Research on Knowledge-Based Optimization Model for Top Management Team

Weihui Dai
School of Management, Fudan University, Shanghai 200433, P.R.China
Email: whdai@fudan.edu.cn

Dan Yu
Division of Engineering and Technology Management, National University of Singapore
Email: yudan@nus.edu.sg

Yue Yu
School of Management, Fudan University, Shanghai 200433, P.R.China
Email: 072025045@fudan.edu.cn

Abstract—Configuration of top management team (TMT) has very important impact on its efficiency. Extant literature in the research of TMT mainly concentrates on the relationship between TMT characteristics and firm level performances as well as the process mechanism, but rarely on methods for team member selection and TMT configuration. This paper is aimed to address the research gap and design a knowledge-based optimization model for TMT configuration, using multi-objective optimization model. First of all, the relationship between TMT characteristics and its performance is systematically reviewed and a multiple-dimensional evaluation system is proposed to analyze TMT efficiency. Secondly, a multi-objective optimization model of TMT configuration is established by multiple linear regressions. Thirdly, knowledge management techniques are integrated to build the knowledge-based multiple-objective optimization model for TMT configuration. Finally, an experimental system based on our model is applied in a stationery company and achieved great success.

Index Terms—Top Management Team (TMT), knowledge-based optimization, knowledge management system, TMT configuration

I. INTRODUCTION

Top Management Team (TMT) is the team composed of top managers in an enterprise who assume the responsibility for strategy management and decision making. Top managers generally refer to General Manager and those senior managers who directly reporting to them such as Marketing director, R&D director, etc [1] [2].

Modern business environment is becoming more dynamic and complex than ever before, which poses significant challenges to the quality of top management teams [3]. In order to quickly adapt to the dynamic and complex changing environment, TMT must be a dynamic team with different configurations at different development stages in different business environments [4]. An empirical survey has shown that over 70% mistakes made in business operations could be attributed to the mistakes of decision making by TMT, and the essential problem is not any specific incompetent manager, but the lack of group-thinking players with complementary knowledge and capability in TMT [5]. Therefore, an optimized configuration of TMT can abate the risk of decision mistakes [5].

The research on optimization of TMT configuration starts from the seminal work of “upper echelons” by Hambrick and Mason in 1984[6], which argued that both strategic choices and organization performance are associated with the characteristics of TMT. In the following two decades, a substantial body of literature has studied TMT and mainly focus on three aspects: (1) The cause-effect relationship between TMT characteristics and the financial performance and strategy choices of firms; (2) The moderating effects of mediators such as team incentives, power, integration, discretion and team processes; (3) The impacts of environmental factors, such as customers, competitors, policies of financial markets, and board of directors. However, only a small number of studies have paid due attention to team member selection and TMT configuration optimization. Furthermore, the findings of TMT studies have not been systematically applied to create practical solutions. Fortunately, knowledge management literature provides a very helpful means to design optimized TMT configuration, and advancement in knowledge management system (KMS) enables us to create a knowledge-based information system as a practical solution for industrial firms.

Therefore, our paper is aimed to address the research gap on TMT configuration by borrowing the literature from knowledge management. A multi-objective optimization model of TMT configuration is first established by multiple linear regressions based on six major TMT characteristics from the extensive review. In addition, knowledge management techniques are integrated to build the knowledge-based TMT configuration optimization model. Finally, we build up an
information system based on our model and test it on a stationery company and achieved great success.

II. THEORETICAL BACKGROUND

A. Review on Relationships between TMT Characteristics and Performance

The relationship between the characteristics of TMT configuration and organizational performance has always been the most popular and debatable research inquiry ever since the seminal work by Hambrick and Mason in 1984. The “Upper-Echelons” argument attributed major influence on organizational outcomes such as strategies and performance to two psychological characteristics of firm leaders such as cognitive base and value [6]. Hambrick further refined the two characteristics and combined them with another for constructs, namely aptitudes, skills, knowledge and demeanor of top managers [1]. Subsequently, many efforts have been made to identify new variables omitted from the original framework or argue the different level of importance of existing constructs. Carpenter et al revisited the research on characteristics of TMT configuration and summarized the extant theoretical constructs into 9 aspects, namely skills, cognitions, behavioral propensities, access to information, access to resources, human capital, social capital, relative status within TMT or across firms and heir apparent [7].

These constructs are invisible and very difficult to measure, which are called deep-level constructs throughout the paper. According to suggestions by previous research, these deep-level constructs can be described by surface-level variables which refer to more observable top management demographics. For example, Norburn and Birley conducted an empirical survey in five industries in US to test the relationship between several characteristics of TMT and organizational performance [8]. The characteristics of TMT covered age, gender, education level, number of firms worked for, career experience and tenure of individual team member as well as the size of the TMT. Goll et al did a similar test and found that characteristics such as age, tenure, education, heterogeneity (diversity) of team members have significant relationship with organizational performance [9]. Copious as the studies are on characteristics of TMT, the surface-level variables that have been widely studied could be boiled down to five aspects:

1. Size of TMT

   Earlier studies showed that the larger the size of TMT, the bigger the differences of decisions among TMT members. Some scholars claimed there was a positive relationship between TMT size and TMT efficiency in certain industries [10], while others believed the large size could cause obstacles on communication, conflicts on cognitive frames and emotions, which made negative impacts on TMT efficiency.

2. Age of TMT members

   Generally speaking, people are more likely to resist changes when their ages increase [1]. Old managers tend to avoid risks and rely more on their industrial experience. On the contrary, young managers with less experience may wish to take more challenges for risky decisions. Therefore, TMT is advised to have members with diversified ages to enjoy the complementary benefits and the optimum age diversity would vary according to industry, business nature, size of firms and environments.

3. Gender of TMT members

   Whether gender is a critical characteristic to affect TMT efficiency, many scholars have offered positive answers by analyzing psychological differences between men and women. More female leaders increased the diversity of TMT, and female’s styles of leading, decision making, and conflict managing complement the styles of male leaders [11] [12].

4. Education Level of TMT members

   Many studies have been done on TMT education level, and early research found that a TMT member with rich education background was inclined to accumulate more detailed information before making decisions [13]. Education can help managers to better understand the complex situations to a large extent, thus increasing the capability to process a large amount of complicated information [1]. Education background becomes very helpful when making critical decisions for firms [14].

5. Diversity of TMT members

   Over 40% of TMT demography research focuses on diversity of TMT members. TMT with large diversity could embrace and balance many perspectives but has its own problem such as time-consuming in decision making. Some studies found that diversity in education, experience and tenure are closely related to market shares, profits growth or innovative strategies [15] [16] [17].

B. Review on Knowledge Management System

Knowledge management recently emerged as a very popular research area and many scholars jumped onto the bandwagon to interpret the basic concept in a large number of different ways [18]-[21].

Knowledge Management System (KMS) is the information system to actually manage knowledge for organizations [16]. It is very helpful to improvement of organizational learning and working efficiencies [6]. KMS are widely used in three kinds of activities:

1. Recording best practices and sharing within firms [22] [23]: For example, Davenport’s study presented how an insurance firm prevented profits margin decline by adopting a fresh new insurance application process based on a KMS with all the industrial best practices [24].

2. Establishing Experts’ Map: Since some knowledge is tacit rather than explicit in nature, firms could record experts and their professional instead of explicit knowledge itself [24]. Experts with professional knowledge are expected to share their knowledge with other people in need.

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Building knowledge network: Knowledge network is a very efficient and effective method for knowledge transfer. For example, when Chrysler changed the organizational structure from functional structure to flat structure, they quickly realized a knowledge exchange platform must be set up to avoid knowledge loss. They subsequently built up a “knowledge corner”, which essentially is a knowledge network to facilitate knowledge transfer and sharing [5]. Ford built similar knowledge networks to improve knowledge sharing and found that R&D period of a car has reduced to thirty-six months compared with twenty-four months without knowledge networks. Furthermore, by sharing knowledge with distributors, car delivery period was reduced from fifty days to only fifteen days [2].

Both the five major characteristics of top management team and the three major activities that knowledge management systems are often applied will be used as the foundation for our knowledge-based multiple objective optimization model for TMT configuration. As the final target of TMT configuration is to maximize TMT performance, the first question occurs to our mind is how to define and evaluate TMT performance.

III. TMT PERFORMANCE EVALUATION AND ITS RELATIONSHIP WITH TMT CHARACTERISTICS

Establishment of objectives is the beginning step of any optimization. Since the final objective of TMT configuration optimization is to improve organizational performance, and TMT efficiency is the critical factor to decide organizational performance, we set TMT efficiency as the objective of our optimization.

A. TMT Efficiency Indicators

Although most research use surface-level variables to present deep-level theoretical constructs and found significant correlations between these variables and organizational performance, the extant literature also discussed the moderating effects of mediators such as team process and incentives. Our optimization model examines the relationship between surface-level variables and deep-level constructs, and uses deep-level constructs as indicators of TMT efficiency. Regarding surface-level variables, as discussed in the review section, we would select age, gender, education level, size, and diversity of TMT as major variables. In terms of deep-level constructs, we integrate the findings from Carpenter’s summary on deep-level theoretical constructs [9], Simon’s strategic decision making process, and our preliminary interviews with top managers, and choose six constructs to indicate TMT efficiency as follows [5]: the capability of information access, the capability of swift adjustment, the capability of evaluation, the capability of communication, the capability of empowerment, and the capability of innovation.

![](image)

**Figure 1. TMT efficiency system**

Based on the five surface-level variables and six deep-level constructs, TMT efficiency system and its relationship with TMT configuration could be shown in Fig.1 with four layers structure.

B. TMT Efficiency Evaluation System

As shown in Fig. 1, the top layer is TMT efficiency, which is a function of six deep-level constructs in the second layer. Each deep-level construct is also a function of five surface-level variables in the third layer. The bottom layer shows various TMT configurations, and each configuration offers five values separately to the five surface-level variables. Hence, for each TMT configuration, the final TMT efficiency could be calculated and compared with peers.

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Since each firm has its own objectives and nature of business and located in different environments, the requirements on the level of each dimension of TMT efficiency would also vary. Therefore, TMT efficiency should be evaluated in a multi-dimension manner and each dimension carries different weights of importance.

We design TMT efficiency evolution to be a multi-dimension model where

\[ T_{\text{efficiency}} = T_{\text{efficiency}_1} \cdot T_{\text{efficiency}_2} \cdots T_{\text{efficiency}_n} > (i=1, 2, \ldots, n) \]  

\[ T_{\text{efficiency}_i} \] represents overall TMT efficiency, while \( T_{\text{efficiency}_i} \) presents TMT efficiency only in dimension \( i \) and can be calculated by the functions linking deep-level constructs and surface-level variables.

\[ T_{\text{efficiency}_i} = f(C_1, C_2, \ldots, C_j, \ldots, C_m) \]  

\( j = 1, 2, \ldots, m \)

\( C_j \) represents one surface-level variable.

There are many methods to make multiple objective evaluation system into a single but comprehensive evaluation indicator, such as Analytic Hierarchy Process (AHP) and Linear Weighting Method (LWM). We use the LWM to reduce the complexity of application. We assign different weights to the \( T_{\text{efficiency}_i} \) and the overall \( T_{\text{efficiency}} \) could be presented as:

\[ T_{\text{efficiency}} = \sum_{i=1}^{n} w_i T_{\text{efficiency}_i} \]  

\( w_1 + w_2 + \ldots + w_n = 1 \)  

\( w_i \) is the weight of \( T_{\text{efficiency}_i} \) in the overall \( T_{\text{efficiency}} \). The objective of TMT configuration is to maximize the value of \( T_{\text{efficiency}} \). Therefore,

\[ \text{Max} (T_{\text{efficiency}}) = \text{Max} \left( \sum_{i=1}^{n} w_i T_{\text{efficiency}_i} \right), \]  

when \( w_1 + w_2 + \ldots + w_n = 1 \)

Among the five surface-level variables and six deep-level constructs, age and gender are easily quantifiable while factors such as education level, different types of capabilities have to go through rigorous methods to quantify. We apply AHP-Fuzzy-Pattern Recognition (AFP) method to solve the problem of quantification and evaluation of variables not matter they are subjective or objective, precise or fuzzy. Since the evaluations of six deep-level constructs are subjective responses from evaluators, we also perform reliability and validity test to improve the results. Because the weight carried by each \( T_{\text{efficiency}_i} \) is dependent on the specific environment and strategies adopted by an individual firm, \( W_i \) could be decided by internal expert’s opinion based on Delphi Method, which is particularly advantageous to make business prediction without sufficient reference.

In order to quantify the relationship between TMT efficiency indicators (\( T_{\text{efficiency}_i} \)) and surface-level variables (\( C_j \)), multiple linear regression has been carried out as follows:

\[ T_{\text{efficiency}_1} = \beta_0 + \beta_1 C_1 + \beta_2 C_2 + \ldots + \beta_n C_n + \epsilon \]

\[ T_{\text{efficiency}_2} = \beta_0 + \beta_1 C_1 + \beta_2 C_2 + \ldots + \beta_n C_n + \epsilon \]

\[ \ldots \]

\[ T_{\text{efficiency}_n} = \beta_0 + \beta_1 C_1 + \beta_2 C_2 + \ldots + \beta_n C_n + \epsilon \]

C. Multiple Linear Regression Analysis on TMT Efficiency

In order to analyze the final relationship between TMT efficiency and surface-level variables, as well as access to the knowledge and best practices of configuration optimization, we surveyed 403 firms from Shanghai, Zhejiang and Jiangsu, China, and conducted in-depth case studies of some firms with best TMT efficiency [25]. Those firms and their information were provided by local governments as their representative samples. Questionnaire data were obtained all from CEOs and other senior managers. The multiple linear regression analysis based on the questionnaires laid the foundation to the establishment of our multi-objective optimization model. The questionnaire was first designed based on our preliminary case studies of firms in different industries with different size. The reliability test by SPSS 11.5 shows Cronbach’s \( \alpha \) is 0.861, which indicates our questionnaire is consistent and highly reliable. There are six deep-level and six surface-level variables to measure in our questionnaire as shown in Table 1 (first three columns).

<table>
<thead>
<tr>
<th>Variables</th>
<th>Name of Variables</th>
<th>Number of variables</th>
<th>Value of variables</th>
<th>Min</th>
<th>Max</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>C_1</td>
<td>Age</td>
<td>25</td>
<td>40</td>
<td>48.75</td>
<td>6.79469</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C_2</td>
<td>Gender</td>
<td>0.15</td>
<td>5</td>
<td>0.5093</td>
<td>0.17253</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C_3</td>
<td>Education Level</td>
<td>1.5</td>
<td>5</td>
<td>3.3893</td>
<td>0.05563</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C_4</td>
<td>Size of TMT</td>
<td>1</td>
<td>40</td>
<td>7.9250</td>
<td>7.97691</td>
<td></td>
<td></td>
</tr>
<tr>
<td>C_5</td>
<td>Difference in age</td>
<td>1.00</td>
<td>4.7864</td>
<td>3.39913</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C_6</td>
<td>Difference in education level</td>
<td>0.00</td>
<td>1.25</td>
<td>0.6078</td>
<td>0.33426</td>
<td></td>
<td></td>
</tr>
<tr>
<td>T_1</td>
<td>Capability of information access</td>
<td>1.00</td>
<td>2.00</td>
<td>7.0030</td>
<td>1.49705</td>
<td></td>
<td></td>
</tr>
<tr>
<td>T_2</td>
<td>Capability of executive</td>
<td>0.00</td>
<td>1.00</td>
<td>6.9080</td>
<td>1.02652</td>
<td></td>
<td></td>
</tr>
<tr>
<td>T_3</td>
<td>Capability of evaluation</td>
<td>0.00</td>
<td>2.00</td>
<td>7.3066</td>
<td>1.47263</td>
<td></td>
<td></td>
</tr>
<tr>
<td>T_4</td>
<td>Capability of communication</td>
<td>1.00</td>
<td>2.00</td>
<td>7.0030</td>
<td>1.54853</td>
<td></td>
<td></td>
</tr>
<tr>
<td>T_5</td>
<td>Capability of improvement</td>
<td>0.00</td>
<td>2.00</td>
<td>6.9398</td>
<td>1.60038</td>
<td></td>
<td></td>
</tr>
<tr>
<td>T_6</td>
<td>Capability of innovation</td>
<td>0.00</td>
<td>1.00</td>
<td>6.9365</td>
<td>1.28566</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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The result of descriptive analysis has been shown in Table 1. As a special occasion in this statistics, seven individually-owned firms are considered to be only one in their size of TMT. We use least square method to estimate the coefficients and perform T-test and F-test. Detailed regression results and analysis for $T_1$ (Capability of information access) is illustrated as an example, and all the rest $T_i$ ($i=2-6$) are calculated in the same way. We found that female members were seldom in their TMT, and this discouraged the diversity in gender.

As shown in Table 2, there are five times of regression with an additional variable each time. Age was excluded from the result by SPSS, which implies age and capability of information access are irrelevant. Adjusted R square is 98%, which indicates a very good fit of distribution. This situation can be observed on Fig.2.

![Figure 2](image)

**Figure 2. Normal P-P plot of regression standardized residual**

Fig.2 shows very good fit between expected and observed cumulative probabilities, thus standard residual are normally distributed, which meets the precondition of multiple linear regression.

Hence, we could present capability of information access ($T_1$) as follows:

$$T_1 = 5.5154 - 0.919C_2 + 0.773C_3 + 0.009C_4 - 0.012C_5 + 0.38C_6$$

(6)

In all, (6) is rigorously tested and another five rounds of regressions lead to equations on $T_2$ to $T_6$:

$$T_2 = 6.726 + 0.05C_2 + 0.95C_3 + 0.209C_4 + 0.013C_5 + 0.049C_6$$

$$T_3 = 5.155 + 0.008C_2 - 0.472C_3 + 0.020C_4 + 0.001C_5 + 0.401C_6$$

$$T_4 = 4.935 + 0.012C_2 - 0.148C_3 + 0.472C_4 + 0.002C_5 + 0.031C_6$$

$$T_5 = 5.205 + 0.012C_2 - 0.482C_3 + 0.381C_4 + 0.014C_5 + 0.025C_6$$

$$T_6 = 6.214 + 0.009C_2 - 0.796C_3 + 0.176C_4 - 0.021C_5 + 1.008C_6$$

(7)

A series of findings could be discussed based on standardized coefficients in Table 3. To begin with, the negative or zero relationship between every dimension of TMT efficiency and gender suggests an increase of female leaders in TMT. Secondly, the positive or zero relationship between every dimension of TMT efficiency and age corresponds with the general opinion that capabilities would increase with age. Adjustment in the structure of TMT gender and age is decided by firms without any special barriers in most cases. Thirdly, there is a positive relationship between TMT education level and every dimension of TMT efficiency; furthermore, the coefficients are relatively larger, which means education has both large and beneficial impacts on TMT efficiency. Finally, difference in education level has positive relationship with all dimensions of TMT efficiency, thus TMT is advised to have members with different levels of education to complement each other in different capabilities.

**TABLE 3. STANDARD COEFFICIENTS ANALYSIS**

As discussed in the review section, the previous literature has developed much knowledge on TMT configuration and its relationship with organizational performance, yet less research has been done to integrate the existing knowledge and apply them into practice. Based on the TMT performance evaluation model, knowledge-based multiple-objective optimization model would be proposed to provide practical guidance for TMT configuration.

**A. Multiple-Objective Optimization Model**

When firms decide multiple objectives and their level
of importance and performances, the values of $T_{-efficiency_1}$ and $w_i$ could be assigned. Based on (7), we could calculate surface level variables $C_1$ to $C_6$ using (8) as quantitative reference.

$$
\begin{align*}
C_1 &= a_{11}T_{-efficiency_1} + a_{12}T_{-efficiency_2} + \ldots + a_{1n}T_{-efficiency_n} + \gamma_1 \\
C_2 &= a_{21}T_{-efficiency_1} + a_{22}T_{-efficiency_2} + \ldots + a_{2n}T_{-efficiency_n} + \gamma_2 \\
&\vdots \\
C_6 &= a_{61}T_{-efficiency_1} + a_{62}T_{-efficiency_2} + \ldots + a_{6n}T_{-efficiency_n} + \gamma_6
\end{align*}
$$

Combined with cumulative knowledge on best practices of TMT configurations at similar size firms in the same industry, the detailed qualifications on age, gender and other characteristics of TMT members could be zoomed into a small range. Candidates will be selected based on the qualifications. Once the characteristics of each candidate are recorded into the data pool, a large number of configurations could be formed using combination of different candidates and each configuration has an overall $T_{-efficiency}$. Calculate $T_{-efficiency}$ for each configuration and choose the configuration with the highest $T_{-efficiency}$. Equation (9) is the multiple-objective optimization model for TMT configuration.

$$
\text{Max} \ (T_{-efficiency}) = \text{Max} \left( \sum_{i=1}^{n} w_i T_{-efficiency_i} \right)
$$

**B. Knowledge-Based Multiple-Objective Optimization Method**

The TMT configuration optimization process demands a lot of time and resources from senior managers. In addition, many areas of knowledge are required to facilitate the TMT configuration optimization process such as environmental analysis, strategy management, human resource management and knowledge on the relationship between TMT characteristics and organizational performance. Therefore, it is necessary to organize and store those areas of knowledge into knowledge database in a systematic and dynamic manner. A knowledge management system based on the knowledge database is responsible to acquire, present, store, search, reason, apply and maintain knowledge, which provides guidance to senior managers on TMT configuration at different stages of the optimization process.

Based on the knowledge management system and our multiple-objective optimization model, a knowledge-based TMT multiple-objective optimization process is developed and shown in Fig. 3. For each step, how to integrate the idea of knowledge management system is subsequently elaborated.

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**Step 1 Analyze both internal and external environments**

Environmental analysis pertains to some environmental factors, and several important questions are asked for each environmental factor in order to make a comprehensive analysis.

**Step 2 Set multiple-objectives of TMT**

The multiple objectives of TMT configuration are usually set according to firm’s strategies. These areas are organized into the knowledge management system, and if the firm’s strategies are not listed in the knowledge database, new areas or strategies should be integrated.
into the knowledge database. Furthermore, the system should store and offer multiple objectives design cases for reference.

**Step 3 Design updated positions and job specifications**

Based on the multiple objectives set in the last step, firms could update the current jobs and their specifications. The knowledge-based TMT configuration optimization model offers current TMT jobs and their specifications, knowledge on human resource management and cases of job specification design. Firms could increase or delete positions and change job specifications according to the knowledge provided by the knowledge management system.

**Step 4 Decide TMT efficiency in all dimensions**

To quantify the expected performance of multiple objectives, this step is to define $T - \text{efficiency}_i$ in all dimensions and the weights $w_i$ using Delphi method. TMT configuration optimization cases with similar size and objectives can help decision making on the values of $T - \text{efficiency}_i$ and $w_i$. The deliverable is a table of precise value on $T - \text{efficiency}_i$ and $w_i$.

**Step 5 Decide qualifications**

The knowledge-based multiple-objective TMT configuration optimization model would use the expected values of $T - \text{efficiency}_i$ and (8) to calculate the values of surface-level variables, combined with TMT configuration principles (relationship between TMT characteristics and $T - \text{efficiency}$) and cases, the qualifications are decided within a small range.

**Step 6 Manage implementation process**

First of all, firms select candidates from both internal human resources and outside labor markets according to the well-designed qualifications. Meanwhile, candidate evaluation methods would be provided by the knowledge management system to facilitate the selection process. Secondly, the qualified candidates would form different TMT configurations and the optimization model would calculate $T - \text{efficiency}$ for each configuration and choose the best TMT. Finally, firms may modify some requirements, maintain some current TMT members and hire some new ones.

**Step 7 Feedback and improvement**

The last step of a cycle is the feedback stage, where the knowledge-based multiple-objective optimization model for TMT configuration would record the weaknesses of qualified candidates in the selection process and generate training programs accordingly. In addition, the system also equips itself with self-learning function. Firms periodically write down the new TMT efficiency into the system so that the system could constantly learn the relationship between TMT configuration and TMT efficiency and update knowledge in the database.

We further created an information system based on our knowledge-based multiple-objective optimization model for TMT configuration. The pilot experiment on a Chinese firm A was launched to test the model.

Firm A is a stationery firm founded at Ningbo, China in 1996, and experienced steady growth with annual sales from 44 to 73 million US dollars until 2004. In the past few years, the profits began to shrink due to lack of new product development and less competitive quality in its existing products.

Firm A started to form collaboration with a US stationery firm in order to benefit from foreign investments, brand name and advanced technologies. Meanwhile, Firm A decided to change strategies towards reinforcing its new products development with new features, design styles and package, as well as quality improvement for high-end markets. With those strategies in mind, the board of directors started to change TMT.

We first input the results of environmental analysis and multiple objectives into the system. The system searched for the best practices under similar conditions and found five matching cases. The best case (85.12% match) in Table 4 is used for reference.

<table>
<thead>
<tr>
<th>Position</th>
<th>Specification Age</th>
<th>Gender</th>
<th>Education Level</th>
<th>Working experience</th>
<th>Professional knowledge</th>
</tr>
</thead>
<tbody>
<tr>
<td>General manager</td>
<td>Strategist</td>
<td>55</td>
<td>Bachelor</td>
<td>10 years</td>
<td>Strategy management</td>
</tr>
<tr>
<td>High-end marketing director</td>
<td>High-end marketing</td>
<td>45</td>
<td>Bachelor</td>
<td>High-end market sales</td>
<td>Sales and marketing</td>
</tr>
<tr>
<td>Low-end marketing director</td>
<td>Low-end marketing</td>
<td>30</td>
<td>Bachelor</td>
<td>Low-end market sales</td>
<td>Sales and marketing</td>
</tr>
<tr>
<td>R&amp;D manager</td>
<td>New Product Development</td>
<td>35</td>
<td>F</td>
<td>Master</td>
<td>R&amp;D, technology</td>
</tr>
<tr>
<td>Manufacturing director</td>
<td>Manufacturing</td>
<td>56</td>
<td>M</td>
<td>Bachelor</td>
<td>Manufacturing</td>
</tr>
<tr>
<td>HR director</td>
<td>HR management</td>
<td>40</td>
<td>F</td>
<td>Bachelor</td>
<td>HR, Administration</td>
</tr>
</tbody>
</table>

Certain modifications were discussed and implemented to make the final decisions on TMT members and their job specifications. Because of the strategic changes, the capabilities in all dimensions and their importance are examined and the outcome is Table 5.

**TABLE 4. BEST PRACTICE CASE UNDER SIMILAR SITUATION**

<table>
<thead>
<tr>
<th>Dimension of TMT efficiency</th>
<th>Expected value</th>
<th>weight</th>
<th>$T - \text{efficiency}$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capability of information access</td>
<td>9.17</td>
<td>1.10</td>
<td>9.21</td>
</tr>
<tr>
<td>Capability of recall adjustment</td>
<td>4.90</td>
<td>1.30</td>
<td>7.23</td>
</tr>
<tr>
<td>Capability of evaluation</td>
<td>3.60</td>
<td>1.50</td>
<td>5.79</td>
</tr>
<tr>
<td>Capability of communication</td>
<td>5.25</td>
<td>1.45</td>
<td>7.68</td>
</tr>
<tr>
<td>Capability of improvement</td>
<td>7.95</td>
<td>1.70</td>
<td>9.70</td>
</tr>
<tr>
<td>Capability of innovation</td>
<td>7.55</td>
<td>1.70</td>
<td>9.20</td>
</tr>
</tbody>
</table>

The data in Table 5 is used to calculate five surface-level variables using multiple linear regressions based on (8). Combined with other principles of TMT configuration and best practices stored in the KMS, other characteristics can also be reasoned [5]. System reasoning could result in an example like Table 6.
TABLE 6.
SYSTEM REASONING BASED ON ACCUMULATED KNOWLEDGE

<table>
<thead>
<tr>
<th>Position</th>
<th>Qualification</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Manager</td>
<td>Professional knowledge: Strategy management, advanced management theories, industrial knowledge</td>
</tr>
<tr>
<td></td>
<td>Career experience: Over 7 years experience in general management responsibility, over 3 years general management experience in similar firms</td>
</tr>
<tr>
<td></td>
<td>Leadership: &gt; 5.34</td>
</tr>
<tr>
<td></td>
<td>Strategic planning: &gt; 9.12</td>
</tr>
<tr>
<td>Marketing Director</td>
<td>Professional knowledge: Industry knowledge, consumer behavior, distribution channels, marketing strategies, new product plan</td>
</tr>
<tr>
<td></td>
<td>Sensitivity to changes in market: &gt; 9.22</td>
</tr>
<tr>
<td></td>
<td>Business analysis: &gt; 8.94</td>
</tr>
<tr>
<td></td>
<td>Negotiation: &gt; 8.65</td>
</tr>
<tr>
<td>R&amp;D Director</td>
<td>Professional knowledge: Industry technologies</td>
</tr>
<tr>
<td></td>
<td>Career experience: Over 5 years R&amp;D experience, over 2 years experience of R&amp;D management</td>
</tr>
<tr>
<td></td>
<td>Communication: &gt; 8.76</td>
</tr>
<tr>
<td>Manufacturing Director</td>
<td>Professional knowledge: Operational management</td>
</tr>
<tr>
<td></td>
<td>Career experience: 3.5 years operational management experience</td>
</tr>
<tr>
<td>HR Director</td>
<td>Professional knowledge: Human resource management, public policies and labor legislation</td>
</tr>
<tr>
<td></td>
<td>Career experience: Over 8 years HR management experience in large firms or over 2 years experience as HR Director</td>
</tr>
<tr>
<td></td>
<td>Communication: &gt; 9.36</td>
</tr>
<tr>
<td></td>
<td>Coordination: &gt; 8.72</td>
</tr>
</tbody>
</table>

Based on the qualifications, Firm A selected qualified candidates from both internal management team and external labor markets. Ten candidates passed both written exams designed by the information system and interviews. After that, the system calculated TMT efficiency of each TMT configuration based on the combination of the ten candidates, and chose the team with highest efficiency. Under the leadership of the new TMT, Firm A started to regain its momentum in the last year with 10.2% more sales and twelve new products that launched overseas. The empirical case, to certain extent, demonstrated the practical value of our Knowledge-based multiple-objective optimization model for TMT configuration.

VI. CONCLUSIONS

This paper extends the theoretical discussion of the relationship between TMT characteristics and TMT performance into an applicable solution system for practical use. The first contribution pertains to developing a multiple objective evaluation system to represent TMT efficiency. Based on the literature of relationship between TMT characteristics and TMT efficiency, multiple-objective optimization model for TMT configuration was also established. We thirdly contributed to the extant literature by combining knowledge management system research with the optimization model and introduced a knowledge-based optimization model for TMT configuration. Finally, the information system based on our model is tested in Firm A and achieved significant improvements in financial performance.

However, this paper suffers from certain limitations since the research on TMT optimized configuration is still in a nascent stage. For example, our multiple-objective evaluation system for measuring TMT efficiency should be more precise with different layers. Moreover, our study only considered static characteristics (5 surface-level variables) and future research could integrate dynamic characteristics into our optimization model with research advancement in TMT process mechanism.

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REFERENCES


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Weihui Dai received his B.S. degree in Automation Engineering in 1987, his Msc. degree in Automobile Electronics in 1992, and his Ph.D. in Biomedical Engineering in1996, all from Zhejiang University, China. Dr. Dai worked as the CTO at Hangzhou New Century Science and Technology Development Co.Ltd from 1996 to 1997, a post-doctor at School of Management, Fudan University from 1997 to 1999, a visiting scholar at Sloan School of Management, M.I.T from 2000 to 2001, and a visiting professor at Chonnam National University, Korea from 2001 to 2002. He is currently an Associate Professor at the Department of Information Management and Information Systems, School of Management, Fudan University, China. He has published more than 100 papers in Software Engineering, Information Management and Information Systems, Complex Adaptive System and Socioeconomic Ecology, Digital Arts and Creative Industry, etc. Dr. Dai became a member of IEEE in 2003, a senior member of China Computer Society in 2004, and a senior member of China Society of Technology Economics in 2004.

Dan Yu is current a Ph.D. candidate at Division of Engineering and Technology Management, National University of Singapore.

Yue Yu received her B.S. degree in Software Engineering in 2007 from Tsinghua University, China. She is current a master student at School of Management, Fudan University, China.