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## Effect of diversity on top management team to the bank's innovation ability-based on the nature of ownership perspective

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### Abstract

In this paper, *upper echelons theory* as the basis, 16 banks which was listed during the years of 2006 to 2015 as the research object, to research how the Top Management Team diversity (hereinafter referred to as “TMT”) influence on the banks innovation ability under the nature of ownership. The results show: the different nature of banks, the role of TMT diversity on the banks of innovation ability to play is not identical. In the “state-owned banks”, the age, the level of education and functional experience diversity significantly affect the bank's ability to innovate; but in the “non-state-owned banks”, the age and level of education diversity significantly affects its ability to innovate, and functional experience diversity is no longer significant. Conclusions of this study support during the different nature of the bank, the TMT diversity to enhance banks have different effects on innovation, thereby strengthening the team building for the different nature of the Bank for the bank training and development innovation ability, the team structure change provide new evidence.

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### 1. Introduction

Fierce international competition, rapid innovation of financial instruments and explosive information technology innovation stimulate China's commercial banks to reform the financial model, which brings major financial changes to managers and staff increasing competitive pressure that forces the organization to improve financial efficiency and performance. However, from the actual situation of China's commercial banks development, the lack of innovation in china is still the main contradiction in the development of commercial banks [1].Therefore,

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commercial banks should strive to improve the banks innovation ability, find a new growth point of profit banks with non-interest and develop diversified sources of poor market prospects for profit channels. From the theoretical point of view, financial innovation is in self-defense micro-finance organizations in order to seek to maximize profits and reduce its external financial repression caused taken.

Since Hambrick and Mason put forward the *upper echelons theory* [2], the TMT as an factors of influencing enterprise development caused attention of many scholars. Numerous studies showed that diversity of TMT age, educational and professional background and other variables had a profound effect on business decisions. But the *upper echelons theory* does not consider the roles of TMT diversity in different environments [3]. Under different circumstances, the decision taken by the behavior of the TMT will be very different. Therefore, the introduction of the title character in the study as environment variables, enabling the TMT diversity to affect the relationship between the bank's ability innovation more clearly and the extent of the impact on the TMT diversity to bank innovation ability understood more fully at the same time, making *upper echelons theory* in the applicability of China's banking industry improved. And the Bank as a special financial institution, whose the nature of the ownership affects the TMT when making strategic decisions is different, so in this high-risk innovative banking activities, the different nature of ownership, the executives the direction of group decision-making is likely to be different.

In view of this, this article from the nature of the bank's ownership of departure, researches the influence of the entire TMT age, education level and professional background diversity to the commercial banks innovation ability.

This paper studies have made the following expansion: First, in about the *upper echelons theory* studies, scholars generally regarded banking as a special sample, and removed, resulting in incomplete research in this field. This paper banking as a sample increases the diversity of literature; Second, the introduction of an environment variable as the title character researches the effects of the commercial banks TMT diversity on its innovation ability, which makes up for the "upper echelons theory" lack of environment variables consideration, improves the *upper echelons theory* applicability of China's banking industry, enriches the Bank innovation of the literature.

## 2. Theory and hypotheses

### 2.1. Under the nature of ownership, TMT age diversity and banks innovation ability

Managers' age represents their social experience and risk appetite. With the passage of time, experience increasing, the age will change the individual's vision, beliefs, attitudes and interpersonal networks (Jiang Yaoming and Zhang Liping, 2012) [4]. In general, young managers have energy, adventurous spirit and innovative capacity, while, with respect to the older managers, they are more willing to accept new things, take radical strategies. While older managers have strong organizational dependence and identity, and with the growth and deepening experience, they tend to take a conservative business strategy. On the "state-owned banks", the team faces lower market risk, business objectives are more multiplicity; on the "non-state-owned banks", the executive team faces higher market risk, business objectives are to increase economic benefits. Innovation has high risk and high failure, long revenue cycles, etc. The pursuit of goals of different decision-making body, will lead to different decision-making behavior. Based on this, we hypothesize:

H1: TMT age diversity negatively correlated with the banks innovation ability, but different nature of the bank, different effects of age diversity on bank innovation ability. Compared with "state-owned banks", the TMT age diversity of "non-state-owned banks" has the greater impact on the innovation ability.

### 2.2. Under the nature of ownership, TMT level of education diversity and banks innovation ability

Educational level can reflect a person's personality traits, cognitive styles and values. The higher of educated level of the TMT members, the stronger of its ability to explore of information. In terms of innovation, Seigyoung

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