

# **DESIGNING DIVERSITY BASED CORPORATE MANAGEMENT TEAMS: A HIERARCHICAL LINEAR MODELING APPROACH**

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## **ABSTRACT**

Assembling the right corporate management team is a challenging and complex process and has many of the same issues associated with forming a winning professional sports team. Organizations of all shades and stripes are under intense pressure to improve performance in the globalized economy. Furthermore, the recent nationwide financial and economic meltdown has simply underscored the importance of a farsighted and balanced management team. The strength and composition of the management team along with effective corporate governance policies can play an important role in addressing these challenges. This research illustrates how analytical modeling can be used in helping shape corporate organizational teams. Specifically, hierarchical linear modeling was used to examine corporate performance and management composition of S&P 1500 firms. In the hierarchical model the first level consisted of individual manager characteristics while the second level comprised firm performance. The database included executive compensation, age and tenure, board composition, supplier composition, industry type, and firm revenues and profitability. The results from the analysis show that as the degree of diversity in the management team increases so does corporate performance as measured by Tobin's Q. The purpose of this presentation is to highlight the study results and suggest additional areas for research.