

Inside the Black Box: The Effect of TMT Strategic Consensus on Firm Performance

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ABSTRACT

The premise stances underlying most of strategic consensus studies is that a higher extent of consensus leads to advantageous firm performance. However, empirical outcomes have been mixed and inconsistent. The author accounts for this conundrum using a mechanism analysis. Results based on sample of manufacturing companies in Taiwan reveal that the direct relationship between top management team (TMT) strategic consensus and firm performance is negative, whereas by through decision quality, TMT strategic consensus can facilitate organizational probability. Our finding provides an alternative explanation for prior inconsistencies and points to the need for a mediation of decision-making practice to better understand consensus-performance relationship. The present research also add value to upper-echelons theory by examining the proverbial black box as to how executive decision process is transferred into firm-level outcome.

Keywords: Decision quality; Strategic consensus; Strategic process; Top management team