

# Top Management Team Characteristics and Sustainable Competitive Advantage of Chinese Multinational Corporations in Kenya: An Empirical Investigation

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**Abstract:** The paper is an empirical investigation on top management team characteristics and sustainable competitive advantage of Chinese Multinational Corporations in Kenya. The paper used team management team characteristics as independent variable and sustainable advantage as the dependent variable. A null conceptual hypotheses for the research have been established which states that TMT characteristics has no positive and significant effect on SCA of Multinational corporations. The research employed a cross-sectional survey to gather information from the 72 Chinese Multinational Corporations. The Chief Executive Officer or its equivalents were interviewed from the various departments of the corporations. The formulated hypothesis was analyzed by the use of Chi-square. From the study findings, it emerged that the tested variables (Top management team characteristics and sustainable competitive advantage positively and significantly influenced each other. The study results are in agreement with various previous studies thus Opens Avenue for further studies. The findings of the research contain an implication in the respective organizations where the indicators in regard to sustainable competitive advantage should not only be used to measure constructs of return on investment, differentiation and customer satisfaction.

**Keywords:** Chinese Multinational Corporations, Sustainable Competitive Advantage, Empirical

## 1. Introduction

According to Irungu, (2007) top management team characteristics refers to the features contained by the members from the senior management, CEOs, chief financial officer, chief operations officer, deputy general manager, and the like, who are liable for providing the road map of the firm or an organization. Finkelstein et al. (2009) defined this concept to comprise of a small group in senior executives who are responsible for making strategic decisions for the organization hence they are accountable and responsible for the entire enterprise. Since there are well knowledgeable, these team conduct comprehensive analysis of both external and internal environment of the organization to reduce the economic losses that arise from myopic decisions (Hambrick & Mason 1984).

Top management team acts as the center for processing information (Haleblian & Finkelstein, 1993) and all the executives report to the CEO (Mutuku, K'obonyo & Bolo 2013). The TMT features have a significant influence on the outcome of organizations as the top executives are endowed to formulate decision which is strategic for the organizations they are working for (Boeker, 1997). As the top management team make strategic decision which are inline in their cognition to sharing of their values and experiences contribute to organizational outcomes and firms' sustainable competitive advantage. Hence, TMT is captivated in strategic process of making of decisions which influenced by the interpretations and perceptions of the managers therefore reflecting their 'cognitive base.

Wasike and Owino (2015) on implementing of strategies found that top management team characteristics played a very positive and significant role in the attainment of the set objective and achievement of the set strategic objectives and direction. Top management team become more pertinent when they are stable with mission, visions, competitive environment and resources of the organization. The concept sustainable competitive advantage is described to refer to the benefits a firm attain when it is executing it strategy which have not been implemented by any other competing firm (Barney, 1991).

The sustainable competitive advantage is mirrored in better performance as to compared to bench marking of the rivals in the market (Teece, Pisano, & Shuen, 1997). Therefore, a competitive advantage is experienced and attained over the competitors in the business market when the respective consumers are offered greater values in terms of lowering prices of products or by provision of grander benefits and quality services which justifies the higher prices charged. Every organization strives to obtain features or attributes which enable them to stand tall than its competitors. Therefore, most organizations are more concerned on the environmental changes, scarce resources and the new entrants in the market in striving to achieving a SCA (Porter, 1980).

Empirical investigations on top management team characteristics and sustainable competitive advantage has produced mixed and inconclusive results. Irja(2016) conducted a study to cover roles played by TMTs on project management of organizations in strategy implementation of firms. This study adopted a case study research design where it was discovered from the findings that precise definition of roles and responsibilities were influenced by top management team and governance of projects.. It was also revealed that project management of organization and roles of top management team had gap on strategy implementation, as it was revealed that not much have been investigated with regard to the interconnection between implementation of a company strategy, corporate governance and program portfolio. Thus, this knowledge gap resulted to the investigation top management team characteristics and sustainable competitive advantage of Chinese Multi-Corporations.

### **1.1 Research Objective**

The study objective of this paper was to assess the influence of TMT characteristics on sustainable competitive advantage of Chinese Multi-Corporations in Kenya SCA.

### **1.2 Conceptual Hypotheses**

The following entail the conceptual hypothesis formulated for the paper:

*H<sub>1</sub>: TMT characteristics has no significant influence on SCA of Multinational corporations*

### **1.3 Methodology**

This paper employed a cross-sectional research design to assess the influence of top management team characteristics on sustainable competitive advantage of Chinese Multi-Corporations in Kenya. The paper adopted a census approach where 72 Chinese Multi-Corporations operating in Kenya were covered (KCETA, 2019). The study gathered both primary and secondary sources of data where the primary data was gathered by the of a survey questionnaire. The study targeted the Chief Executive Officers (CEO) or its equivalents to gather information. Secondary sources of data were collected by company reports, journals and publications. The study employed Cronbach Alpha where threshold coefficient of 0.7 adopted. Nunnaly (1978) indicated that a coefficient that is greater than 0.7 is said to be a better and a very strong indicator of reliability. Moreover, the paper adopted both content and criterion validity to test the survey instrument. Both descriptive and inferential statistics were employed for data analysis. Descriptive statistics entailed mean, standard deviation, coefficient and percentages. Inferential statistics included coefficient of determination, simple linear regression analysis and multiple linear regression analysis. The study paper employed Chi Square statistic to test the hypothesis. The Chi-Square test examined a null hypothesis that there were no relationships between independent variable and the dependent variables. The study used SPSS to produce the Chi square statistics and the probability values (*p*-values). Chi square test was done at 95 percent level of confidence. Therefore, the *p*-values less 0.05 led to the rejection of null hypothesis and the *p*-values greater than 0.05 led to the acceptance of the null hypothesis.

## **2. Results and Discussions**

The aim of this paper was to assess the influence top management team characteristics and sustainable competitive advantage of Chinese Multinational Corporations in Kenya. The Tables below shows the study results:

## 2.1 Reliability Test Results

The reliability of the questionnaire was examined using Cronbach Alpha.

Table 1: Reliability Test Results

Variable	Cronbach's Alpha	N of Items
Top Management Team Characteristics	0.902	16

Source: Researcher, 2020

The reliability results in Table 1 indicate that the Cronbach's Alpha for TMT features is greater than 0.7. TMT characteristics had an internal consistency as indicated by Cronbach's Alpha of 0.902. thus, the data collected was reliable to determine the influence of TMT characteristics and sustainable competitive advantage of Chinese Multi-Corporations in Kenya.

## 2.2 Descriptive Statistics for Top Management Team Characteristics

The study indicates descriptive analysis of TMT characteristics in terms of mean, standard deviation and frequency distribution. The response was rated on a five-point coded as follows: 1-not at all; 2-less extent; 3-moderate extent; 4-large extent and 5-very large extent. Table 2 shows the frequency distribution, mean and standard deviation.

Table 2: Top Management Team Characteristics

Demographic Characteristics	Frequency Distribution					Mean	Std. Deviation
	1	2	3	4	5		
Age of members is considered as an important attribute in top management team in my organization	13	9	66	29	6	3.05	0.97
When recruiting top management team in the organization the gender rule has been adhered to in my organization	12	36	35	32	8	2.90	1.10
The organization has stipulated the education level of top managers and the minimum academic qualification	2	11	20	56	34	3.89	0.97
The organization considered by past experience in the recruitment process	3	1	15	59	45	4.15	0.85
Length of service of the managers in my organization is well taken for in the recruitment process	1	8	30	61	23	3.79	0.85
Expertise from top level of management is positively connected to efficiency and organizational effectiveness	2	3	17	47	54	4.20	0.89
Psychological Characteristics							
My level of self-esteem in my organization is high	3	0	10	73	37	4.15	0.76
I am confident in my internal assignments and place of work	2	0	8	67	46	4.26	0.72
I am confident in contacting suppliers and customers outside the company	2	0	11	66	44	4.22	0.74
I can grip as many things as possible at a time at this work.	2	1	6	68	46	4.26	0.73
I am optimism in attaining organizational objectives	2		14	63	44	4.20	0.76
I am always hopeful of things regarding my job	2	1	8	65	47	4.25	0.75
I don't interfere my work with other emotional attachments	1	4	27	62	29	3.93	0.81
In situations where things are not clear in regard to my job, I always expect best	1	2	22	59	39	4.08	0.80
I am able to cope with most of my problems.	2	1	9	73	38	4.17	0.73
Golden mean in Confucianism helps me in Kenya.	7	19	54	38	5	3.12	0.92

The study finding in Table 2 above regarding demographic characteristics indicate that majority of the respondents indicated that to a large extent the expertise of top team members was positively related to team efficiency and effectiveness (mean=4.20, standard deviation=0.89). The following qualities were to a large extent considered during recruitment exercise of top managers: previous experience of the top managers (mean=4.15, standard deviation=0.85), the level of education (mean=3.89, standard

deviation=0.97), the length of service in the industry of the managers in my organization has been considered during the recruitment exercise of top managers (mean=3.79, standard deviation=0.85). The respondents indicated that the age of members was to a moderate extent moderately considered as an important attribute in TMT in my organization (mean=3.05, standard deviation=0.97); and the gender rule was to a moderate extent adhered to when recruiting TMT in the organizations (mean=2.90, standard deviation=1.10).

All the standard deviations were less than 1 except for the statement that when recruiting top management team in the organization the gender rule has been adhered to in my organization (standard deviation=1.10). The standard deviations indicate that the deviation from the mean was small. Therefore, the responses were not widely dispersed from the mean. The small deviations from the mean enabled the study to confidently conclude that mean scores indicated in Table 2 represented the views of the majority of the respondents.

The TMT characteristics in a corporation serves as the most important decision making body and in addition, the top management that serves as part of the board is equally important for the success of an organization (Otter & Schlesinger, 2010). This emanates from their role in approving major financial and strategic decisions like acquisition and mergers as well as changes in an organization's capital structure. Where firms select directors that have varied characteristics, it is possible to have access to different resources. For instance, if a firm has directors with experience in financial industry, it may prove beneficial while gaining access to investors. On the other hand, if directors have political connections, it may benefit a firm while dealing with regulators. Nyamongo and Temesgen (2013) assert that irrespective of the position held each manager of the top management, they influence the strategic decisions of a firm and thus the performance. However, there is a difference in the positions with some seeming more important. For example, CEO has a responsibility of overseeing all activities of an organization.

Strategic decisions within an organization are made by the top management and their quality is reflected through the performance of an organization. According to Awino (2013), quality decisions consider all decisions important and rely on thoroughness. As demonstrated by the upper echelon theory, the top management has an imperative role in influencing the financial position of an organization. It is upon the leaders and directors of an organization to steer their organizations into the right direction through strategic management.

According to Bidley and Burbach (2010), diversity in teams and groups is often perceived as a positive force that leads to effective performance of an organization. This emanates from the greater variance in idea, innovation, and creativity from a pool of diverse individuals that as a result leads to better group performance. In the modern business environment, diversity is becoming a critical factor across the globe where aspects of gender, ethnicity, race, and age among other traits are being recognized. There are threats and challenges associated with diversity in the workplace especially due to globalization. As a result of rapid globalization, there have emerged extended markets as well as changes in demographic measures. Additionally, the merit of both evaluating and managing diversity has gained significant attention. This is based on the varied work environments together with challenges that affect the diverse decision makers and the diverse workforces. According to Munjuri and Maina (2013), organizations with TMTs characteristics that adopts a diverse workforce benefits from creative decision making, better products and a satisfying work environment because the involved employees feel encouraged and thus contribute towards achieving overall organizational goal. This improves employees' knowledge because of shared information and experiences that as a result improves organization's performance.

### ***2.3 Sustainable Competitive Advantage***

The study sought to establish the extent to which the statements in Table 3 in regard to creating SCA applied in the organizations.

The study findings in Table 3 above shows that to a great extent, CMCs provided superior customer service compared to other players in their industries (mean=4.24, standard deviation=0.72), the product of CMCs was unique in the market (mean=3.4918, standard deviation=0.9979), the companies engaged in regular customer survey to get customer feedback (mean=3.89, standard deviation=0.93), customer loyalty increased during the past three years (mean=3.58, standard deviation=0.978) and the companies responded well to globalization by formulating a global strategic plan to attract customer and retain (mean=3.85, standard deviation=0.92). The results further show that to a moderate extent, the intension to repurchase the products of CMCs increased overtime (mean=3.2683, standard

deviation=1.10) and the return on investment for the CMCs increased over the last three years(mean=3.12, standard deviation=1.06).

Table 3: Sustainable Competitive Advantage

Statement	Frequency Distribution					Mean	Std. Deviation
	1	2	3	4	5		
The return on investment for my company has increased over the last 3 years.	10	18	53	29	13	3.14	1.06
We provide superior customer service where other players cannot provide.	0	0	20	53	50	4.24	0.72
Our product is unique in the market	3	16	41	42	20	3.49	1.00
My company engages regular customer survey to get customer feedback.	2	8	24	56	32	3.89	0.93
Customer loyalty, when a customer recommends to a friend or family member, increased during the past 3 years.	3	14	33	51	19	3.58	0.98
The intension to repurchase our company product has been increased overtime.	8	21	41	36	17	3.27	1.10
My company has responded well to globalization by formulating a global strategic plan to attract customer and retain.	3	6	26	59	29	3.85	0.92

#### 2.4 Top Management Team Characteristics and Sustainable Competitive Advantage

To establish relationship between TMT characteristics on SCA of CMCs in Kenya, simple linear regression analysis was done and the results are shown in Table 4.

Table 4: Regression of Top Management Team Characteristics against Sustainable Competitive Advantage

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.76 <sup>a</sup>	.58	.58	.47		
a. Dependent Variable: Sustainable Competitive Advantage						
b. Predictors: (Constant), Top Management Team Characteristics						
ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	36.90	1	36.90	166.76	.00 <sup>b</sup>
	Residual	26.77	121	.22		
	Total	63.68	122			
a. Dependent Variable: Sustainable Competitive Advantage						
b. Predictors: (Constant), Top Management Team Characteristics						
Source: Researcher (2020)						
Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.28	.24		5.45	.00
	Top Management Team Characteristics	.72	.06	.76	12.91	.00
a. Dependent Variable: Sustainable Competitive Advantage						

The results in Table 4 shows that the regression model for TMT characteristics and SCA was fit for analysis as indicated by the F Statistics,  $F(1) = 166.76$  ( $p=0.00$ ). The value of R square was 0.58 indicating that the TMT characteristics accounted for 58 percent of the variation in SCA of CMCs in Kenya. The  $t$ -statistics in Table 4 indicate that TMT characteristics had statistically significant influence on SCA of CMCs in Kenya ( $t=12.91$ ,  $p=0.00$ ).

The regression model appears as follows:

$$SCA = 1.28 + 0.72 \text{ TMT characteristics} + 0.24$$

#### 2.6 Influence of Top Management Team Characteristics on Sustainable Competitive Advantage of Chinese Multinationals in Kenya

The null hypothesis of the study was as follows:

$H_1$ : TMT characteristics has no significant influence on SCA of Multinational corporations.

The study performed Chi Square test for the null hypothesis  $H_1$  as indicated in Table 5.

Table 5: Chi-Square Tests for First Null Hypothesis.

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	148.82	9	.00
Likelihood Ratio	86.13	9	.00
Linear-by-Linear Association	70.70	1	.00
N of Valid Cases	123		
Symmetric Measures			
		Value	Approx. Sig.
Nominal by Nominal	Phi	1.10	.00
	Cramer's V	.64	.00
N of Valid Cases	123		
a. Not assuming the null hypothesis.			
b. Using the asymptotic standard error assuming the null hypothesis.			

The results in Table 5 shows that Pearson Chi-Square was 148.82 ( $p=0.00$ ) leading to rejection of null hypothesis  $H_1$  (TMT characteristics has no significant influence on SCA of Multinational corporations) at 95 percent level of confidence ( $p=0.00 < 0.05$ ). Conversely, the study concluded that TMT characteristics had significant influence on SCA of CMCs in Kenya. Similarly, the Phi value ( $\Phi=1.1$ ,  $p=0.00$ ) indicate that the magnitude of the effect of TMT characteristics on SCA was significant.

### 3. Discussion and Conclusion

The broad of objective of this study was to establish the influence of top management team characteristics on sustainable competitive advantage of Chinese Multinational Corporations in Kenya. To attain this objective null hypothesis was formulated has: TMT characteristics has no significant influence on SCA of Multinational corporations. The study findings on Pearson Chi-Square was 148.823 ( $p=0.000$ ) leading to rejection of null hypothesis  $H_1$  (TMT characteristics has no significant influence on SCA of Multinational corporations) at 95 percent level of confidence ( $p=0.000 < 0.05$ ). The study concluded that TMT characteristics had significant influence on SCA of CMCs in Kenya. The findings of the study are in line with Irja (2016) who concluded that top managers influenced achievement of corporate strategies, whereby Wasike and Owino (2015) also affirmed that there existed indirect connection of TMT characteristics and organizational performance. Organizational performance and achievement of long term as SCA were dependent on the experiences and skills of top managers in strategic management.

### 4. Implication of the Study

It is recommended that another study be conducted to test other indicators of sustainable competitive advantage other than return on investment, differentiation and customer satisfaction before a conclusion is reached top management team characteristics and sustainable competitive advantage. Also there exist a gap in knowledge on usage of firm performance and as the dependent variables. Therefore an investigation should be conducted to include firm performance as the independent variable using both financial and non-financial indicators.

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