiple method) for evidence such as interviews, documents, reports, and observation.

Case study, as defined by Merriam and Makower (1988), is an examination of 'a bounded system'. The location and time-frames bounds the social phenomena investigated by researchers. There are two different programs a case study researcher can choose from (Trumbull, 2005): (i) a multi-case design which involves more than one case study, also known as collective case study, or (ii) a single case design, which can be either an intrinsic case study where a certain aspect of the case selected is studied, or an instrumental case study which focuses the exploration on a specific issue or issues.

Eisenhardt (1991: 620) described multiple case study research as powerful and summarised multiple case study merits in the following: 'they permit replication and extension among individual cases. Replication simply means that individual cases can be used for independent corroboration of specific propositions. This corroboration helps researchers to perceive patterns more easily and to eliminate chance associations. Extension refers to the use of multiple cases to develop more elaborate theory. Different cases often emphasize complementary aspects of a phenomenon. By piecing together the individual patterns, the researcher can draw a more complete theoretical picture'.

Yin (2009) described case study as being a distinctive empirical inquiry tool, yet not desirable by researchers when compared to experiment and survey for four reasons. The first reason is the lack of clear rigour and to avoid that Yin (2009) advised researchers to be systematic in building their case studies. Moreover, case study design rigour can be improved by specification of research questions, previous literature, multiple participants and theoretical

sampling (Eisenhardt, 1991). Yin (2009) second reason is the lack of generalizability generated by data. The third reason is the length of data and results generated from the investigation. The fourth reason is case studies generated by researchers who are using case studies instead of experimental research to answer questions about direct cause 'treatment' to an effect.

The researcher of the current study built on the research design of Eisenhardt (1989) by applying a multi case study design and using a systematic order in both collecting and analysing the data, thus minimising bias which can question a qualitative case study's research rigour. The use of multi-case study enabled the researcher of the current study to cross-compare and verify the findings (Hartley, 2004). As generalizability is not a goal aimed at by qualitative researchers, it was sacrificed to gain a closer and a better understanding of the phenomenon in its own context. Moreover, using case design is a method that has been used by TMT researchers such as Pitcher and Smith (2001), Lovas and Ghoshal (2000), Eisenhardt (1989), Eisenhardt and Bourgeois (1988), and Burgelman and Grove (2007).

The following Table 3 summarises other research designs which were available but not applied to the current research.

Table 3: Available Reserach Strtegies

Research Design	Reasons why it was not Applied
<u>Action Research</u> : has a 'focus on change' and does call for most of research time to be spent on diagnosis, planning, taking action, and then evaluation. The social actors concerned with the change and who will be implementing it are the employees of the researched organization, therefore, involving the employees will increase the probabilities of identifying where to start the change and its chances of success as well (Schein, 1999). The research can be (i) concerned with the goal of the research rather than 'a research about action' (Coghlaut and Brannick, 2005) e.g. looking at the implications of new regulation and how the actors of organizations effected by it respond, rather than simply reporting a case of applying a new regulation in an organization, (ii) concerned with researchers being directly involved with	The current research in not looking at current actions to diagnose them with the researcher being part of a change of the organizations visited but rather investigating actions in the past as explained by the decision makers. Therefore, action research is not a suitable strategy to help answer the current research questions.

<p>members whose organization or behaviours are being researched with social actors as partners, in a matter that is of concern to both the researcher and the participants, (iii) concerned with the process of action research, starting with diagnosis, planning, then taking action, and finally evaluating, with all of the four stages taking place within a specific environment and defined objective and then repeat until objective is reached (Robson, 2000), or (iv) concerned with having inferences to help in other contexts as well (Eden and Huxham, 1996).</p>	
<p><u>Experimental research</u>: strategy found its roots in the natural sciences, but it is used as well by social studies and management studies, especially organizational behaviour (Saunders et al, 2007). Experimental research strategy is used to answer the why and how research questions that attempt to link or find causal relationships between variables, the extent of change caused and/or how relatively important it is. Traditionally, experimental research would have two groups that were very similar to each other. Then a designed intervention is applied to one of the groups, the 'experimental group', with no intervention to the other group, the 'control group'. Then comparisons can be made between both groups before, and after, the intervention. Having such control on the research design increases the internal validity but not necessary the external validity. To achieve a control over design the sample size is usually small, and to be able to control a huge sample size, consideration of the financial and time burden should be taken (Hakim, 2000).</p>	<p>The current research is not investigating cause and effect relationships of variables with designed control groups but rather a phenomenon in its own social context which includes personal testimonies in the form of semi-structured interviews.</p>
<p><u>Grounded theory researchers</u>: start with collecting data via various observations in order to develop a theory without a specific theoretical frame (Saunders et al, 2007). Collis and Hussey (2003) see grounded theory as 'an inductive/deductive approach, theory being grounded in such continual reference to the data' (Saunders et al, 2007:142). Goulding (2002) sees grounded theory to be a useful tool to 'predict and explain behaviour'. Therefore, grounded theory can be used, for example, to investigate employee or customer behaviours.</p>	<p>The current research is aiming to answer a predefined question informed by TMT literature with a framework on which the data was collected and then analysed and was not aiming to ground a proposed theory.</p>
<p><u>Ethnography research</u>: strategy is to 'describe and explain the social world the research subjects inhabit in the way in which they could describe and explain it' (Saunders et al, 2007:</p>	<p>The current research investigated TMT strategic decisions making process with the aim to understand</p>

142). This type of research requires a lengthy time and flexibility toward change, to enable the researcher to submerge in the world under research and adopt various changing patterns and understanding of the world observed.	a specific action in the past which ethnographical observations would have not enabled the researcher to understand. Moreover, access to attend firms meetings was not granted never mind access to a lengthy close observation.
<u>Archival Research strategy</u> : is a strategy whereby the primary source of data is administrative records and documents. The analysis of events will be from the recent or distant past of the organisational life. Therefore, the research question/s will be concerned with the past. The main limitation of such a strategy can be the possibility of missing data, which may have left a research question unanswered (Hakim, 2000 and Saunders et al, 2007).	Archival research would have given partial answer to the research question and questioned the research contributions to TMT literature. Discussed in the first and second chapters several calls of scholars encouraging TMT researches to use primary data (Hambrick, 2007; Higgs, 2009; and Pettigrew, 1992).

The following section discusses Eisenhardt (1989) research design which informed the research design of this study.

#### **The Eisenhardt (1989) Research Design:**

Menz (2012) urged research to build on existing research to be able to contribute to the top management team studies and to avoid reaching conflicting results, as has happened in the extant literature, when new research has applied new designs, methodologies and not built on existing research, while Pettigrew (1992) encouraged researchers to use existing research as the starting point of new research and to enable the conceptual and empirical development of TMT literature. Below is a description of the design. It should be noted that the reasoning for the choice has been discussed earlier in the literature review chapter, under the theoretical lens discussion. Eisenhardt (1989) research design is summarised in points, and this is followed by a table to compare the current research design with Eisenhardt (1989) research design (

Table 4: 93).



- I. Eisenhardt (1989) research was a three dimensional case study design which included (i) executive teams making (ii) rapid decisions in the high velocity microcomputer industry (iii) affecting firm performance. Eisenhardt (1989) used an inductive approach and eight case studies. The business environment in which the research was conducted can be described as volatile, with continues changes in demand and the technology, highly competitive, and where information given to executives to take decisions was usually inaccurate or was unavailable.
- II. Eisenhardt (1989) applied a multiple-case design, allowing replication logic. Eisenhardt (1989) research looked at multiple levels of analysis of (i) TMTs (ii) strategic decisions, and (iii) firm performances. The data sources were: (i) initial CEO interviews (ii) semi-structured interviews with each TMT (iii) questionnaires completed by each TMT member, and (iv) secondary data.
- III. The entry interviews were in a semi-structured format which covered the following: (i) a description of the firm's competitive strategy, (ii) a description of the firm's distinctive competencies, (iii) its major competitors, (iv) the firm's performance, and (v) any recent/on-going major decisions.
- IV. The major decisions identified by the CEOs in the entry fell into the following criteria, which were deemed to be strategic. A decision had to '(i) involve strategic positioning, (ii) have high stakes, (iii) involve as many of the functions of the firm as possible, and (iv) be considered representative of the process by which major decisions are made at the firm.' (Eisenhardt. 1989: 546).
- V. After the entry interviews with the CEOs, each team member was interviewed by answering 16 semi structured questions. The interviews were scheduled for up to two hours, but some interviews took four hours to complete. The aim of the first part of the interview was to get an idea of the strategic processes of the firm, covering the firm's competitive strategy, the functional strategy of the area of the interviewee, the frequency of meetings, and the nature of the interaction. The second part of the interview covered the strategic decisions identified by the CEOs' entry interviews (getting a specific strategic decision process). The focus was on events and facts i.e. what

did you do? When? Two investigators conducted each interview, one asked the questions and the second took notes. Immediately after the interview they cross checked both the facts and their impressions.

- VI. There were rules applied to enable verifications of the information given: (a) the 24 Hours Rule was applied (Eisenhardt, 1989), which dictated that detailed notes of facts and impressions must be written up within a time frame of 24 hours, (b) the inclusion of all data, no matter its importance, or not, at that point, and (c) to end each interview's notes with the impression gained about each firm.
- VII. Questionnaires were used to provide quantitative data, and focussed on conflict and power as variables, which were deemed important by Eisenhardt (1989), drawing from previous research.
- VIII. Observation: a day long strategic meeting in one of the firms was attended and a weekly executive staff meeting in another firm.
- IX. Secondary data: industry reports, internal documents, and informal observation were used by Eisenhardt (1989).

Table 4: Comparisons between Eisenhardt (1989) Design and the Current Study Design.

<b>Eisenhardt (1989) Design</b>	<b>Current Study Design</b>	<b>Comments</b>
Multi-case study: eight case studies	Multi-case study: fourteen case studies	The researcher stopped collecting data when the research question was answered. Therefore, it was not a matter of how many cases but had the research question been answered?
Single industry: computer	Eight industries and three geographical location in the same country (cross-sectional)	Investigating different industries takes the research results beyond industry limitations.
Data sources: (i) initial CEO interviews (ii) semi-structured interviews with each TMT (iii) questionnaires completed by each TMT	Data sources: (i) semi-structured interviews with each TMT (ii) questionnaires completed by each TMT member and (iii)	Questionnaire in the current study was used under a qualitative lens, while in Eisenhardt's work it was used quantitatively with a

member, and (iv) secondary data.	secondary data.	sample size allowing for generalizability
Entry interviews with the CEOs identifying strategic decisions and TMT involved	A short phone call with a TMT member identifying strategic decisions and TMT involved	CEOs in Saudi firms are not always the figures who have the authority to discuss data access and/or sensitive firm information.
Observation of meetings	No access was granted for observation	This was due to sensitivity and confidentiality concerns.
Multi-able research assistance to collect, verify and analyse data.	No research assistance	The data collection, transcription, translation, and analysis were done by the researcher.

As mentioned above, Eisenhardt (1989) research design helped examination of multiple levels of analysis (i) TMT (ii) strategic decision and (iii) firm performance. The current study looked at similar levels of analysis, namely: (i) TMT (ii) strategic decision and (iii) firm outcome, but did not focus on the speed of the strategic decision making process as such. Moreover, considering the limitation on time and funding for this study, the researcher was unable to conduct as lengthy a piece of research as that of Eisenhardt (1989), who had the help of several research assistants to collect, verify and analyse the data. Also, the strategy meetings of the firms were not accessible for reasons of confidentiality. Therefore, the observation of meetings was not included in the current research design. In addition, the researcher of the current study used a pre-existing survey (Higgs, 2006) which helped investigate the executive managers' process detailed below, under data collection-surveys.

### 3.3.3 Case Selection and Access

Researching sensitive topics, such as strategic decisions taken by TMTs and how that translates to organisational outcome, can be a reason to hinder data access in itself. It has been discussed earlier in the literature review how few TMT researchers overcame primary data access hardship. Knight et al (1999), for example, used entry interviews with CEOs as a mean to explain their research and gain access approval, which came in the form of a memo sent to TMT members requesting participation. Hartley (2004) noted that members of

an organization will naturally safeguard their reputation and that there are organizational members who possess more influence over the data access approval than others. As mentioned above, the cases selected for this research were private sector firms in Saudi Arabia. The private sector is more established in the Kingdom of Saudi Arabia in terms of publically reporting detailed audited annual financial reports, and publically available historical briefs, governed and monitored via recognised authorities. Such a governed context eased the process of gaining access in terms of identifying firms' TMT structure and firms' histories. Key figures in each firm and / or means of contact were available on their websites, which were used to send the initial request for data access. Moreover, the public availability of data helped the researcher build an initial idea about the firm's strategy, recent changes and / or challenges, performance and, in some cases, demographic data regarding the targeted participants in the firm. Shrivastava and Nachman (1989) noted that researching organisations with large amounts of publicly available data enables contextualisation, which helps in understanding data context which is unique to its organisation.

The ability to gain access and collect data depended on three main approvals. The first approval request was sent to the firms in Saudi Arabia. A letter of introduction explaining the purpose of the research, methods of data collection, and addressing any possible ethical concerns is suggested as a technique to ease gaining access (Chell, 1998). Then, the second approval request was sent to the University of Southampton Ethical Committee. The approval of the University Ethical Committee was granted and was referenced 'Ethics Reference: 3693'. Next the approved Participant Information Sheet and Consent Forms were sent to the firms, while the approved Debriefing Form was sent after the research was conducted with each firm. The last approval request was sent to the funder of the research , namely the Saudi Arabian Cultural Bureau (SACB) in the form of a letter written by the research supervisor, giving the dates and purpose of the trip.

The researcher relied on the extant empirical research when selecting the private sector firms for the current study. Complex firms will be a character of firms with an international presence (Carpenter and Fredrickson, 2001) and big firm size (Hambrick and Cannella, 2004), which will bring complexity at the top

i.e. TMT. Complex TMTs will, by extension, produce varied strategic decisions, which would enrich the study. All the fourteen firms selected had an international presence and defined TMT structure, as will be seen in chapter four, where each case will be described. The selected firms covered the three main regions of the Kingdom of Saudi Arabia, operating in eight different industries, as seen in Table 5: 97 below. After the firms were selected, the identification of a key figure in each firm was done with the help of the researcher's own network and previous work experience. This was important to ease access to the firms (Hartley, 2004), and to discuss the strategic decision which would be investigated and who was involved in the decision (Knight et al, 1999; and Eisenhardt 1989). With regard to the number of cases, the researcher stopped contacting new firms when the aim of the research was achieved. As noted by Eisenhardt (1991), instead of arguing for the correct number of cases in a study, it is actually what we know of the phenomenon under investigation and what new knowledge we can contribute from the cases that should determine the number of cases.

### **3.3.4 Data Collection**

Collecting data systematically enables qualitative researchers to focus on the research on hand and enhances the rigour of a qualitative research, as mentioned earlier. Hartley (2004) noted that it is useful for case study researchers to start data collection with publically available data, such as organisational charts and to map different stakeholders as an orientation to the targeted organisations. The data was collected for this research from two sources. The first source was from secondary data, via organisational reports, sector reports, public interviews with the firms' key figures, financial reports and firms websites. The second source was from primary data sources, via the use of semi structured interviews and surveys (Table 5: 97). The data was collected in an orderly and systematic approach, as will be shown below. The sampling technique of this research was purposive sampling. The purposive sampling technique is a recommended technique used in case study method (Trumbull, 2005). The technique enabled the researcher to talk to individuals who were considered to be experts in their field in relation to the case being studied (Trumbull, 2005). King (2004:16) emphasised that 'a case study which is making realist assumptions about the interview data would want to be sure

to include a sample representing important distinctions within the organisational population in relation to the change under investigation, and would assert that the analysis gains in validity by increasing the number of different viewpoints collected via interviews.’ The interviews and surveys for the current study (primary data) targeted top management team members and senior executives involved in the specific strategy making process of a strategic decision. Moreover, by including everyone who was involved in making the strategic decision, the analysis validity was increased. Ensuring confidentiality and stating clearly the purpose of the research questions before the interview enabled the participants to be more relaxed and more responsive, as advised by Chell (1998).

The order of data collection in terms of geographical regions was: central region firms in Riyadh, western region firms in Jeddah, eastern region firms in Dammam and Khobar, and then returning to the central region to complete the remaining firms in Riyadh (Appendix I). There was no particular reason for the order other than the time scheduled with the firms and their availability. In the first day of data collection, only one firm was visited and two participants were interviewed and surveyed from that firm. The reason for this was to allow reflection on the data collection process, to identify possible themes emerging from the interviews and to evaluate more accurately the time needed to conduct the interviews and then complete the survey. In each firm, first the team leader was interviewed, and then given the Team Outcome Survey to complete (see Appendix III). Following this, the team members who were identified by the team leader as members of the team making the strategic decisions were interviewed and then given the Dimension of Management - Team Process Survey to complete (see Appendix IV).

Table 5: Data Collection Summary.

Category	Number	Detail
Number of Firms	14	-Specialised Health Care (1) -Chemical, Energy and Gas (3) -Construction and Industrial (3) -Consultancy (1) -Pharmaceutical (2) -Finance, Investment and Banking (2) -Food (1)

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		-Marketing (1)
Number of Strategic Decisions	14	<ul style="list-style-type: none"> <li>-Relocation of Staff</li> <li>-Restructure of Business (4)</li> <li>-New Product(1<sup>st</sup> mover advantage) (2)</li> <li>-Hiring a CIO</li> <li>-Firing a CEO</li> <li>-Partial acquisition (40%)</li> <li>-Financing and Hedging</li> <li>-Entering then Exiting a New Market</li> <li>-Listing the Company</li> <li>-One IT Platform</li> </ul>
Number of Top Management Team Members Interviewed	32 (31 recorded)	<ul style="list-style-type: none"> <li>-Board member (2)</li> <li>-Chairperson</li> <li>-Vice Chairman &amp; MD</li> <li>-MD (4)</li> <li>-CEO (6)</li> <li>-CFO</li> <li>-Deputy CEO (3)</li> <li>-GM (2)</li> <li>-Recruitment Officer</li> <li>-VP Shared Services</li> <li>-Sales VP</li> <li>-Production VP</li> <li>-Legal Affairs President</li> <li>-Financial Consultant</li> <li>-General Consultant</li> <li>-Head of Islamic Banking</li> <li>-Head of (Islamic) Shariah Compliance</li> <li>-Development &amp; Planning Director</li> <li>-Marketing Director</li> <li>-Financial Controller</li> </ul>
Number of Face-to-Face Interviews	25	In the firm's offices
Number of Phone Interviews	7	
Number of Surveys	29	3 participants did not return the filled forms.
Number of Geographical Regions	3	<ul style="list-style-type: none"> <li>-The Central Region: Riyadh City</li> <li>-The Eastern Region: Dammam City &amp; Khobar City</li> <li>-The Western Region: Jeddah City</li> </ul>

The semi-structured interview questions are discussed below. This is followed by a discussion of the differences between the team leader's survey and the team member's survey and what they measured.

### **3.3.4.1 Interviews**

The following section gives an explanation of why the interview strategy was used, details of the strategy, the technique that was used to aid the strategy, namely the Critical Incident Technique (CIT) (Flanagan, 1954; and Chell, 1998), and finally the shortfalls of using interviews to collect data, and how these were addressed.

The research design was informed by Eisenhardt (1989) work, where the use of interviews helped in understanding similar issues related to strategy, strategic decision making, strategic leaders and firm performance, as detailed in the literature review chapter and the research design earlier. The use of the semi-structured interviews strategy with the aid of the Critical Incident Technique (CIT) helped in answering the research question. The CIT helped the researcher to get a deeper understanding of the incidents being the strategic decisions from the point of view of the top management teams, who were involved directly in the decisions.

The interview goal in qualitative research is to investigate and understand a phenomenon through the participant's viewpoint and to look at how and why the interviewee came to this specific viewpoint (King, 2004). Khan and Cannell (1957) defined an interview as 'a purposeful discussion between two or more people' (Saunders et al, 2007: 310). There are different types of interviews that can help researchers to answer their research question/s or to formulate their research question/s. Interviews can take the form of structured interviews, which are interviewer administered questionnaires, semi-structured, in-depth, and group interviews. The structured interview was not suitable to answer the research question of this thesis because:

- I. It requires the researcher to read the questions systematically and then complete a standard table of answers on an answers sheet (King, 2004; and Saunders et al, 2007).



II. Data collected will be quantified data on pre-coded answer sheet, therefore referred to as a 'quantitative research interview' (Saunders et al, 2007; and Robson, 2002). The methodology of this research was of a qualitative nature with a critical realist epistemological philosophy.

III. In some of the interviews, the order of the questions varied according to the participant's answer, which again favours a semi-structured or unstructured type of interview, rather than a structured interview (Healey, 1991; Jankowicz, 2005; and Saunders et al, 2007).

The second type of interviews is unstructured in-depth interviews, which is an informant or participant interview, as opposed to the structured interviews, which are a respondent interview (King, 2004). The thesis research aim and purpose was to explore and explain a certain phenomenon in the context of the private sector in Saudi Arabia, with specific aspects derived from the literature formulating the thirteen semi-structured interview questions, shown in Table 6: 109 below. Therefore, giving the participants structured administrative questions would have limited the participants' replies to the options provided by the researcher. In addition, giving the participants unstructured interview questions could have driven the participants' replies away from the scope of the research. In addition, realist interviews are usually more structured in the sense of the topics needing to be covered, as opposed to social constructionists and phenomenological interviews (King, 2004). The use of group interviews would not have helped the researcher to get the individualized feedback from each individual of the top management teams' members involved in the decision-making process, which was required to help understand the strategic decisions. The individualized responses helped as well with the analysis of the data, using the Upper Echelon theory, which was applied as a theoretical lens, detailed at the end of the literature review.

Moreover, the sensitivity and complexity of the subject, strategy and strategic decision making, could have represented a challenge for the participants to be able to answer spontaneously questions relating to conflict resolution, challenges, politics and failures if they had been in a group interview. Another reason to favour the semi-structured interview was concerns about the time constraint. Taking into consideration that the participants were top

management team members, mainly CEOs, CFOs, VPs, Chairpersons, board members, etc. the researcher would have risked going over the 40 minute maximum suggested time for the interviews if the questions had been in an unstructured form. The order of the data collection started with firstly conducting face to face interviews (with the exception of 7 interviews done over the phone), then filling in the surveys, which helped to establish personal contacts. Establishing personal contacts with participants helped to address any confidentiality concerns, and allowed the participants to enquire about the use of the data after collection. It would have been a challenge if the surveys had been sent prior to the interviews, or if the interview questions had been sent via email or post, as participants might have found it hard to answer the thirteen questions in the detail ultimately needed to answer the research question (Healey, 1991; and Saunders et al, 2007).

The semi-structured interviews, with the aid of the critical incident technique, helped with forming the interview questions, which were derived from the literature (Table 6: 109). It is of great importance for researchers to examine firstly their own assumptions, whether they are positivistic or non-positivistic, in order to be able to decide how the CIT can be applied to facilitate answering the research question (Chell, 1998).

‘The critical incident technique is a qualitative interview procedure which facilitates the investigation of significant occurrences (events, incidents, processes or issues) identified by the participant, the way they are managed, and the outcomes in terms of perceived effects. The objective is to gain an understanding of the incident from the perspective of the individual, taking into account cognitive, affective and behavioural elements.’ (Chell, 1998: 56).

Chell (1998) identified eight different stages of CIT, namely:

i- Preliminary design work and determination of the sample: in this stage the researcher engaged in a state of design that included collecting data from secondary sources to build an idea about the organization to be investigated. A phone interview with a firm senior member gave the researcher an idea of the targeted sample, and what might be of more or less importance to the research in terms of the different departments of the firm. Certain people

working in the same industries as the selected firms helped by giving a preliminary idea of who was available to discuss the possibility of agreeing to participate in the research. Then phone calls with the selected firms were conducted. The secondary data publically available about the firms who gave their initial acceptance was then identified, which helped in working towards the second phase descried below.

ii- Gaining access: the introductory phase interview played a role in easing the access request and a letter that introduced the researcher and the research helped as well. After the formal letter for interview request had been sent, the researcher prepared for the interview by reading more about the firm's background. The researcher considered the firms' main offices as the appropriate location for the interview due to reasons of security, and this also allowed the researcher to build an idea of the organizational physical structure. The researcher was also aware that possible obstacles may occur as well, where a researcher might find an interview was cancelled or postponed, some to a point where a decision has to be taken if it is possible to wait without risking a research time limit or deadline. The researcher introduced the research and the researcher via emails and phone calls before leaving the UK, addressing any concerns regarding confidentiality and ensuring that all the data would be coded and confidential (Appendix II). Getting the initial approval from the firms enabled the researcher to submit the request for the University of Southampton Ethical Committee approval. Dates and locations of the participants' availability were discussed over the phone at this stage, thus enabling the formulation of a detailed travel plan covering the three regions where the data was to be collected from. Nevertheless, there were a few instances where firms insisted on scheduling the interview meeting after the researcher's arrival in Saudi Arabia. The explanation given by the TMT members was the short notice embossed by the nature of their demanding jobs which can send them within 48 hours to a different continent for a business meeting.

iii- Introducing CIT: at this stage the researcher has gained access and is now facing the participants. An example of the CIT and research face to face will answer any ambiguities the participant might have, and could help break any confidentiality concerns. Skills such as handling the participant feelings and

irrational fears are of great importance at this initial stage. In practise, by this phase the researcher was sitting with the participant in their office. The original confidentiality letter (Appendix II) was reintroduced, as the participant' had only seen an email copy of the letter. The consent form was signed after explaining the coding of the data, its safeguarding, and the participant's approval of the recording of the interviews. The first interview of each team was with the team leader who had helped in choosing the strategic decision that had been made prior to the interviews. In most cases participants spent 5 minutes asking the researcher about the researcher's own background (both socioeconomic and academic), the reasons for choosing such a direct way of research i.e. interviews, and inquiring about the data confidentiality and access. It is worth noting that the researcher of the current study is a resident of the central region, so when conducting the interviews in the eastern and western regions, the introductory phase of the face to face interviews sometimes took 10-15 minutes as participants expressed their unfamiliarity with someone travelling to conduct interviews regarding such sensitive issues. Nevertheless, when the participants, mostly team leaders, were assured of the confidentiality, the process progressed smoothly.

iv- Focusing the theme: the researcher should be able to handle the interview and not to digress from its desired course by the participant dwelling on irrelevant issues or denying others. It could be of help, for example, if the researcher identifies a certain point of time and then the participant can use that as a time-line, and go backwards or forwards to remember the incident position 'here and now'. The researcher of the current study had on different occasions to bring back the participant's focus to the strategic decision incident chosen by the team leader.

v- Controlling the interview: questions, such as 'what has happened next? Why did it happen?' can force the mind of the participant to focus on the main incident, and the researcher to get an answer which gives a clearer and a more complete picture, helping in answering the research question. Nevertheless, the researcher is advised to be aware not to turn the interview into an interrogation; a balance should always be maintained. Some of the participants gave only short answers to some of the interview questions, which needed more clarification, so the researcher asked 'Why?' , 'How?' , to get more

information about the matter in question. However, on other occasions the participants drifted into talking about strategic decisions taken within the firm in general, so the researcher replied mostly by 'That is interesting. Is that related to the decision about...' which brought the interview back on track.

vi- Concluding the interview and vii- Taking care of ethical issues: As the last question of the interview is answered the interview comes to an end. Thanking the participant and mentioning pre-agreed conditions, such as anonymity or sending a copy of the result. The researcher thanked the participant for their time and valuable input to the research at the end of the interview and via an email sent afterwards. The confidentiality of the data collected was reassured at the end of each interview. Hartley (2004) noted that organizational researchers may get privileged access to damaging, sensitive, information and it is the researcher's responsibility to ensure confidentiality.

viii- Analysing the data: Data collected from the interviews for this research was analysed using a template analysis technique with the aid of Nvivo, mentioned in more detail below in this chapter under the heading 'Data Analysis'.

CIT helps to focus on the main relevant issues related to the research question. Moreover, CIT allows the research to be able to put the incident in a context, which includes the participant's feelings, views and attitudes.

The CIT critiques argue that it is hard to test for reliability. One way to overcome this is by conducting several interviews with other participants regarding the same incident. Triangulation can also be used to verify the result.

'Whilst other methods, such as interviews, may also enable the research to achieve this, the advantage of the CIT is that the linkage between context, strategies and outcomes is more readily tested out, because the technique is focused on an event which is explicated in relation to what happened, why it happened, how it was handled, and what the consequences were. Unstructured interview does not require the participant to focus in this way.' (Chell, 1998: 68).

Considering the concentration and focus required by the interviewer, researchers are advised not to do more than three hours of qualitative interviews in a day (King, 2004). Qualitative interview researchers can get overwhelmed by the data collected and, to overcome this, King (2004) proposes that researchers refer to the aim of the study as a check reference, referring to the existing body of similar literature which has used qualitative interviews, and by using personal networks to seek expert advice.

Most interviews are done face to face, but phone and internet based interviews are also possible (King, 2004). For example, Burgelman and Grove (2007) used phone interviews to conduct semi-structured interviews with participants who were geographically distant. The use of phone interviews was one of the options prepared for before starting the data collection for the current study. This was because:

- i. The unit of analysis being top management teams meant that the selected participants' jobs were very demanding and required long-distance travel at very short notice. Seven out of the thirty two top management team members were not available to conduct face to face interviews.
- ii. Concerns about issues such as funding, time and safety were taken into consideration, as the researcher's funding was limited by the time frame and travelling to follow participants into unfamiliar areas might have been unsafe.
- iii. Nevertheless, all the researched organizations were visited physically and at least one interview with each team was conducted in the organization. Personal contacts were then established with the team leaders, which allowed the rest of the team members to respond with confidence, as confidentiality issues had been answered in advance. Therefore, participants who were interviewed over the phone had already heard about the research from their already interviewed fellow team members and assurance of confidentiality was given in detail before the interviews.

The interview strategy has issues with generalizability, reliability, bias, and validity (Healey, 1991 and Saunders et al, 2007). With regard to generalizability, as mentioned earlier, qualitative researchers sacrifice generalizability to gain a richer insight into a phenomenon within its own

context. Moreover, the current study draws conclusion from eight different industries and, due to the unique characteristics of different industries, generalizability is difficult to obtain (Hambrick, 1983). Other TMT scholars, such as Thomas and Ramaswamy (1996), researched three different industries, namely: refineries, chemical and electronics, whereas, Miles and Snow (1978) researched four different industries, namely: electronics, food processing, publishing and hospitals. Concerns regarding interviews' reliability arise from the fact that different researchers could get different answers to the same questions from the same participant. This also relates to concerns about bias. Bias can be derived from the researcher or/and the participant. In the case of the researcher, if the researcher is not careful with body language, tone of voice and appearance, it can lead the participant to answer differently than they would otherwise have done. Therefore, the researcher of this study made sure that in each interview:

- i. The tone of the voice did not change in a way that could have hinted to the participant that they were being judged, or that their course of action in the process being researched was not considered a best practice. For example, if the researcher of the current study had not changed the tone of voice when participants were talking about the use of political lobbying to overcome challenges, it could have alarmed the participant, who then may either have chosen to hold information back or stop being responsive.
- ii. The appearance of the researcher was important, as well as the readiness for the interview and knowledge of the organizations researched. 'The high status interviewee' as described by King (2004: 19), such as TMTs, expects to be treated and addressed differently and it is important for the researcher to be able to appear knowledgeable and respectful (King, 2004).
- iii. All participants except one gave their consent for the interview to be recorded, which enhanced the interview data reliability, as the researcher was able to listen again to them, transcribe and quote the interviews and be able to observe and record the participant body language. Assuring confidentiality, stating the research type and permission to tape the

interview were the starting points in each interview (King, 2004), which helped the researcher to get permission to record the interviews.

The participants' bias, due to their system of belief, values, education and background were welcomed in this research. The Upper Echelon theory applied in this study accepts that individuals come with their own set of 'cognitive base', 'givens' and values, which helps in understanding their decisions (Hambrick and Mason, 1984).

The researcher asked for the participants' consent to record the interviews. All participants agreed, with the exception of one participant interviewed via the phone. Recording the interviews assisted the researcher to listen more carefully, and to focus on the participants, taking notes of the observations rather than trying to write down what they said. Moreover, the researcher was able to listen again to the interviews and quote the participants in the data analysis and research findings. The disadvantages of recording the interviews were kept to a minimal by:

- i. Assuring the participant that the raw data would only be seen by the researcher and the supervisors and that the data would be destroyed after the PhD research was concluded.
- ii. The use of two recorders helped to overcome any technical problems, which happened three times, where the one recorder stopped working but the other continued.
- iii. The interviews were transcribed by the researcher and there was a total of 31 recorded interviews. Professionals can transcribe two one-hour long interviews per day (King, 2004). Most respondents asked the researcher to do the transcription of the interviews to increase confidentiality. Therefore, the researcher transcribed all the interviews, which eased the Nvivo coding process, but took about two months to conclude.

Further issues regarding the validity and reliability of the research are discussed below in the triangulation section.



The team leaders of each team was interviewed first, and then the team members, as suggested by Eisenhardt (1989) and Hambrick (2007). See Table 6: 109 below for the semi-structured interview questions. Because the theoretical lens applied accounts for the demographics of the teams in both the input and outputs of the decision, the first part of the semi-structured interviews covered: age, highest degree, position, number of years in both the industry and firm, and nationality. It is useful to start the interview with a general open question related to the investigation and leave possibly sensitive/embarrassing question to later in the interview (King, 2004). In the first three interview questions, the participant was asked to describe the strategic decision (Q1), its environment (Q2) and how it was aligned with the overall firm strategy (Q3). This group of questions was informed by Eisenhardt (1989), where participants were asked to talk about the decision, how it was made, and why it was made. How the team was formed, the number of members, the amount of time spent to formulate the team and reach the decision gave an understanding of the team process, which were covered in Q4. Moreover, it gave an understanding of how TMT members involved in strategic decisions were defined in the Saudi private sector context. Then, factors that were deemed of relevance (Eisenhardt, 1989), such as the number of alternatives generated, real time information, and the integration of decisions were covered in Q6, Q9, and Q3 respectively. Centralisation and decentralisation of the decisions were covered in Q5, Q7, Q8, and Q10. The accountability of the team decision was covered in Q11. The ability to reflect and learn from previous decisions was covered in both Q12 and Q13 (see Table 6 below).

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Table 6: The Semi Structured Interview Questions.

Interview Questions:	Reference:	Comments:
Q1- Can you give a brief description of the decision?	Eisenhardt (1989)	Informed by Eisenhardt (1989), participants were asked to talk about the decision, how it was made, and why it was made.
Q2- What were the circumstances that led the firm to initiate a team to take a decision i.e. was it due to a new challenge that presented itself or a predicted yet to happen move in the industry?	*Eisenhardt (1989), Hambrick (2007). **Thomas et al (1991), Burgelman (1983), Miles and Snow (1978).	*Informed by UET Hambrick (2007) first refinement: 'managerial discretion', which states that if environmental forces are strong then the stronger executive characteristics are seen in both strategic decision and performance, but if discretion is lacking then, executive characteristics will not have a great influence on strategic decision and performance. ***'Different leaders will lead differently'. This question helped to identify the types of leadership in relation to leadership typologies. It helped see if Thomas et al (1991) finding that prospectors do have a strong positive relation with firm performance. Moreover, it helped to understand if it was an induced or autonomous strategy process.
Q3- Can you describe the firm's overall strategy and how aligned it is with the strategic decision the team was making?	Eisenhardt (1989).	Informed by Eisenhardt (1989), integrating and aligning the strategy of the decision to be made with the overall firm strategy will have an effect on both the speed and performance result of the decision, as it helps in measuring the viability of alternatives faster and to cope with ambiguity
Q4- How was the team selected? (Nominations or volunteers?) How many participants were there in the team? How long did it take to formulate the team?	Hambrick and Mason (1984), Hambrick (2007).	UTE: to understand decision making and strategy we need to look at how the formation, composition and design of TMTs.
Q5- How long did it take to reach the decision?	*Hambrick and Mason (1984), Hambrick (2007).	*UTE: to understand decision making and strategy we need to look at how the formation, composition and design of TMTs. **Informed by Eisenhardt (1989), faster decision making was associated with

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	**Eisenhardt (1989). Brown, and Eisenhardt, (1997); Eisenhardt (2013).	higher performance, real-time information, and not forecasted information and more information than a slow decision maker used
Q6- How many alternatives did the team generate?	Eisenhardt (1989), Rogers, Miller and Judge (1999).	Informed by Eisenhardt (1989), the more alternatives, the faster the decision making process. Also it reduces commitment to just one alternative, 'multiple scenarios'. (Stow, 1981) 'alternatives, linear thinker or not'.
Q7- Do you report the progress of the meeting to the senior management or just the end result? After the decision was reached, what are the approvals needed to start the implementation phase?	Baum and Wally (2003), Eisenhardt (1989), Eisenhardt, and Bourgeois (1988).	Types of management: centralized- decentralized, decision making process, how many tiers or levels of approval needed (Baum and Wally, 2003).
Q8- How was conflict (if any) resolved to reach an agreement?	Eisenhardt (1989), Gioia and Chittipeddi (1991), Mintzberg et al (1976), Maitlis and Ozcelik (2004), Maitlis (2004).	Trying to seek an understanding of power distribution and politics indirectly as they have a strong effect on decision making
Q9- Is the information used to help reach a decision past, real time, projected	Eisenhardt (1989).	Informed by Eisenhardt (1989), faster decision making was associated with higher performance, real-time information, and not forecasted information and more information than a slow decision maker used

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or a mix?		
Q10- In team meetings, does everyone have to be present in each meeting?	Gioia and Chittipeddi (1991), Shrivastava and Nachman (1989).	Again, seeking an understanding of the decision making procedure: if it seeks approval of all members at all times, is it a democratic, a pragmatic system etc.
Q11- How and who measures the team outcome?	Eisenhardt (1989).	How reliability and accountability is held to help link the above with performance. Who has the final say and who approves the decision making?
Q12-Could it be done better next time? Avoiding a delay or cost less?	Hambrick and Mason (1984), Hambrick (2007).	UET: trying to uncover attitude, bias, subjectivity, of the TMT members in the interview
Q13-Can you describe some of the challenges during the process of making the decision and if they were internal, external or perhaps both?	Hambrick and Mason (1984), Hambrick (2007).	UET: trying to uncover attitude, bias, subjectivity, of the TMT members in the interview

#### 3.3.4.2 Surveys

The survey strategy can help answer the what, where, who, how and how many research questions, and is associated with the exploratory and descriptive research approaches (Saunders et al 2007). Survey strategy can be applied to collect data via different techniques, such as questionnaires, structured observations and structured interviews (Saunders et al 2007). Surveys are used more often than other research strategies because:

- I. It is claimed that it is easy to collect a large data sample size.
- II. It allows for generalizability of the findings, as the data sample allows for a large population. Neither of these advantages were applicable to the current research. Because the surveys were used as a method triangulation in a qualitative research methodology, a large sample size was not required and the generalizability of the findings was not a qualitative research premise.
- III. It is economical, considering the amount of data collected. Again the surveys were used to compliment the semi-structured interviews and document analysis, which required travelling from the UK to three different regions in Saudi Arabia. Therefore, the survey's economic value was not applicable to this research.
- IV. It is formed usually as a standard questionnaire to a particular population, which makes the comparison of results easy.
- V. It is easy to explain and understand.
- VI. It facilitates quantitative data collection that is ready to be analysed with the use of statistical analysis.
- VII. It allows for finding possible relationships between various variables and the modelling of these relationships.
- VIII. It is easier for researchers to target the sample, which demonstrates representativeness, giving more control on the research design and a chance to pilot it.
- IX. It is easy to analyse as there are several available software for analysis.

X. It is not time consuming, as researchers can only put a limited number of questions on a questionnaire.

Survey research strategy if structured poorly can, of course, produce badly structured models and wrong or weakly-related variables if they were structured poorly. There were two existing surveys used in this research analysed under a qualitative lens as a method of triangulation: the Team Outcome and the Team Process. The permission to use the surveys was obtained from Professor Malcolm Higgs, the main supervisor of this research, owning the authorship of the surveys. The Team Outcome survey (Appendix VI), completed by the team leaders, measured three factors: team cohesion, improvement orientation, and achievements. The Team Process survey (Appendix VII), completed by the team members, measured fourteen factors: atmosphere, communication and interaction, performance orientation, involvement and participation, confidence and comfort, learning and improvement, roles, composition and contribution, process orientation, realistic focus, alignment, enabling leadership, interface management, and distribution of contribution. Chatterjee and Hambrick (2007) noted that using survey as a methodology to collect data on sensitive issues related to senior executive is difficult to obtain but not impossible.

Mentioned earlier in the research design section, each TMT member was given the survey after the interview was conducted. In the case where the interviews were conducted over the phone, the research emailed the survey and had a short phone call to explain the survey to the participant.

#### **3.3.4.3 Document Analysis**

The secondary data was collected from publicly available sources, (secondary data), which were originally published for a different purpose. These comprised firms' reports, governmental annual reports, newspaper and magazine articles, interviews with the firm's staff, especially the senior management, and banks and industry annual outlook reports. Of course, the use of archival data had its limitations. The archival data had not been collected originally to answer the question addressed in this research, but it did assist in understanding the industry and the style of strategic leadership of the firms in question. Chatterjee and Hambrick (2007), addressing the sensitive research question

with regard to 'Narcissist CEOs', used secondary data to look for physical traces in order to understand leaders' characteristics and perceptions. For example, analysing the choice of words used in published interviews or written articles in the organisational periodical can help identify the leadership styles adopted. Adding both the administered semi-structured interviews and surveys did aid in strengthening some of the data limitations.

Mintzberg (2007) pointed out that document analysis is the first stage in data collection and analysis when approaching firms for strategy research. The first stage, which is basic data collection about the firm/s in hand, aims to give the researcher an initial overview of the firm/s. The data in this stage can be collected from secondary sources from within the firm (financial reports, consultant's reports, internal memos). The information collected can form an idea of the firm's decisions, staff, leadership structure, events, and other themes related to the research. The search in this stage is mainly for tangible traces and not observations. Interviewing people can be used to fill in the gaps found in the data collected so far. The outcome will be a chronological theme of the firm's life through its decisions, strategies, developments, and results.

In chapter four the use of secondary data aided in describing the fourteen cases' internal and external contexts. Also, as mentioned earlier, the use of publically available data helped the researcher in building a comprehensive picture about the firm before approaching it for data access.

### **3.3.5 Data Analysis**

Analysing qualitative data is done via conceptualisation, as it is driven from words' meanings (Saunders et al 2007). The data analysis helps in drawing and verifying the findings and conclusions of the research (Miles and Huberman, 1994). Drawing results from a heterogeneous sample can benefit from extending past research from its 'narrow environment setting' (Baum and Wally 2003: 1124). The interviews were transcribed and detailed notes were taken during the data collection stage. Then the identification of the data categories, and relationships between categories helped in the data analysis. In the early stage of the data collection identifying a possible theme or repeated patterns aided in further guided exploration (Saunders et al 2007 and King, 2004). The computer based program NVIVO was used as well, which systemised the data

analysis. The same theory guiding this research question formulation was again used for guiding the data analysis (Yin, 2003), which was UET.

Template analysis was used to analyse the data collected. King (1998, 2004) noted that template analysis is referred to, as well by, 'codebook analysis', 'thematic analysis', or by simply mentioning that the researcher looked for emerging themes in the data. Moreover, template analysis helps researchers aiming to compare different groups' various perspectives in a particular context and that template analysis researchers have worked usually with a sample of 20-30 participants.

'The essence of the approach is that the researcher produces a list of codes ('template') representing themes identified in their textual data. Some of those will usually be defined as a priori, but they will be modified and added to as the researcher reads and interprets the texts' (King, 1998: 118).

Template analysis can be positioned in the middle between 'content analysis', when the researcher predetermines the codes and then analyses them statistically, and grounded theory, when the researcher does not predetermine the codes as a priori. Template analysis was used in this research, mainly for two reasons. The first reason was purely a philosophical one, as 'template analysis was developed and utilised largely as realist methodology' (King, 1998: 118). The second reason was the flexibility it gives in defining codes, enabling the researcher to keep an open mind investigating a specific issue in a new cultural context.

Defining codes can be described as headings or labels, under which parts of the text from the data collected, can be grouped. King (2004: 257) defined codes as 'a label attached to a section of text to index it as relating to a theme or issue in the data which the researcher has identified as important to his/her interpretation'. Some of the codes can be descriptive, such as those referring to job titles, whereas others can be interpretive, such as those referring to participants' feelings. The initial codes were set guided by the extant literature which shaped the research question and therefore the interview questions. The codes were then revised by insertion, deletion, changing scope, and changing codes orders. The codes were listed hierarchically, as is the common practice in



template analysis (King, 2004) and used in the current research, as seen in Appendix V. This allowed codes of similar groups to be clustered in bigger, similar themes. In template analysis each research is unique in terms of the number of coding levels as there is no limit, but the average is four levels. Template analysis also allows for parallel coding i.e. same text can be used under a different number of codes in the same level as deemed appropriate by the researcher, which was the case in the current study. Researchers are asked to be selective and not to drift away from the main research focus, remembering the space limit each study has, but researchers must balance selectivity and focus with 'openness'. Some themes might emerge in the text which does not fall under any of the previously selected codes; here the researcher has to decide if it is relevant to the study, and if it can be added without drifting away from the main research question of the study.

Interpretations of the coded data, if presented as codes and texts, would give very flat, descriptive, data, depriving it of the qualitative rich in-depth analysis. Each research data analysis should have a strategy for how best to interpret the data as there is no one guideline that fits all. Informed by Eisenhardt (1989), the researcher of the current study interpreted the data by comparing pairs of case studies, looking for similarities and differences and then presenting the data analysis (as will be seen in chapter five) in the form of major themes, with supporting evidence quoted from the data texts.

King (2004) identified two other means of presenting the interpretation of data using template analysis, namely: (i) listing of individual case studies followed by the differences and similarities in a discussion, and (ii) thematic presentation of the analysis with support driven from individual cases. As mentioned above, the current study presented the data findings structured around the main themes, driving evidence by giving examples from the data text to support the claimed interpretations. King (2004: 268) described such an approach to 'most readily produce a clear and succinct thematic discussion'. A common characteristic amongst the three different approaches of data presentation is the use of both short and extensive passages of quotes to give a sense of the original data (King, 2004).

The last stage of the data analysis is presenting the data. The researcher must choose a way to present the data in the best possible method to build a coherent case that answers the research question, using quotes from the text as examples. In this research there were two possible ways of presenting the data, both of which were dependent on the access gained to the firms. The first possible method was the listing of two case studies, pointing out the differences and similarities using quotes from the data collected as examples to describe the themes. The second possible method would have been using the main themes to build the case and quoting texts from the data as examples to explain or defend the case presented, without drifting to generalising and staying within the main focus of the research. Informed by Eisenhardt (1989), the use of tables to summarise and present aided the researcher to manage and present the data.

After presenting the themes supported by examples from the interviews, the researcher used the survey results (Appendix VIII) to triangulate the findings. The researcher of the current study used descriptive statistics i.e. describing how certain characteristics are distributed amongst a group (Taylor, 2005) as opposed to inferential statistics for the following reasons: (i) the current research was applying a qualitative research methodology (ii) the survey results were used as a mean for triangulation to confirm the interviews' findings or to look for contradictions, if any (iii) the survey was a pre-existing survey, so tests of validity and reliability had been already done (Hyman, Gibbs, and Bulmer, 2006 ) (iv) inferential statistics are usually used to infer from a sample 'what is true for a population' (Taylor, 2005: 183) which was not the scope of the current study.

### **3.3.6 Triangulation**

Triangulation is used by researchers as a mean or a substitution of validation of research findings by looking for confirmation via independent methods. If no agreement was found between methods then to at least avoid conflict in the research findings (Denzin and Lincoln, 2011; and Miles and Huberman, 1994). Triangulation helps to overcome research bias, which is accepted as a human nature and a research limitation. Hartley (2004) noted that the reasons researchers apply a case study strategy to investigate organizational sensitive

interactions and/or processes use multiple methods in part due to the complexity of the phenomena requiring multiple methods, and to purposively enable triangulation, which enhances the data validity. Denzin and Lincoln (2011: 5) defined triangulation as 'the display of multiple, refracted realities simultaneously. Each of the metaphors 'works' to create simultaneity rather than the sequential or linear. Readers and audiences are then being invited to explore competing visions of the context, to become immersed in and emerge with new realities to comprehend.' Miles and Huberman (1994) suggested four different triangulations to overcome research bias. Firstly, the data source triangulation, for example, people, intervals and places. Secondly, method triangulation, which was applied in the current research by the use of mixed methods: questionnaires, semi-structured, and secondary data (case reports), which formed the case studies. Thirdly, researcher triangulation, which was not applicable in this research as the thesis was completed by one researcher. Lastly, data type triangulation, for example, recordings, qualitative texts or quantitative data. Minimising the inherited bias in each method applies to the current study i.e. semi-structured interview, survey and document analysis, as discussed under each method section above.

**Trust worthiness:** Qualitative research is harder to validate than quantitative research, which has its own traditional measurement (Trumbull, 2005). There are different methods which enable qualitative researchers to enhance the validation of the research (Trumbull, 2005). Firstly, applying multiple sources enables researchers to validate the data. In this study, the data collected from the interviews was validated with a questionnaire, and documents. Secondly, researchers can validate the data via the participants themselves, by giving them the information to check for accuracy. Thirdly, bias can be minimised by simply writing what was 'observed and told', as opposed to inferring what the researcher thought/believed was said, which was the method used for the current study to enhance its validity. Moreover, checking emerging themes and concepts against the different sources of evidence during the analysis phase for the current study was done to enhance the internal validity and avoiding early impressions bias (Hartley, 2004).

**Replication:** Controlling the reliability of the research can be attained by keeping a record of the all the data collected from interviews and by

observation (Trumbull, 2005). Having a timeline of where and when the data was collected makes it easy for other researchers to replicate the work. See Appendix I for the order of data collected for the current study.

### **3.4 Conclusion**

The current research investigates the influence of TMT strategic leadership's on strategic decision making and organisational outcome in the case of the Saudi Arabia's private sector. The research methodology chapter has discussed how the researcher was able to achieve the research aim in four main parts.

The first part covers the research philosophy and paradigm. An epistemological philosophy was adopted with a critical realism paradigm. The epistemological critical realism philosophy helped the researcher to explain the meaning of, and find explanation in, the complex environment in which this research was operating with its different dimensions. The reasons for the choice of both the philosophy and paradigm were discussed in detail.

The second part discusses the research design includes the methodology, approach, purpose, strategy, and case selection and access, which was the private sector in Saudi Arabia. The exploratory and explanatory research purposes applied were discussed. The research design was informed by Eisenhardt (1989) research design. A qualitative methodology was adopted, taking into consideration the complexity of the research context and the ability of such a methodology to account for the human experience and the systems of belief and the values of participants. Moreover, the methodology aided the researcher to study the participants in their own environment, in this case, the firms. The qualitative methodology was assisted by a mixed method, which helped in building the multi-case study design and improving the quality of data collected via triangulation. The research methods used were semi-structured interviews, surveys, and document analysis. There were techniques and tactics used to help focus the data collected, such the Critical Incident Technique and the recording of interviews.

The third part covers data collection and analysis. There were three approvals needed to gain access to the firms in Saudi Arabia: the firms being researched, the University of Southampton Ethical Committee and the funder of this

research, specifically, the Saudi Arabian Cultural Bureau. All the data collected from interviews was coded and analysed using template analysis with the aid of the computerised system Nvivo. The details of the coding process are discussed later in the Empirical Finding chapter. The surveys were used as a method of triangulation, measuring different factors with the aid of descriptive statistics in each of the two surveys, as discussed earlier. The analysis of the data collected from the surveys was then done under a qualitative lens. Finally, the fourth part concludes and summarises the chapter. Table 7 below summarises the research methodology in relation to the current research investigation.

Table 7: Summary of the Research Methodology in Relation to the Research Investigation.

<b>Top Management Teams' Influences on Strategic Decision Making and Firms' Outcomes in the Case of Saudi Arabia's Private Sector.</b>			
TMT involved in the strategic decision making process.	TMTs' interactions during the process of making a strategic decision.	The outcome of the TMT strategic decision making process.	In Saudi Arabia's Private Sector (new national context).
<b>Philosophy</b>	Pragmatic ontology, accepting the compatibility of qualitative and quantitative methods, thus allowing the researcher to be guided by the research objectives to choose the best methods to achieve them (Denzin and Lincoln, 2011; and Tashakkori and Teddlie, 1998).		
	Critical realism epistemology, accepting that what we see through our senses can be deceptive. Therefore, after collecting the data from participants the researcher looked for explanations beyond the participants' words (Denzin and Lincoln, 2011). Structure and power of objects are accepted as interacting differently in different conditions/mechanics to build a certain context. The emphasis is more on contingency and necessity rather than regularity (Sayer, 2000 and Bhaskar, 1975).		
<b>Design</b>	Qualitative multi case study design guided by Eisenhardt (1989) research design, thus enabling contribution by extension (Menz, 2012 and Pitcher and Smith, 2001), which enables triangulation (Hartley, 2004). A qualitative study enabled the researcher to get		

	<p>closer to TMTs and understand, in their own words, the process by which they take strategic decisions.</p>
	<p>Case selection: TMTs of fourteen private sector firms from eight different industries and three geographical regions in Saudi Arabia.</p>
	<p>Data collection:</p> <p>Archival data is more reliable and available from the private sector in Saudi Arabia. Reporting and publishing periodical financial reports and the availability of historical briefs enabled contextualising the cases and identifying key people to be approached for data access.</p> <p>Semi-structured interviews' questions were based on the extent literature (discussed in chapter two) with the aim of understanding the process of strategic decision making. The CIT (Flanagan, 1954 and Chell, 1998) was used to focus and contextualise the participants' answers to the relevant issues, accounting for their feeling, views and attitudes.</p> <p>Surveys were used under a qualitative lens as a mean of increasing the trustworthiness of the data collected from the interviews, by looking for confirmation of the findings, or whether there were contradictions. The Team Outcome and the Team Process are existing surveys from Higgs (2006) research.</p>
	<p>Data analysis for the interviews was done through template analysis (King, 1998 and 2004) with the aid of the computerised program NVIVO. Descriptive statistics were used to calculate the factors of both surveys, which were then interpreted under a qualitative lens. Archival data was used to gain insight before data access which was then used to build the case studies i.e. contextualise the cases.</p>
	<p>Triangulation was used to increase the trustworthiness of the qualitative research, done via finding confirmations and if confirmations were not found then at least avoiding conflict in the research findings (Denzin and Lincoln, 2011; and Miles and Huberman, 1994).</p> <p>Triangulation via method was used i.e. archival data, interviews and surveys. Moreover, different participants from the same case were asked the same questions and therefore facts could be compared regarding the same strategic decision of each case.</p> <p>The data was collected in a systematic orderly manner,</p>

	which increased qualitative data trustworthiness and enabled replication (Trumbull, 2005).
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The following chapter discusses the multi-case studies and the research's empirical findings.

## 4. Chapter Four: Sample Description

### 4.1 Introduction

This chapter presents the fourteen case studies of the current research; the basis of case selection was discussed in chapter three, under research design. The aim of this chapter is to introduce the data collected within its context as an introduction to the data analysis chapter that follows. Each case study will be a description of the firm's context, structure, and the TMT members involved in the strategic decision chosen, together with a description of the demographic data of the TMT. TMT members' demographic description is the first layer of the Upper Echelon Theory (Hambrick and Mason, 1984) to understanding organisational outcomes and strategic choices, as detailed earlier in the literature review chapter under the theoretical lens. Informed by Eisenhardt (1989) research design and data analysis, cases were analysed in pairs, looking for emerging themes. The final phase of the analysis will be combining the major emergent themes (King, 2004).

Carpenter and Fredrickson (2001: 537) noted that non US 'reliable longitudinal data was not generally available.' The current study is not a longitudinally based study, but a cross-sectional one. Nevertheless, the cooperation of the researched firms enabled access to firms' reports which were not, in some cases, available publically in a complete form. Firms' reports enabled both the building of the multi case design and the verification of data through triangulation by data source. The TMT leader of each of the fourteen firms identified the strategic decisions and members who were involved in making them, following the notion of TMT empirical definition discussed in the literature review chapter (Eisenhardt, 1989; Carpenter et al, 2004; Iaquinto and Fredrickson, 1997; and Knight et al, 1999). The criteria that decisions from each firm were deemed strategic, and therefore eligible to include in the current research sample, was informed by Eisenhardt (1989) research identification of a strategic decision. As described in chapter three, research methodology under case design, in summary these were:

'To be chosen, a decision had to (1) involve strategic positioning, (2) have high stakes, (3) involve as many of the functions of the firm as



possible, and (4) be considered representative of the process by which major decisions are made at the firm.’ (Eisenhardt, 1989: 546-547)

In compliance with the Data Protection Act/University ethics policy and the confidentiality agreement made with the researched firms (Appendix II), the data presented below is coded to ensure anonymity. Each case code is given before the description of the case, and the codes given to the TMT members are listed in Table 9: 131 before sample description. The detailed description of the firms, decisions and TMT demographics were all available to both the researcher and supervisors of the current study. But, to comply with the anonymity agreement with the firms and individuals, the descriptions of the cases below were written in sufficient detail to serve the purpose of the research, but not to reveal the identity of the participating firms. The chapter is concluded with a summary.

With regards to the TMT demographic characteristics described in each case, the researcher adopted the method applied by Carpenter and Fredrickson (2001), where demographic characteristics were described using overall percentages and ranges. For example, Carpenter and Fredrickson (2001) described TMT members’ international experience as a percentage of the overall team experience, while education was labelled according to major (e.g. members with a masters or bachelor degree or PhD were coded as science specialists as long as they held a science major), and tenure as ranges.

The following section starts with a short brief about the country of the researched firms, the Kingdom of Saudi Arabia, followed by an explanation of the corporate governance system to help build an idea of the context in which the researched private firms operated.

## **4.2 Context**

### **4.2.1 The Kingdom of Saudi Arabia**

In 1931 different parts of the Arabian Peninsula were unified under what is known today as the Kingdom of Saudi Arabia. The pursuit of a unified Kingdom was started in 1902 by HRH King Abdulaziz Al Saud, covering 1,960,582 km<sup>2</sup> of land (McHale. 1980). In the period 1902-1932, Saudi Arabia got help from

countries such as the United Kingdom, United States and Russia, through loans which enabled the King to improve the infrastructure and secure the borders (McHale, 1980). In 1932, the discovery of oil in the eastern region helped the development of different sectors. Prior to that, the sole income was the annual pilgrimage tax (McHale, 1980). The shift in the international economical wealth has been described as ‘...a transfer that is unprecedented in world history’, with the oil income representing most of the country’s earnings of the foreign exchange by 1955 (McHale, 1980: 630).

According to the 2013 census, the population is estimated to be around 29.9 million, of which 9.7 million comprise the foreign working force and their dependants (see Table 8: 126).

Figure 9: Kingdom of Saudi Arabia Map



Source: National Geographic, 2010.

Saudi Arabia’s geographical location connects it to three different continents: Asia, Europe and Africa, with two major coastal fronts to the east and to the west (Figure 9). There are five main cities in Saudi namely: Riyadh, Makkah, Madina, Jeddah and Dammam (CDIS, 2013). Riyadh is the capital city, where

the central government is located. Makkah and Madina are the two holy cities for over 1.2 billion Muslims around the world. Jeddah is located on the western coast, with a port that serves as the gate to the peninsula from the Red Sea. Dammam is located on the eastern coast and is the biggest port on the Arabian Gulf and the capital city of the eastern province (CDIS, 2013).

Table 8: Key Demographic and Economic Indicators.

Total population 2013 ( people)		29,994,272 *
Population growth rate 2013		2.7%
Population density (person / sq km) 2013		15.0
Saudi population 2013 (people)		20,271,058 *
Saudi population growth rate 2013		2.15%
GDP growth at constant prices 2012		5.13%
Per capita GDP at current prices in 2012 (SAR)		91,329
Economic diversification indicators	Private sector's contribution to GDP at constant prices for 2012	57.57%
	proportion of private sector growth for 2012 at constant prices	4.86%
	proportion of non-oil exports to imports 2012	32.73%
Growth of exports of goods and services for 2012		6.17%
Growth of imports of goods and services for 2012		8.70%
exports contribution to GDP for 2012 at current prices		56.17%
The cost-of-living index 2012		122
Change in the cost-of-living index (inflation) for 2012		2.90%
Unemployment Rate 2012		5.50%

Saudi's Unemployment rate 2012	12.10%
Employment as percentage of population 2012	35.60%
Revised economic participation rate 2012	39.20%
Infants mortality rate (per thousand live births) 2013	15.9
Gross enrolment rate in primary education (2012)	106.14%
Net enrolment rate in primary education (2012)	96.51%
Rate of illiteracy of the population (2012)	5.57%
*according to Population Census 2010	

Source: Central Department of Information and Statistics.

#### 4.2.2 Corporate Governance System

The fourteen private firms (of which five were listed in the Saudi stock exchange index: Tadawul All Share Index, TASI) researched for the current study, operated under the Saudi Arabian corporate governance rules and regulations. The Saudi private sector operates a regulated governing system, which was first introduced in 2006 as 'comply or explain', then as an obligatory code in 2009. However, as noted in the World Bank 'Report on the Observance of Standards and Codes (ROSC)' 2009, about 20 of the largest Saudi companies were not listed and did not plan to do so for the following reasons: (i) the availability of liquidity provided by bank loans, with healthy bank adequacy ratios being above the minimum required by Basel III and (ii) the government and founding funding families who own those companies were not willing to dilute their holding. Below is a brief description of the regulating bodies, as identified by participants in the cases and the World Bank reports on corporate governance.

- I. **The Ministry of Labour (MoL)** witnessed a restructuring phase after the issuance of resolution number (27), dated 01/02/1425H (22/03/2004), by the Council of Ministers, which separated the MoL from Social Affairs.

The MoL was then given extra roles, which included the private sector manpower recruitment and private sector firms' legal disputes (MOL, 2009). The MoL monitors the 'Saudiazation' of jobs (governmental program substituting non-national labour with nationals) as part of the MoL plan to tackle the increasing rate of unemployment, settling workforce disputes, and the training and development of the work force. One of the initiatives introduced by the MOL to tackle unemployment was Nitaqat, which categorises private sector firms into different categories, according to the percentage of Saudi work force employed in a particular firm. According to the MoL there are 6.5 million non-nationals working in the private sector, as opposed to only 700 thousand Saudi nationals (MOL, 2009). After categorising the private sector firms, the MoL eases the process of issuing work permits for firms with a high Saudi national work force and reduces the work permits requested by firms employing a low Saudi national work force.

- II. The Saudi Anti-Corruption Commissions (Nazaha) was established by Royal order number A/65 dated 13/4/1432H (18/32011) (Nazaha, 2011). Nazaha impartiality was answered by its independent financial and administrative status and direct reporting to the King of Saudi Arabia. The goal of establishing the commission is to ensure business integrity and ethical practice, and, to clarify liability, by responding to any business misconduct concerns raised by individuals or organisational entities in both the private and governmental sectors.
- III. The Capital Market Authority (CMA) started operating in the 1950s, but was not regulated by the government until the 1980s (CMA, 2013). The Royal Decree number M/30 dated 2/6/1424H (2/7/2003) gave the CMA official status as a market regulator, reporting directly to the Prime Minister. The duties of the CMA include: introducing the necessary laws and regulations to ensure market ethical behaviour, fairness, transparency, information disclosure, the monitoring of operating entities' activities. The objective of the CMA is to protect investors' interests and make the market environment

more attractive for both local and foreign investors. In 2006, the CMA introduced the 'Code of Corporate Governance' to be adopted as 'comply or explain' by the Saudi public companies. In November 2008, the CMA announced that the 'Code of Corporate Governance' would be obligatory, effective from January 2009. This is different to the UK context of governance that remains 'comply or explain'. The Code included three main aspects related to:

- (i) **Disclosures in the directors annual report to include** (a) compliance with the Code and 'why not?' if not, (b) board of directors composition to balance both executive and non-executive members, (c) a brief of the compositions of the committees formed by the board, such as nomination and remuneration committees (d) compensation details of the highest five paid executives in a company and the Chairman, board members (and CEO if he was not among the highest paid), and (e) any possible penalties or punishments imposed by the CMA on the company or any governing body.
- (ii) **Board composition** was to include a minimum of 33% of independent directors and show the balance between executive and non-executive members.
- (iii) **Audit Committee**, this should comprise at least 3 non-executive board members, one of which should have a financial background to institute robust company controls, establish suitable accounting procedures and communicate with external audits (King and Spalding, 2009).

The definition of an 'independent board member' by the CMA is a member with ownership of less than 5% of a company otherwise the independence status is questioned (OECD, 2010 and CMA, 2009). The power invested in the CMA allows it to use 'daily suspension of trading activities, warnings, fines, and cease and desist orders' (ROSC, 2009: p6). In 2006 alone there were 83 reported cases, mostly by shareholders investigated by the CMA (ROSC, 2009).

- IV. The Saudi Arabian Monetary Agency (SAMA) was established in 25/7/1371H (20/4/1952) by Royal Decree number 30/4/1/1046 and 30/4/1/1047 (SAMA, 2013). SAMA is the official regulatory body for banks operating in Saudi Arabia. The main functions of SAMA can be summarised as follows: (i) national currency issuance, (ii) banker to the government, (iii) supervising finance companies, (iv) commercial banks cooperative insurance companies and related freelance firms, (v) management of the country's foreign exchange reserves, (vi) leading monetary policy to maintain the stability of price and exchange rate, (vii) and supporting the growth of the financial system and ensuring its soundness.
- In 2005, Saudi Arabia joined the World Trade Organisation (WTO), which encouraged the liberation of the financial sector, doubling the number of banks to 22 banks as opposed to the 11 which had operated for the 20 years prior to 2005 (ROSC, 2009). Since 2006 there have been an estimated 20 new insurance companies licensed by SAMA to operate in Saudi (ROSC, 2009).
- V. The Saudi stock market, Tadawul All Share Index (TASI), was established formally 1985, with a base value of 1000 (tadawul.com.sa). Before 1985 the TASI operated informally. In 1975 there were 14 public companies and, after the Saudization of the capital of foreign banks operating in Saudi in the 1970s, the market witnessed the birth of large joint stock banks and corporations. Currently the TASI includes 161 traded companies in 15 different sectors. Since inception, the TASI has suffered seven major collapses, in 1986, 1990, 1993, 1994, 1998, 2006, and 2008 (Alshogheathri, 2011). In 2006 the TASI declined by 53% of its 2005 value, and in 2008 the TASI declined by 56% of its 2007 value, as can be seen in Appendix IX (Alshogheathri, 2011). The stock market's sharp decline in 2006 alerted the CMA to the importance of corporate governance, with complaints of inside/unfair trades being reported to CMA, and SAMA encouraged the introduction of the 'Corporate Governance Code' (ROSC, 2009). The 2006 decline cost the total assets of investment funds in domestic and foreign currencies 52.8 billion

Riyals, ending at 84.2 billion Riyals at the end of the same year, as reported by SAMA in 2007.

### 4.3 Sample

The following section presents the fourteen case studies. Each case is described in terms of its TMT structure, a brief about the strategic decision investigated, TMT members involved in the strategic decision and a demographic description of the TMT involved. The data was coded due to the confidentiality agreement signed with the fourteen firms (Table 9).

Table 9: Codes List of the Case Studies and TMT Members.

#	Firm Sector and TMT	Codes*	Strategic Decision
1	Building and Construction CEO/MD, CFO, Legal Advisor	IND1 IND1-TMT-L IND1-TMT-M1 IND1-TMT-M2	Group restructure  (Restructure)
2	Building and Construction MD/Vice Chairman, GM, Assistant GM	IND2 IND2-TMT-L IND2-TMT-M1 IND2-TMT-M2	Listing the firm in the local stock exchange index (Financial)
3	Chemicals and Mining Group President Vice President	IND3 IND3-TMT-L IND3-TMT-M1	Integrated IT System  (Process)
4	Oil and Energy Board Member/MD, Board Member/MD, CFO,	ENG1- ENG1-TMT-L ENG1-TMT-M1 ENG1-TMT-M2	Buying a new unique product to gain first mover advantage. (Product)
5	Chemical Board Member (NED)	CHM1- CHM1-TMT-L	Firing the CEO (People)
6	Food Marketing & Distribution Business Development Head Sales Head	MAR1- MAR1-TMT-L MAR1-TMT-M1	Restructure of Business  (Structure)
7	Business Consultancy services CEO, Board member & Partner Vice CEO	CON1- CON1-TMT-L CON1-TMT-M1	Entering a New Market  (Growth)
8	Food Vice President of Sales Vice President of Production	FOD1- FOD1-TMT-L FOD1-TMT-M1	New Product  (Product)



9	Finance and Banking Islamic Banking Group Head Sharia Compliance Head	FIN1- FIN1-TMT-L FIN1-TMT-M1	Restructure of Business Process (Structure)
10	Development and Construction Financial Consultant General Consultant (Legal)	DEV1- DEV1-TMT-L DEV1-TMT-M1	Hedging SAR5 billion  (Financial)
11	Pharmaceuticals CEO GM Legal Affairs President	PHR1- PHR1-TMT-L PHR1-TMT-M1 PHR1-TMT-M2	Acquisition  (Growth)
12	Pharmaceuticals CEO Vice CEO GM	PHR2- PHR2-TMT-L PHR2-TMT-M1 PHR2-TMT-M2	Restructure of Business  (Structure)
13	Financial investment Chairperson	INV1- INV1-TMT-L	Hiring a Chief Investment Officer (CIO) (People)
14	Specialised Health Care provider Board Member MD Recruiting Officer	HEL1- HEL1-TMT-L HEL1-TMT-M1 HEL1-TMT-M2	Relocation of Staff  (People)

\*Codes: each code given to a TMT member was divided into three parts, each separated by a hyphen. The first part is the code given to the firm, the second part is TMT for Top Management Team, and the third part is either L for leaders, M1 for TMT member 1 or M2 for TMT member 2.

Each of the fourteen case studies are described below in the order shown in Table 9 above.

**IND1**-The firm was in the building and construction sector as a producer of heavy industrial specialised products, and owned the related technology licence for their products. The firm had over thirty years of experience in their field and several industrial brands sold through their international sales offices located in over 12 countries, with over 14 manufacturing locations around the world. The use of the products and the firm's technology was present in different parts of the world in two forms, either via direct investment, or via

the firm's international subsidiaries. The TMT functions extant in the firm were: Board of Directors, Chairman, Vice Chairman, Chief Executive Officer and Managing Director (CEO/MD), Chief Financial Officer and Vice President of Finance (CFO/VP), Vice President Sales and Marketing (VP), Chief Operating Officer (COO), Chief Internal Auditor (CIA), Vice President Sales and Marketing, Legal Advisor, and an internal legal Counsel. The strategic decision was: restructuring the group.

The firm appointed a new CEO/MD, who initiated a restructure plan to focus the firm in terms of its products and geographical presence, bringing it back to its core business. The restructure plan was seen as a corrective measure to the unrelated diversification strategy the firm had initiated two decades ago, as a response to the Gulf war, when businesses around the Arabian Gulf region came to a total stop. The newly appointed CEO/MD anticipated possible legal liabilities as well as control challenges with regard to the finance, management, quality of service, and products produced, due to the fact that the firm was involved in products and countries beyond their core business and control. The implementation of the decision started with some doubts raised by a few Board members. But, shortly after the implementation phase, the global subprime mortgage financial crisis started to affect some of the firm's subsidiaries in terms of performance and legal liabilities. This was used by the CEO/MD as a tool of persuasion and he was granted full support by the Board of Directors to speed up the decision. The firm liquidated, sold, increased or decreased their shares in some of their subsidiaries around the world, withdrawing from an average of 14 firms per year. The strategic decision was taken by three TMT members: the CEO, who was the MD and a member of the Board of Directors, CFO and the Financial Controller.

This decision was deemed strategic (in line with Eisenhardt (1989) criteria), because it involved the TMT members of the group with different functional areas, had a strategic positioning as it changed the strategy of the group from an unrelated growth strategy to a related growth strategy, which would effect it in the long run. It was also strategic in that it was processed in the same manner in which a high stake decision is processed in a firm, by involving the top two tiers of management, with a close monitoring reporting system used by the Board of Directors.

The TMT members involved in the group restructure strategic decision held post graduate and professional degrees in accounting and/or finance. The team members were from three different nationalities and had a total of 81 years of experience amongst them, of which 50 years were in this particular firm. The tenure range was 5-35 years. The age group of the team members involved was between 47-59 years.

**IND2-**The firm was in the building and construction sector as a producer of heavy industrial specialised products, serving mainly the gas and oil sector as well as the construction market, both locally and internationally. The firm had over thirty years of experience in its field. The TMT functions present in the firm were: Board of Directors, composed of nonexecutive (both independent and dependent) and executive members, with four committees (remuneration, nomination and compensation committee, audit committee and executive committee), Chairman, Vice Chairman and Managing Director (MD), General Manager (GM), and Assistant General Manager. The strategic decision was: listing the firm in the Saudi stock exchange index.

The firm wanted to ensure business continuity in the long run, enable the firm's staff to own a share in the firm, give the business owners the flexibility to keep or sell their shares if the firm had a public trading status, as opposed to a closed ownership legal status, and ensure the continuity of business growth through financing new projects, which required an increase of capital without having to resort to bank loans. One of the many scenarios to increase the capital was listing the firm in the Saudi stock exchange index Tadawul All Share Index (TASI). The decision had been on the Board of Directors' agenda for years, so there was no conflict but a concern over the timing and the TMT had the full support of the Board. This was despite the concerns about the global subprime mortgage financial crisis, and the fact that the TASI had halted the approval of firms asking to be listed for a while, over concerns of a possible market collapse.

This decision was deemed strategic (in line with Eisenhardt (1989) criteria), because it involved the TMT members of the group, had a strategic positioning, as by listing the firm, the capital required to maintain the firm's growth strategy was achieved, and it was processed in the same manner as when a

high stake decision is processed in a firm, by involving the top two tiers of management.

The TMT leader involved in the strategic decision held post graduate degree, and the rest of the TMT members held graduate degrees in different majors. The TMT members involved in the strategic decision of listing the firm were: Vice Chairman who was the Managing Director, General Manager, and Assistant General Manager. The team members were all Saudi nationals and had a total of 89 years of experience amongst them, of which 70 years were in that particular firm. The tenure range was 7-32 years. The age group of the team members involved was between 46-57 years.

**IND3**-The firm was in the industrial investment sector, with related diversification via the firm's local and international subsidiaries, mainly in chemicals, mining, and construction. The firm had over twenty years of experience in its field. The TMT functions present in the firm were: Board of Directors, with three committees (Performance and Investment Committee, Audit Committee, Nominations and Remunerations Committee), Chairperson, Group President reporting to the Board, and three Vice Presidents reporting to the Group President. The strategic decision was: centralised IT information reporting system.

The industrial group was pursuing a growth strategy. The growth strategy led to a related diversification, by acquiring different companies in different geographical locations. Even though, the industrial group was not involved in running its subsidiaries' day to day business, as a listed company in the Saudi stock market index (TASI), the industrial group was required to submit financial reports to the Capital Market Authority (CMA), as well as any changes in any of its subsidiaries with regard to management, structure and/or finances. The group found retrieving the financial reports from its international subsidiaries to be a time consuming process, as well as a challenge to verify the reports validity, leaving it open to possible CMA penalties. Moreover, the industrial group wanted to continue pursuing its growth strategy and to maximise the benefits of its current portfolio of subsidiaries, but felt that too much time was spent on chasing financial reports, rather than exploring potential business opportunities. This steered the TMT towards the solution of

integrating its subsidiaries, thus creating synergy and enhancing the reporting process. A single, centralised information system, through the application of the Enterprise Resource Planning software (ERP), was the strategic decision chosen to enhance the firm's connectivity and reporting systems within its current subsidiaries. This created a mechanism to speed up bringing new subsidiaries on board. The ERP enabled the group to retrieve reports about business planning, budgeting, raw material requisition, production, inventory, control, sales, management, accounting, and financial reporting, and drove all the ratios needed to show the efficiencies, inefficiencies, and opportunities for improvements.

This decision was deemed strategic (in line with Eisenhardt (1989) criteria), because it involved the TMT members of the group with several functional areas, had a strategic positioning, as by integrating the group reporting system the group was able to avoid the CMA legal liabilities and enhanced efficiencies, thus enabling its growth strategy, by speeding up the process of new acquisitions. It was also processed in the same manner by which a high stake decision is processed in a firm, involving the top two tiers of management, and with new resources allocated to execute the decision.

The TMT members involved in the strategic decision held graduate and professional degrees in different majors. The TMT members involved in the decision were: the Group President and the Vice President. Both members came from different nationalities and had a total of 57 years of experience between them, of which 26 years were in this specific firm. The tenure range was 6-20 years. The age group of the team members involved was between 42-55 years.

**ENG1**-The firm was a joint venture between a Saudi top energy firm and one of the world's top five international energy firms. The joint venture had over forty years of experience in its field. The firm provided a unique service to the oil and energy sector in Saudi Arabia. The TMT functions present in the firm were: Board of Directors, Chairperson, Managing Director (MD) representing the Saudi partner, Managing Director (MD) representing the international partner, Chief Financial Officer (CFO), and several line managers. The strategic decision was: investing £250 million in a new product to the market.

The firm was looking into investing around \$250 million to buy new equipment which was related to their line of business, which would put them into the list of top providers of such a service. The firm faced fierce market competition from international organisations operating both in Saudi Arabia and abroad in the same specialised field. After market research conducted by the firm, and a customer demand, the firm decided to invest in a new product to the market. The challenge was based on the size of the financial resource allocated to the product, and fact that the product would take years to build, with no guarantees from the demanding customer that they would purchase the final product. After several deliberations with the firm's Board of Directors, banks, customer and manufacturing company, the firm decided to take the decision and pay for the product to be manufactured despite the risk, seeking the opportunity of becoming a market leader in that area.

This decision was deemed strategic (in line with Eisenhardt (1989) criteria), because it involved the TMT members of the group, had a strategic positioning by gaining a first mover advantage, as by proceeding with producing the product, the firm gained a competitive advantage. In addition, the decision was processed in the same manner by which a high stake decision is processed in a firm, involving the top two tiers of management, and with a sizable financial resources allocated to execute the decision.

The TMT members involved in the strategic decision were: both of the managing directors who were board members, and the CFO. The three members came from different nationalities and had a total of 100 years of experience amongst them, of which 55 years were in this particular firm. The tenure range was 2-40 years. The age group of the team members involved was between 40.5-67 years.

**CHMI**-The firm was highly diversified, both geographically and industrially, with over a hundred years of experience of trade focused on the Arabian Gulf region. The TMT functions present in the firm were: Board of Directors with nonexecutive members (both independent and dependent), Chairperson, Deputy Chairperson, General Manager (GM), Chief Executive Officer (CEO), Chief Financial Officer (CFO), and several executives who worked in different

senior positions in the joint ventures, reporting directly to the chairman and his/her deputy. The strategic decision was: firing the CEO.

One of the group's many subsidiaries was a firm that produced and marketed chemical related products, which had over twenty years of experience in its field. The strategic decision discussed was firing the CEO of this firm. The CEO's business behaviour raised some ethical concerns amongst the Board of Directors members. The CEO was appointed for his entrepreneurial character and was made a partner in the company by facilitating interest free loans. The company was making high revenues in a period when the market was economically booming in 2002-2006. Then the CEO started taking decisions which showed an automatic conflict of interest. The Board started preparing a replacement for the CEO by appointing an assistant CEO, but they were pushed away by the CEO, who had anticipated the threat of being replaced. After much negotiation and several meetings with the CEO, who had reached a point where he stopped attending, the Board decided to fire the CEO and find a replacement. The decision was lengthy and took over 5 years to execute and a year to find a capable replacement in a market where skills in that field are scarce. The firm was able to maintain its operations, and was one of the top performers in its area of business.

This decision was deemed strategic (in line with Eisenhardt (1989) criteria), because it involved the firing of a TMT key member of the group, and the decision was processed in the same manner whereby a high stake decision is processed in a firm, involving the top two tiers of management.

The TMT members involved directly in the decision held the responsibility for the main Group Joint Ventures Division and Business Development, and a non-executive board member in this firm as well as in many others in the Group. The CEO was a Saudi national in his 50's, with a degree in business and over 26 years of work experience in the group, of which 20 years was with this particular firm.

**MARI**-The firm specialised in sourcing, marketing and branding over 130 different food products, and had over forty years of experience in its field. The products originally come from North America, Europe and the Far East to be branded and marketed in the Arabian region. The TMT members' functions

present in the firm were: Board of Directors non-executive dependant members (NEDs), Chairperson, General Manager GM, and Division Heads reporting to the GM. The strategic decision was: restructure of business lines.

The firm underwent a restructuring of the business, which effected three different divisions, ending with an elimination of one division and its Division Head. Employees of the concerned division were distributed amongst the other two divisions. The main reason for the restructuring was to create synergy and ease the flow of work. The firm's core business was marketing and one of the effected divisions was the Marketing Division. Therefore, the decision was processed after considering other alternatives, which had not succeeded. The company was suffering from status quo, which had led to some conflict in executing plans and driven financial performance down.

This decision was deemed strategic (in line with Eisenhardt (1989) criteria), because it involved the firing of a TMT key member of the group, the result of the decision had a long term effect on the firm performance, and the decision was processed in the same manner whereby a high stake decision is processed in a firm, involving the top two tiers of management.

The TMT members involved in the strategic decision were: Business Development Division Head and Marketing Division Head. Both members came from different nationalities, holding graduate degrees in different majors and had a total of 19 years of experience between them, of which 8 years were in the firm. The tenure range was 2-6 years. The age group of the team members involved was between 30-34 years.

**CON1**-The firm business was focused on providing business consultancy services in the Middle East. The consultancy work was concentrated in three areas: business turnaround, start-ups, and enhancing operations to improve performance. The TMT members' functions present in the firm were: Board of Directors non-executive dependant members (NEDs), Chief Executive Officer (CEO), and Vice Chief Executive Officer. The strategic decision was: entering a new market.

The partners expressed the wish to expand the business into a neighbouring Arabian Gulf country to cater for more clients. The decision was based upon



the fact that the firm was doing well financially, and was in the mood to expand without a critical need for the expansion, as described by the firm, it was an ego based decision. After choosing one of the many expansion scenarios set, a letter of intent was signed with a new partner in a neighbouring country. The decision was later aborted due to logistical technicalities.

This decision was deemed strategic (in line with Eisenhardt (1989) criteria), because it involved expanding the firm's business beyond its geographical territory, requiring both financial and human capital resource allocation, and the decision was processed in the same manner whereby a high stake decision is processed in a firm, involving the top two tiers of management with a close involvement from the Board of Directors.

The TMT members involved in the strategic decision were: the CEO who was a founding Board member and owned a 40% share of the firm and the Vice CEO. The CEO held a graduate degree, and the Vice CEO, a post graduate degree, both in different majors. Both members came from different nationalities and had a total of 23 years of experience between them, of which 8 years were in the particular firm. The age group of the team members involved was between 39-40 years.

**FOD1**-The firm produced a certain line of food, with over 38% market share of the Arabian Gulf region, and was one of the top Saudi producers, attributing to around 50% of the country's food security. The TMT members' functions present in the firm were: Board of Directors, President, and Vice President for each division. The strategic decision was: launching a new product to the market.

The firm launched a new product into the Saudi market, gaining first mover advantage. Given the firm's importance to the country's food security, any new move related to the basic business had to be calculated carefully so as not to cause any disturbance to the firm's main line of production. Even though the product was available in the international market, it was new to the Saudi market. Teams were sent to different countries in different continents to research the product and its processes. The launch of the product was done in different stages in different regions to test the market acceptance. Then,

resources were allocated to buy the necessary equipment to start producing the product in mass quantities.

This decision was deemed strategic (in line with Eisenhardt (1989) criteria), because it involved expanding the firm's product line beyond its current product line, requiring the allocation of both financial capital and human skills. In addition, the decision had a strategic positioning as it gave the firm a first mover advantage in the market, and the decision was processed in the same manner whereby a high stake decision is processed in a firm, involving different functional areas and the top two tiers of management.

The TMT members involved in the strategic decision were: Vice President of Sales and the Vice President of Production. Both members came from different nationalities with postgraduate degrees in different majors, and had a total of 53 years of experience between them, of which 28 years were in the firm. The tenure range was 2-26 years. The age group of the team members involved was between 41-55 years.

**FIN1**-The firm was one of the biggest financial institutions in the Middle East, with over fifty years of experience in its field. The firm had won several awards of recognition from both local and international bodies. The TMT members' functions present in the firm were: Board of Directors with non-executive members, Chairperson, Chief Executive Officer (CEO), Chief Financial Officer (CFO), Business Lines Executives, and an (Islamic) Sharia Committee reporting to the CEO. The strategic decision was: restructure of business.

The financial firm initiated a restructuring of the business processes of two of its major business lines as a response to both owner's and clients' needs. The firm did not see any other alternative than to restructure, even if it meant it would lose a few of its current clients, who would oppose the decision. The restructuring decision was in the form of a merger, which also served to enhance the efficiency of the business conduct between the restructured business lines, which led to an increase in the economic value of the business. The Board of Directors closely monitored the merger process, in consideration of the size of the financial firm's two business lines that were to be merged, and because around 2000 staff were effected some of which were laid off.

Communication between all functional areas in the firm was vital to minimise any potential gap product-wise, which could affect the firm's clients.

This decision was deemed strategic (in line with Eisenhardt (1989) criteria), because it involved changing the business process of two main business lines with a huge economic value. In addition, the decision had a strategic positioning as it gave the firm a competitive advantage in the market by providing two distinct business processes, and the decision was processed in the same manner whereby a high stake decision is processed in the a firm, involving all the functional areas and the top two management tiers.

The TMT members involved in the strategic decision were: Islamic Banking Group Head, (Islamic) Sharia Compliance Head. The TMT leader held a graduate degree and the TMT member held a postgraduate degree, both in different majors. Both members came from different nationalities and had a total of 53 years of experience between them, all spent in the particular firm. The tenure range was 21-32 years. The age group of the team members involved was between 53-58 years.

**DEVI**-The firm was in the development and construction business, serving a specific region. The TMT members' functions present in the firm were: Board of Directors with non-executive members, Chairperson, Managing Director (MD), and General Manager GM. The strategic decision was: hedging SAR5 billion.

Due to the volume of the development projects the firm was undertaking, and the sensitivity of the region served, funding the projects was done via several banks. Some of the banks financing the project advised the firm to hedge the funds against interest rates' fluctuations. The strategic decision was taken to hedge around five billion Saudi Riyals (\$1.333B), which was less than a third of the total financed loan. The firm had its own in-house consultants and had consulted several economists considering the global turbulent financial context and how that had resulted in an all-time low in interest rates in 2012. The loan's tenures were not less than eight years and the firm's economists predicted an interest rate rise in the long future, which could cost the firm an estimated increase of 1% costs, around SAR 50M (\$13.333M). The decision was based mainly on the economic analysis to make sure that the estimated cost of

the project did not exceed acceptable levels, as the profit of the project was already known to the firm.

This decision was deemed strategic (in line with Eisenhardt (1989) criteria), due to the huge economic value of the project to the firm and its long term effects on the firm's performance. The decision involved different functional areas in the firm, and was processed in the same manner, whereby a high stake decision is processed in a firm, involving the top two management tiers and a close monitoring by the Chairperson of the Board.

The TMT members involved in the strategic decision were: the Financial Consultant, and the General Consultant (Legal). The TMT leader held a graduate degree and the TMT member held a postgraduate degree, both in different majors. Both members were Saudi nationals and had a total of 70 years of experience between them, of which 7.5 years were in this particular firm. The tenure range was 3.5-4 years. The age group of the team members involved was between 42-57 years.

**PHR1**-The firm was in the pharmaceutical sector, specialising in infants' and children's nutrition and wellbeing. The firm had European roots, with manufacturers in North America and Europe exporting to the international market. The TMT members' functions present in the firm were: Board of Directors with non-executive founding members, Chief Executive Officer (CEO), General Manager (GM), and Legal Affairs President. The strategic decision was: acquisition.

The firm pursued an unrelated diversification strategy by acquiring an over 35% share of a media company which it would make responsible for the firm's public press. The firm was experiencing tough competition in the market, where it had almost lost its brand value and market share. The competition at one point occupied one of the main functional areas, where their job transformed to crisis management for several months. This had also had an effect of staff morale. One of the many scenarios was to acquire a media company to deal with the public relations while the firm focused on its core business.

This decision was deemed strategic (in line with Eisenhardt (1989) criteria), as the firm changed from a related growth strategy to an unrelated growth strategy, and the decision was seen as an important strategic step to protect the firm's brand and therefore continuity. In addition, the decision involved different functional areas in the firm, and was processed in the same manner whereby a high stake decision is processed in a firm, involving the top two management tiers and a close monitoring by the Board of Directors and business owners.

The TMT members involved in the strategic decision were: Chief Executive Officer (CEO) - General Manager (GM), Legal Affairs President. The three members shared the same nationality and had a total of 38 years of experience amongst them, of which 14 years were in the firm. The tenure range was 1-8 years. The age group of the team members involved was between 35-42 years.

**PHR2**-The firm was in the pharmaceutical sector, specialising in the marketing and selling of pharmaceutical products via its own chain of pharmacies or the firm's business partners, spread over Europe, Africa and the Far East. The TMT members functions present in the firm were: Board of Directors with non-executive founding members, Chairperson, Chief Executive Officer (CEO), Vice Chief Executive Officer (vice CEO), General Manager (GM), and Senior Departmental Heads. The strategic decision was: restructure of business.

The firm restructured its business, separating one of its business lines into two different segments, where each would be reporting to a different GM, and appointed a new GM to head the newly separated business line. Each separate business line had its own profit and loss accounts, budgets and staff. The decision was taken to enhance the effeminacy of the business processes by which the sales, marketing and collection of two main products lines were conducted. TMT members wanted to ensure that each product had its own devoted staff, so that no one product could take over the other in terms of sales or marketing, which was the case provoking them to look for a solution.

This decision was deemed strategic (in line with Eisenhardt (1989) criteria), because it involved restructuring a main business line and the appointment of a GM as a new key figure, and the decision was processed in the same manner

whereby a high stake decision is processed in a firm, involving all the functional areas and the top two management tiers.

The TMT members involved in the strategic decision were: Chief Executive Officer (CEO) and the Vice Chief Executive Officer vice (CEO). Both members shared the same nationality, with postgraduate degrees in science but different specialities, and had a total of 37 years of experience between them, of which 5 years were in the specific firm. The tenure range was 2-3 years. The age group of the team members involved was between 41-43 years. The newly appointed GM was also interviewed.

**INV1**-The firm was in the financial sector, specialising in providing diversified investment solutions for both local and international clients, with over twenty five year of experience in its field. The TMT members' functions present in the firm were: Board of Directors, Chairperson of the Board, Chairperson, Chief Operations Officer (COO), Chief Executive Officer (CEO), Chief Investment Officer (CIO), Vice Chief Executive Officer (CEO), Chief Financial Officer (CFO), different committees with chairpersons representing each major investor, and senior Heads of Business Lines. The strategic decision was: hiring a CIO.

The Board of Directors had long wanted to fill the Chief Investment Officer (CIO) post, which had been vacant for over eight years, the filling of which had been delayed by high levels of politics and the playing of power games by the senior executives. The board asked the Chairperson of the Board to champion the strategic decision and find a qualified (CIO) candidate. The era from 2002 to 2007 was an era of special international economic growth, which caused the management to deviate from its targets, detailed in its mandate into pure financial returns. The result of this was huge losses for the firm, which was on the verge of bankruptcy. After the 2008 global financial crisis, and because part of the mandate was to bring development in the form of investment, the Board of Directors realised that there was a serious need to look carefully into how the firm managed the business, to look for new ideas, to decide how to optimise the investment processes, and the outcomes of the firm, in both financial returns and the economic development of certain countries, In order to achieve the mandate's goals, the Board of Directors asked the Chairperson

to hire a professional with international expertise, high technical background and leadership skills.

This decision was deemed strategic (in line with Eisenhardt (1989) criteria), because it involved the appointment of a new TMT member a CIO, and the decision had a long term effect on the firm, as its changing investment attitude saved the firm from loses that it had incurred during the global financial crisis. Also, the decision was processed in the same manner where a high by stake decision is processed in a firm, with direct involvement and monitoring by the Board of Directors.

The TMT involved directly in the decision was the Chairperson of the Board. He was a Saudi national in his 40's, who held a postgraduate degree in business, with over 24 years of experience, of which 5 years had been spent in the particular firm.

**HEL1**-The firm was a joint venture between one of the Fortune 500 Companies and a Saudi clinic, providing specialised health care service. The Saudi partner had over 8 years' experience in the market and the Fortune 500 had a X years' experience, while the joint venture had 3 years' experience, with a focus to serve the region's individual private patients or hospital referred patients. The TMT members' functions present in the firm were: Board of Directors with founding non-executive members, Chairperson of the Board, Chief Executive Officer (CEO) who is a founding member, Chief Investment Officer (CIO), Managing Director (MD), and Heads of Business Lines. The strategic decision was: relocation of staff.

The growth strategy adopted by the firm raised the need to hire more staff, which necessitated more staff accommodation. The issue brought to the surface the need to enhance the current female nursing staff accommodation, which was overcrowded and in need of maintenance. The differences in values, where the CEO preferred to prioritise current resources to enhance patient care, and the board member representing the foreign investor preferred to prioritise current resources to enhance staff accommodation, resulted in a conflict of values. The status of the female nursing staff accommodation had several effects on the business, which were: a very low staff retention rate, which increased the labour costs, which, in turn, affected the quality of patient care,

firm reputation in the sector and in the hiring agencies, and the possibilities of the firm losing new governmental contracts. The foreign partner used the Chief Operating Officer and the President of the European and Middle East to convince the Saudi partner that a change in the accommodation was urgent. The decision was taken to move the nurses to a new building.

This decision was deemed strategic (in line with Eisenhardt (1989) criteria), because it involved all the TMT members, Board of Directors' members and the business owners of both ventures, and the decision had a long term effect on the firm, as it saved the firm from possible legal liabilities that could have shut it down. In addition, the decision was processed in the same manner whereby a high stake decision is processed in a firm, with direct involvement and monitoring by the Board of Directors.

The TMT members involved in the strategic decision were: Member of the Board representing the interest of the foreign partner (who had worked with his mother company for 12 years before the JV), Managing Director MD (who had worked with his mother company for 6 years before the JV), and the recruitment officer. The TMT leader held a postgraduate degree in business, while the other TMT members held graduate degrees in different majors. The three members were of different nationalities and had a total of 61 years of experience amongst them, of which 17 years were in the particular firm. The tenure range was 2-4 years. The age group of the team members involved was between 39-55 years.

### **4.4 Summary**

The aim of this chapter was to present the fourteen case studies built using the primary data collected through the semi-structured interviews and the secondary data collected from firms' documents. This was given to the researcher of the current study physically by the visited firms and through firms' online official reports.

The context in which the private firms operate was identified and described before the case description with the aim to describe the environment in which the firms operate. Then, each case study and its investigated TMT members were given a unique code, listed in Table 9: 131. The cases listed included a



description of the main industry and activity of the firm, the TMT structure extant in the firm, the strategic decision, the reasoning why the decision was deemed strategic, and the TMT members who were involved in taking the decision, with a description of their demographic data. Last but not least, a conclusion summarises the chapter and introduces the following chapter.

The aim of this chapter was to describe the cases within the context of the data collected, thus enabling the first phase of the critical analysis to commence in the following chapters.

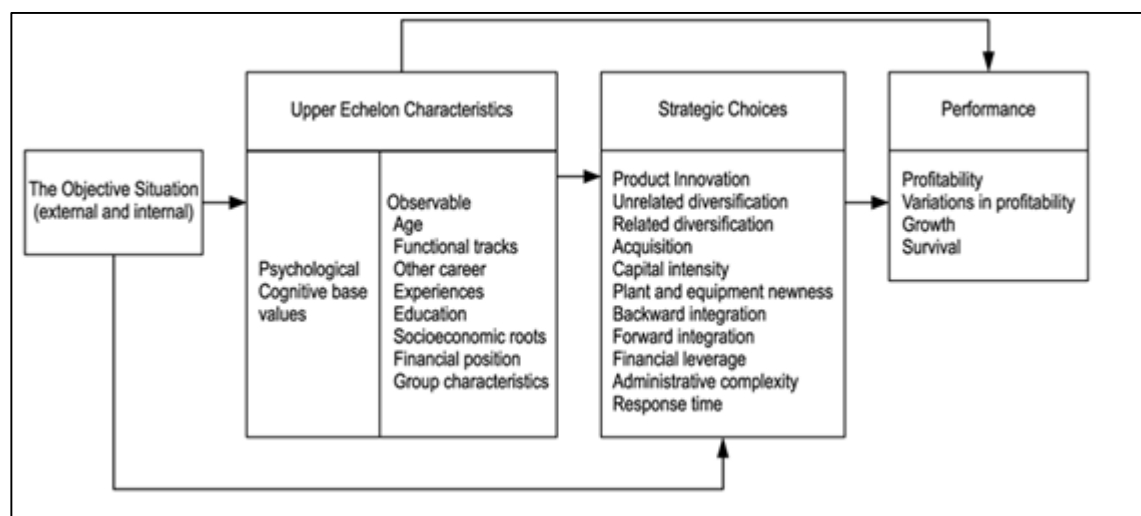
The following chapter will present the data analysis and findings. It will compare pairs of case studies based on the nature of the strategic decision, informed by Eisenhardt (1989) research design and data analysis, which will enable thematic analysis to emerge, by looking for similarities and differences between each pair.

## 5. Chapter Five: Data Analysis

### 5.1 Introduction:

The aim of this chapter is to present the analysis of both the qualitative data collected using the semi-structured interviews, conducted with the 14 private firms top management teams, and the quantitative data collected using surveys, completed by each member of the TMT after the interviews had been conducted (as discussed in chapter three, the research methodology). The analysis will be presented in three parts in light of Hambrick and Mason (1984) Upper Echelon Theory (Figure 10), which is the theoretical lens applied to this research. The first part will discuss the TMT selection and formulation process, and its effect on the strategic decision making process. The second part will discuss the themes which emerged during the process of taking the strategic decision. The third part will be a conclusion, summarising this chapter.

Figure 10: Outline of the Upper Echelons Theory (UET)



Source: Hambrick and Mason (1984: 198).

### 5.2 TMT Selection and Formulation

The TMT size in the sample varied between three members to just one member, as shown in Table 10: 153. The selection and formulation of the teams were mainly based on two factors:

- I. The fact that the selected members were affected by the circumstances leading to the need for a decision to be taken and/or had the most impact to make it happen, or
- II. That it is part of the team's daily job of being TMT members and the first layer of management under the Board of Directors.

Examples of comments in interviews that support the first classification are:

'The team was selected based on who makes the decision and have the most impact, and in this case I represent the JV partner on the US side, so I am the only person from the JV partner, and [name deleted] is the MD, so he is the highest rank here below the CEO and he is in charge of all the administrative staff. So, the decision the MD and I take, we should be able to execute ...' HEL1-TMT-L

'With my presence in all meeting and we didn't have committees. We, as the TMT, had a meeting and decided, but later we had mini meetings to agree about the process of the decision implementation. So the main decision I was always present, whereas for the details they will meet and inform me of the final detail and I would either approve or change some details.' PHR2-TMT-L

'They were nominated or selected based on the fact that they are the most effected people with what's happening.' PHR2-TMT-L

Examples of comments in interviews that support the second classification are:

'The management makes the proposal. The management consists of MDs and CFO, we submit something to the Board and the final decision comes from the Board. We submit to the Board that this is the analysis and this is the decision and see if the Board agrees with us or not' ENG1-TMT-M1

'Well, Samar, you can say the three reasons, 1st [name deleted] as he is the MD with over 20 years with the company, same thing [name deleted] as he is the GM and I was in the team, as I am the 3rd in rank after the two and close to my job nature as it entails a lot of consequences. So, how can I say this, ummm, there was no nomination

or anything but it was a fact that those are the best to be in the team to lead the operation.’ IND2-TMT-M2

‘So, he [CEO] made his opinion the obvious decision that it should be the top finance executive of this company to help him out in this analysis, so he appointed Mr [name deleted], who was still the CFO at that time, with additional responsibility. Meanwhile and myself as group financial controller, me, let’s say have an intimate knowledge of those international entities which we wanted to, let’s say, re-examine and the CFO was part of this company, also very qualified gentleman, but there was no public announcement of the project or recruitment extra very fast very quick, you, you lets go to my office and let’s have a look at it’ IND1-TMT-M1

‘I decided. It’s part of our structure.’ CON1-TMT-L

‘Two participants and been involving the Board of the company in every major mile stone of the decision.’ CON1-TMT-M1

‘Well, first we have to define senior management. For me, senior management is the CFO and the CEO, but once we reach a decision, if it is a really significant decision for the group, definitely we want to get the approval of the Board or of the Executive Committee, at least the Executive Committee, who are made of representatives of the board’ IND1-TMT-M1

‘No no, this is our job basically. Yes, of course, we take some technical field people with us so they can analyse and go and have a look because everything can’t be done by us, but the final decision is made by us. Depending on the data, depending on the meetings we have because we have, we have to travel, we go to Singapore because there is the hub. We speak to them and finally we agreed on the price. Three..it has always been like this.’ ENG1-TMT-M2

‘Because, you know, the decisions are taken in this office. If you want definitely more recommendations, the operational decisions are taken definitely here in those offices. But the strategic decisions, we recommend the strategic decisions to our Board and the Board either

approve it or does not approve. Now, usually we don't present to the Board except certain logical recommendations etc. etc. and most of the recommendations we are submitting to the Board are approved.' IND1-TMT-M2

There were only two cases where the TMT consisted of only one member; one was the Chairperson of the firm, and the other firm's member was a non-executive Board member and Group Joint Ventures Division and Business Development Director directed to champion the strategic decision by the Board of Directors. In both cases the TMT members were involved in firing or hiring a key TMT figure i.e. firing a CEO in one case, and hiring a CIO (Chief Investment Officer) in the other. In both cases this was due to the firms' TMT failing to do the job, thus forcing the Board of Directors to get involved in taking the decision and executing it. For example:

'The team, first of all, we agreed on that this is a process that has to be done by the Board, no one else. Not even the CEO, because the CEO was, you know, against the idea.' INV1-TMT-L

'Of course there was people's politics. Well, conflict was basically coming from within the company because there is a lot of [aaah] or there is some who were saying the management should be involved and in normal circumstance management should be involved. However, the management were against the idea and we gave the management two-three years, or two years to be fair, to actually kick start the process and they refused. So, when we took the responsibility of doing it ourselves, management started lobbying to actually be part of the process, so we said, "OK, you can be an observer but that's it. OK,." And even with that the management was trying to hinder the process or delay it, and it's when we basically said, "Look, the agreement was taken, we are inside the agreement. Any outside discussion is a distraction. We are not going to even look at it." Sometimes one has to be very decisive and I think the assertiveness of the group, alright, there is the majority to have to say no means no.' INV1-TMT-L

The fact that teams were selected based on the two factors mentioned above speeded up the process of team formulation and/or selection. Moreover, the

small size of the TMTs was described by many firms as a reason why decisions were able to be taken faster. Therefore, it can be possible that the team size, and the basis on which teams were selected, were factors in speeding up the strategic decision making process. For example:

‘We are a small team and we can meet every second if we want to. We are three offices and we are just together. We only have a formal meeting if we had another one, discussion among parties’ ENG1-TMT-L

‘It was direct selection by the CEO in one meeting’ HEL1-TMT-M2

‘It went very quickly I think [aaah] how was the team selected? By [CEO].’ IND1-TMT-M1

‘No they were in the leadership position. Immediately when we took the decision in one meeting’ IND2-TMT-L

The TMT members’ demographic characteristics, described in chapter four, show a high level of diversity and heterogeneity in terms of education, age, tenure, experience and nationality. However, there was homogeneity in terms of gender, as the TMT members across the fourteen firms were all male and none had a female member on their Boards.

Table 10: TMT Demographic and Formulation

Firm	Number of TMT Involved	Team Formulation	Team Demographic
IND1	3	Part of the structure for strategic decisions	Heterogeneous with the exception of education major but not level of education.
IND2	3	Part of the structure for strategic decisions	Heterogeneous with exception of nationality.
IND3	2	Part of the structure for strategic decisions	Heterogeneous
ENG1	3	Part of the structure for strategic decisions	Heterogeneous
CHM1	1	Board intervening due to TMT failure	Firm Board member (NED) and Group JV Division and Business

			Development Director
MAR1	2	Part of the structure for strategic decisions (related task)	Heterogeneous with exception of age.
CON1	2	Part of the structure for strategic decisions	Heterogeneous with exception of age.
FOD1	2	Part of the structure for strategic decisions (related task)	Heterogeneous
FIN1	2	Part of the structure for strategic decisions (related task)	Heterogeneous
DEV1	2	Part of the structure for strategic decisions (related task)	Heterogeneous with exception of nationality and tenure.
PHR1	3	Part of the structure for strategic decisions	Heterogeneous with exception of nationality.
PHR2	3	Part of the structure for strategic decisions	Homogeneous with exception of education.
INV1	1	Board intervening due to TMT failure	Chairperson
HEL1	3	Part of the structure for strategic decisions	Heterogeneous

Both local and international experience was used as a tool to help teams verify data or facilitate the business via their business networks. Some examples from interviews are:

‘I was working in a bank and they recruited me as I have the experience.....Should I believe the bank [pricing], or should I not believe the bank, and that why I needed an independent view. And that was a big challenge really, as even the independent [consultants] view you need to pay him. So we use to go and sit down with our friends in the bank and have a friendly chat to verify what we heard. Frankly that was one of the biggest challenges’. DEV1-TMT-L

‘and I came from [company’s name] incidentally, so I was instrumental in letting the deal to happen, almost let those entities be purchased and that was the major part of the expansion strategy’ IND1-TMT-M1

It can be concluded from the data above that a relatively small sized team, and the function of the individuals within the firm, were factors contributing to the speeding up the team formulation and selection process. It was also noted that this also happened when team selection was based on the first factor, namely, that the members were the most affected by the situation. So, the team leader would include a member to the team who is not usually a TMT member and in other cases would marginalise a member, or members, who normally were in the TMT. Evidence was drawn from the case of HEL1, where the CEO was marginalised as he disagreed about the urgency of a decision to be taken, while in the same team a Human Resource Officer was included as a TMT member. Also, in the cases of INV1 and CHM1, the TMT levels under the Board of Directors were marginalised as they were seen by their Boards as part of the problem. The heterogeneous demographic nature of most firms' teams, in terms of function, age, education, tenure, experience and nationality, did not seem to have an effect on team formulation and/or selection for the decisions. However, when it came to the decision process, a team with a heterogeneous demographic (in terms of nationality with low tenure) slowed down the strategic decision making process, as will be demonstrated in two themes below, which are: 1. TMT power, politics and lobbying, and 2. culture and beliefs. TMT members' experience, accumulated from working in different organisations / countries before their current firm, have been shown to have helped firms' process information faster through the use of business networks.

The next section explores the themes which emerged when analysing the data and exploring this in relation to the strategic decisions. These themes are:

- I. TMT Power, Politics and Lobbying.
- II. External Environment, Markets Law and Regulation.
- III. Dealing with Conflict and Fear.
- IV. Generating Scenarios and Alternatives.
- V. Culture and Beliefs.

### **5.3 Themes**

The themes presented below emerged from the data analysis through the use of template analysis and the use of thematic presentation, with support driven



from individual cases, via examples driven from the interviews (King, 1998 and 2004). King (2004) advised researchers to use both short and long quotes from the cases to give the reader a sense of the original text (summarised in Table 11 below).

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Table 11: Themes from the Sample Interviews

<b>Firm</b>	<b>Power, Politics and Lobbying</b>	<b>External Environment, Markets Law and Regulation</b>	<b>Dealing with Conflict and Fear</b>	<b>Generating Scenarios and Alternatives</b>	<b>Culture and Beliefs</b>
<b>IND1</b>	'Then it is my call...I am a dictator'	'managerial and quality control all of these controls are very difficult when it's so spread and you don't have what it takes to do the management'	'[CEO] is letting us speak we present the case and then ultimately if we cannot reach consensus he will make the call but what we have among us as an agreement that once the call is made whether we agree or not we fully back the decision'	'what I do usually we prepare a certain list of scenarios'	'foreign countries, foreign language, foreign currency its each legislations and sometimes coming up with strange requirement'
<b>IND2</b>	'I had to do a lot of convincing actually. I had to meet them all one by one. So I visit them in their offices and explain to them the concept and why we are doing it'	'during that the global financial crisis started in 2008 so a lot of companies withdrawn their request...to float their shares and the timing is not good to float the company'	'Persuasion, we never used voting as never needed the voting system at all in 30 years'	'We had several options to reach the goal.'	'..we even considered the staff the workers of the company. So the workers become owners and this is the 1st... so all the people from the MD to the gatekeeper get the same equal shares.'
<b>IND3</b>	'..I would remind him that this is	'we are missing out control ability we	'it was not exactly a wrestling match but	'I think we might cheated a bit, we knew	'A decision to reorganize the entire group its

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	really strategic decision that was made our ultimate authority in this entire business and that is the Board'	had aaa it was extremely difficult to meet CMA when we became a listed company to meet CMA reporting deadline'	you really have to [aaaaa] conflict were resolved [aaa] there were conflicts and I would say not every conflict was resolved to everybody's satisfaction unfortunately but this is reality'	what we wanted and we highlighted that as an option as a principle option, we indicated what is the other option and we did not recommend to go for it'	goods, bads, and uglis with all its gonna impact the culture, the staffing, it's gonna impact how we going to deal with each other'
<b>ENG1</b>	normally in our position you will see one CEO or GM or MD whereas so sometimes you think it was not a good decision if it was confirmed but it was ok because MD of Administration was with me for 40years and I was in this for 21years I am also doing good so most of the time the end decision is over analysis almost the same	'You see conflict was that some people think that we should have a contract, they decline before we buy it and I said we should buy it & then go for the contract and we were confident that we will get the contract so this was the only thing and the Chairman took a firm stand and said go ahead'	'We vote at the Board if there is any discrepancy in the Board, but in the management no we make the decision. I make the decision in fact.'	'Many, many, many because when it comes to a [.....] we bought with SAR one billion, the potential is high'	

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	so there is not much to differ sometimes we help each other sometimes there are mistakes but its not a big deal each decision the point that he reaches and the point that I reach are almost the same' ENG1-TMT-M1				
<b>CHM1</b>	'I always try to discuss it with them before the meeting so we agree what to say during the meeting'	'new corporate governance rules in the last 2 years'	'..there has to be one in the management who no matter how tough he is he will play the black sheep in a way during the meeting which is very important.'	'We had 2 other options'	'The problem with our culture is they want foreign investors by any mean despite the incidents happening especially with large companies'
<b>MAR1</b>	'it was more of pre agreement..I had with the GM enabled us to move the decision forward'		'..by influencing the GM ... I ensured that whatever direction that we come in together as two department heads to discuss and suggests that he wouldn't mind at all'	'..the other alternative was to hire somebody very quickly or the sales function reporting to the GM for a little while. Also another alternative was the sales team reporting to the	

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				business development and myself'	
<b>CON1</b>	'..so we concluded the expansion decision was more of an ego decision than a real business decision'	'whereas if we hire them from Saudi we will have to do a full contract, visas and stuff'	'We were discussing the issue until we reach a decision we didn't have formal discussions as you know that we are the main two who started the company'	'..part of the idea was to have an office in Dammam and that office will be serving [country name deleted] . And being there in [country name deleted], there were different options it's not having an office but another alternatives as well.'	
<b>FOD1</b>	'I am doing this but not sure if it is right or wrong. Maybe it relates to my previous experience of being GM in a big company where the final decision is mine then I came here where the final decision is not mine and I did not know anyone and it is my first time I work for [....]	'The problem that we have in this company is once a decision involves financial capital investment involves new equipment etc. it will take time. And sometimes in launching new products and I take the decision alone I take the risk, I do not even involve the Marketing VP.'	'convince each other until we are reached the final conclusion'	'No there were two - three choices'	'...so we can think together, and we always disagree which is healthy as each one sees the same picture from a different angle and that enables us to see the full picture in 3D.'

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	family who I hear of a lot but never did business with before. So I stick to the process and rules which were similar to a semi-governmental rather than private which was very boring to me so then I figured out that I can do what I want. And I started bending the rules and as long as no one stops me I continue. So I sign to authorise stuff, and if my signature works then I keep on until I hit a wall.'				
<b>FIN1</b>	'And because it was a major strategic decision so the Board of Directors was involved.'	'and how to find tools to deal with the regulatory bodies such as SAMA do you need to say aaa can you		'..you have 2 alternatives. Alternative 1 to convert all the branches into [...] this is one. Or to keep a	'..demand was very high people tend to deal with these branches and they accept the product because due to the religious factor people

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		communicate to the community'		separate management for the [...] so is this other option. So we see the pros and cons of each one.'	believe that these branches are working in accordance to our beliefs'
<b>DEV1</b>	'Here the Chairman is directly involved in the management and the GM of the company is directly under him. ...I do report directly to a Board member [name deleted] the son of the Chairman.'	'the beginning of the international economic crisis so it was very difficult to find finance back then'	'No there was no conflict as the benefit was very clear. The benefit made everything clear.'		'..the challenges from within the company is normally due to bureaucracy i.e. to give you these information I have to get the approval first etc. and sometimes they are afraid as this information you want is considered to be sensitive information so what if this information is leaked to other contractor they will know what we think? What if this information is leaked to other banks? I keep telling them the banks I will report it too just give me the information.'
<b>PHR1</b>	'I influenced it to go ahead with this decision'	'..the competition knew what we are going to do, they knew that this is our plan, this is		'there was another two options'	'The conflict, maybe, there were cultural factors to it, Samar, in our culture we have

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		what they are aiming for so they were competing with us to buy the PR company. This put us in a weaker position during the acquisition negotiation in comparison to if they did not compete with us on the acquisition. This was the main headache for us'			respect to hierarchy'
<b>PHR2</b>		'We have a new product that we tested in the market and the market showed a real appetite for it but if we want to authorise it from the SFDA it will take 2-2.5y which is a real problem!!'	'We respect all opinions as a principle but at the end only the right opinion is seconded. If we all object on a certain details then we all discuss it openly. From what I have noticed that an objection raised by one person usually stems from the fact that he does not have the full picture but if that person convinced us then we	'Two scenarios, keeping the current situation as is so the same GM is responsible for both business lines and the second scenario to separate them to two. There is not any other option.'	'For example, the sales representative should be male or female, is it better to recruit them from the same region they will work in.'



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			all agree on the new point raised'		
<b>INV1</b>	'we took the responsibility of doing it ourselves management started lobbying to actually be part of the process'	'After the 2008 crisis, the company realised or the Board realised that there is a serious need to look carefully into how these company manages the business'	'Conflict? Of course there was people's politics. Well, conflict was basically coming from within the company because there is a lot of aaa or there is some who were saying the management should be involved and in normal circumstance management should be involved. However, the management were against the idea.... management was trying to hinder the process or delay it..sometime one has to be very decisive and I think the assertiveness of the group alright there is the majority to have to say no means no.'	'Six, they are six professionals'	
<b>HEL1</b>	'..wrote the reports with this as the only	'a challenge situation with the market because one	'It took in this case it took the [...] COO and the President of the		'There was a big difference so that was a cultural difference when

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	option, of course we made our minds up from the beginning'	of them is we have short period and short notice because the decision was made before the new rent for housing maybe few weeks only..and how to find the expert people who will suit our needs that was the second challenge.'	European-Middle East ... so it had to go to a very high level.'		we don't see eye to eye on the value of the staff'
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The five themes presented in Table 11 above are discussed in more detail below in the same order they appear in the table. The themes are supported by quotes from the semi-structured interviews conducted with the TMT members and survey results (Appendix VIII). This is followed by a conclusion outlining the analyses, using the UET framework, found in the Saudi private firms' context.

### 5.3.1 TMT Power, Politics and Lobbying

A common characteristic of the strategic decision process among the firms was agreeing on the decision before the meetings of the team, during which alternatives were discussed to decide on the final route to be taken. The pre-agreement on decisions was described as a tool to speed up the decision making process, and to avoid possible power struggles by the members delaying the decisions. In some cases lobbying was used to counter the effect of other powerful figures in the TMT or the Board lobbying against the decision, as seen in the cases of HEL1, CHM1, INV1 and MAR1. In those four firms, lobbying was seen as necessary to speed up the decision and save the firms from an undesirable business outcome, caused by any political delay (see Table 12: 170).

Examples of comments in interviews for pre-agreements to speed up the decision are:

‘And if I wanted to initiate such a direction, that it would not fail, or gets implemented, then create sort of tension that there is risk or whatever, my key objective is to aim the business by influencing the GM and by influencing him I ensured that whatever direction that we come in together as two department heads to discuss and suggests that he wouldn’t mind at all. So, it was more of pre agreement or pre alignment that I had with the GM enabled us to move the decision forward. But, formally, how it happen is that we came together with the other department head to approach the GM to basically take that decision accordingly.’ MAR1-TMT-L

‘When I went through the decision from the Group to one of its subsidiaries and the decision was discussed between us and other families, in the business, so the decision took time as there was a campaign...’ CHM1-TMT-L

‘...let us say I was involved in the decision because I was very convinced of it. One of the four opinions was that we will go too far by having a partial acquisition so we can sign an agreement that it will be

not as costly, but I influenced it to go ahead with this decision..' PHR1-TMT-L

'I think we might cheated a bit, We knew what we wanted and we highlighted that as an option, as a principle option. We indicated what is the other option and we did not recommend to go for it' IND3-TMT-L

Examples of comments in interviews for countering the impact of powerful figures are:

'...when the team was formed we had an agreement that this is the right decision, but we needed to formularize, so we did the visits and wrote the reports with this as the only option. Of course we made our minds up from the beginning..' HEL1-TMT-M1

'we have consensus before the meeting and I always try to discuss it with them before the meeting so we agree what to say during the meeting and, you know, there has to be one in the management who, no matter how tough he is, he will play the black sheep in a way during the meeting, which is very important.

It took almost a year and then we appointed a different CEO...There is always a need for some scary figure in the Board and no one wants to be the black sheep, you need to pass the message, but if the person is shameless, what else can you do?' CHM1-TMT-L

'...the management were against the idea and we gave the management two-three years or two years to be fair to actually kick start the process, and they refused. So when we took the responsibility of doing it ourselves, management started lobbying to actually be part of the process, so we said, "OK, you can be an observer but that's it"..' INV1-TMT-L

'Unfortunately the main reason for the delay is the negative influence by the decision makers or the stakeholders. We have two negative influences. One of them, let's say, the top decision maker, and the second one is part of the members, because they have been influenced in certain direction blindly, blindly, unfortunately, and I have to be

honest with that they were pushing in one direction which was not clear for anybody.

[nationality of the JV partner] joined us recently, the [nationality of the JV partner], let's say, have a business and a clear vision, so anything that will affect their business negatively they will pick it up, which is supposed to be us. So, unfortunately we are wasting our time and efforts on who will make the decision, not what will be the outcome.'

HEL1-TMT-M2

It is worth mentioning that the Boards of Directors of the majority of firms consisted of highly strong influential public figures, who were involved in the management of their firms. Considering the magnitude of the strategic decisions (see Table 12: 170) in the sample, the TMT had to keep their Boards updated to ensure compliance with responsibilities and speed up the approval process. The TMTs presented their case to the Board of Directors, including the best course of action to be pursued, but it was in the hands of the Board of Directors to approve the TMT decision, or suggest a different decision. This continuous communication with the Board of Directors of each firm shows a level of centralisation in the strategic decision approval process. The only two exceptions were INV1 and CHM1, where decision was taken by the Chairperson in the case of INV1 and a NED Board member in the case of CHM1, as the designated member by the Board to champion the decision, and they presenting the end result to the Board. It is worth mentioning that all the TMT leaders in the sample gave their lowest score to 'achievement' in comparison to the other two factors namely 'team cohesion' and 'improvement orientation'. The exceptions were INV1, CHM1 and HEL1 where their score for 'team cohesion' was the lowest. The highest level of politics and conflict were amongst INV1, CHM1 and HEL1 as will be shown below.

The context within which the strategic decisions were taken is important. As described by the TMT, the strategic decisions entailed high stakes and consequences either of huge financial resources being allocated to execute the decisions, or that the firm was in a critical situation, which called for a TMT intervention. The following are examples of comments in interviews showing the centralisation of the strategic decision approval to be in the hands of firms'

Boards of Directors, and linking it to the scale of the decision impact on the organisational outcome:

‘No, continually, because this is an important decision. Its ownership, a lot depend on that decision. I mean, you can’t go back to CMA and say we have changed our minds. You have to get the Board of Directors’ approval in each step of the way...and we gave them regular reporting about the progress.’ IND2-TMT-L

‘And because it was a major strategic decision, so the Board of Directors was involved.’ FIN1-TMT-L

‘Every mile stone we go to the Board. The only approval we need here is the Board’s approval. We present the business case and we present it to the Board. Of course we had the blessings of the Board from the beginning.’ CON1-TMT-M1

‘The Board of Directors has the final say. The CEO report to them directly, so the CEO presented the case to the Board’ FIN1-TMT-L

‘Well the approval needed [aaah], again I represent 2/3 of the Board and I had....of course, I need approval from the US Board. So the mother company from the US I had approval and that was based on reporting the current conditions, the business impact of that high turnover of staff’ HEL1-TMT-L

‘Well, see from in the team we took the decision [ummm] we needed the approval of the Board at the beginning and then we were updating them in the Board meetings of what was happening’ IND2-TMT-M2

‘Well multiple approvals from the Board, but we made sure we need as few as possible. First of all the decision to go ahead, and the decision to choose the implementation partner, because that’s the big cost...’ IND3-TMT-L

‘Every month, every day, we have a phone conversation, but a meeting every month through the five months. We need to keep the Board updated.’ PHR1-TMT-M1

Table 12: Decision Approval, Provoker and Outcome.

<b>Firm</b>	<b>Approval Needed</b>	<b>Strategic Decision Provoker</b>	<b>Strategic Decision Outcome</b>
IND1	Board of Directors Or Executive Committee	-Global financial crisis -Losing control -Legal liabilities	-Restructure of business liquidating/selling an average of 14 companies a year. -Going back to the core business (related diversification)
IND2	Board of Directors	-Board's desire to list the firm. -Difficulty in continue with the growth strategy due to lack of funds.	-Listing the firm in the local TASI index. -Increasing the ownership of staff by gifting them shares.
IND3	Board of Directors	-Risk of CMA penalties due to late financial report submissions. -Questionable accuracy of the financial reports submitted manually by the subsidiaries. -Ability to continue pursuing the growth strategy was slowing down.	-An ERB system to connect all the international subsidiaries with the mother company in Saudi. -Inefficacies were identifies and new investment decisions were made easier and more efficient.
ENG1	Board of Directors	-Customer demand. -Market gap for the product.	-Increasing the market share by being the first provider of the product.
CHM1	Board of Directors	-Global financial crisis -Unethical business behaviour (conflict of interest). -Possible CMA legal penalties.	-Firing the CEO -Hiring a new CEO
MAR1	GM who is the Chairperson	-Internal conflict of business reporting and process. -Slowdown in sales. -Staff frustration.	-Restructure of business line reporting system. -Deleting the post of a TMT. -Reorganising staff. -Sales improved.
CON1	Board of Directors	-Pursuing a growth strategy 'an emotional and	-Withdrawal from the agreement with the

		ego based decision' as described by the CEO.	proposed new partner due to uncalculated business risk.
FOD1	CEO	-Identified market gap.	-New resources committed to the new product. -First mover advantage. -Sales increased. -Inclusion of an old product that the market did not have an appetite for.
FIN1	Board of Directors	-Board's desire to restructure the business process. -Customers demand.	-Losing the customers who didn't agree on the new restructure. -Increase in profit/sales as new customers were after the new structure. -Around 2000 employees were either relocated or made redundant. -Two major business lines were merged.
DEV1	Chairperson	-Global financial crisis. -Financiers request. -Economists advice.	-Interest rate hedging to protect against the predict interest rate increase.
PHR1	CEO	-Competitors attacking the brand of the firm. -Market share lose. -Sales return slowing down. -Staff morale affected negatively.	-Partial acquisition of a PR company. -Employees were motivated. -Brand protection.
PHR2	CEO	-Sales decline. -Customer confusing the firm different products. -Losing clients.	-Restructure of business. -New GM appointed to head the newly separated business line. -New resources i.e. human and financial capital allocated. -Sales revenues increased.



INV1	Board of Directors	<ul style="list-style-type: none"> <li>-Global financial crisis.</li> <li>-TMT failing to adhere to the firm mandate.</li> <li>-The firm was on the verge of bankruptcy.</li> </ul>	<ul style="list-style-type: none"> <li>-Hiring a TMT key figure i.e. Chief Investment Officer.</li> <li>-Shifting back the firm investment strategy to align it to its original mandate.</li> </ul>
HEL1	Board of Directors	<ul style="list-style-type: none"> <li>-Possible brand image damage.</li> <li>-Low staff retention level 30% compared to other firms in the same sector in SA being 90%.</li> <li>-Hiring agency overseas started to get reluctant to work with the firm.</li> </ul>	<ul style="list-style-type: none"> <li>-Relocation of staff to a new building.</li> <li>-Financial resources allocated for the relocation.</li> <li>-Staff moral and satisfaction increased.</li> <li>-Patient care improved.</li> <li>-Possible legal penalties avoided.</li> </ul>

### 5.3.2 External Environment, Markets Law and Regulation

The 2008 global subprime mortgage crisis came across to the sample as a provocation of either initiating or speeding up the decision to regain control, or to evoke fear of losing control (see Table 12: 170). As described in chapter four, most of the firms had an international presence, making the firms open to the global market instability and international markets' laws and regulations. This is illustrated by the following quotations from interviews:

Examples of comments in interviews for local market direct regulation are:

'...and there were several companies that applied before us, during that the global financial crisis started in 2008, so a lot companies withdrawn their request and we checked with our consulting bank, who told us that a lot of companies has withdrawn their request to float their shares and the timing is not good to float the company, so what is your opinion? We changed the method and continued and now we are publically listed.' IND2-TMT-L

'We have been working on this for 4-5 years. We started on actually the beginning of the international economic crisis, so it was very difficult to find finance back then. So, it took us 3 good years to close this 5 billion deal...' DEV1-TMT-M1

Examples of comments in interviews for the international market environment are:

‘..problems of control. Legal, financial [aaaah] managerial and quality control, all of these controls are very difficult when it is so spread and you don’t have what it takes to do the management.’ IND1-TMT-L

‘After the 2008 crisis, the company realised, or the Board realised, that there is a serious need to look carefully into how these company manages the business, look for new ideas, how to optimise the investment process and the outcome of the company in both financial returns and the economic development..’ INV1- TMT-L

‘...external, yes, this is the regulatory environment when you want to close a company. Also you need, need to deal with the tax authority, you need to deal with the lawyers, with the notaries, with all those in foreign countries, foreign language, foreign currency, its each legislations, and sometimes coming up with strange requirement which we don’t have here and we don’t have in Europe, so you have to accommodate this...’ IND1-TMT-M1

The Saudi local market was not immune to the impact of the global financial crisis, as described in chapter four, which provoked the Capital Market Authority (CMA) and the Saudi Arabian Monetary Agency (SAMA) to add more regulations to the local capital market in order to protect the stakeholders’ rights. The added regulations had an effect on the firms’ strategic decisions process by slowing down, or delaying, the decisions. For example:

‘..when we decided to go public it was in the down turn of the whole thing. At that time there was no..I mean all the companies were stopped. The CMA stopped giving license to any company to go public when we started, so we took a decision to go ahead at that time. It was not at the peak of the market, it was a very low peak at that time’  
IND2-TMT-M1

‘I think the challenges were from the CMA, not from the shareholder or not from the management. The CMA, because the CMA was very aggressive in pricing and everything because they were worrying,

actually....too careful about everything, actually. Every time, it was back and forth, back and forth, so the CMA at that time was very conservative, very worrying, so that was the main challenge that I can say' IND2-TMT-M1

'It took about 2 years or so with the CMA. I had to do a lot of convincing, actually. I had to meet them all one by one. So I visit them in their offices and explain to them the concept and why we are doing it. They were worrying about the timing, but really, at the end, they decided to go ahead, it just took few months.' IND2-TMT-M1

'...It started to get a bit of struggle to get financial statements accurately, timely etc. So, we felt we are missing out control ability, we had [aaah], it was extremely difficult to meet CMA when we became a listed company, to meet CMA reporting deadline, which is very very short even by international standards' IND3-TMT-L

'...new corporate governance rules in the last 2 years, whereas in the 90s, if you said anything about corporate governance rules, people will look at you thinking: What do you want? Are you trying to mess up our work? Who are you exactly?' CHM1-TMT-L

'So the bank told us 0.16 and this is a big challenge. For example, abroad you will relate the pricing to the risk, so if the risk rating of the client is high or not, especially for a public company abroad, it will be known. For example, GM is rated AA-, IBM will have its risk rating, so that risk rating is related directly to the pricing. Here in the Kingdom we don't have that, so you have to verify these pricing by yourself, am I being charged too much? Being charged too little is fine [laughing], but not too much.' DEV1-TMT-L

'...and how to find tools to deal with the regulatory bodies such as SAMA do you need to say, [aaah], can you communicate to the community that its Islamic here and non-Islamic here? It's a very sensitive issue that needs to be...these are the challenges' FIN1-TMT-M1

‘The Saudi Food and Drug Association (SFDA) decided that two of our products does not get the same treatment of pharmaceuticals, which are medical equipment’s, but we got them cleared on that basis. But after we started the process of bringing importing the medical equipment’s, they stopped it in the middle of the process and said, “No, this is to be cleared as a medication and not medical equipment.”. These are governmental issues...Authorising the import of medications with all the routine work takes 2 to 2.5 years to authorise! We have a new product that we tested in the market, and the market showed a real appetite for it, but if we want to authorise it from the SFDA it will take 2-2.5y which is a real problem!!’ PHR2-TMT-L

The Ministry of Labour (MOL)’s continued regulation, which aims to nationalise the private firms’ jobs in an effort to tackle the increasing levels of unemployment, was shown to have had an effect on firms’ capability to find, or hire, international skilled staff or consultants. The lack of skilled nationals to fill in the posts also was shown to have restrained firms’ ability to hire their preferred labour. This is illustrated by the following comments from interviews:

‘So, even if you are looking for a CEO, who will you bring? And the human resource was tough and there was the threat of him being a partner and in when you have such a situation you will face a problem in taking the decision, so it took us about 10 years when we were able to start asking him about his business behaviour.’ CHM1-TMT-L

‘We live in Saudi Arabia (SA) and we all know that SA is not a very open country to attract talent to be easily. And such a project, there is a short of resources of Saudis being consultants in business process, engineering and these things, and there is a domination here by Indian and Pakistani and for you to be able to get good quality people you need to attract them, and you need to bring them fast by quick visa possessing arrangement, which is not the case. So, there is the external, which is the government regulations and restrictions, which eliminate us to bring best quality people on the ground to have a better project.’ IND3-TMT-M1

‘They are cheaper, the variety is wide and you might find them without hiring an expert. The idea is you won’t obligate yourself with long term commitments, whereas if we hire them from Saudi, we will have to do a full contract, visas and stuff. If he is coming just for the project from Jordan, then he will come and go after the end of the project.’ CON1-TMT-M1

‘Number two, the complication, especially in Saudi, everyone brings a foreigner have to issue a visa and a permit etc. The implementation partner didn’t invest in that they were on the cheap, they outsource from India and when they have a project they start to bring them. They, unfortunately, let the logistics get in the way proper business conduct. They cause a lot of strain in the relationship and a lot of grievance among their customer, us included, because they promise you to bring the sun and the moon to earth by saying, “I have 25k consultants, I have population”, but once you want them to be here, they are just not available. This really is a chronic issue and it’s a severe miserable failure by the industry’ IND3-TMT-L

After the 2008 global subprime mortgage crisis, the need to regain the legal and financial control, as described by the firms’ TMTs over their firm’s international subsidiaries, was a theme that emerged strongly through the cases. For example, in the case of IND1, the financial crisis was used as tool by the CEO to bring in the remaining members of the Board of Directors to agree to his new strategic direction of changing the firm’s current unrelated diversification strategy to a related diversified one. He had started this strategy a few months before the crisis. The need to speed up the CEO’s new strategic direction became more apparent to the Board of Directors as the group started to become close to more legal liabilities after one that they had with a subsidiary in the USA. The CEO saw an opportunity to use the financial crisis to support his case, whereas the CFO and the Group Legal Advisor saw the global financial crisis as a threat that needed to be dealt with as soon as possible. In the cases of IND2 and DEV1, the global financial crisis hindered their ability to speed up their decisions, as it took IND2 two years to be able to list their firm in the local shares index. It also prolonged DEV1’s ability to find a financier who would be able to finance and hedge their loan in a period when local

financial institutions had slowed down lending and financing projects, due to the financial crisis. In the cases of CHM1 and INV1, the financial crisis highlighted how their TMTs' failure to adhere to the firm's mandates forced the Board of Directors of both firms to intervene before the firm went bankrupt in the case of INV1, and before the firm faced corporate legal liabilities, brought by both CMA and TADAWUL, in the case of CHM1. In the case of IND3, it was one of the main provokers to initiate the strategic decision. It can be concluded that the 2008 financial crisis had an effect on the strategic decision process, depending on each firm's unique context.

In relation to the global financial crisis, the local Saudi governing system related to the private sector started introducing new governance rules as a step to minimise the global crisis impact, as explained in chapter four. This started with the MOL tightening the visa process to higher international skills, and the SFDA tightening the permits and licenses given to new and existing medical and/or health products on the market. Also, both CMA and TADAWUL slowed down any new listings in the local exchange and increased the transparency and reporting laws related to corporate governance. All of those factors, again, slowed down the decision making process.

### **5.3.3 Dealing with Conflict and Fear**

The majority of firms' dealings with conflict, through discussion to reach an agreement and the use of voting, were their last, or least, preferred option. Examples of comments in interviews for the use of discussion as a means to agree about a decision are:

'Persuasion, we never used voting, as never needed the voting system at all in 30 years' IND2-TMT-L

'Discussion and whomever is involved in this topic we ask him to leave the meeting so we can take the decision, and then we call him back. This is what we do currently..' CHM1-TMT-L

'We were discussing the issue until we reach a decision. We didn't have formal discussions, as you know that we are the main two who started

the company, or to be accurate the CEO started the company and I was with him from the very beginning. So the two of us go into several discussions, and many of those discussions are not formal, and then we come up with the decision.’ CON1-TMT-M1

‘We vote at the Board if there is any discrepancy in the Board, but in the management, no, we make the decision. I make the decision, in fact. By the way, saying that it does not mean we don’t discuss with all the parties, convincing mainly, never took a decision without convincing everybody, that this is the right one’ ENG1-TMT-L

‘We try to convince each other until we are reached to the final conclusion and we put all skills to come to the..it’s not so difficult.’ FOD1-TMT-M1

‘We would set down the three of us and discuss so that the meeting will not end until we reach a decision we all agree on. Of course we were three in the team, so if two of us agreed the third will agree’ HEL1-TMT-M1

‘We agreed that we need to have continuous and clear communication for all these issues because, from my experience, we found that one of the negative points affecting the decision making or the clarity of the decision making is communication. We are not communicating very well. And to avoid that point, we agreed we need to move from, let’s say, from communications through emails to communication on the table. We have to face each other, we convince each other we have to discuss it one to one in the group and make the decision and move forward, so we moved from, let’s, say indirect communication to direct communication. And since we started that it was really, really helpful’ HEL1-TMT-M2

‘[Laughing] Well it was not exactly a wrestling match but you really have to, [aaaaah] conflict were resolved, [aaa] there were conflicts and I would say not every conflict was resolved to everybody’s satisfaction, unfortunately, but this is reality. The approach we took is to be realistic, to engage, to be people who are in charge and to use

resources, or seniors, or Board Members and I use to get involved a lot. When I see it reaching a sensitive stage, I would step in and in different ways, depending on the situation, sometimes by appealing, because conflict is mostly between the project management office and the company that was implementing, and I would most of the time, would appear like I'm taking the company's side, which is the subsidiary's side, but I say, "Listen, I know where you are coming from, but if you want to reach a deal, you have to do this." and that in other cases I say, "I see what you are saying", but see, I would remind him that this is really strategic decision that was made our ultimate authority in this entire business and that is the Board and I am not about to go to the board and say, "Listen, we made the wrong decision, some of us has made the wrong decision, so please"..' IND3-TMT-L

'There is a lot of change management and a lot of change management work and explanation, understanding, discussion and all done to reach into the deal with agreement of most of the people. But still, after spending a lot of time, some of people will still insist and reject or resist and at that time the Chairman, and I was the Program Director, and one of the Board representatives Mr. [...] was put as a Chairman of the project and the Chairman has a certain authority to vote and let things go, but still, if the situation is complex, has to go after Steering Committee to the Board for the final decision.' IND3-TMT-M1

'The main challenges you face in this is the human..I mean, the humans they like to change, but when it comes into reality they resist and, you know ,the change sometimes can bring to the people some threats which, I mean, people doesn't want it.' IND3-TMT-M1

Examples of comments in interviews for the use of voting as a mean to agree on a decision are:

'Discussion, but if an agreement not reached then we vote.' CON1-TMT-L

'We respect all opinions as a principle but at the end only the right opinion is seconded. If we all object on a certain detail, then we all



discuss it openly. From what I have noticed that an objection raised by one person usually stems from the fact that he does not have the full picture, but if that person convinced us, then we all agree on the new point raised....Yes, it's an open matter..[voting] only used if it's a vague matter to us' PHR2-TMT-L

The continuous discussions to tackle any disagreement amongst the TMT and/or other involved parties could be a reason why TMTs used internal lobbying and pre-agreement to cut those discussions short and speed up the process of taking the decision. The result of the internal lobbying and politics can be seen in the survey result, where most TMT members gave a low score for 'atmosphere' in comparison to the other fourteen factors surveyed. It is also noted that the longer members in a TMT worked together, the more they used discussion, and labelled voting as a tool they never used. This is shown in the case interviews quotes above by IND2, IND3 and ENG1. In contrast, the shorter a TMT had worked together, the easier it was for the TMT leader to call for a vote, as in the cases of IND1 and HEL1. Examples of comments in interviews for the use of the power inherent in the TMT leader function are:

'Then it is my call...I am a dictator [laughing]' IND1-TMT-L

'It took. in this case it took the [...] COO and the President of the European-Middle East ... so it had to go to a very high level.' HEL1-TMT-L

In both IND1 and HEL1 the leaders had only been a few months with their new firms and had started to formulate a team to tackle a strategic issue, showing no perseverance in the use of vote to come to an agreement, as opposed to IND2, IND3 and ENG1, where members had spent decades working together, including some of them since the inception of their firms, who used discussion.

#### **5.3.4 Generating Scenarios and Alternatives**

Different scenarios were generated before reaching the final decisions of the TMTs (see Table 13: 183). More scenarios were built as different approaches to execute a decision in comparison to different decision to tackle an issue.

Twelve out of the fourteen firms made a strategic decision as a response or a reaction to an issue. Only two firms, FOD1 and ENG1, made a strategic decision after seeing a gap in the market for a new product (see Table 12: 170).

Examples of comments in interviews for the use of scenario planning are:

‘Usually, what I do usually, we prepare a certain list of scenarios...in each problem we are facing and this, you know, I learn it through years also that each problem we face we have different solutions, and in those solutions we set it as a priority, the [Financial Controller] and myself, and then we go to the [CEO]. We tell him this is the issues and those are the certain solutions; sometimes he brings new solutions to us, sometimes he chose what we have as a solution’ IND1-TMT-M2

‘Many, many, many because when it comes to a [.....] we bought with SAR one billion, the potential is high’ ENG1-TMT-L

Examples of comments in interviews showing awareness of alternatives, but not really scenario planning are:

‘Changing to a publically listed company was the goal. We had several options to reach the goal. So there were two forms to reach the goal and we choose one of them’ IND2-TMT-L

‘This is a good question. There was, there was another two options. One of them is to sign a one year agreement with a strong PR company. But the level of protection in this option is not as high as the level of protection in the first option. The first option was our preferred option, but we were afraid that it will not go ahead. And the third option is similar to the second option, but with a different PR agency.’ PHR1-TMT-L

‘Yes, there were other alternatives, but we reached the firing decision after 3 years of deliberations. We had 2 other options, but we have to be realistic, as one option was to bring in foreign companies in the structure, but we can’t do that and finding a Saudi CEO who is capable,

so tried to bring him assistants to his post awaiting the right time, but it was hard as he killed them before they kill him!’ CHM1-TMT-L

‘We came up with increasing the market share as a solution and targeted a certain company from which we felt problems were coming from, then increasing the market share needed a more focused team. So it wasn’t alternatives, but rather a series of processes where we ended up separating the business line into two.’ PHR2-TMT-M1

‘I am not sure if you call this an alternative, but part of the idea was to have an office in Dammam and that office will be serving Qatar. And being there in Qatar, there were different options. It’s not having an office but another alternatives as well. One is to have a full office to be complete independent office. The second choice is to have a front end office and the back end in Jordan for the resources. And the last option is to have a front end in Qatar and the back end in KSA. So, whenever we have a project in Qatar we will be supplying the resources from our office in Riyadh’ CON1-TMT-M1

‘It is one, to do it or not to do it? We will lose customers who will not like to use [...] product so the decision: are we willing to do that, or not? And we said yes.’ FIN1-TMT-L

‘I think that was the main alternative that we had and we had to go for it. We could have gone to something else, but that was the first thing we discussed and we all said it made sense. I mean, the other alternative was to hire somebody very quickly or the sales function reporting to the GM for a little while. Also, another alternative was the sales team reporting to the business development and myself...’ MAR1-TMT-M1

‘Six, they are six professionals and they all came from very similar backgrounds’ INV1-TMT-L

Table 13: Alternatives Generated

<b>Firm</b>	<b>Alternatives Generated</b>	<b>Strategic Decision</b>	<b>Scenarios Built to Execute the Decision</b>
IND1	-Status quo -Restructuring	Restructure	-Liquidating -Selling the business to a local businessman -Selling the license of the technology and pulling out of that country
IND2	-Listing the firm -Merger with another firm in the same industry which was aborted as the IND2 felt they were going to be acquired and not merged.	Listing the firm	-Start with a private placement. -Issue new shares & float them in TASI.
IND3	-Status quo -Restructuring	Restructure of business process	-ERB system to connect. -In house built simple IT system.
ENG1	-Status quo -Take the risk and be the first to introduce the product to the market.	New product	-Build the product from scratch. -Buy the product half built. -Buy the product already built.
CHM1	-Fire the CEO. -Brining in new talented individual as an assistant to the CEO and train him to takeover. -Bring in a foreign investor to reduce the powers of the existing CEO.	Firing the CEO & hiring a new one	-Board meeting with the CEO to investigate his behaviour internally. -Start an investigation with lawyers from both sides present. -Public hearing with the shareholders to investigate the CEO business behaviour.
MAR1	-Status quo -Restructuring	Restructure the business process	-Appoint a new Sales Head and distribute the job load of the old Head between the Business development Head and Marketing Head. -Reallocate the current sales head to a new post (to send him a message that he is not wanted)

			and distribute his staff between two departments.
CON1	-Status quo -Grow geographically by opening a new office in Qatar.	Entering a new market.	-Serve the Qatari market from the firm's office in the eastern province of SA. -Serve the Qatari market from the firm's office in the central province of SA. -Open a new office in Qatar.
FOD1	-Introducing a new product in a certain geographical region. -Introducing a new product in all the geographical locations of the firm's.	New product	-Introducing the product in different flavours, sizes and packaging. -Unifying the product and limit it to a certain region.
FIN1	-Status quo -Restructuring	Restructure	-Starting the structures in areas where the new business process has an appetite among the customers of that geographical area. -Start the structure in all the firm's locations.
DEV1	-Status quo -Hedge the loan	Interest Rate Hedging	-Hedge part of the loan
PHR1	-Partial Acquisition -Sign an agreement with a PR company -Hire a PR personal to be their in house PR consultant	Partial Acquisition	-Partial acquisition
PHR2	-Status quo -Restructuring	Restructure	-Hiring a new GM and give him the resources to hire all the staff he want to employ. -Split the current department with both reporting to the old GM.
INV1	-Status quo -Hiring a CIO	Hiring a CIO	-TMT leading the process of hiring a CIO. -Board of Directors

			leading the process of hiring a CIO.
HEL1	-Renewal of the existing facilities. -Relocating the staff to a new facility.	Relocation of Staff	

It can be concluded that TMTs generated different alternatives to the strategic decisions to be taken, and/or different scenarios on how to execute the final chosen course of action. TMTs explained the need for alternatives for the following reasons:

- I. Consideration of the context and high stakes of each firm, which called for a strategic decision to be taken (see Table 12: 170).
- II. The financial resources that would be necessary to execute the decisions.

The different alternatives generated by each firm's TMT can be attributed as well to the heterogeneity nature of the teams.

### 5.3.5 Culture and Beliefs

The heterogeneous character of most of the TMTs in terms of tenure, age, education, experience and nationality had generated a fusion of different cultures, systems of beliefs and experiences. This fusion slowed down the decision process, and changed the course of action in others, in order to come to an agreement. For example:

Examples of comments in interviews for the impact of the Saudi culture are:

'For example, the sales representative should be male or female, is it better to recruit them from the same region they will work in? We discovered in our society that, for a female representative it's hard to travel to different remote places, so it's better to recruit from the same region. That is one of the simple stuff we learned. So we would go to those regions and do the interviews there and ask them if they are willing to travel. So we do learn from our experiences and mistakes.'

PHR2-TMT-L

‘The problem with our culture is they want foreign investors by any mean despite the incidents happening, especially with large companies, as the bigger the company, the more margin they can get without telling you!’ CHM1-TMT-L

‘A decision to reorganize the entire group, its goods, bads, and uglies with all its gonna impact the culture, the staffing, it’s gonna impact how we going to deal with each other etc. A lot of people we know are going to fight it, so that’s the principle decision. Once that was done and we always demanded and obtained the Board full support’ IND3-TMT-L

‘The conflict, maybe, there were cultural factors to it, Samar, in our culture we have respect to hierarchy. In the same time, there is some sort of, let’s us say ...let us say, I was involved in the decision because I was very convinced of it.’ PHR1-TMT-L

‘Huge demand, exactly, the demand was very high. People tend to deal with these branches and they accept the product because, due to the religious factor, people believe that these branches are working in accordance to our beliefs’ FIN1-TMT-M1

Examples of comments in interviews for the impact of other cultures are:

‘Because it was enormous drain, strain of time and resources for something, in my opinion, was extremely simple. I guess it took 2 weeks from [country of the JV partner deleted] side they said, “Give us hard data”, and I showed the turnover, some conditions, the feedback from the nurses and it was a quick decision. Here it was a month delay and it was just..and I think how we can improve that..I am still trying to figure it out because there are definitely some differences in our philosophy, how we should treat our teammates/staff, how we value our staff. There was a big difference, so that was a cultural difference when we don’t see eye to eye on the value of the staff so, umm, its complicated, but I am trying to [laughs]’ HEL1-TMT-L

‘..foreign countries, foreign language, foreign currency its each legislations and sometimes coming up with strange requirement which we do not have here, and we don’t have in Europe.’ IND1-TMT-M2

‘...we should really do much due diligence on the partner proposing to work with, because if we not have the same values then it could be an issue. Because this was all a financial transaction, we didn’t look at all how we do...how we can work together a US based company and a Saudi based company. We need to be clear on this, we see this now it’s getting better, but it’s a tremendous amount of work.’ HEL1-TMT-L

‘We face a difficulty in taking decision in here in Saudi, but not with the mother company in [country of JV deleted]. We delegate to tasks to people, they make their choices and take the decision freely, but the problem we are facing in the Saudi company is taking the decision, as the CEO interferes a lot so it delayed a lot of tasks.’ HEL1-TMT-L

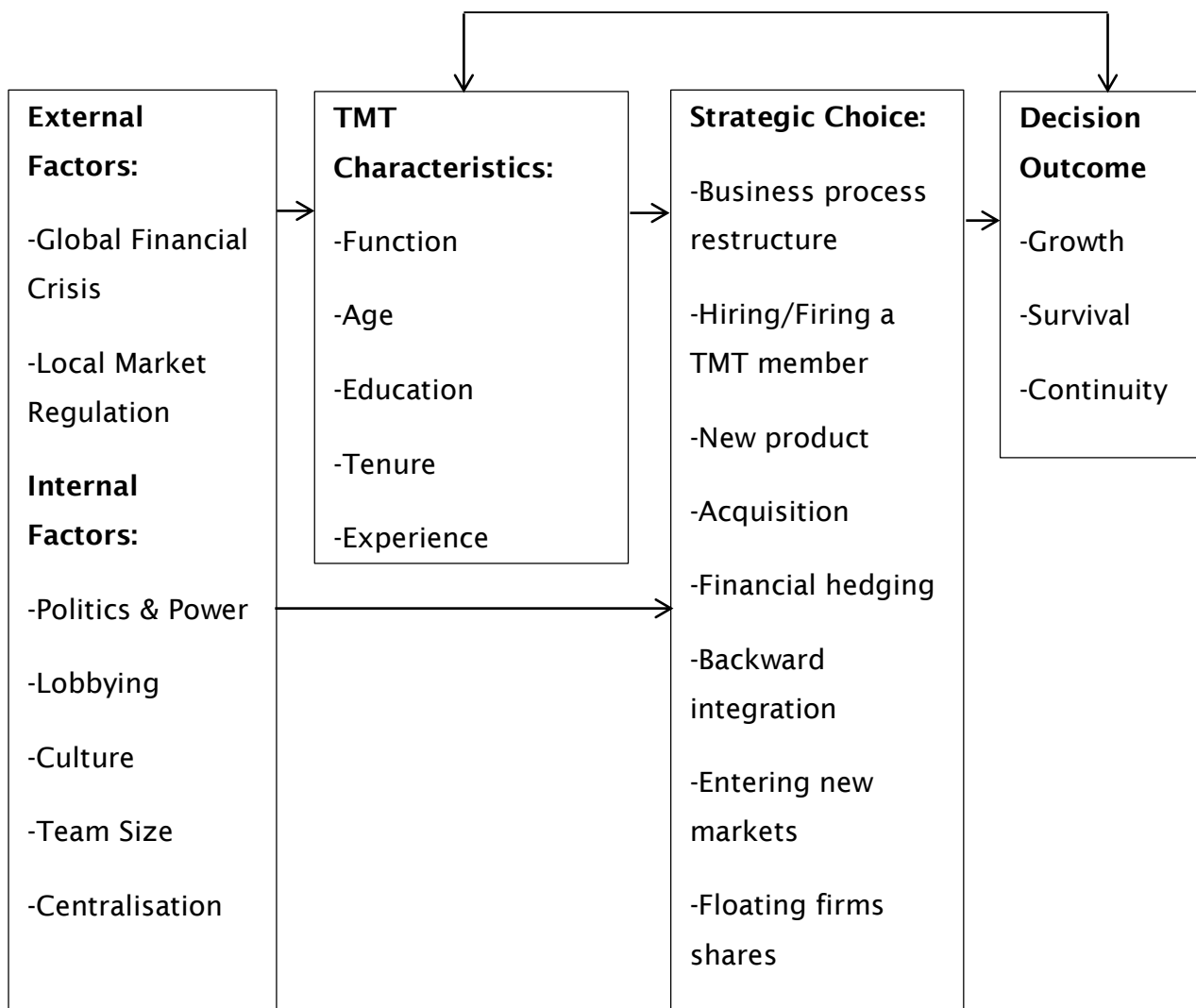
The longer the tenure of a TMT member in a firm, the less cultural difference was highlighted as a reason for conflict. For example, IND1 and ENG1, where the teams had different nationalities, the only cultural challenge they faced as teams was when dealing with other businesses while executing the decisions, and not amongst the team itself. Moreover, the highest score for ‘team cohesion’ was scored by IND1 team leader where all members shared a similar education background. Whereas, in the case of HEL1-TMT-L, the team leader who was new to the culture, was not able to execute the decision without the use of strong political alliances to enforce the decision.

## 5.4 Conclusion

Distinctive, themes emerged when comparing cases looking for similarities and differences, informed by Eisenhardt (1989) research design, despite each private firm’s unique context. Firstly pairs of similar strategic decisions were compared and then themes from all the seven pairs were compared. The outline of the data analysis, within the scope of the theoretical lens of this research, the Upper Echelon Theory, is shown in Figure 11 below.



Figure 11: Outline of the UET in the Saudi Context



The strategic decision process in the Saudi Arabia's private sector faced several challenges. The emerging external environmental factors were the 2008 Global Financial Crisis, and the local market continuous regulation, both of which acted as common factors delaying or slowing down the process of decision making. TMTs described the Saudi market's continuous regulation to be a result of the 2008 global financial crisis. The regulatory bodies changing the market rules included the Capital Market Authority, the Ministry of Labour, the Saudi Food and Drug Association and the Saudi Arabian Monetary Agency. The internal factors emerging from the private firms were the use of lobbying, and the power inherent in TMTs' functions to override any political delay and speed up decisions. Boards of Directors' centralisation of strategic decisions

approvals was justified by the TMTs as being due to the scale and magnitude of the decision outcomes on their firms.

TMT small size and the fluidity in forming the teams were factors which speeded up the initial stages of the strategic decision in each firm which is TMT members' selections and formulation. TMTs' member selection was based on two factors. The first was that the members selected were in the first layer of management under the Board of Directors. The second factor was that the members were affected by the situation calling for a strategic decision to be taken. In this second method of team members' selection, the marginalisation of key TMT members was witnessed, and the inclusion of a member who would not usually be considered to be appointed as a TMT member. Two cases were reported to have one member taking the decision. In each case the TMT member had been appointed by the Board of Directors to take the decision, as the TMT had failed to do so.

Dealing with conflict was mainly through open decisions, and voting was described as the TMTs' least favourite method of coming to consensus. Unless a matter was ambiguous or vague, voting was not used, and was described as a Board of Directors' method, but not within the TMT team making the decision. Despite the lobbying exercised by the TMTs, in the form of pre-agreements on decisions, TMTs generated alternatives to the strategic decisions and built different scenarios to execute the decision.

The heterogeneous characteristic of TMTs brought to light some cultural differences, which was a factor in prolonging the decision making process. However, TMTs with members who had longer tenures in their firms did not struggle with cultural differences as a disabler in the decision making process. TMTs with members coming from different nationalities, where the TMT leader was a non-national and with a short tenure, showed the highest level of difficulty in finding a common ground to execute the decision without having to override the CEO power, by calling in higher TMT members for a vote in favour of his decision. Whereas, TMTs with members who were nationals with short tenures but leading a multinational team members with long tenures, did not find difficulty in enforcing their decision when needed by the power inherit in their functions.

The TMTs' experience, which was the result of working with different firms, came across as a facilitating tool in verifying information through members' business networks, both locally and internationally, depending on the nature of the decision.

The strategic decisions in the sample analysed were: business process restructure, hiring/firing a TMT member, a new product, acquisition, financial hedging, backward integration, entering new markets, and floating a firm's shares. The outcomes of the decisions in the sample were: growth, survival, continuity and profitability.

This chapter presented the analysis of the data collected in the light of Hambrick and Mason (1984) UET. Themes which emerged from the analysis were presented in the following order:

- I. TMT Power, Politics and Lobbying.
- II. External Environment, Markets Law and Regulation.
- III. Dealing with Conflict and Fear.
- IV. Generating Scenarios and Alternatives.
- V. Culture and Believes.

The following chapter is the discussion, where the findings in this chapter will be compared to the existing body of literature presented in the literature review, earlier in chapter two.

## 6. Chapter Six: Discussion

### 6.1 Introduction

The aim of this chapter is to discuss the current research findings in relation to the data analysis and extant research. Discussed earlier in chapter one (introduction under, research gap), the research gaps identified in the extant literature to be addressed in the current study. The gaps identified were:

- I. Acknowledging that most TMT and UET research is derived from mainly developed western economies, Menz (2012: 64) noted that ‘differences across geographic regions and their potential impact...are among the least explored issues in literature.’ Other scholars, such as Shrivastava and Nachman (1989), Rost and Osterloh (2010), and Pettigrew (1992) called researchers to investigate new cultures, which could enable new possible findings, constructed on the basis of new national cultural contexts. The cultural differences were found in: (i) TMT data access, (ii) the TMT size and selection process, and (iii) the high level of centralisation and conflict resolution through lobbying. The current research confirmed the findings of the extant TMT studies in the following areas: (i) the empirical definition of TMT, (ii) TMT demographic diversity effect on the strategic decision process, (iii) the presence of power and conflict, and (iv) the reasons for the introduction of corporate governance laws to a market.
- II. Moreover, there had been several calls by TMT researchers for primary data source research as opposed to relying on archival or secondary data. The calls for a primary data source came after a vast amount of TMT research was presented using TMT demographic data as surrogates to understand the TMT strategic decision making process, resulting in conflicting research findings (Pettigrew, 1992; Higgs, 1999; Lichtenstein et al, 2005; Higgs, 2006; and Menz, 2012). Therefore, the current study drew results from primary data collected through interviews and surveys under a qualitative methodology in order to understand the TMT strategic decision process’s impact on organisational outcome.

- III. The contribution to Hambrick and Mason (1984) UET as the theoretical lens was done by applying the theory in a new context and finding support to Hambrick (2007) suggested UET refinement, which were discussed in the second chapter (literature review, under the theoretical lens). The application of the UET in a new cultural context enabled the researcher to investigate possible differences and similarities i.e. enabled comparability between the TMT strategic decision making process established in the extant research and the Saudi private firms' TMT strategic decision making process.
- IV. Pitcher and Smith (2001) highlighted the importance of strategy researchers' practical implications for managers, by pointing out possible success factors. The current chapter discusses the possible practical contribution to TMT researchers' data access, and to practitioners, specifically TMT members regarding team selection and formulation.

The identified gaps are discussed below in this chapter through the major themes discussed in chapter five (data analysis), which were: (i) team selection and formulation, (ii) power, politics and lobbying, (iii) external environment, market laws and regulation and (iv) dealing with conflict and fear.

## **6.2 TMT Selection and Formulation**

Using CEOs as key informants to identify who comprises the TMT had support from TMT researchers (e.g. Eisenhardt, 1989; Iaquinto and Fredrickson, 1997; Knight et al, 1999; Carpenter et al, 2004). CEOs were considered to be the most knowledgeable about their firm's strategy, planning process and market emphasis (Shortell and Zajac, 1990). Using CEOs as key informants was suggested as a means to check and reveal the power relations amongst the TMT members, by knowing who was involved in the strategic decision making process, and who was not (Pitcher and Smith, 2001; and Knight et al, 1999). This would reveal which members were marginalised and, possibly, who was included as a TMT member when normally they would not be (Pettigrew, 1992).

In the current study the key informant was a member of the TMT (not necessarily a participant) in each of the fourteen firms researched. As

mentioned in chapter three (research methodology) data access to private firms in Saudi Arabia lies in the hands of a few TMT members (not necessarily CEOs), which could be due to: (i) the Saudi society's conservative nature, (ii) the nature of the sensitive data and details to be accessed, which only a member of a TMT would be aware of, and how it was processed, (iii) the presence of powerful political and socioeconomic figures sitting on the Boards of most of the firms visited, and (iv) the centralisation of power and decision making in the hands of the founding families with the Saudi Corporate Governance Code coming into effect early 2009 i.e. just four years ago. Moreover, if only CEOs had been used as the key informants in this current research, the researcher would have not come across strategic decisions which were taken due to the failings of the CEOs, which gave insight into the power relationships and political lobbying in firms, as in the case of HEL1, INV1 and CHM1. More importantly, if firms' CEOs were to be the first point of contact to gain data access, the researcher would not have been able to gain access to most of the firms in the current research.

Moreover, relying on publically available TMT functional data to define TMTs would have failed in this research, as the data analysed showed that not all TMT members were included in the strategic decisions process (e.g. INV1, HEL1, CHM1), and would not have been aware of those members who were included in the decision but were not necessarily TMT members, if defined by function (e.g. HEL1). Therefore, the current study gave partial support to the extant literature arguments for CEOs as key informants. Nevertheless, the 'CEOs as informants' literature bases its argument upon the notion that such an approach is more realistic, and closer to the true organisational reality, than assuming involvement in the strategic decision making process through titles and functions (Pitcher and Smith, 2001; Knight et al, 1999; and Pettigrew, 1992). The current study found full support for this notion throughout the sample, i.e. assuming involvement based on titles would have given false assumptions and complicated access.

The current study's researcher's prior knowledge and experience helped in identifying who was who in firms when seeking access, which otherwise would have proven difficult. This may explain the lack of qualitative research done by western scholars about Saudi firms' TMTs and the lack of qualitative TMT

research done by Saudi researchers. Moreover, establishing trust before conducting business (in this case getting access to collect data) is very important in Saudi Arabia. Despite the fact that the researcher of the current study introduced herself, answering all questions prior to visiting the firms, ten minutes on average was spent with each TMT leader answering more personal questions about the researcher herself. In almost all cases the ten minutes would end with a statement very similar to 'now we know you' as an approval to start the research interview questions. The importance of establishing trust concurs with Hofstede (2001) description of collective societies. This contextual socially related barrier adds to the current difficulty already inherited in TMT research access.

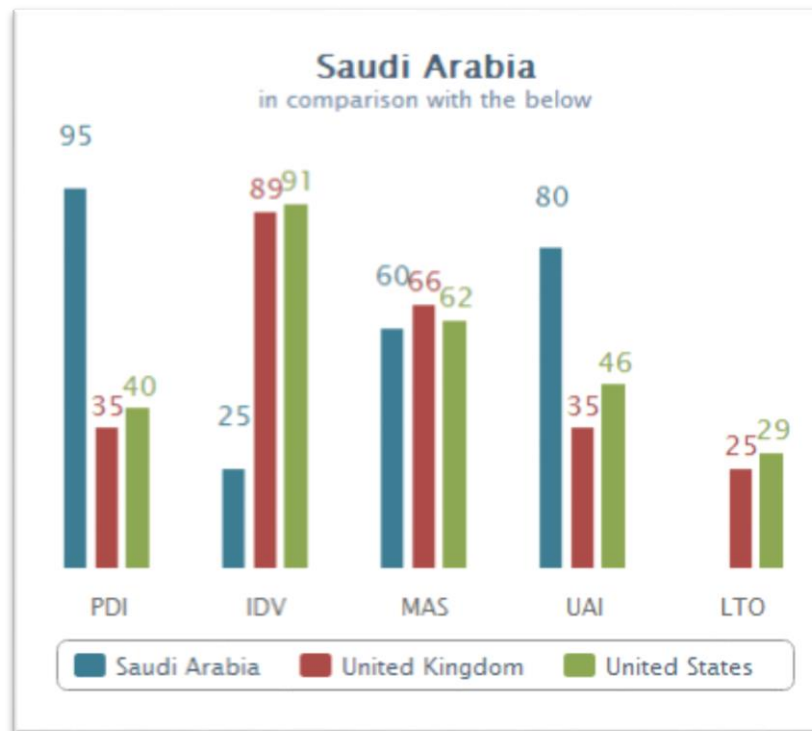
The Saudi TMT size, in the fourteen firms and across the three different regions within the different industries, can be described as being small. The TMT size varied between two to three members and, in two cases, one Board member was in charge of making the strategic decision. The fluidity and speed with which Saudi TMTs were selected and formulated can be attributed to the nature of their small size. It can be argued, also, that the Saudi TMT size is an indication of the high level of centralisation of the strategic decision making process. This confirms Hofstede (2001) cultural dimension theory, applying the 5-D model which measures: (i) power distance (PDI), (ii) individualism versus collectivism (IDV), (iii) masculinity versus femininity (MAS), (iv) uncertainty avoidance (UAI), and (v) long term versus short term orientation (LTO). The definition of culture adopted by Hofstede (2001: 9) is:

‘the collective programming of the mind that distinguishes the members of one group or category of people from another’.

Each country is given a score for each of the five dimensions, which are meaningless if not compared to the scores of other countries (Hofstede, 2001). Therefore, comparing Saudi Arabia's 5-D scores, as the country of the firms in the current research sample, with both the UK and the US, as the countries about which most of the TMT extent literature has been written, would give a meaning to the scores. Moreover, comparing the Saudi Arabia 5-D scores to the rest of the Arab world would give a relative comparison between Saudi

Arabia and countries with relatively closer cultures and corporate governance systems than those of the UK and the US (Figure 12 and Figure 13).

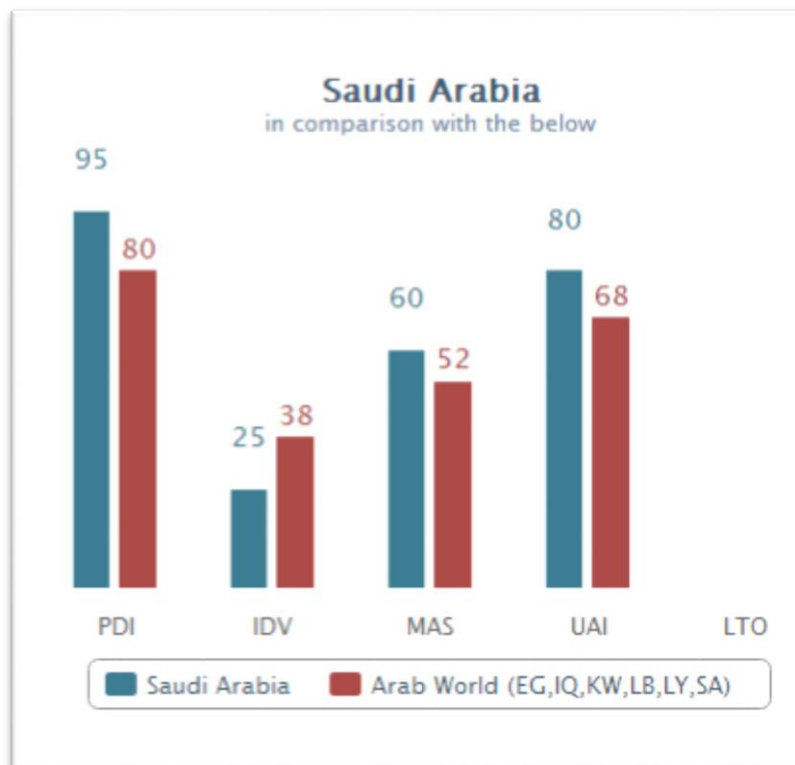
Figure 12: Saudi Arabia in Comparison with the UK and the US Using Hofstede's 5-D Model.



Source: The Hofstede Centre, Culture by country.



Figure 13: Saudi Arabia in Comparison with the Arab World Using Hofstede's 5-D Model.



Source: The Hofstede Centre, Culture by country.

The first dimension, power distance (PDI), measures the level of inequality between the powerful individuals and those who are less powerful e.g. the relation between an organisation's leaders and its subordinates (Hofstede, 2001). Nevertheless, Hofstede (2001) noted that even the members of the same group, i.e. country, may vary in the level of power inequality.

The Saudi Arabia's PDI dimension score was 95, compared to the UK's 35, the US's 40 and the Arab world's 80, indicating a high level of acceptance of an unequal power distribution between organisational members, concentration of authority, and compliance to a hierarchical order (Figure 12 and Figure 13). Such a high score help explains the current study's findings of a high level of strategic decision making process centralisation and the strong involvement of the firms' Board of Directors. Moreover, the high PDI score helps to understand the acceptance and compliance of the TMT members to hierarchal orders. For example, describing the Board as the ultimate power (e.g.ENG1), using the

Board as a 'scare' figure to speed up the implementation phase (e.g.IND3), TMT members having to agree with the TMT leader's final decisions, even when not convinced (e.g.IND1), and stating frankly that respect for hierarchal order is a cultural character (PHR1).

The second dimension, individualism versus collectivism (IDV), influences organisations' employees' reasons for complying with their organisation requirement. In a highly collective society, employees' will be highly dependent on their organisation and will be hired if seen to be belonging to the group. In a low IDV society, performance can define the role of an employee, but does not necessarily result in dismissal if their performance was poor. In a highly individual society, individualistic interests are accepted and employees would be hired provided the interests of both the employee and the employer are met. The level of IDV depends, as well, on factors such as employees' education, organisational culture etc.

The very low Saudi score of 25 in the individualism dimension, compared to the UK's 89, the US's 91, and the Arab world's 38, indicated a collectively tight, interdependently constructed society where the management is group management rather than individual management. Such a low IDV score helps to explain what the CHM1-TMT-L attributed to be the reasons why he had to campaign to convince his business partner of the importance of firing the CEO, despite the obvious reasons of the CEO's poor performance and unethical business conduct. The CHM1-TMT-L mentioned how hard it was for the Board to do something which is not considered a 'cultural norm', referring to firing the CEO. Moreover, the low IDV score can help to explain the high level of resistance the INV1-TMT-L faced when hiring a CIO who was a non-national, and he attributed part of the TMT resistance to being due to the CIO coming from a different national group to fill a sensitive post. Nevertheless, the CHM1-TMT-L, who was a highly educated national with low tenure, did not accept the TMT resistance, and broke the firm's cultural norm and hired an outsider to fill the CIO post.

The third dimension is masculinity versus femininity (MAS). A highly MAS society focuses more on materialistic gains, achievements and success rather

than quality of life and cooperation. Saudi Arabia scored 60 in the MAS dimension, compared to UK's 66, US's 62 and the Arab world's score of 52.

The fourth dimension, uncertainty avoidance (UAI), is concerned with ambiguity tolerance e.g. a preference for planning for the future as opposed to a preference for dealing with pressing current issues. Highly UAI societies show high formalisation of management, hierarchical control, task orientation, a high level of loyalty to the employer, top management involvement in operations and control of uncertainty, all of which determine the power of the superiors. A low UAI society can be described by low levels of loyalty to employers, tolerance of ambiguity in the management structure, relationship orientation, with appeal to transformational leadership roles, and top management involved in strategy, with relationships and position determining the power of the superiors.

Saudi Arabia's UAI score was 80, compared to the UK's 35, the US's 46 and the Arab world's 68. The UAI high score supports the high score in the PDI dimension and indicates a high level of hierarchical order and formalisation of management and centralisation of decisions. Studies such as Dimitratos, Petrou, Plakoyiannaki and Johnson (2011) did use Hofstede (2001) cultural theory to investigate national culture influence on strategic decision making process and internationalisation.

The TMT small size may also be a result of political lobbying, where members of the TMT would be excluded from the team taking the decision, either because they did not necessarily support the decision (e.g. HEL1, INV1), or did not see a need for a decision to be taken and, therefore, they were excluded. This finds support in the research of Pitcher and Smith (2001), where they studied a firm's TMT throughout three different strategic eras noting that, with the increase of centralisation and power at the top, the size of the TMT reduced. Nevertheless, it is worth noting that Pitcher and Smith (2001) research with regard to TMT size was looking at the functions available at the top, i.e. structure, while the current study was looking at TMT as specific strategic decision informants, similar to Eisenhardt (1989) work.

Therefore, the current study finds partial support of Pitcher and Smith (2001), relating TMT small size with the increase of centralisation and power, while

acknowledging the difference in the research design, related to sample, between both studies.

Carpenter and Fredrickson (2001: 534) noted that TMT 'size alone is not a gauge of TMT diversity', arguing that it is the diversity of characteristics that gives TMTs breadth of skills such as networks, world views, knowledge, etc. Drawing on TMT research, Carpenter and Fredrickson (2001) estimated TMT size to be around six members, whereas, Eisenhardt (1989) sample size for each team of the eight firms varied between five to nine members. Eisenhardt (2006) lecture on the composition of a great team noted that a team of three, four or five members is the ideal team size. She argued that a team of two members will be overwhelmed by the job/task and would lack diversity, while a team of more than five members would be too big to be labelled as a team, and that the time of the leader would be spent trying to coordinate the members.

This was true in the current study, as TMTs with two members were describing how it was hard to do everything themselves, and how, to rectify this, teams added technical and administrative assistants rather than increasing the TMT member numbers e.g. CON1 and DEV1. In the case of CON1, the TMT members described adding more market researchers as an approach to tackle the overload experienced during the strategic decision process, and, in the case of DEV1, the TMT members added two project managers and an administrative assistant to help with the future decisions workload.

It is worth mentioning that one of the main differences which would have had an effect on the findings of the current research would have been relying on archival data or the TMT theoretical definition, as opposed to the TMT empirical definition, which would be TMT size and composition. Using the organisational charts to assume involvement of the entire TMT in firm's strategic decisions would have increased the TMT size to at least five members per team. Eisenhardt (1989) research design, as discussed earlier, was the main reason the researcher adopted the TMT empirical definition. Following the advice of Pettigrew (1992), Pitcher and Smith (2001), and Knight et al (1999), the researcher also asked who was involved in the strategic decision,

rather than assuming involvement, as discussed in chapter two (literature review under TMT).

Golden and Zajac (2001) argued that demographic data provides an objective representation of concepts otherwise hard to collect in TMT research. The current study did not aim to draw conclusions from the TMT demographic data collected alone, but, rather, it aimed to use it as a filtering layer, as suggested by Hambrick and Mason (1984) UET in understanding TMT structure and process effects on organisational outcome. Moreover, the qualitative nature of the current study did not allow for a generalizable data result, as that was sacrificed for a deeper understating of the TMT strategic decision process through TMT own words. Therefore, the discussion below regarding the demographic data is context dependant, related to the firms' researched and their strategic decisions chosen for the current study.

The Saudi TMTs' demographic diversity was evident via age, tenure, experience, education and nationality. While some scholars have argued that younger TMTs preferred change e.g. Hambrick and Mason (1984), and that TMT age is negatively related to strategic change e.g. Wiersema and Bantel (1992), the current study did not find support for this argument. Described in chapter four (sample description), TMT age ranged between 30's-60's, with different examples showing that older TMT members were not restricted to accepting change, but were initiators of change as well, e.g. ENG1, IND2, IND3. Nevertheless, Golden and Zajac (2001) research, which found a positive linear relationship between board inclination to strategic change and age, supports the finding of the current research. Moreover, Golden and Zajac (2001) found that the stronger the Board is, the greater the inclination the Board will have towards strategic change. In the current study the Boards of Directors were described by the TMT as the ultimate authority and emerged through the sample to have a strong grip over the final outcome of the strategic decisions. It is worth noting that Golden and Zajac (2001) sample was US archival data about the Boards of a single industry (hospitals) that are TMT independent, while in the current study most of the sample were Executive Board members.

TMT scholars have argued that members with lower age and experience ranges can bring new ideas to the team e.g. MAR1, while members with higher age

and experience ranges can bring the expertise which will allow the team to go through alternatives faster, by using the TMT experience and prior affirmation as a tool to speed up the process of reaching an agreement e.g. IND1, IND2 and IND3. Also, TMT members with lower tenures will come into teams, breaking the norm usually established by a group of members with high tenures and, therefore, breaking the possibility of group think, which can risk exhausting possible options or identifying new opportunities e.g. MAR1, FOD1 and IND1. TMT diversity can save teams from biased decisions in high velocity environments, as noted by Rost and Osterloh (2010). Nationality and education, in terms of specialities and levels, were diverse amongst most firms' TMTs in the Saudi firms, as described in chapter four. Such diversity can be argued to balance the effect of their small sized TMTs, saving firms from group think and acceptance of the status quo when a strategic decision is needed to be made. Moreover, TMT diversity can be related to originations global presence (Rost and Osterloh, 2010), which was the case for 12 out of the 14 Saudi firms in the current study.

Moreover, it can be argued that such diversity was a reason behind the different types of conflicts, leading to lobbying, as will be discussed below.

### **6.3 TMT Power, Politics and Lobbying**

Across the Saudi TMTs speeding up the strategic decision process came as an important element to be achieved. Obstructing the speeding up of the decision process was, as described by many TMT leaders, the negative influence of other TMT members. The ability to overcome the negative influence was through the use of power inherited in the function of the TMT leader, such as in the cases of INV1, CHM1, HEL1, IND1 and IND3 and/or through direct pre-agreement (lobbying) of the decision with the individuals or groups who had the final power of approval, such as in the cases of MAR1, IND3, CHM1 and HEL1.

The presence of politics and the use of power amongst the TMTs is not surprising, as it has support in the TMT literature. Shrivastava and Nachman (1989) considered both structure and power configuration to be in direct

relation to the structure of strategic decision making. Bass (1981), defining strategic leadership, identified power relationships as one of the strategic leadership characteristics, alongside exercising influence and the use of persuasion. Pitcher and Smith (2001) included power alongside TMT personality and demographic heterogeneity in researching the strategic outcomes of a firm over three strategic eras. Eisenhardt (1989) identified power and politics as important factors to survey when researching the speed of strategic decision making in a high velocity environment. Eisenhardt (1989) identified politics as a source of conflict and a factor that delays the strategic decision making process of top management teams, thereby causing anxiety. In Eisenhardt (1989) research sample, TMTs used experienced executives as counselors to enable their top management teams to continue the decision making process and reduce anxiety. In the current study, the TMTs used pre-agreements and lobbying to speed up the strategic decision making process, and informal discussions outside the meeting rooms were as important as the formal discussion during the meetings.

The importance of the side discussions, or outside the meeting rooms pre-agreement, was because of its effect on the process and decision outcome. The sooner the pre-agreement took place, the faster the decision was made, and the faster was the process. Maccoby (2000) suggested transparency, through explaining the reasons why, and the means how, decisions were taken, in response to stress caused by turbulent business environments. Transparency would increase trust amongst employees (Maccoby, 2000). However, the high level of strategic decision centralisation in the current study put the TMTs in a position where they were bombarded with questions by employees, who were affected by the decision outcome after its implication, to which the TMT leaders admitted they were not prepared to respond to e.g. PHR2 and MAR1.

Moreover, the presence of politics and the levels of power found amongst the TMTs in the current study confirms Hofstede (2001) cultural theory giving Saudi Arabia a high score of 95 on the PDI dimension. The use of power and a direct relationship of a specific TMT member with another gives full support to Hambrick (2007) UET suggested two refinements, namely: (i) power distribution among TMT members and (ii) TMT behavioural integration.

Hambrick (2007) suggested both refinements in order to enhance the predictability of the UET i.e. TMT influence over strategic choices and decision making.

In the first refinement, Hambrick (2007) suggested that some TMT members would have more power than other members in the same team. This was evident in the Saudi TMT sample of the current study. For example, IND1 where the new CEO was implementing his new strategic direction for the firm, after getting the support he needed from the Board, explained that it is his final call as a 'dictator' if there was a disagreement in the team. The CEO claim was supported by both the other team members, where the legal advisor explained that even when they disagreed, they followed the CEO's final decision, The CFO explained his role was to support the CEO when there was a disagreement during the decision making process.

Another example can be drawn from HEL1, where the MD explained that to get things done in the future, it would be the approval of a certain TMT member that would be needed to be obtained, and not the CEO's approval. From that same example, support for Hambrick (2007) suggested second refinement can be drawn. The second refinement, which is integration of TMT behaviour, where TMT members either choose to hold direct relations with a single TMT member or share information and resources with each other. In the former case, when members prefer a direct relationship with a certain TMT member, it was an indication of a power struggle disabling the team from processing the decision, concluding with a lobbying game over their desired course of action e.g. HEL1, MAR1 and IND3. But when TMTs were behaviourally integrated, i.e. sharing information and decisions in a mutual interactive collaboration, as defined by Hambrick (2007), the Saudi TMTs focused their attention on the external environmental challenges rather than spending the time lobbying internally e.g. ENG1, IND2, FOD1, DEV1, PHR1 and PHR2.

The Saudi 'Corporate Governance Code', introduced in 2006 as 'comply or explain', and then as a mandatory Code for publically listed companies in 2009, gave CHM1-TMT-L the power, as he described it, to be the tool needed to fire the CEO. Such behaviour finds support in Taylor (2004) summary of radical changes in the US and UK Boards, with the increased corporate



governance noting a power shift from CEOs and TMTs to Board members, specifically non-executive directors, which was the case of CHM1-TMT-L.

Moreover, CHM1-TMT-L finds support in Kakabadse and Kakabadse (2007) discussion of the Sarbanes-Oxley Act (2002), which included examples of some seniors finding their way around corporate governance laws. Also, Pearce and Zahra (1991) argument that strong Boards of Directors are valuable protectors of the firm's code of ethics and stakeholders' interests. TMT leaders, in the cases of CHM1, HEL1 and INV1, were motivated to act by what they described as unethical behaviour. The unethical behaviour was either enacted or reported to the Board of Directors by the TMT. It is worth noting that, when the Board of Directors were the initiators of the strategic decision it took longer to execute, compared to the other cases in the current study when the decision was initiated by the TMT.

The Boards of Directors in the current study's sample showed power over decision making by having the ultimate control of approving or rejecting the proposed TMT strategic decision. They also demonstrated that they had an active role, by intervening when TMTs reporting to the Board performed poorly and/or were involved in unethical business behaviour, which was not in the interest of the firm's overall strategy e.g. CHM1 and INV1. This finding confirms Golden and Zajac (2001) research conclusion, that prior poor performance was a motivation for strong Boards' inclinations towards strategic change, as opposed to TMT prior poor performance of firms with weak Boards. Both Boards of Directors in CHM1 and INV1 were effective tools for their firms' corporate governance codes. Moreover, it confirms with McNulty and Pettigrew (1999) finding that part time Board members i.e. Chairpersons and non-executive do influence the content and procedure of firms strategic process.

Since the current study adopted the empirical definition of TMT, only those members who participated in making the strategic decision are referred to as TMT members in the sample. Nevertheless, the TMT theoretical definition includes the Board of Directors, as discussed in chapter two (literature review under TMT) e.g. Pettigrew (1992). Involvement of the Saudi Boards of Directors in their firms' strategic decision making process and protecting stakeholders rights contradicts the literature, where Boards were described as tools for the

TMT (Herman, 1981). The sizable monetary and human resources that needed reallocation to fund the new strategic directions were described by the TMTs as one of the reasons that the Board of Directors' approvals were needed. Again, by looking at the composition of the Board of Directors of most firms, another explanation can be identified, as founding families were still sitting on the Boards of most firms, and owned a majority share in the firm.

## **6.4 External Environment, Markets Law and Regulation**

The environment poses different challenges for organisations. In a high velocity environment, information is insufficient and recovering from lost opportunities is hard and expensive (Eisenhardt, 1989). Even in a low velocity environment, during the life cycle of an organisation a change in a market regulation or a competition rule can put an organisation in a sudden need for strategic change (Burgelman and Grove, 2007; Collins, 2001; and Baum and Wally, 2003). Moreover, complexity levels are increased by firms' global presence, as noted by Lovas and Ghoshal (2000). According to Hambrick and Mason (1984), these environmental challenges are viewed through TMTs own perceptions i.e. a TMT's characteristics work as a lens, filtering the information upon which the TMT bases their decision making process.

The timeframe of the strategic decision in the current study was associated with certain external environmental changes. Private firms in Saudi Arabia had witnessed the introduction of the new Corporate Governance Code in 2006, as comply or explain, and then in 2009 as comply (CMA, 2013 and ROSC, 2009), the local shares market had witnessed two major declines, in 2006 and then in 2008 (Alshogeathri, 2011), new regulatory bodies had been established in Saudi (CMA, 2013; Alshogeathri, 2011; and ROSC, 2009), and the 2008 global financial crisis had occurred. The external environmental challenges' effects on the private firms in the current study were context dependant, i.e. they affected each firm differently, depending on the context of the firm, as will be explained below.

In the current study there was evidence that the Saudi firms were not immune to the impact of the international markets' fluctuation and risk. Even though the researcher did not ask if the global crisis had had an effect on the firm,

most of the firms mentioned it as the provoker which had initiated the strategic decision, or a reason for a delay in the process of taking the decision. The effect of the 2008 global market crisis was evident through:

- (i) delays in the ability of a firm to get a loan (e.g. DEV1),
- (ii) delays in the ability of a firm enlisting in the TASI (e.g. IND2),
- (iii) having to restructure the firm's international subsidies (e.g. IND1),
- (iv) restructuring the firm's international and local subsidies financial reporting system (e.g. IND3), and
- (v) failure of the TMT to sustain profitability levels (e.g. INV1 and CHM1).

In addition to the above, the local market authority introduced the Saudi Corporate Governance Code. It is worth mentioning that the strategic decision process in thirteen out of the fourteen firms was a top down process, in that it was initiated by the top management. The only firm in which the strategic decision was a bottom up process was by the firm in the food industry (the only low velocity industry firm in the sample).

Described in the research methodology chapter under research design, the current study looked at a certain event being the strategic decision in different firms, rather than different events in a particular firm. Therefore, it is not possible for the current research to discuss whether other strategic decisions in each firm were taken with the same approach, either top-down or bottom-up. Moreover, the current study does not enable a discussion into top-down / bottom-up or induced / autonomous strategic decision process (Burgelman and Grove, 2007).

The Capital Market Authority (CMA)'s, and later the Saudi Arabian Monetary Agency (SAMA)'s, regulation of the market was motivated by the local market fall in 2006, and then again in 2008 (ROSC, 2009 and Alshogeathri, 2011). Nevertheless, there is no evidence in the extant literature that the introduction of new market regulations has protected markets from collapsing again. Examples can be drawn from the US market, where compliance is mandatory, and from the self-regulation UK market. Discussed in the literature, the introduction of the Sarbanes-Oxley Act in 2002 after billions were lost due to the scandalous TMTs behaviour of major organisations (Romano, 2004), and

before that the introduction of the Cadbury report (1992) in the UK after a series of TMTs' business scandals (Boyd, 1996). Both regulation and self-regulation of corporate governance systems in the US and in the UK did not prevent the further scandals in 2008, nor can the introduction of a new regulation be a guarantee of a permanent fix. The continuously changing nature of the business context requires continuous updates of the governance systems. The need for continuous updates can be seen in the FRC (2012: 1) referring to the UK corporate Governance Code:

'The Code has been enduring, but it is not immutable. Its fitness for purpose in a permanently changing economic and social business environment requires its evaluation at appropriate intervals.'

Moreover, one of the main motivations behind the introduction of the Saudi corporate governance code, as noted by OECD (2010), was to encourage foreign investment capital. Therefore, the introduction of the Saudi Corporate Governance Code, in response to the local market collapse and to attract foreign investors, should not be expected to be in its final form, as the market is rapidly changing especially after joining the WTO in 2005 (ROSC, 2009). Some of those changes can be seen via the entry of new foreign financially independent companies, as opposed to JVs, the breaking of the monopolies of certain sectors (e.g. insurance sector and communication sector), changes to the legal status of organisations (e.g. privatisation of governmental organisation and listing of privately owned firms), and the legal reinforcement of the supervisory governmental entities' status to enable credibility and accountability, thus protecting stakeholders rights (e.g. SAMA, CMA, Nazaha and TASI).

The changes in the business context inside and outside Saudi Arabia had had its effects on the private firms in the current study, as mentioned above, placing the firms in a need for a strategic change. TMTs described the process to be ambiguous and uncertain with reference to how hard it was for the team to guarantee an outcome of the decision to be the best choice amongst the alternatives generated due to lack of information and the sizable allocation of resources needed. Such uncertainty and ambiguity have been accepted as a characteristic of strategic decisions and as an outcome of environmental

factors by the extant literature (Hambrick, 2007; Mador, 2000; Eisenhardt, 1989; Hambrick and Mason, 1984 and Carpenter and Fredrickson, 2001). This produces many challenges regarding the assessment of alternatives and allocating resources (Burgelman and Grove, 2007; Eisenhardt, 1989; Zajac, et al., 2000; and Smith, et al., 2005). The relationship between a firm and its environment is steered and guided by strategic initiatives. Nevertheless, if a firm changes its strategic initiatives too often, it risks losing the ability to focus and retain specialised social and human capital (Lovas and Ghoshal, 2000).

One of Hambrick (2007) suggested refinements to the UET was managerial discretion. Managerial discretion looks at the level of influence over organisational outcome, taking into consideration the level of executive influence and the level of environmental forces influence, as discussed in chapter two (literature review under theoretical lens). In the current research sample, evidence was given of strong TMT influence over the decision making process through power and politics. In addition, evidence was found of strong environmental forces provoking and shaping the decision making process. Nevertheless, strong TMTs involved in the strategic decision making process, and strong Boards of Directors having the final approval over the decisions, represented a high level of executive discretion.

## **6.5 Dealing with Conflict and Fear**

The strategic decisions in the current study entailed strategic change which varied between restructuring the whole organisation's international presence to changing the reporting system in a group, as described in detail in chapter four (sample description). Organisational change is not a simplistic process, as it demands organisations to commit their capital, both human and monetary, to its processes and assets (Hambrick, 1983 and Pettigrew, Woodman, Cameron, 2001). Linking strategic decision making and change to uncertainty increases the complexity of the process. Carnegie's behavioural theory, which accepts uncertainty or ambiguity as being associated with the UE context (Carpenter and Fredrickson, 2001), noted that the higher the level of uncertainty, the higher the level at which individual behaviour surfaces as an influence on decisions, rather than organisational norms (Hambrick and Mason, 1984; Finkelstein and Hambrick, 1996; and Carpenter and Fredrickson,

2001). This can result in TMT conflict, which can vary from interpersonal conflicts to functional or task conflicts (Marcel, 2009; Floyd and Lane, 2000; Knight et al, 1999; Amason, 1996; and Eisenhardt, 1989).

Conflict amongst TMTs making strategic decisions is to be expected, as information can be poor and speed is needed to minimise legal liabilities or avoid opportunity cost (Eisenhardt, 1989). The source of conflict can be:

- (i) interpersonal, which is defined as conflict based on emotions and personal differences (Knight et al, 1999 and Amason, 1996),
- (ii) functional conflict (Kinght et al., 1999), i.e. due to the diverse functions involved in the decision making process, thereby producing different preferences, or
- (iii) task-oriented conflict, as noted by Marcel (2009), i.e. due to the exchange of opinion during the process of making the strategic decision.

Other reasons for conflict can be a high level of TMT demographic heterogeneity, which can weaken the integration of TMTs, thus affecting firms' performance (Pitcher and Smith, 2001; Carpenter and Fredrickson, 2001). Nevertheless, scholars, such as Knight et al (1999), warned that TMT conflict resulting from TMT heterogeneity should not encourage firms to look for homogeneous TMTs, while other scholars, such as Marcel (2009), noted that such diversity can provoke thorough discussion of alternatives and opinions.

In the current study, evidence of different types of conflicts namely: (i) interpersonal (Kinght et al., 1999) (ii) functional conflict (Kinght et al., 1999) and (iii) task conflict (Marcel, 2009), were found amongst the TMTs during the process of making the strategic decision. The TMT interpersonal / functional conflict can be attributed to the diverse interpersonal and functional backgrounds of the TMT members of the current research. TMTs' task conflict can be attributed to the nature of the task in hand and the context in which the strategic decision had to be made. It can be argued that the different types of conflicts have encouraged a thorough discussion of alternatives and scenarios, with evidence of this being shown in

Table 13: 183. Nevertheless, the conflict did not weaken the TMTs' integration in the sense where a final decision was not reached, but caused a delay in the decision making process. The ability to generate different scenarios minimises the probability of a biased and poor information process as a result of overseeing the possible alternatives and risks of the chosen decision (Rost and Osterloh, 2010).

The result of such conflict was seen in the process of collecting the data to identify the various possible decisions or approaches to a decision i.e. either identifying different strategic decisions to tackle the strategic challenge in hand, or identifying different approaches to process a certain strategic decision. This finds support in Marcel (2009) findings, who noted that task-oriented conflict encourages a thorough decision making process, and Eisenhardt (1989) and Baum and Wally (2003) findings note that fast decision makers use more information, and they link that to one of the superior performance behaviours.

Nevertheless, when conflict was a result of cultural differences, i.e. a TMT with a member who was new to the culture, the result was a strong reliance on political lobbying to process the decision e.g. HEL1 (the strongest demonstration of political power/lobbying in the sample). In the case of HEL1, when the TMT leader was new to the culture with a short tenure, he excluded the CEO from the team making the decision, and when the CEO's consensus was needed, but the TMT leader could not obtain it through negotiations, the CEO's consensus was overridden by higher ranking approvals. It is worth mentioning that lower tenure TMT leaders in the current study used political lobbying, e.g. MAR1, IND1, HEL1, and INV1, more than high tenure TMT leaders, e.g. ENG1, END2, and FIN1, who relied on persuasion and discussion to reach an agreement. This finds support in the TMT literature arguing that TMT members with long tenures form better internal networks and higher levels of agreement and consensus (Eisenhardt, 2006).

## 6.6 Leadership Patterns

The physical traces executives leave behind can help in identifying their leadership styles (Chatterjee and Hambrick, 2007). Shrivastava and Nachman (1989) defined strategic leadership as processes emerging during the strategic decisions.

In the current study, the leadership styles of the TMT leaders fell into one of the following categories: (i) bureaucratic, (ii) political, or (iii) professional. The bureaucratic leaders' strategic decisions were considered within their firm's policy and procedures, which they guarded and protected. The decisions of CHM1 and INV1 were provoked by TMT members showing conflict of interest behaviour. CHM1-TMT-L referred to a corporate governance code, and the firm's mandates, which were broken by the CEO and, therefore, the decision to fire him was taken. INV1-TMT-L referred to the firm's mandate, which the TMT has deviated from and, therefore, the decision to hire a CIO was taken.

Another example can be drawn from HEL1-TMT-L, who referred to the culture of the mother company, the Board of Directors of which he represented, and how it was threatened in the JV, which was one of the reasons provoking the strategic decision. It is worth mentioning that both HEL-TMT-L and CHM1-TMT-L were Board members who were not supposed to be involved in the details of how the TMT members ran the company, but, rather, their involvement strictly speaking was in the periodical overall firm's strategy Board meetings. In the case of INV1-TMT-L, he was the Chairman of the firm who got involved in a decision which the CEO, and those reporting to the CEO, were supposed to take. In all three cases, the leaders intervened to make a strategic decision when they saw the violation of the firms' mandates and corporate governance codes. This behaviour places the leaders under both of the Shrivastava and Nachman (1989) professional and bureaucratic leadership typologies, but not either / or one of the typologies. Shrivastava and Nachman (1989) acknowledged that the four leadership typologies were derived from analysing 27 existing cases, involving a sample of organisations from the US and Europe, which limited the typologies. Moreover, the leadership behaviour in the current study which fell under the bureaucratic leadership pattern of Shrivastava and Nachman (1989) was different from that labelled by Maccoby (2000) as



bureaucratic leadership, i.e. more leaders than staff and, as a result of that, lack of motivation amongst the staff, which is not the case in the current research.

In most of the cases discussed above in this chapter (under power, politics and lobbying), the use of functional power and authority emerged as a strong major theme in the analysis of the strategic decision making process. The use of such strong power and politics can encourage debate and discussion and/or increase opportunistic behaviour (Shrivastava and Nachman, 1989). It can be argued that the opportunistic behaviour in the cases of CHM1's fired CEO and INV1's TMT, which lobbied to delay the hiring of a CIO for ten years, was the result of the power in their functions, which they used as an enabler to deviate from their firms' mandates for so long. Moreover, the force used in pushing the strategic decision forward in the remaining cases shows strong presence of the political leadership typology in the Saudi private firms, e.g. IND1, HEL1, and MAR1.

In the current study, there was no evidence of the fourth leadership typology, which is entrepreneurial leadership. One possible explanation is that the firms in the sample were mature, large firms, some of which might have started as entrepreneurial ideas, but, as the firms had grown in size and expanded geographically, the firm structure and market regulations had moved the firms away from their entrepreneurial backgrounds. Another explanation is that the current study was looking at a single event in the life of the firms, which may not have been a fair representation of each firm's approach to strategic decision making. Nevertheless, the researcher of the current study chose to design the research in the form of multi-case studies rather than a single case study for the reasons discussed in chapter three (under research design).

Looking at the strategy typologies of the firms using Miles and Snow (1978) typologies, the firms' strategies in relation to the strategic decision in the sample, and not as a reflection of each firm's strategic approach, the following typologies can be found: (i) prospector strategy and (ii) analyser strategy. The prospector strategy can be seen in ENG1, which operated in a high velocity industry, but was taking the strategic decision under less environmental stress in comparison with the other firms (e.g. IND1 and HEL1. ENG1). ENG1 was

pursuing the opportunity of a new product within the firm's related products, thus gaining a first mover advantage. Another prospector strategy firm was FOD1, which operated in a low velocity industry and was pursuing a new product, thus gaining a first mover advantage. The analyser strategy can be found in the remaining firms, where the TMTs were analysing the environment formally before making a decision, with emphasis on the risk and reward balance.

## **6.7 Summary**

The aim of this chapter was to discuss the findings of the current research in relation to the literature. The introduction stated the extant literature gaps addressed in the current research, followed by a discussion of the themes which emerged during the data analysis.

The current study applied Hambrick and Mason (1984) UET as the theoretical lens, with the aid of Eisenhardt (1989) research design and Higgs (2006) team outcome and team process surveys, in order to investigate the TMT strategic decision process, and TMTs influence on organisational outcome. Discussing the current research analysis and results in relation to the extant literature, the following was found:

Informed by Eisenhardt (1989), TMT members who were involved in the strategic decision process were identified as the TMT, rather than including all members in the top two tiers of the firm. The researcher of the current study found that the Saudi Arabia's private sector TMT size in the sample was smaller in comparison to the TMT size in the research of Eisenhardt (1989) and what Eisenhardt (2006) identified to be a good TMT size. The use of Hofstede (2001) cultural dimension theory was applied to understand the sample TMT size and inclination towards the use of power and politics.

The current research findings support the notions of Pitcher and Smith (2001), Knight et al, (1999), and Pettigrew (1992) in defining who comprises a TMT. Moreover, the current research gives insight into data access for TMT researchers in relation to the Saudi national context. The diversity of the current research's TMT demographic characteristics affected the strategic decision making process, which supported the work of Rost and Osterloh

(2010), Marcel (2009), Baum and Wally (2003), Knight et al, (1999) and Amason (1996), and Eisenhardt (1989).

The presence of power, politics and lobbying in the current research found support in Hofstede (2001) cultural dimension theory, with Saudi scoring 95 in the power distance dimension. The presence of power and politics in the context of a TMT found support in Shrivastava and Nachman (1989) and Eisenhardt (1989). Moreover, support was found for Hambrick (2007) suggested UET refinements, namely: (i) power distribution among TMT members and (ii) TMT behavioural integration to enhance the UET predictability.

The influence of the external environment in the current study was witnessed though (i) the introduction of the Saudi corporate governance code and (ii) the 2008 global financial crisis. Similarities and support were found in the extant literature regarding the reasons why new corporate governance rules were introduced to a market, with changes in the Board of Directors structures before, and after, the new market rules had been introduced (Kakabadse and Kakabadse, 2007; Taylor, 2004; Boyd, 1996; and Pearce and Zahra, 1991).

The following chapter is the final chapter, concluding the thesis with the current research contributions, limitations and future research suggestions.

## 7. Chapter Seven: Conclusion

### 7.1 Introduction

In this final chapter, the current study's contributions and limitations are stated, together with considerations for further research.

The aim of the study, as detailed in chapter one, was to contribute to the gap of knowledge in the field of the top management team (TMT) research, specifically in the TMT strategic decision making process, and its implications for organisational outcome. The application of Hambrick and Mason (1984) Upper Echelons Theory (UET) aided in shaping the research question and analysing the data collected. The UET has had an impact on TMT research, seen through the volume of research it has sparked (Menz, 2012; Hambrick, 2007; Carpenter et al, 2004; Pettigrew, 1992).

Nevertheless, there are gaps which remain under-investigated in TMT research, namely: (i) possible national cultural differences in TMT strategic decision making processes (Menz, 2012; Rost and Osterloh, 2010; Pettigrew, 1992; and Shrivastava and Nachman, 1989), (ii) investigation of TMT strategic decision making process, relying on primary data rather than on archival data (Menz, 2012; Finkelstein et al., 2009; Hambrick, 2007; and Dalton et al, 1998), and (iii) power relations between TMTs and their Board of Directors (Menz, 2012; and Pettigrew, 1992).

A qualitative methodology with a pragmatic ontological paradigm and critical realist epistemology was applied to help answer the current research question. Informed by Eisenhardt (1989) research design, a multi case design was adopted. The research strategies were: 13 semi-structured interview questions, two pre-existing surveys (Higgs, 2006) in the form of a questionnaire, and document analysis, which enabled triangulation of the data. The current study sample was a cross-sectional research investigating a particular event in a specific time in fourteen different private firms in Saudi Arabia.

The research was designed to investigate: Top Management Teams' Influences on Strategic Decision Making and Firms' Outcomes in the Case of Saudi Arabia's Private Sector. The research investigation had four main parts to be

addressed namely: (i) Identification of the TMT members involved in the strategic decision making process, (ii) TMTs interaction during the process of making a strategic decision, (iii) The outcome of TMT strategic decision making process and (iv) In Saudi Arabia's Private Sector (new national context). The findings discussed in Chapter Six (Discussion) are listed below in Table 14: 217.

Table 14: The Research Investigation Revisited

Top Management Teams' Influences on Strategic Decision Making and Firms' Outcomes in the Case of Saudi Arabia's Private Sector.		
i.	Members of the TMT involved in the strategic decision making process.	<p>-In the current study TMTs were selected and formed based on the following two factors:</p> <ul style="list-style-type: none"> <li>a) TMT members who were affected by the context calling for a decision to be taken, and/or had the most influence on making it happen, or</li> <li>b) TMT members who were part of the firm's structure as TMTs and were the first layer of management reporting to the Board of Directors.</li> </ul> <p>-TMTs in the current study were demographically heterogeneous: age, nationality, education, tenure, and experience but homogeneous in terms of gender i.e. all male.</p> <p>-TMT size was found to be very small. TMT members involved in the strategic decision varied between two to three members. In two out of the fourteen cases, the decision (a firing decision and the hiring of a key TMT member) was taken by one member, who was appointed by the Board.</p>
ii.	TMTs interaction during the process of	<p>-The second step, after the selection of members and team formation, is TMT making the strategic decision:</p> <ul style="list-style-type: none"> <li>a) Speed in reaching a decision was seen by TMT members to be of great importance. Politics and</li> </ul>

## Chapter Seven: Conclusion

making a strategic decision.	<p>resistance by other powerful TMT members slowed down the process. Lobbying and pre-agreement on the decisions before TMT meetings were seen as tools to overcome resistance and speed up the process.</p> <ul style="list-style-type: none"><li>b) Board of Directors in most firms were consisted of strong influential figures who were involved in the management of their firms.</li><li>c) Centralisation of the strategic decision approval to be in the hand of the firm's Boards were described as being the result of the large financial and human capital needed, with a long term impact of the decision outcome on the firm.</li><li>d) The unique context and timeframe in which the strategic decisions were taken was of great importance. The strategic decisions in the sample were processed during the 2008 global financial crisis, the regulation of the Saudi market by the introduction of new regulatory bodies e.g. Nazaha or activating existing regulatory bodies e.g. SAMA, CMA and SFDA, the introduction of the Saudi Corporate Governance Code, and the after effects of joining the WTO.</li><li>e) The context was seen by some firm's TMTs as a motivator/provoker, whereas in other firms it was viewed as a disabler. The effect of the context was evident in: delays in the ability of a firm to get a loan, delays in the ability of a firm enlisting in the TASI, having to restructure the firm's international subsidies, restructuring the firm's international and local subsidies financial reporting system, and failure of the TMT to sustain profitability levels.</li><li>f) Persuasion was seen as the best means to reach an agreement rather than voting. Voting was used as the last or least preferred option. This continuous discussion which was seen to slow down the</li></ul>
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## Chapter Seven: Conclusion

	<p>process and could be the reason for the use of lobbying and pre-agreements.</p> <p>g) Generation of alternatives and/or scenarios can be attributed to the heterogeneous TMT demographic. In most cases, alternatives and/or scenarios were undermined by of lobbying and pre-agreement depriving the firms of the possible benefits of the other alternatives.</p> <p>h) Diverse cultures and beliefs amongst the TMTs resulted in conflicts and were seen to be related to short tenures i.e. the shorter the tenure of a member from a different culture, the stronger the conflict and higher levels of politics and lobbying were seen.</p>
iii. The outcome of TMT strategic decision making process.	<p>-The third and final step resulting from the strategic decision making process was the decisions' outcome. In the current study the outcome of the decisions were:</p> <ul style="list-style-type: none"> <li>a) Restructuring of the firm's international subsidiaries,</li> <li>b) Listing the firm in the local shares index (TASI),</li> <li>c) Restructuring of business processes,</li> <li>d) Introducing a new product (first mover advantage),</li> <li>e) Firing/hiring a key TMT member (firing CEO in one case and hiring a CIO in another case),</li> <li>f) Entering a new market and then exiting it,</li> <li>g) Interest rate hedging,</li> <li>h) Partial acquisition,</li> <li>i) Relocation of staff.</li> </ul>



## Chapter Seven: Conclusion

<p>iv. In Saudi Arabia's Private Sector (new national context).</p>	<p>-The current study applied the UET to investigate TMT strategic decision making process in a new cultural context i.e. Saudi Arabia, noting the following:</p> <ul style="list-style-type: none"><li>a) Access to Saudi firms' TMTs was in the hands of very few powerful individuals, not necessarily CEOs. Establishing trust with TMT members before and after gaining access was a major factor in enabling the researcher to continue collecting data. The researcher's ten years working experience and network were of great importance in understanding and knowing who was who in firms when it came to requesting access.</li><li>b) TMTs' size was very small.</li><li>c) Centralisation of the strategic decision making process, with reliance on politics and lobbying to speed up the process and resolve conflict.</li><li>d) Hofstede (2001) cultural theory dimensions scores for both the PDI and the IDV helped in explaining the findings related to the context of Saudi Arabia. The PDI score was 95 and the IDV score was 25 for Saudi Arabia, indicating a highly tight collective society with a high level of acceptance of an unequal distribution of power amongst firm's members, centralisation of power in the hands of a few, compliance to hierarchal order, and group, rather than individual, management.</li><li>e) Investigating TMTs in three regions and eight industries did not reveal any notable differences in the strategic decision making process.</li></ul>
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The current research's contribution, limitation and implication for further research are discussed below.

## 7.2 Research Contributions

The current study aim was to contribute and bridge the gap in the knowledge concerning the TMT processes' links to strategic decision making and organisational outcome. The aim was achieved by:

- I. Overcoming the data access difficulty, which was identified as a main reason for the lack of primary sourced TMT research (Pettigrew, 1992; Higgs and Dulewicz, 1998; Kilduff et al., 2000; Higgs, 2006; and Hambrick, 2007), and drawing conclusions from qualitative primary data. This enabled building on the few extant studies in the TMT field with primary source samples, to construct a better understanding of TMTs' strategic decision making process, thus answering the calls of Menz (2012), Finkelstein et al. (2009), Hambrick (2007), Higgs (2006), Dalton et al. (1998), and Pettigrew (1992). Adopting a qualitative approach enabled the researcher to investigate TMTs in their own context, accounting for their human experience and understanding the motives behind their strategic choices in their own words (Silverman, 2010 and Trumbull, 2005).
- II. A contextual contribution was achieved by applying Hambrick and Mason (1984) Upper Echelon Theory in a new national cultural context i.e. Saudi Arabia. The aid of Eisenhardt (1989) research design enabled the researcher to investigate the TMT strategic decision making process and its effect on organisational outcome in a new national context, thus answering the calls of Menz (2012), Rost and Osterloh (2010), Pettigrew (1992), and Shrivastava and Nachman (1989).
- III. Identification of the power relation between firms' TMTs and their Boards of Directors, as part of the firm strategic decision making process, answered the calls of Menz (2012) and Pettigrew (1992).
- IV. The final part of the research contribution is contribution to practice, guided by Pitcher and Smith (2001) notion that the 'ultimate goal' of strategic management researchers is to point out, or advise managers

of, success factors. The following are the researcher's suggestions to improve the firms' practices:

In the current research, the TMT size was found to be very small. TMT extant literature, discussed in chapter two, gives insight into the importance of diversity and TMT size (Eisenhardt, 2006; Rost and Osterloh, 2010; Marcel, 2009; and Knight et al, 1999). The firms in the sample had an average of five TMT members, as described in chapter four (Sample Description) and yet the actual number of TMT members involved in the strategic decision making process varied between two to three members, and in two cases only one member was charged with taking the decision. TMT size is not a gauge for TMT diversity but such small sized teams, despite their heterogeneous demographic characters, deprive TMTs from a more comprehensive environmental scan during the process and undermine the importance of inclusion. Perhaps TMTs can look into expanding their TMT size by including more members, bringing in possible new experience, different expertise and viewpoints.

In most cases, there was a high level of reliance on power and politics to push decisions forward. TMT extant literature suggests means to deal with tension during the process of strategic decision making e.g. Eisenhardt (1989: 572) concerning the use of senior executives as 'counsel of experienced executives'. A further example is, Maccoby (2000) suggestion of transparency, by sharing information about the decisions, as a means to ease stress caused by turbulent environments. In the current study, increased levels of lobbying and power were used to speed up decision-making, the longer it took to actually execute the decision. Perhaps TMT members, especially TMT leaders, can consider new inclusion and persuasion techniques to reduce the levels of conflict and resistance from other TMT members.

Increasing TMT size and working towards inclusion and persuasion techniques can benefit teams in general. Nevertheless, there were a few cases where decisions were based on emotional factors, such as fear or ego, as described by the TMT leaders. The use of persuasion and/or

inclusion rather than enforcing decisions would have saved those teams from taking decisions which they chose to withdraw from later, or would regret taking in the future.

The movement towards a more regulated business environment in Saudi was witnessed through the introduction of the Saudi Corporate Governance Code in 2006, as ‘comply or explain’, and then in 2009 as ‘comply’. Firms which were not listed in the local share index ‘TASI’ were still obligated to adhere to a regulatory body, such as SAMA (the central bank), for firms operating in the financial and insurance industries. The high level of centralisation (power in the hands of a few individuals) of the strategic decision making process seen in some of the current study’s firms, can be tackled if those firms adhere fully to the Code by choice, even if the firm is not listed. Aspects of power, centralisation and ownership are detailed in the codes of conduct introduced by both SAMA and CMA. For example, members who own 5% or more in a company should be labelled as dependant executives, which then entails the inclusion of independent executives in a certain percentage to insure balance. Nevertheless, if firms with a small sized TMT cannot enhance their inclusion and decentralisation of the strategic decision making process, then adherence to the Code alone cannot solve the issue.

The research contribution discussed above are summarised in the table below.

Table 15: Summary of the Research Contribution.

Top Management Teams’ Influences on Strategic Decision Making and Firms’ Outcomes in the Case of Saudi Arabia’s Private Sector.	
i. Members of the TMT involved in the strategic decision making process.	<p>-Over coming data access difficulty, thus answering the calls for primary sourced data (Pettigrew, 1992; Kilduff et al., 2000; Higgs, 2006; Hambrick, 2007; and Menz, 2012).</p> <p>-Support was found for the importance of asking TMT leaders who was involved in the strategic decision, rather than assuming involvement. (Hambrick, 2007; Knight et al, 1999; Pettigrew, 1992; Eisenhardt, 1989; Hambrick and Mason,</p>

	1984).
ii. TMTs' interaction during the process of making a strategic decision.  iii. The outcome of TMT strategic decision making process.	Investigating the process of strategic decision making contributes to the following gaps:  -Constructing a better understanding of TMTs' strategic decision making process by drawing conclusions from qualitative primary data, thus answering the calls of Menz (2012), Finkelstein et al. (2009), Hambrick (2007), Higgs (2006), Dalton et al. (1998), and Pettigrew (1992).  -Boards of Directors' power relation with TMT reporting to them, thus answering the calls of Menz, 2012 and Pettigrew (1992).
iv. In Saudi Arabia's Private Sector (new national context).	Contextual contribution was achieved by:  -The application of Hambrick and Mason (1984) UET in a new national context, informed by Eisenhardt (1989) research design, thus enabling contribution by extension, answering the calls of Menz (2012), Rost and Osterloh (2010), Pettigrew (1992), and Shrivastava and Nachman (1989).  -Contribution to the Saudi Arabian TMTs' practice, by suggesting possible methods/techniques for the firms to enhance the process and outcome of the strategic decisions, answering the call of Pitcher and Smith (2001).

### 7.3 Research Limitations

Qualitative researchers aim to get closer to understanding a certain phenomenon in its own context (Silverman, 2010), but, by doing that, the generalizability of the research findings is sacrificed. The nature of the research design, being a multi-case study with a cross-sectional sample rather than to a single case study, enabled the researcher to enrich the data by accounting for different sectors, and regions, as well as strategic decisions. A single case study would have given the researcher a more detailed insight into a single firm's TMT's strategic decision process, but the multi-case study design enabled the researcher to cross compare and verify the findings of the research (Hartley, 2004). This is important in a field where UET research into TMT strategic decision process is still rare and, if available, has had conflicting results (Menz, 2012; Hambrick, 2007; and Higgs, 2006).

The process by which the strategic decisions were selected was informed by Eisenhardt (1989) research design, which enabled the research to contribute to TMT knowledge through extension, i.e. building on existing research, as per the advice of Menz (2012), Pitcher and Smith (2001), and Pettigrew (1992). However, the fourteen strategic decisions in the current research were single events in a specific time in the life of the firms visited, unique to the context and time when the decisions were taken. Therefore, they cannot be representative of the process by which each firm made other strategic decisions. Moreover, the TMT size in the sample was found to be small compared to that in the extant literature. Therefore, to overcome this limitation, the researcher of the current study increased the number of cases from eight (which is the number of cases in Eisenhardt (1989) research) to fourteen. Following the advice of Eisenhardt (1991) regarding the number of cases which can be deemed enough, or right, to understand a certain social phenomena, the researcher stopped collecting data when saturation was achieved.

The sample for the current research was private firms, which therefore excluded governmental and non-profit organisations. In conducting the current research, access was needed to available and reliable secondary data, to identify TMT members, which eased access, and to triangulate the primary data findings. This would have been impossible if the research sample was governmental or non-profit organisations, taking into consideration the sensitivity of the data and the nature of the research undertaken.

Collecting data through semi-structure interviews has its reliability issues, as the researcher relies on the respondents' memories and words. Triangulation helped improve the data reliability, as the data was collected from three different sources, namely: semi-structured interviews, surveys and document analysis. The use of survey strategy was challenged with the TMT small size and three members who did not complete the surveys.

The interviews were mostly conducted in English, as per the preference of the participants, but some were conducted in Arabic, which was translated by the researcher. The researcher translated and transcribed the interviews, as per the agreement with the participants and in respect of the confidentiality

agreement. The researcher was very careful during the translation of the interviews from Arabic to English, but the researcher is aware that some words might lose some of their full meaning after being translated into a different language.

## **7.4 Future Research**

One of the strategic decisions' characteristics is its long term effect on organisations (Nutt, 1998; Eisenhardt and Zbaracki, 1992; and Eisenhardt, 1989). It would be interesting to follow the implications of the strategic decisions of the current study on the firms five to ten years in the future in a follow up study.

Despite the conflicting results generated from TMT researchers using TMT demographic archival data as a surrogate to understanding organisational outcome, as discussed in chapter two (literature review), scholars such as Pettigrew (1992) have discussed the importance of such research. Encouraging researchers to rely on primary data sources, Pettigrew (1992) gave credit to researchers who tried to overcome TMT research difficulties by using publically available data to produce generalizable findings. The current study was conducted in a period when the Saudi Corporate Governance Code was still in its early stages, and, as described by the World Bank, in its infancy phase (ROSC, 2009). Therefore, some, but not all, of the researched firms were listing a detailed TMT structure, demographic data and important decisions as part of their compliance with the Corporate Governance Code. It might take several years for all firms to comply with the new Code. It will be interesting to look then at firms' TMT structures and strategic decisions on a sample scale which allows for generalizability or produces descriptive statistics, thus allowing qualitative researchers to draw on such findings instead of limiting comparability to existing research, which is predominantly from developed, Western economies.

The Saudi firms' Boards of Directors were shown to have a very active role in their firms' strategic decision making processes; it could be very interesting to investigate Board roles through their own words rather than those of their TMTs.

Top management team primary qualitative organisational-based research is still rare in general, and almost non-existent in Saudi Arabia. The researcher provided evidence from fourteen different private firms in three different regions and several sectors; it is the researcher's hope that the current study sparks an interest in the field in Saudi. The fact that the researcher gained access with the approval of the firms' own Boards, legal departments and/or other TMT members, which was not by any mean easy, proves it is possible, even though it was described as almost impossible.

In summary, TMTs have an influence over the strategic decision making process, through their individual and group characteristics, which has an impact upon the organisational outcomes. TMT demographic characteristic diversity helped in examining several alternatives or scenarios to a decision in response to a perceived external or internal environmental challenge, and helped in counterbalancing the TMT small size. Conflict amongst TMT members was evident and caused by the TMT diversity. The use of politics and power, with a high centralisation of the strategic decision making process, in a small size TMT, and approval of the final decisions in the hands of Board of Directors, helped to speed up the decision and overcoming any conflicts. Investigating Saudi Arabia's private sector TMTs gave insight into some differences compared to that in the extant research. Those differences can be summarised as: TMT data access, TMT size and formulation, and centralisation of power. The application of Hofstede (2001) cultural dimensions theory helped explain the differences between TMT discussed in the extant research and the TMT of the current study.





## Appendices



## Appendix I

### Order of Data Collection

Central Region: Riyadh				
HEL1	PHR2	FOD1	INV1	PHR1
Western Region: Jeddah				
DEV1	FIN1	CON1	MAR1	
Eastern Region: Dammam and Khobar				
ENG1	CHM1	IND1	IND2	
Central Region: Riyadh				
IND3				



## Appendix II

### Data Collection Confidentiality Letter

UNIVERSITY OF  
**Southampton**

10 September 2012

**TO WHOM IT MAY CONCERN**

**Re: PhD Studies – Samar Alqahtani**

This letter is to assure you that any data Samar collects from organisations for the purpose of her PhD research will be treated in the strictest of confidence. The only people to see the original data will be myself and her other PhD supervisors (Dr John Marti and Dr Declan Hayes) as well as Samar.

Before the thesis is reviewed for examination purposes all of the data will be coded to provide complete anonymity in relation to responding organisations.

I hope this letter provides reassurance of confidentiality that you will require and that you will feel able to support Samar by providing access to your organisation for the purpose of her PhD research.



Professor Malcolm Higgs  
Director of the Southampton Management School

Tel: +44(0)2380597788  
Email: Malcolm.Higgs@soton.ac.uk





## Appendix III

## Team Outcome Survey

1	The team consistently achieves its goals and objectives`	1	2	3	4	5	6	The team does not achieve its goals and objectives
2	All members of the team do not consistently achieve their individual goals and objectives	1	2	3	4	5	6	All members of the team consistently achieve their individual goals and objectives
3	Team's customers are consistently satisfied by the performance of the team	1	2	3	4	5	6	Team's customers are consistently dissatisfied with the performance of the team
4	The team focuses on maintaining the 'status quo'	1	2	3	4	5	6	The team focuses on change and improvement
5	The team are unable to implement change	1	2	3	4	5	6	The team are able to make change happen
6	The team generates a high volume of new ideas and innovations	1	2	3	4	5	6	The team focuses on working within established guidelines and policies
7	The team does not demonstrate team learning and development of skills and knowledge	1	2	3	4	5	6	The team demonstrates team learning and development of skills and knowledge
8	Individual team members do not demonstrate personal growth and development	1	2	3	4	5	6	Individual team members demonstrate personal growth and development
9	The team discusses differences and manages conflict constructively	1	2	3	4	5	6	The team encounters difficulty in discussing and managing conflict
10	All team members are highly motivated to perform	1	2	3	4	5	6	Motivation to perform is low amongst team members
11	The team has problems in responding to crises	1	2	3	4	5	6	The team is able to cope effectively with crises
12	Team decisions result in positive and specific actions	1	2	3	4	5	6	Team decisions do not result in specific actions
13	The team is proactive in addressing issues and problems	1	2	3	4	5	6	The team reacts to the problems and issues they are presented with
14	Team members are unsupportive and antagonistic in their dealings with each other	1	2	3	4	5	6	Team members are mutually supportive and co-operate actively in their dealings with each other
15	The climate in team interactions could be described as generally positive	1	2	3	4	5	6	The climate in team member interactions could be described as generally negative



16	The members operate cohesively with a shared and accepted agenda and priorities	1	2	3	4	5	6	The members operate as a group of individuals competing for resource and priorities
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## Appendix IV

## Team Process Survey

1*	Operational tasks dominate	1	2	3	4	5	6	Strategic or long-term issues dominate
2	Highly risk averse attitude prevails	1	2	3	4	5	6	Willing to take significant risks
3	Personal and company values coincide	1	2	3	4	5	6	Personal and company values conflict
4	Emphasis of discussions is on past performance (diagnosis)	1	2	3	4	5	6	Emphasis is on future performance (prognosis)
5	Emphasis of discussion is on success	1	2	3	4	5	6	Emphasis is on failures
6	The team is keen to appraise its own performance and learn	1	2	3	4	5	6	The team is unwilling to appraise its own performance
7	The team sets itself ambitious targets	1	2	3	4	5	6	The team sets itself easily attainable targets
8*	The "real" business is done within team meetings	1	2	3	4	5	6	The "real" business is done outside of team meetings
9	The team learns from its mistakes	1	2	3	4	5	6	The team does not learn from its mistakes
10	Bad news is confronted readily	1	2	3	4	5	6	Bad news is suppressed or shelved
11	Teamwork evidences shared ownership of company's vision, mission and values	1	2	3	4	5	6	Teamwork does <b>not</b> evidence shared ownership of company's vision, etc.
12	The team is reluctant to deal with and respond to change	1	2	3	4	5	6	The team is enthusiastic about change and its possibilities
13	The team has measurable goals and objectives	1	2	3	4	5	6	There are no measurable goals and objectives for the team
14	Tasks and goals have realistic time scale targets	1	2	3	4	5	6	Tasks and goals have unrealistic time scale targets
15	Feedback on team performance only comes from the team manager	1	2	3	4	5	6	Feedback on team performance comes from a diverse range of sources

16	Team goals are established by the team leader	1	2	3	4	5	6	Team members are involved in establishing and agreeing team goals
17*	The team's performance does not vary according to circumstances	1	2	3	4	5	6	The team's performance varies <b>noticeably</b> according to circumstances
18	Members of the team are keen and free to ask questions	1	2	3	4	5	6	Members of the team are reluctant to ask questions unless invited
19	Creative ideas discouraged	1	2	3	4	5	6	Creative ideas encouraged
20	High level of candor and openness	1	2	3	4	5	6	High level of inhibition or secrecy
21	Highly formal atmosphere	1	2	3	4	5	6	Highly informal atmosphere
22	Humour and enjoyment are redundant	1	2	3	4	5	6	Humour and enjoyment are encouraged as essential
23	Climate is normally co-operative	1	2	3	4	5	6	Climate is normally antagonistic
24	The team is unclear about how/whether it adds value to the business	1	2	3	4	5	6	The team knows <b>exactly</b> how it adds value to the business
25	Positive atmosphere prevails	1	2	3	4	5	6	Negative atmosphere prevails
26	The team performs effectively irrespective of the company's reward and recognition policies	1	2	3	4	5	6	Effective team performance is dependent on the company's reward and recognition policies
27	Team performance depends on recognition of the success of the team	1	2	3	4	5	6	Team performance requires no supporting recognition
28	The success of team does not depend on selection of team members	1	2	3	4	5	6	Team success is critically dependent on the selection of team members
29	All members of the team have clearly understood roles	1	2	3	4	5	6	The specific roles of team members are not clearly understood
30	Team members do not understand the roles of other members of the team	1	2	3	4	5	6	Team members have a clear understanding of the roles of other members
31	The mix of skills of members is important to performance	1	2	3	4	5	6	The mix of skills of members is not important to performance
32	It is not important to identify the explicit contribution required from each team member	1	2	3	4	5	6	Explicit identification of the required contribution of each team member is important

33	Team performance is not dependent on differences in the personality/styles of individual members	1	2	3	4	5	6	Team performance is dependent on the differences in personality/styles of individual members
34	The members operate as a cohesive team	1	2	3	4	5	6	The members operate as competing individuals
35	Personal relationships are harmonious	1	2	3	4	5	6	Personal relationships are conflict ridden
36	Professional relationships are highly competitive	1	2	3	4	5	6	Professional relationships are complementary
37	Contributions dominated by a few (overpowering) individuals	1	2	3	4	5	6	Contributions evenly distributed among most or all members
38	High level of trust and loyalty between colleagues	1	2	3	4	5	6	Clear lack of trust and loyalty between colleagues
39	Genuine listening is consistently achieved	1	2	3	4	5	6	Listening is more apparent than real
40	Social contact between team members is considered to be important	1	2	3	4	5	6	Social contact between team members is considered irrelevant
41	Team members do not clarify the expectations of each team member	1	2	3	4	5	6	Team members clarify the expectations of each team member
42	Team members do not discuss standards of behaviour	1	2	3	4	5	6	Team members discuss and agree standards of behaviour for all team members
43	Team members have a clear view of each others' contribution	1	2	3	4	5	6	Team members do not have an understanding of the contribution of each team member
44	Debate is conducted in a highly autocratic and directive fashion	1	2	3	4	5	6	Debate is conducted in a highly democratic and participative fashion
45	Good time-management	1	2	3	4	5	6	Poor time-management
46	Unclear dialogue and communication between colleagues	1	2	3	4	5	6	Clear dialogue and communications

47	Thorough preparation is evident in all members	1	2	3	4	5	6	Lack of preparation impairs debate and decisions
48	Style of debate is rigid and predictable	1	2	3	4	5	6	Style of debate is flexible and adapts to the agenda
49	Quality of debate is superficial or trivial	1	2	3	4	5	6	Debate is incisive and adds value
50	High level of commitment to decisions and actions	1	2	3	4	5	6	Low level of commitment to decisions and actions
51	Willingness to bring in experts	1	2	3	4	5	6	Complacency with own membership
52*	Decisions are always taken by voting	1	2	3	4	5	6	Decisions are never taken by voting
53*	Voting results in full commitment of all team members to decisions	1	2	3	4	5	6	Voting conceals significant differences in commitment
54*	Team leader's style is unobtrusive	1	2	3	4	5	6	Team leader's style is extremely forceful
55	Team leader's style invites initiative(s) from team members	1	2	3	4	5	6	Team leader's style discourages initiative(s) from team members
56	The team leader is able to participate as a team member	1	2	3	4	5	6	The team leader remains distant from team members and executes a different role
57	The team leader manages the relationships between the team and other parts of the Organisation	1	2	3	4	5	6	The team leader does not take responsibility for relationships between the team members & other parts of the Organisation
58	Barriers to team performance are not considered by the team leader	1	2	3	4	5	6	The team leader eliminates barriers to performance of the team
59	The team leader discusses and agrees the role and contribution expected from each team member	1	2	3	4	5	6	The team leader does not discuss the roles and contributions of each team member
60	Behaviour of the team leader does not provide an example for the team	1	2	3	4	5	6	The behaviour of the team leader provides an example to the team
61	The team leader acts as a coach to the members of the team	1	2	3	4	5	6	The team leader expects team members to work out their own development and needs
62	The team is accustomed to analysing itself in this fashion	1	2	3	4	5	6	The team has not previously analysed itself in this fashion

## Appendix V

## Final Code List

INPUT:		
Demographics:	Firm	CHM1 CON1 DEV1 ENG1 FIN1 FOD1 HEL1 IND1 IND2 IND3 INV1 MAR1 PHR1 PHR2
	Job Title	Assistant GM, Administrative Affairs & Board of Directors Secretary CEO CEO & Partner CFO Chiarperson Deputy GM Executive VP, Head of Islamic

# Appendix V

		Development Group Financial Consultant Financial Controller General Council (Top Legal Executive) GM Head of Business Development Head of Shria'a Compliance Marketing Director MD MD & CEO & Board Member Member of the Board of Directors President Production VP Sales VP Supervisor Nurses Improvement & Services Unassigned Vice CEO Vice Chairman/MD Vice President
	Age	30s 40s 50s 60s
	Education	Postgraduate & Professional Degree Related Postgraduate Degree Related Undergraduate Degree

# Appendix V

		Unrelated Undergraduate Degree Unrelated Undergraduate & Professional Degree	
	Nationality	European Far East Asia Middle Eastern North American Saudi	
	Tenure	In years	
	Work Experience	In years	<b>Examples:</b>
<b>Strategic Decision Process:</b>	strategy	Induced strategic process	'..basically to focus on the mandate of the company where I had to go and read the establishing agreement of the company, the mandate..'INV1-TMT-L
		Autonomous strategic process	'So the guys [sales] so that there is a new product with these specification..' FOD1-TMT-M1
	Team Selection	Task	'..based on the fact that they are the most effected people with what's happening.' PHR2-TMT-L
		Function	'..It's part of our structure.' CON1-TMT-L



## Appendix V

	Conflict	Vote	'..if an agreement not reached then we vote'. CON1-TMT-L
		Discussion & Debates	'Persuasion, we never used voting as never needed the voting system at all in 30 years' IND2-TMT-L
	Context	Provokers	'It was an automatic conflict of interest' CHM1-TMT-L
		Disablers	'Not even the CEO, because the CEO was you know against the idea'. INV1- TMT-L
		Culture	'..in our culture we have respect to hierarchy'. PHR1-TMT-L
		Values & beliefs	'..due to the religious factor, people believe that these branches are working in accordance to our beliefs' FIN1-TMT-M1
		Stakeholders	'..we even considered the staff the workers of the company. So the workers become owners and this is the first..' IND2-TMT-M1
		Confronting the reality	'..so, we concluded that the expansion decision was more of an ego decision than a real business decision' CON1-TMT-L
		Law & Regulation	'..and how to find tools to deal with the regulatory bodies such as SAMA..' FIN1-TMT-M1

## Appendix V

	Approvals	Politics	‘So it took literally coming at him [the CEO] from all those angles and hammering him all the way up to the [MENA and EU] COO level, for the COO to get involved in a situation like this! But that is what it took, just shows hard headiness..’ HEL1-TMT-L
		Fear	‘we were afraid that the attack will be repeated again so to protect ourselves from the attack we decided to go ahead’. PHR1-TMT-L
		Alternatives	‘We were considering first to have a private placement... but at the end the decision was to go public’. IND2-TMT-M1
		Length	‘..our Saudi partner ... took a little longer, took about 4-5 month and the [nationality of the foreign partner] Board was convinced in 2 weeks’ HEL1-TMT-M1
	Information Used	Past	‘Past information’ MAR1-TMT-L
		Real time	‘It is real time’ ENG1-TMT-M2
		Mix	‘..it is a mix of projections and real time, spot or current time’ DEV1-TMT-L
OUTPUT:			
		Growth	‘..history of growth..’ IND3-TMT-M1
		Survival	‘..long term continuity..’ IND2-TMT-L
		Profit	‘..profitability of the purchase..’ ENG1-TMT-L



## Appendix VI

### Calculation of the Team Outcome Surveys Factors

Factor	Number of Items	Calculations	Comments
Team Cohesion	7	$\frac{16+14+15+10+7+9+8}{7}$	'Shared agenda, positive interaction, mutually supportive, team members motivated to perform, team demonstrates learning, constructive conflict management, individual demonstrate learning & growth' (Higgs, 1997: 206).
Improvement Orientation	4	$\frac{4+5+13+6}{4}$	'Focus on change & improvement, make change happen, proactivity, generate idea & innovation' (Higgs, 1997: 206).
Achievements	3	$\frac{2+1+3}{3}$	'Team members achieve goals, team achieves goal, customers are satisfied' (Higgs, 1997: 206).



## Appendix VII

## Calculation of the Team Process Surveys Factors

Factor	Number of Items	Calculation	Comments
Atmosphere	10	$\frac{11+20+23+25+34+35+36+38+39+49}{10}$	'Harmonious relations, complementary professional relationships, high level of trust, genuine listening, candour & openness, co-operative climate, positive atmosphere, shared vision & values, incisive debate, cohesive team' (Higgs, 1997: 192)
Communication / Interaction	5	$\frac{21+22+18+46+48}{5}$	'informal atmosphere, humour & enjoyment encouraged, keen & free to ask questions, clear dialogue & communication, flexible style of debate' (Higgs, 1997: 192)
Performance Orientation	5	$\frac{7+5+6+10+12}{5}$	'Team sets ambitious goals, emphasis on success, team appraises own performance, bad news confronted, team enthusiastic about change' (Higgs, 1997: 192)
Involvement / Participation	5	$\frac{16+44+55+56+60}{5}$	'Team members involved in goal setting, democratic & participative debate, team leader invite initiatives, team leader participate as team member, team leader behaviour provides example' (Higgs, 1997: 192)
Confidence and Comfort	3	$\frac{19+50+51}{3}$	'willing to bring in experts, commitment to decisions, creative ideas encouraged' (Higgs, 1997: 192)
Learning and	5	$\frac{58+9+4+40+47}{5}$	'emphases on future performance, team learns from

## Appendix VII

Improvement		5	mistakes, social contact important, thorough preparation, team leader eliminates performance barriers' (Higgs, 1997: 192)
Roles	2	$\frac{29+30}{2}$	'All have clear roles, all understand roles of others' (Higgs, 1997: 192)
Composition and Contribution	4	$\frac{31+32+41+43}{4}$	'Skills mix important, explicit identification of required contribution, team members clarify mutual expectations, team members have clear view of others contributions' (Higgs, 1997: 192)
Process Orientation	4	$\frac{2+15+42+62}{4}$	'Discussion of behaviour standards, willing to take risks, feedback from diverse sources, team analyses perceptions & process' (Higgs, 1997: 193)
Realistic Focus	2	$\frac{14+24}{2}$	'Realistic time scales, team understand how it adds value' (Higgs, 1997: 193)
Alignment	2	$\frac{45+3}{2}$	'Good time management, personal & company values coincide' (Higgs, 1997: 193)
Enabling Leadership	3	$\frac{13+59+61}{3}$	'Team has measurable goals & objectives, team leader discusses role & contributions, team leader acts as coach' (Higgs, 1997: 193)
Interface Management	1	57	'Team leader manages external relationships' (Higgs, 1997: 193)
Distribution of Contribution	1	37	'contribution distributed evenly between members' (Higgs, 1997: 193)

## Appendix VIII

## Survey Results

IND1-TMT-L	Factor	Calculation			
	Team Cohesion	4.71			
	Improvement Orientation	4.00			
	Achievements	3.00			
IND1-TMT-M1	Factor	Calculation	IND1-TMT-M2	Factor	Calculation
	Atmosphere	2.90		Atmosphere	2.30
	Communication/Interaction	4.20		Communication/Interaction	4.20
	Performance Orientation	3.20		Performance Orientation	3.60
	Involvement/Participation	3.60		Involvement/Participation	3.20
	Confidence & Comfort	3.67		Confidence & Comfort	3.00
	Learning & Improvement	3.20		Learning & Improvement	2.80
	Roles	3.50		Roles	3.50
	Composition & Contribution	3.50		Composition & Contribution	4.25
	Process Orientation	3.50		Process Orientation	2.00
	Realistic Focus	4.00		Realistic Focus	3.50
	Alignment	2.00		Alignment	2.00
	Enabling Leadership	2.67		Enabling Leadership	3.67
	Interface Management	2.00		Interface Management	5.00
	Distribution of Contribution	4.00		Distribution of Contribution	5.00

IND2-TMT-L	Factor	Calculation			
	Team Cohesion	2.71			
	Improvement Orientation	4.00			
	Achievements	2.67			
IND2-TMT-M1	Factor	Calculation	IND2-TMT-M2	Factor	Calculation
	Atmosphere	2.30		Atmosphere	1.70
	Communication/Interaction	2.60		Communication/Interaction	4.00
	Performance Orientation	3.40		Performance Orientation	2.40
	Involvement/Participation	2.80		Involvement/Participation	3.40
	Confidence & Comfort	3.33		Confidence & Comfort	3.00
	Learning & Improvement	3.40		Learning & Improvement	3.20
	Roles	2.50		Roles	3.50
	Composition & Contribution	3.50		Composition & Contribution	3.50
	Process Orientation	4.25		Process Orientation	3.00
	Realistic Focus	2.00		Realistic Focus	3.50
	Alignment	3.50		Alignment	1.00
	Enabling Leadership	2.00		Enabling Leadership	2.00
	Interface Management	2.00		Interface Management	3.00
	Distribution of Contribution	3.00		Distribution of Contribution	3.00



IND3-TMT-L	Factor	Calculation
	Team Cohesion	3.29
	Improvement Orientation	4.75
	Achievements	2.67
IND3-TMT-M1	Factor	Calculation
	Atmosphere	3.10
	Communication/Interaction	4.00
	Performance Orientation	2.60
	Involvement/Participation	3.60
	Confidence & Comfort	3.00
	Learning & Improvement	3.20
	Roles	3.50
	Composition & Contribution	3.75
	Process Orientation	4.25
	Realistic Focus	4.00
	Alignment	2.50
	Enabling Leadership	2.33
	Interface Management	2.00
	Distribution of Contribution	3.00

ENG1-TMT-L	Factor	Calculation			
	Team Cohesion	3.00			
	Improvement Orientation	4.25			
	Achievements	2.33			
ENG1-TMT-M1	Factor	Calculation	ENG1-TMT-M2	Factor	Calculation
	Atmosphere	2.40		Atmosphere	2.40
	Communication/Interaction	3.20		Communication/Interaction	3.20
	Performance Orientation	3.00		Performance Orientation	3.00
	Involvement/Participation	3.60		Involvement/Participation	3.60
	Confidence & Comfort	3.33		Confidence & Comfort	3.33
	Learning & Improvement	3.20		Learning & Improvement	3.20
	Roles	4.00		Roles	4.00
	Composition & Contribution	3.00		Composition & Contribution	3.00
	Process Orientation	4.25		Process Orientation	4.25
	Realistic Focus	4.00		Realistic Focus	4.00
	Alignment	1.50		Alignment	1.50
	Enabling Leadership	2.33		Enabling Leadership	2.33
	Interface Management	3.00		Interface Management	3.00
	Distribution of Contribution	5.00		Distribution of Contribution	5.00

CHM1-TMT-L	Factor	Calculation
	Team Cohesion	3.29
	Improvement Orientation	3.50
	Achievements	4.00

MAR1-TMT-L	Factor	Calculation
	Team Cohesion	3.57
	Improvement Orientation	4.00
	Achievements	3.00
MAR1-TMT-M1	Factor	Calculation
	Atmosphere	2.00
	Communication/Interaction	4.00
	Performance Orientation	2.60
	Involvement/Participation	3.40
	Confidence & Comfort	2.67
	Learning & Improvement	2.80
	Roles	3.50
	Composition & Contribution	3.00
	Process Orientation	3.50
	Realistic Focus	4.00
	Alignment	1.50
	Enabling Leadership	3.00
	Interface Management	4.00
	Distribution of Contribution	3.00

CON1-TMT-L	Factor	Calculation
	Team Cohesion	4.29
	Improvement Orientation	4.50
	Achievements	4.00
CON1-TMT-M1	Factor	Calculation
	Atmosphere	2.20
	Communication/Interaction	4.00
	Performance Orientation	2.20
	Involvement/Participation	3.20
	Confidence & Comfort	3.33
	Learning & Improvement	2.40
	Roles	4.00
	Composition & Contribution	2.00
	Process Orientation	3.00
	Realistic Focus	5.00
	Alignment	2.00
	Enabling Leadership	2.33
	Interface Management	2.00
	Distribution of Contribution	5.00

<b>FOD1-TMT-L</b>	<b>Factor</b>	<b>Calculation</b>
	Team Cohesion	3.00
	Improvement Orientation	3.00
	Achievements	3.00
<b>FOD1-TMT-MI</b>	<b>Factor</b>	<b>Calculation</b>
	Atmosphere	3.10
	Communication/Interaction	4.00
	Performance Orientation	3.20
	Involvement/Participation	3.80
	Confidence & Comfort	3.33
	Learning & Improvement	4.20
	Roles	3.00
	Composition & Contribution	4.00
	Process Orientation	3.75
	Realistic Focus	3.50
	Alignment	2.50
	Enabling Leadership	3.33
	Interface Management	1.00
	Distribution of Contribution	2.00

<b>FIN1-TMT-L</b>	<b>Factor</b>	<b>Calculation</b>
	Team Cohesion	3.43
	Improvement Orientation	4.25
	Achievements	2.00
<b>FIN1-TMT-MI</b>	<b>Factor</b>	<b>Calculation</b>
	Atmosphere	2.30
	Communication/Interaction	4.40
	Performance Orientation	2.80
	Involvement/Participation	4.00
	Confidence & Comfort	3.33
	Learning & Improvement	2.80
	Roles	3.50
	Composition & Contribution	2.75
	Process Orientation	4.00
	Realistic Focus	3.50
	Alignment	2.00
	Enabling Leadership	2.67
	Interface Management	2.00
	Distribution of Contribution	5.00

DEV1-TMT-L	Factor	Calculation
	Team Cohesion	3.00
	Improvement Orientation	4.00
	Achievements	2.67
DEV1-TMT-M1	Factor	Calculation
	Atmosphere	0.00
	Communication/Interaction	0.00
	Performance Orientation	0.00
	Involvement/Participation	0.00
	Confidence & Comfort	0.00
	Learning & Improvement	0.00
	Roles	0.00
	Composition & Contribution	0.00
	Process Orientation	0.00
	Realistic Focus	0.00
	Alignment	0.00
	Enabling Leadership	0.00
	Interface Management	0.00
	Distribution of Contribution	0.00

PHR1- TMT-L	Factor	Calculation			
	Team Cohesion	0.00			
	Improvement Orientation	0.00			
	Achievements	0.00			
PHR1- TMT-M1	Factor	Calculation	PHR1- TMT-M2	Factor	Calculation
	Atmosphere	0.00		Atmosphere	2.20
	Communication/Interaction	0.00		Communication/Interaction	3.80
	Performance Orientation	0.00		Performance Orientation	2.40
	Involvement/Participation	0.00		Involvement/Participation	3.00
	Confidence & Comfort	0.00		Confidence & Comfort	3.33
	Learning & Improvement	0.00		Learning & Improvement	4.20
	Roles	0.00		Roles	3.00
	Composition & Contribution	0.00		Composition & Contribution	2.50
	Process Orientation	0.00		Process Orientation	2.00
	Realistic Focus	0.00		Realistic Focus	3.50
	Alignment	0.00		Alignment	2.00
	Enabling Leadership	0.00		Enabling Leadership	3.00
	Interface Management	0.00		Interface Management	1.00
	Distribution of Contribution	0.00		Distribution of Contribution	5.00

PHR2- TMT-L	Factor	Calculation
	Team Cohesion	3.00
	Improvement Orientation	2.50
	Achievements	1.67
PHR2- TMT-M1	Factor	Calculation
	Atmosphere	2.80
	Communication/Interaction	4.00
	Performance Orientation	3.00
	Involvement/Participation	3.00
	Confidence & Comfort	3.00
	Learning & Improvement	3.20
	Roles	3.50
	Composition & Contribution	3.50
	Process Orientation	4.25
	Realistic Focus	2.50
	Alignment	2.50
	Enabling Leadership	1.67
	Interface Management	1.00
	Distribution of Contribution	3.00

INV1-TMT-L	Factor	Calculation
	Team Cohesion	3.29
	Improvement Orientation	4.25
	Achievements	3.67

HEL1- TMT-L	Factor	Calculation			
	Team Cohesion	2.71			
	Improvement Orientation	3.75			
	Achievements	4.00			
HEL1- TMT-M1	Factor	Calculation	HEL1- TMT-M2	Factor	Calculation
	Atmosphere	2.20		Atmosphere	3.90
	Communication/Interaction	4.40		Communication/Interaction	3.80
	Performance Orientation	2.00		Performance Orientation	3.00
	Involvement/Participation	3.60		Involvement/Participation	2.60
	Confidence & Comfort	3.00		Confidence & Comfort	4.00
	Learning & Improvement	3.20		Learning & Improvement	2.80
	Roles	3.50		Roles	4.00
	Composition & Contribution	3.75		Composition & Contribution	4.00
	Process Orientation	3.50		Process Orientation	2.75
	Realistic Focus	3.50		Realistic Focus	4.50
	Alignment	1.50		Alignment	4.00
	Enabling Leadership	2.67		Enabling Leadership	4.00
	Interface Management	1.00		Interface Management	5.00
	Distribution of Contribution	5.00		Distribution of Contribution	1.00

## Appendix IX

## Stock Market Indicators

End of Period	Number of Shares Traded (Million)	Value of Shares Traded (Million RLS)	Market Value of Shares (Billion RLS)	Number of Transactions	General Index (1985 = 1000)
1985	4	760	67	7,842	690.88
1986	5	831	63	10,833	646.03
1987	12	1,686	73	23,267	780.64
1988	15	2,037	86	41,960	892.00
1989	15	3,364	107	110,030	1,086.83
1990	17	4,403	97	85,298	979.80
1991	31	8,527	181	90,559	1,765.24
1992	35	13,699	206	272,075	1,888.65
1993	60	17,360	198	319,582	1,793.30
1994	152	24,871	145	357,180	1,282.90
1995	117	23,227	153	291,742	1,367.60
1996	138	25,397	172	283,759	1,531.00
1997	312	62,060	223	460,056	1,957.80
1998	293	51,510	160	376,617	1,413.10
1999	528	56,578	229	438,226	2,028.53
2000	555	65,292	255	498,135	2,258.29
2001	692	83,602	275	605,035	2,430.11
2002	1,736	133,787	281	1,033,669	2,518.08
2003	5,566	596,510	590	3,763,403	4,437.58
2004	10,298	1,773,858	1,149	13,319,523	8,206.23
2005	12,281	4,138,695	2,438	46,607,951	16,712.64
2006	68,515*	5,261,851	1,226	96,095,920	7,933.29
2007	57,829	2,557,712	1,946	65,665,500	11,038.66
2008	58,727	1,962,945	925	52,135,929	4,802.99
2009	56,685	1,264,012	1,196	36,458,326	6,121.76
2010	33,255	759,184	1,325	19,536,143	6,620.75
2011	48,545	1,098,837	1,271	25,546,933	6,417.73
2012	86,006	1,929,318	1,400	42,105,048	6,801.22

Source: SAMA Annual Statistics 2013

<http://www.sama.gov.sa/sites/samaen/ReportsStatistics/statistics/Pages/YearlyStatistics.aspx>



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