

Internationalization of Chinese Banking and Financial Institutions:

A Fuzzy-set Analysis of the Leader-TMT Dynamics

ABSTRACT

Received international business and international human resource management theories have generally reached a consensus on the important role of leader and top management teams (TMTs) in deciding and shaping the firm's internationalization process. However, what remains unclear is how a well-functioning TMT is formed to effectively achieve the desired internationalization goal. Utilizing a unique sample of Chinese banking and finance institutions' initial public offering overseas, this study explores how Chinese BFIs configure the leader-TMT dynamics to achieve high internationalization performance. Using a set-theoretic approach and the technique of fuzzy-set qualitative comparative analysis, a distinct taxonomy of the leader-TMT dynamics (namely, *grass-root*, *strategic executor*, *born-global* and *glocal*) is developed. Our findings provide novel insights into the IHRM variations within Chinese BFIs' TMT formation, based on a theoretically and methodologically extended leader-TMT dynamics perspective.

Keywords:

Banking and Financial Institutions (BFIs), Internationalization, Top Management Team Diversity, Foreign Experience, Political Ties, Fuzzy Set Qualitative Comparative Analysis (fsQCA).

INTRODUCTION

Internationalization is a challenging strategic process for multinational enterprises (MNEs) (Barkema & Shvyrkov, 2007; Cui, Li, Meyer, & Li, 2015; Cui, Li, & Li, 2013; Kamoche & Siebers, 2014; Peng, 2012). The high-performing internationalization of an MNE is contingent upon the availability and effective utilization of one of its strategic resources, namely, people (Tung, 1984; Wilkinson, Wood, & Demirbag, 2014). Contemporary research suggests that strategic use of human resources (HR) can greatly benefit a firm's internationalization activities (Cooke, 2012), especially in the early stages (Isidor, Schwens, & Kabst, 2011). Among all people-related issues, one major human resource difficulty facing MNEs is how to configure a well-functioning top management team (TMT, hereafter) that guides the firm into foreign markets (Arp, 2014; Carpenter & Fredrickson, 2001; Jaw & Lin, 2009). Upper-echelon theory (Hambrick & Mason, 1984) suggests that the strategic choices and their outcomes are reflections of the values and cognitive base of TMT. Two sets of TMT factors have been documented to affect internationalization performance, the top leader's characteristics, and TMT diversity (Steinbach *et al.*, 2017).

The first set of factors includes the top leader's demography, ties and experience (Calori, Johnson & Sarnin, 1994; Peng, Sun, & Markóczy, 2015). The top leader is usually the CEO; but, in the Chinese context, the chairman ranks higher than CEO (Firth, Fung, & Rui, 2006; note: we use 'Chairman' to include both female and male chairpersons). In particular, education or working experience in the foreign country (Cui *et al.*, 2013; Tihanyi, Ellstrand, Daily, & Dalton, 2000) and political ties in the home country (Faccio, 2006; Fan, Wong, & Zhang, 2007) can shape the top leader's mindset and provide mechanisms that facilitate internationalization. Yet recent scholarship has warned against the 'dark side' of foreign experience and political ties, calling for studies to explore the detailed mechanisms that lead them to change from an asset to a liability (Arp, 2014; Sun, Mellahi, & Thun, 2010). The

second set of factors takes the TMT composition as a whole, with a central focus on TMT diversity (Barkema & Shvyrkov, 2007; Lau & Murnighan, 1998). Prior studies have identified a number of contingencies that alter the trade-off between the costs and benefits of TMT diversity, where other TMT factors play a critical role (Hambrick, Humphrey, & Gupta, 2015).

One emerging research stream has integrated these two sets of factors by exploring the leader-TMT dynamics within the firm (Heyden, Reimer, & Van Doorn, 2015; Jaw & Lin, 2009). That is, the top leader takes on the final responsibility for firm performance and interacts with the TMT when dealing with complex strategic decisions. The interrelationships between the top leader and the TMT point to the possibility of complex TMT configurations in explaining internationalization performance. To explore such a possibility, our study adopts a mid-range, theory-building approach, based on a fuzzy set analysis (Fiss, 2007, 2011). This approach integrates robust configurational analysis with in-depth case descriptions, allowing us the possibility of establishing the complex interrelationships of TMT factors when firms go abroad.

The internationalization of Chinese banking and financial institutions (BFIs, hereafter) forms our research setting. The phenomenal internationalization by the China's banking and financial sectors over the last decade has attracted wide attention. Given their size and dominating positions in the Chinese banking and finance industry, these Chinese BFIs frequently appear in Fortune 500 and their internationalization provides a vital support for other Chinese internationalizing firms (Sun *et al.*, 2010). Some examples of the rapid internationalization of Chinese banks are the likes of the Industrial and Commercial Bank of China (ICBC) and the China Construction Bank (CCB), which undertook operations in global locations within a short period of time, especially after the 2007-08 financial crisis, when they were able to access cheap assets in developed markets (Rao-Nicholson & Salaber, 2015).

Traditionally, banks follow their customers, but, in the case of Chinese banks, their internationalization is contemporaneous with that of their customers, and, in some cases, they have helped in the internationalization of their customers. The hierarchical role and relationship of the leader and the TMT is unique to the Chinese context, and leaders, especially those with political ties, might be very important. The financial institutions in China are highly regulated and much of the financial system is carefully scrutinised by the government for political stability. The studies based on the documented relationship between the leader and the TMT in the Western context are unlikely to replicate the internationalization challenges faced by the BFIs embedded in the Chinese setting, whilst also demonstrating comparable dynamics between the leader and the TMT to those in the Western context. We identify this as a gap in the extant literature on leader-TMT dynamics in the Chinese BFI's internationalization activities. Although these BFIs are internationalizing rapidly, and in some cases have found success abroad, we understand very little about the dynamics between their leader and the TMT.

We further argue that we know relatively very little about Chinese BFIs' internationalization performance and the effects of HR components at the top management level. As discussed, while studying HR components of the Chinese TMTs we cannot treat all members as having an equal impact on internationalization performance (cf. Heyden *et al.*, 2015). From a TMT configurational perspective, we address the research question: *How do Chinese BFIs configure the leader-TMT dynamics to form a well-functioning TMT that affects internationalization performance?* This research question will help us address the research gap identified above and contribute to the literature on leader-TMT dynamics in Chinese BFIs' internationalization performance.

Our study contributes to the international business (IB) and international human resource management (IHRM) literatures mainly in three ways. First, instead of isolating one

TMT factor from another, we adopt a holistic view of TMT composition (cf. Campbell, Sirmon, & Schijven, 2016; Fiss, 2011). Our results identify a taxonomy of the leader-TMT dynamics within Chinese BFIs during internationalization (namely, *grass-root*, *strategic executor*, *born-global* and *glocal*), which demonstrates that neither the top leader's foreign experience nor political ties are necessary for superior internationalization performance. The effectiveness of the top leader's experience or ties ought to be understood in conjunction with TMT diversity. Second, financial internationalization (i.e., listing of shares on overseas stock markets) indicates that Chinese firms are motivated to go public abroad due to increased demands for external capital because of rapid growth, foreign expertise and standards in foreign markets, more stringent listing requirements, reduction in the debt/equity ratio and closer regulatory monitoring (Zhang & King, 2010). We focus on financial internationalization of China's BFIs not only because its initial public offering (IPO) performance provides an overall indicator of internationalization performance (Bruton, Filatotchev, Chahine, & Wright, 2010), but also because it complements the extant research primarily based on commercial internationalization (Oxelheim, Gregoric, Randoy, & Thomsen, 2013). Lastly, the BFIs in our empirical analysis constitute practically the whole population of Chinese BFIs that have completed financial internationalization. It provides a precious opportunity to capture the whole picture of increasingly internationalized financial sectors in China.

LITERATURE REVIEW

TMT and financial internationalization of Chinese BFIs

Since the early 2000s, the internationalization of China's BFIs has emerged as an industry trend against the backdrop of the "Go Global" policy initiated by the Chinese government (Fan *et al.*, 2016). Besides establishing their presence abroad by mergers and acquisitions (M&As) and greenfield investments, Chinese BFIs actively seek to list their

shares on overseas stock markets as a springboard to enhance capitalization, improve management capabilities, learn Western standards of corporate governance, and strengthen global competitiveness.

As for financial internationalization, international investors face difficulties in judging an IPO firm on its ability to deal with the new demands of the global competitive environments. This is a result of information asymmetry and cultural distance between the pre-IPO owners of the firm and international investors (Ridge, Aime, & White, 2015). Two interrelated characteristics exaggerate such difficulties of China's BFIs compared with those of their manufacturing counterparts. First, although the regulation of the financial sector is prevalent across countries, it has an even more severe impact on emerging markets such as China (Qian & Delios, 2008; Su & Si, 2015). Consequently, political factors play a role in the banking industry's performance. National banks have easy access to a customer base and certificates from their governments; but they may take on too much social responsibility and bear the risk of non-performing loans¹. Conversely, commercial banks and other financial institutions rely on their own resources and quite often lack government support for their business activities. The double-edged nature of political ties confuses international investors about the real value of China's BFIs. Second, one prominent feature of financial sectors is the high level of information intensity embedded in their product offerings (Qian & Delios, 2008; Sun *et al.*, 2010). Given the idiosyncrasy of China's financial system, international investors have less confidence in the financial products offered by China's BFIs and their ability to serve international markets.

The IHRM literature has argued for the important role of an experienced and resourceful management team in facilitating firm internationalization, because of their strategic mindset,

¹ China's banks have historically suffered from a large volume of non-performing loans, and this resulted in banking reform in the mid-1990s.

business network and boundary spanning roles (Fan, Cui, Li, & Zhu, 2016; Wilkinson *et al.*, 2014). In addition, prior studies have pointed out the importance of the TMT as a credible signal for investors (Ridge *et al.*, 2015). In the context of the internationalization of Chinese BFIs, international investors can resort to the TMT characteristics as a means to gather information on the BFIs. The top leader's personal characteristics, as well as the TMT's overall composition, are indicative of a firm's values, cognitions and skill sets, signalling the future of the firm (Carpenter & Fredrickson, 2001). This is even more pertinent for emerging market-based BFIs that do not have a long business history that investors can rely on for credible information. Furthermore, since TMT information is fully disclosed in the prospectus, the availability and clarity of this information helps attract the attention of capital markets and investors. Yet the most valuable TMT factors of China's BFIs in the eyes of international investors remain to be explored. In what follows, we provide a brief review of TMT and internationalization performance for shaping the analytical framework of our context.

A review of TMT and internationalization performance

Our study explores the leader-TMT dynamics in internationalization by way of three sets of factors (i.e., the top leader's foreign experience and political ties and TMT diversity), because of their signalling role for international investors when judging the value of Chinese BFIs. The top leader's foreign and political experiences separately represent knowledge about the international market (Cui *et al.*, 2013; Peng *et al.*, 2015; Sambharya, 1996) and connections with the home country government (Li, Zhou, & Shao, 2009; Sun *et al.*, 2010). While both experiences can have a beneficial effect on banking internationalization, they incur additional costs. Given the interaction between the top leader and TMT members, we offer insights as to how TMT diversity alters the costs and benefits of the top leader's foreign experience and political ties.

Foreign experience

In the case of emerging market-based BFIs with little direct experience with internationalization, foreign experience of executives serves as a substitute to overcome home-country bias and liability of foreignness (Cui *et al.*, 2013; Sambharya, 1996). Executives who have studied or worked abroad can more easily build up knowledge of host-country markets, as well as of their regulatory frameworks and institutions. Thus executives with foreign experience add to the TMT's collective understanding of foreign markets and prepare the worldview for BFIs' internationalization. As a result, these executives feel less anxiety and experience fewer complications with their international operations, and, overall, reduce the uncertainty associated with internationalization (Tihanyi *et al.*, 2000). Moreover, executives with foreign experience are more open to global markets, and are able to recognize the patterns of business activities in home-country and different foreign markets, thereby identifying market opportunities and valuable resources abroad (Oxelheim *et al.*, 2013). Furthermore, based on their foreign experience, executives may develop culturally different leadership styles, which are preferred by their colleagues and subordinates over local practices (Arp, 2014). Therefore, an executive's foreign experience signals accountability and commitment in global financial markets (Sanders & Carpenter, 1998).

Also, foreign experience is likely to enhance absorptive capacity in the TMT (Fernhaber *et al.*, 2009). Absorptive capacity in this context is the ability to identify and access new knowledge from external sources (Fernhaber *et al.*, 2009). Managers' international experience drives the scope of the search, and where the firms pay attention when seeking advanced knowledge (Tihanyi *et al.*, 2000). Further, the leader's experience in foreign markets may reduce language and cultural challenges (Sambharya, 1996). This foreign exposure and experience is associated with the leader's and the TMT's ability to maneuver under a foreign governance structure and network-based business links (Lyles, Li, & Yan, 2014). Higher

absorptive capacity to recognize the value of new information about foreign opportunities is useful for firms in leveraging their resources in different markets (Fernhaber *et al.*, 2009; Casillas *et al.*, 2009).

However, foreign experience may impose substantial costs on the BFIs. First, recruiting executives with foreign experience increases executive compensation because of high demand in the labour market (Mezias, 2002). Second, their foreign experience possibly denotes unfamiliarity with the home-country regulatory framework, disrupting the normal operations of the BFIs (Oxelheim *et al.*, 2013). Third, because of experiential differences, the local management team may have low levels of trust, and therefore oppose the appointment of an executive with foreign experience (Arp, 2014).

Political ties

Politically connected executives are a ubiquitous phenomenon throughout the world (Faccio, 2006; Fan *et al.*, 2007). Especially for the BFIs from emerging economies, their political ties with their home-country government are critical for internationalization, since the government still exercises control over resource allocation (Li *et al.*, 2009; Sun *et al.*, 2010). The BFIs can rely on political ties to obtain direct cash transfers, government subsidies and contracts (Zheng, Singh, & Mitchell, 2015), all of which are valuable resources in international capital markets. Less visible, but even more important, is the information advantage arising from political ties. The BFIs with politically connected executives are more likely to be invited into public policy formation and are able to modify their internationalization strategy beforehand according to upcoming laws and regulations (Pan *et al.*, 2014). As a result, they may see a broader picture of foreign markets when they go abroad, thereby reducing uncertainty in the process of internationalization. In other words, internationalization provides an additional way of rent appropriation by exploiting and

exploring domestic political resources in overseas markets (Wang, Hong, Kafouros, & Boateng, 2012).

However, similar to foreign experience, the political ties of the TMT also bear costs. The direct costs come from maintaining political ties. This does not necessarily involve direct bribery, but it may induce other forms of compensation, such as excessive employment rates. In the case of BFIs, this political compensation can also imply granting non-performing loans to local companies. The more serious problem of political ties is the conflict between shareholders and regulatory bureaucrats (Fan *et al.*, 2007). While shareholders focus on profit maximization, regulatory bureaucrats pursue social or political goals that go beyond shareholder value maximization. Such conflicts are reflected in the executive's perception and decision making, which may hurt internationalization performance. For example, the BFIs are likely to be encouraged to enter into, stay in, and delay their exit from undesirable host countries mainly on political grounds (Brockman, Rui, & Zou, 2013).

In cross-border M&As, BFIs may succumb to pressure from the local labour union to avoid large-scale layoffs. Due to preferential access to financial capital, they can also suffer from the agency problem of free cash flow (Jensen, 1986), resulting in low-benefit or value-destroying internationalization decisions. Strong political ties may further hurt IHRM practices during internationalization by leading to appointment of unprofessional employees and managers who may claim to have strong political ties (cf. Peng *et al.*, 2015). Given the coexistence of the costs and benefits of political ties, identifying firm and environmental contingencies where costs may or may not outweigh the benefits involves configurational thinking (Brockman *et al.*, 2013).

TMT diversity

It is well-acknowledged that TMT diversity has both beneficial and harmful effects on organizational outcomes. The beneficial effects derive from different perspectives, more alternatives, comprehensive evaluation, and constructive criticism (Wiersema & Bantel, 1992). The harmful effects entail communication breakdowns, emotional conflicts and diminished group cohesion (Lau & Murnighan, 1998). Scholarship has increasingly reached a consensus that the TMT diversity-performance relationship can be positive, negative or even insignificant, depending on contextual factors, such as TMT diversity type (Lau & Murnighan, 1998), task complexity (Ndofor, Sirmon, & He, 2015) and intra-TMT interactions (Hambrick *et al.*, 2015).

Prior studies have distinguished task-related diversity from relationship-related diversity in determining firm performance, suggesting a separate treatment of different TMT diversity types (Barkema & Shvyrkov, 2007). Our study looks into functional, educational and age diversity individually, all of which are strongly cited as germane to internationalization performance (Bantel & Jackson, 1989; Tihanyi *et al.*, 2000). Functional diversity relates to task-oriented constructs (Simons, Pelled, & Smith, 1999) and enables a large range of solutions and options for firms' operations (Bantel & Jackson, 1989; Wiersema & Bantel, 1992), thus improving the firms' strategic positioning. On the other hand, lack of functional diversity leads to organizational inertia and limits strategic decision-making (Bantel & Jackson, 1989; Barkema & Shvyrkov, 2007). Educational diversity, especially in the case of managers with higher educational qualifications, indicates availability of higher information processing skills and an ability to engage in boundary spanning activities (Wiersema & Bantel, 1992). These abilities help managers deal with complexity and tolerate ambiguity. TMT age diversity helps firms manage the fine balance between experience and creativity. The literature has suggested that aged managers engage in a tradeoff between prioritizing the accumulation of personal wealth, preservation of their legacy, and securing post-career

opportunities (Krause & Semadeni, 2014) and group creativity and risks (Heyden *et al.*, 2015).

This research stream provides clues for our study of Chinese BFIs. On the one hand, TMT diversity is particularly necessary for dealing with complex, non-routine tasks, but less important for simple or routine task (Bantel & Jackson, 1989; Ndofor *et al.*, 2015). Since internationalization is a complex and innovative decision that calls for a TMT composed of executives with varied skills, knowledge and perspectives, our baseline prediction is that TMT diversity enhances the internationalization performance of China's BFIs. On the other hand, intra-TMT interaction has been documented as critical for realizing the benefits of TMT diversity (Hambrick *et al.*, 2015). Consistently, our study pays special attention to the leader-TMT dynamics that hinder or facilitate the synergies of TMT diversity.

Investors' perceptions and TMT configurations of Chinese BFIs

We further explore the costs and benefits of TMT factors (foreign experience, political ties and TMT diversity) and the relationships between them. This suggests a holistic approach to TMT configuration, with each individual TMT factor assessed jointly (Campbell *et al.*, 2016). In the context of financial internationalization, investors in the global stock market make sense of the pieces of TMT information in aggregate. Investors rely on expert heuristics to judge which TMT configuration potentially neutralizes the negative side of TMT factors in such a way as to promote the performance of China's BFIs (Bingham & Eisenhardt, 2011).

In Western countries, the CEO is regarded as the most powerful leader of the TMT and has the ultimate responsibility for strategic decisions and firm performance (Calori *et al.*, 1994). Apart from a few studies (Mackey, 2008) that solely examine the "CEO effect" on firm performance, most studies have also emphasized the role of the chairperson and directors in reviewing and approving corporate objectives, plans and actions (e.g., Jensen &

Zajac, 2004). In the Chinese business context, the Chairman is the highest-ranking executive and is actively involved in decision making and daily management (Firth *et al.*, 2006).

Therefore, we argue that the Chairman of Chinese BFIs is more visible than the CEO in the capital market. The Chairman's ties and experience are an important signal for judging their values and cognitive base, which is the basis of mindset formation that guides the firm's strategic orientation.

Yet, given the autonomous and collective decision-making process and modern corporate governance requirements, TMT composition as a whole cannot be ignored. When solving complex issues, the Chairman interacts with TMT members, integrates their perspectives and ideas, and collectively makes the final decisions (Heyden *et al.*, 2015; Jaw & Lin, 2009). The role of Chairman can be reinforced or weakened by TMT members' perspectives, knowledge and skill sets. Therefore, our study argues the Chairman-TMT interaction is the TMT configuration that is vital for internationalization performance, considering the possible interrelationships and joint effects of the Chairman's ties and experience, along with the three facets of TMT diversity.

METHODS

Sample and data

The study focuses on IHRM implications of Chinese BFIs. We constructed a sample of China's BFIs listed on the overseas stock market by utilizing three data sources. The first source is the sub-database of *China Overseas Listed Companies* (COLC, hereafter) from the *China Stock Market Accounting Research* (CSMAR) database. The COLC sub-database, collected from 1993 to 2015 (inclusive), is the most comprehensive database about Chinese firm IPOs outside of the mainland capital market. We selected China's IPO firms belonging to the financial sector, which reduces our sample size to 45 IPO BFIs. Of these, 39 of the Chinese BFIs chose the Hong Kong Exchanges and Clearing Limited (HKEx) for their IPOs,

with only six exceptions that went public on the U.S., Japanese and Singapore stock exchanges². We decided to limit our analysis to the 39 BFIs listed on the HKEx for the purpose of eliminating the potential effect of the IPO location on our empirical results.

The second source is the IPO prospectuses of the BFIs downloaded from the HKEx website (<http://www.hkex.com.hk>). For each company, we obtained the basic company information from the “Company History” and “Business” sections of the company’s prospectus and found that six BFIs were established, and mainly operate their business, in Hong Kong. Since our focus is on the financial internationalization of China’s mainland BFIs, we excluded from our sample these six BFIs, as well as a bank that was delisted in 2010³. Therefore, our final sample includes 32 BFIs listed on the HKEx from mainland China. We manually collected data for our TMT variables from the “Directors, Supervisors and Senior Management” section of the company’s prospectus. Finally, we obtained internationalization performance variables from a third source—the WIND Info financial database.

Research design

Given the theoretical novelty of exploring the IHRM variations of the upper echelons perspective in general and the leader-TMT dynamics in particular, this study exhibits a “middle-way” research design between a purely deductive variable-oriented design and a purely inductive case-based design (Crilly, 2011; Fiss, 2011). A qualitative comparative analysis is best suited for this type of research as a synthetic strategy that integrates the strengths of variable- and case-based approaches (Ragin, 2008), which enables the exploration of causal configurations based on empirical cases.

² Three went public on the New York Stock Exchange (NYSE) and the other three on the NASDAQ, the Tokyo Stock Exchange (TSE) and the Singapore Exchange (SGX).

³ The Industrial and Commercial Bank of China (Asia) Limited.

Analytically, we followed a set-theoretic approach utilizing the technique of fuzzy-set qualitative comparative analysis (fsQCA). The fsQCA technique is particularly suited for this study for three reasons. First, while traditional regression-based analysis is more suited for isolating the effect of individual factors, fsQCA models the concept of conjunctural causation (Schneider, Schulze-Bentrop, & Paunescu, 2010). It has the advantage of capturing causal configuration equifinality, which allows for discovering different IHRM scenarios associated with the leader-TMT dynamics of firm internationalization. Second, although conventional methods, such as cluster analysis and deviation scores, can detect distinct groups of firms and enhance our understanding of typological and configurational theory, they are nevertheless limited in terms of providing insights into how different design elements work together (Fiss, 2007, 2011). Grounded in set theory, fsQCA is an analytic technique that allows for a detailed analysis of how causal conditions collectively contribute to the outcome in question (Crilly, 2011; Fiss, 2007, 2011; Ragin, 2008). Third, fsQCA is suited for analysis based on a small-to-medium sized sample (e.g., 10-50 firms; Missanyi et al., 2017; Ragin, 2008), which is likely to be the case for studying an emerging phenomenon with limited information in scope and depth. Fourth, when designing fsQCA, the issue of limited diversity (that is, the logically possible causal combination – 2^k possibilities – exceeds the sample size) was also taken into account. In this study, given our sample of 32 BFIs, it can allow five causal conditions ($2^5 = 32$ possible causal combinations) to be tested together without violating the rule of limited diversity.

Measures and calibration

An advantage of fsQCA is variable calibration. In conventional methods, variables are measured on either raw-values or sample-specific scales (i.e., sample-specific mean, standard deviation, and all variations are treated as important), while fuzzy sets are calibrated using external criteria, and not all variations are important (Ragin, 2008). External standards can be

implemented by using specified values of an interval scale that correspond to the three key breakpoints of (1) full membership, (2) full non-membership, and (3) the crossover point; or by referring to “qualitative assessment of the degree to which cases with given scores on an interval scale are members of the target set” (Ragin, 2008, p. 85; see also, Fiss, 2011). Based on the availability of established external standards and following the practices of prior fsQCA studies (Crilly, 2011; Fiss, 2011; Schneider *et al.*, 2010), we adopted the direct method to calibrate outcomes and causal conditions. The calibration of all research variables is presented in Table 1.

[Insert Table 1 about here]

Outcome – Price Premium. In line with Nelson (2003), the IPO stock market performance is measured by the percent price premium, which assesses investor optimism about the future value of Chinese firms. Nelson (2003, p. 715) argues that the percent price premium demonstrates the difference between the accounting and the market value and could measure “intangible assets, monopoly control, investor overenthusiasm, or some other factor that would dislocate stock price from accounting-based figures”. Following Bruton and colleagues (2010), the percent price premium is calculated based on an equation, that is, $(\text{offer price} - \text{book value per share}) / \text{offer price}$. When we calibrated this casual condition, we followed the 25th–50th – 75th data distribution approach (Fiss, 2011). We assigned the score of 0 to firms with the Blau index in the 25th percentile (i.e., 0.25), which means they are out of the set of firms with a price premium at the end of the IPO year. Likewise, firms in the 75th percentile (i.e., 0.55) are fully in the set, and are assigned the score of 1 for membership. As a crossover point, we choose the 50th percentile (i.e., 0.40) of Chinese BFI’s price premium.

Foreign experience. We measured the Chairman’s foreign experience by a five-item scale, where we coded Chairman to describe the extent to which she or he has work- or education- related foreign experience at different levels, namely, 5 = holding or used to hold a

senior executive position at a foreign company, 4 = worked as a middle-level manager at a foreign company, 3 = working experience in a foreign company prior to joining this Chinese BFI, 2 = foreign tertiary education experience, 0 = without any foreign experience. We calibrated this condition by following the external knowledge approach introduced by Ragin (2008) and Fiss (2011). Given the five-point scale measurement, we coded membership as fully out for a response of 1 or below (e.g., “no foreign experience”), and fully in for a response of 5 and above (“with senior executive position at a foreign company”). The crossover point was the middle of the scale – 3 (“certain working experience in a foreign company prior to joining this Chinese BFI”).

Political ties. Following a notable line of inquiry on Chinese firms, we focus on managers’ connections with members of the political party and of the state (Li *et al.*, 2009; Peng & Luo, 2000; Shi, Markóczy, & Stan, 2014). In line with the mainstream of measuring political ties, we employed readily observable indicators of political ties so as to take account of their affiliations with the government (e.g., Meyer, Ding, Li, & Zhang , 2014).

Specifically, we measured *political ties* using the six-item scale defined by the CSMAR database to describe the extent to which she or he has worked in related affiliations at different levels of government, namely, 5 = at the Chinese central government, 4 = at the provincial level, 3 = at the civic level, 2 = holding a position at a local government agency, 1 = with working experience at a local government agency, 0 = without any affiliation with government. We calibrated the condition by following the external knowledge approach introduced by Ragin (2008) and Fiss (2011). Given the six-point scale measurement, we coded membership as fully out for a response of 1 or below (e.g., “working experience only at a local government agency” or “no affiliation”), and fully in for a response of 5 and above (“working position at the Chinese central government level”). The crossover point was the middle of the scale – 3 (“holding a position at the civic level”).

TMT functional diversity. Following previous studies (e.g., Qian, Cao, & Takeuchi, 2013), we calculated TMT functional diversity with a Blau index using the formula $B = [1 - \sum(P_i)^2]$, where P_i is the percentage of TMT members in the i^{th} functional expertise group (that is, 7 = general management, 6 = operation management, 5 = marketing management, 4 = law works, 3 = financial management, 2 = risk management, 1 = HRM). To calibrate TMT functional diversity in this study, we assigned the score of 0 to firms with a Blau index in the 25th percentile (i.e., 0.6), which means they are out of the set of firms with highly functional diversified TMT. Firms in the 75th percentile (i.e., 0.8) are fully in the set, and are assigned the score of 1 for membership. As a crossover point, we choose the 50th percentile (i.e., 0.7) of TMT functional diversity, which is consistent with prior studies' calibration approach (Fiss, 2011; Judge *et al.*, 2014).

TMT educational diversity. Similar to the TMT functional diversity, we calculated TMT educational diversity with a Blau index using the formula $B = [1 - \sum(P_i)^2]$, where P_i is the percentage of TMT members in the i^{th} educational background group (that is, 5 = doctoral, 4 = master, 3 = bachelor, 2 = undergraduate diploma, 1 = certificate or lower). To calibrate TMT educational diversity in this study, we assigned the score of 0 to firms with the Blau index in the 25th percentile (i.e., 0.4 in our dataset), which means they are out of the set of firms with highly educational diversified TMT. Firms in the 75th percentile are fully in the set, and are assigned the score of 1 for membership (i.e., 0.6 in our dataset). As a crossover point, we chose the 50th percentile of firms' TMT educational diversity (i.e., 0.5 in our dataset), which is consistent with prior studies' calibration approach (Fiss, 2011).

TMT age diversity. Following Bantel and Jackson (1989), we calculated TMT age diversity by using the coefficient of variation (the standard deviation divided by the mean), which provides a direct method for obtaining a scale invariant measure of dispersion. This is appropriate for interval level variables with a theoretically fixed zero point, such as age

diversity. To calibrate TMT age diversity in this study, we assigned the score of 0 to the age diversity set in the 25th percentile (i.e., 0.05 in our dataset), which means they are out of the set of firms with low age diversified TMT. Firms in the 75th percentile are fully in the set, and are assigned the score of 1 for membership (i.e., 0.15 in our dataset). As a crossover point, we chose the 50th percentile of firms' TMT age diversity (i.e., 0.10 in our dataset), which is consistent with prior studies' calibration approach (Fiss, 2011).

Analytical Procedure

We started the analysis by testing whether any of the causal conditions qualifies as a necessary condition. As shown in Table 2, none of the individual conditions exceeds the consistency threshold of 0.90 for necessary conditions (Cui *et al.*, 2017; Schneider *et al.*, 2010).

[Insert Table 2 about here]

Our study adopts a frequency cut-off at 1.0, and a consistency threshold of 0.824 for price premium solutions with two analytical criteria. Firstly, we conducted a sufficiency analysis (see Table 3) using Ragin's (2008a) truth table algorithm to identify attribute combinations consistently linked to an outcome at the acceptable consistency benchmark of 0.80 (Campbell *et al.*, 2016; Cui *et al.*, 2017; Ragin, 2008a). When analyzing the outcome (price premium), we followed Schneider *et al.* (2010), who chose a threshold that corresponds to a gap observed in distribution of consistency scores; thus, our cut-off point falls in a clear gap between the fifth (0.808) and the sixth (0.759) raw consistency values. Secondly, we adopted two complementary consistency measurements. One is using the Proportional Reduction in Inconsistency (PRI) value, with a threshold at 0.70, which indicates our cut-off point as 0.824 rather than 0.808. Schneider and Wagemann (2012) also suggest that the "PRODUCT" value of consistency, which is a result of multiplying the consistency measure

and PRI, should be used as a complementary consistency measurement (cf. Cui, Fan, Liu & Li., 2017). A clear PRODUCT gap between 0.624 and 0.522 further justifies our cut-off point set at 0.824 (above the PRODUCT value of 0.60) rather than 0.808.

[Insert Table 3 about here]

Based on the Quine–McCluskey algorithm (the method of prime implicants) that gives a deterministic way to check that the minimal form of a Boolean function has been reached, the solution table (see Table 4) shows that the fuzzy set analysis results in four major solutions. We obtained an overall coverage of 0.47 and consistency of 0.87 on price premium solutions. These overall coverage levels indicate the empirical importance of the solution as a whole (Crilly, 2011; Cui *et al.*, 2017; Ragin, 2008a). Table 4 also reports the raw and unique coverage levels for each individual configurational solution. Each configurational solution identified from the fsQCA represents a unique IHRM scenario underlying the leader-TMT configurations that facilitate Chinese BFIs’ internationalization. The configurational solutions are presented in the style of Ragin and Fiss (2008), where black circles (●) indicate the presence of a condition, and circled crosses (⊗) indicate its absence. Large circles indicate core conditions while small ones are peripheral conditions. Blank spaces indicate ambiguous situations in which the corresponding causal condition may be either present or absent, and therefore plays no significant role in the configurational solution.

[Insert Table 4 about here]

Interpretation of Configurational Results

Interpretation of these configurational solutions provides an in-depth understanding of complementary match between the Chairman’s foreign experience/political ties and TMT diversity that affects Chinese BFIs’ internationalization performance. Four detailed

configurational solutions, corresponding to four IHRM types of the leader-TMT dynamics, are illustrated below. It should be noted that the fsQCA results alone cannot imply causality. Although the results do establish the relationship, and we collected our data in such a way that the upper echelon conditions preceded the IPO event in the overseas market, we do not have direct evidence for a causal mechanism (or the exclusion of other mechanisms, for that matter). Therefore, we do not intend to make causal inferences from the fsQCA results. Instead, the results provide evidence for taxonomy of the upper echelons of Chinese BFIs, by suggesting a distinct combination of the Chairman's characteristics associated with TMT diversity type. To facilitate the interpretation of the results, we identified representative cases associated with each solution from truth tables (available on request), where cases with membership greater than 0.5 imply representative cases (cf. Schneider *et al.*, 2010). We present detailed qualitative information regarding one representative case for each solution. All case information was collected from publicly available archival sources (e.g., corporate annual reports, corporate minutes, media interviews, and stock exchange reports).

Solution 1 represents a configuration featuring the lack of Chairman foreign experience and political ties, but with high levels of TMT diversity in education and age. In this configurational solution, it is also essential that TMT members must hold similar functional roles prior to their financial internationalization, and which can be complementary with other diversity characteristics. When a Chairman does not have foreign experience or political ties, the firm needs to have a group of top management team members who do have diversified experience about social, political and economic environment, a mixed attitude towards risk-taking activities, and managerial values for sourcing innovative ideas. Diversified management group in age and experience can cause task-related debate or conflict (Barkema & Shvyrkov, 2007). To cope with this potential problem, more homogeneous managerial roles assigned to TMT members can absorb the negative impact of

task-related conflicting emotions (cf. Lovelace *et al.*, 2001), and are more likely to work toward the same task goal, such as firm internationalization. We term this type of IHRM strategy for TMT personnel formation as a *grass-root* strategy. A typical case from our sample that represents this solution is the China Minsheng Bank (CMBC):

China Minsheng Bank, founded in 1996 in Beijing, is the first bank in China to be owned mostly by privately owned enterprises (POEs). CMB targets serving POEs, small and micro enterprises (MSEs) and high-end retail customers. Under its well-functioning TMT's leadership, CMBC is the first commercial bank in China to have completed share reform, which laid a solid foundation for its later internationalization process. The Chairman, Dong Wenbiao, commented: "forming a functioning TMT is not only important for building a complete corporate governance mechanism, but [is] also regarded as one of three key factors [the other two factors are *strategic planning* and *internal institution setting*] leading to success in the industry [banking and finance]" (cited from *The Economic Observer* [11 January 2013]). The bank internationalized itself via an IPO at the HKEx in 2009, and has been regarded as the largest and most successful IPO in Hong Kong in that year. Prior to its overseas IPO, the TMT was formed by executives who are aged across three groups (30s, 40s and 50s), and educated with degrees ranging from Bachelor to Doctoral. However five of the seven TMT members were assigned to two similar functional roles. The Chairman has rich working and managerial experience in the securities and finance service sectors, but has trivial foreign experience, and acted as a representative member of the local People's Congress, which indicated comparatively weak political ties among China's BFIs.

Solution 2 describes the situation that the value realization channel opens for the Chairman's political ties, but lacks his/her foreign experience. In this situation, to achieve

high internationalization performance, the TMT personnel characteristics of diversified education background and more homogeneous functional roles should be configured together. This configurational solution reflects the execution aspect of TMT as a whole, when the top leader has potential public information advantage and access to government supporting resources. Therefore, TMT members' age diversity is no longer an important factor, but they need to have diversified educational background in order to provide different perspectives to assess potential benefits and costs of their internationalization strategies, and different knowledge and skill background can assist them to absorb political resources passed on by their leader. However, given the importance of strategic execution, it is preferred to assign similar managerial task roles among TMT members so that they have fewer task-related conflicts and are more likely to work towards a common goal. We term this type of IHRM strategy for TMT personnel formation as a *Strategic Executor*. A typical case from our sample that represents this solution is China Reinsurance (China Re):

As China's sole state-owned reinsurance group and the main channel of reinsurance in China, China Re was originally a functional affiliation of the Peoples Insurance Company of China (PICC) from 1949 to 2006. In 2007, after share reform and PICC restructure, China Re was co-founded by the Ministry of Finance of the People's Republic of China and the Central Huijin Investment Company Limited, who hold 12.72% and 71.56% of the shares, respectively. As an important step in its internationalization process, Chairman Li Peiyu and his TMT led the company's IPO in Hong Kong in 2015, which attracted recorded global investment and achieved a high price premium. China Re is now Asia's largest and the world's eighth largest reinsurer in terms of reinsurance premium income. The Chairman has strong political ties, which reflect his almost 20 years' governmental working and leadership experience, spanning civic, provincial and national levels (e.g. Ministry of Finance).

His top management team features high homogeneity of function (e.g., six out of eleven TMT members are in charge of general management, and another four take on two major responsibilities in both legal and marketing areas) and diversified education background ranging from Bachelor to Doctoral degrees.

Solution 3 captures the type of TMT HR strategy based on the Chairman's foreign experience rather than political ties, which is matched with TMT members' diversified functional duties and age characteristics, and homogeneous education background. Although the foreign experience of the Chairman serves as a substitute to overcome home-country bias and liability of foreignness, and also enable firm to search for and identify new knowledge from external sources, such foreign experience can possibly denote unfamiliarity with the home-country regulatory framework, disrupting the normal operations of the BFIs (Oxelheim *et al.*, 2013). To overcome this potential shortcoming, TMT needs to include executives with diversified function managerial experience and age characteristics, but a higher level of education background. These HR endeavours can help TMT comprehensively assess the Chairman's strategic planning and minimise potential risk in both domestic and international markets. We term this type of IHRM strategy for TMT personnel formation as *born-global*. A typical case from our sample that represents this solution is the New China Life Insurance Company (NIC):

Established in 1996 and headquartered in Beijing, NIC is a typical born-global bank, because four years after its establishment, about 25% of the total issued shares were sold to the Zurich Insurance Company and three other overseas investors. It is stated in its Prospectus that the foreign investors were to strengthen the "capital base and benefit from advanced experience and expertise in life insurance operation of the overseas investors and to increase the overall strength of the company" (p. 74)⁴. The

⁴ Experience and expertise include actuarial practice, asset-liability management and other areas.

early involvement of foreign investors quickened the internationalization of the board of directors in NIC. As its prospectus shows, the Zurich Insurance Company jointly or independently nominated the Chairman, Kang Dian (who has rich international managerial experience, but no evident political ties in China), the president and three other directors on the board; 14 of the total of 15 directors had received a Master or Doctoral degree, with many having foreign nationality. Prior to its IPO in 2011, of the 11 TMT members, all hold Masters and Doctoral degrees, with age groups spanning from 30+ to 50+. The TMT contains executives who comprehensively cover all function-related responsibilities (e.g., from legal to information system matters).

Solution 4 reveals a TMT HR strategy by which the top leader's mindset is shaped from both global (e.g., foreign experience) and local (e.g., political ties) angles, and is complemented by a TMT with personnel feature of diversified functions and education background, and homogeneous age groups. Although the Chairman of the BFI appears to have ample sources, namely, foreign experience and political ties, to support the BFI to realize its strategic value from internationalization, this cannot conceal the downside resulting from the possibility of non-business orientated decisions imposed by government and potential distrust by the local management team. Therefore, to overcome these negative aspects, a diverse TMT in functions and education is required to enable more comprehensive assessment of the Chairman's decisions and to minimise business risk via task-related debates. The homogeneous age group of the TMT may share similar cultural and societal backgrounds, which is useful for enhancing cohesiveness between executives and the Chairman. We term this type of IHRM strategy for TMT personnel formation as a *glocal* — a combination of global and local mindsets. A typical case from our sample that represents this solution is the Bank of China (BOC):

From its inception in 1912, BOC has been consistently operated as one of China's 'big four' banks. BOC is now among the top 20 banks in the world and provides comprehensive financial services to customers across 31 countries. Unlike other Chinese BFIs, the internationalization process of BOC started from its operational side (that is, establishing foreign subsidiaries in host countries), rather than initially with financial internationalization. As shown in the literature (cf. Fan *et al.* 2016), BOC has longstanding value realization that emphasises being 'The World's Local Bank', like HSBC [Hong Kong and Shanghai Banking Corporation]. To achieve this strategic goal, Chairman Liu Mingkang was appointed by the Chinese government, and has rich foreign study and work experience (e.g., doctoral degree gained in the UK), and has also worked in both Chinese provincial and central governments (e.g., his former position as vice governor of Fujian Province). Moreover, in the TMT, all eleven members cover highly diversified managerial functions (e.g., HR, risk control, finance, legal, marketing, operations and general management), and span educational backgrounds from Diploma to Doctoral, while nine out of eleven members share an age group of 50-59, and the remaining two were aged 49 and 41 prior to the IPO. In 2006, BOC was listed on the HKEx, which was regarded as the largest IPO since 2000 and the fourth largest IPO ever, raising some US\$9.7 billion in the H-share Global Offering.

Robustness tests

We performed three types of robustness checks to understand the stability of the configurational solutions. First, guided by Crilly (2011), we checked the robustness of our results by reducing the threshold used in the fsQCA procedure. Specifically, a reduced consistency threshold of 0.75, the minimum threshold recommended by Crilly (2011), was adopted. The overall coverage scores do not increase significantly (0.57); the overall solution

consistency is lower than the solution reported in Table 4 (0.81). Solutions 1 to 4 remain within the robustness test, respectively, but they are less precise, which is expected when applying a lower consistency threshold (cf. Crilly, 2011).

Second, similar to Judge *et al.* (2014), we conducted another robustness test by increasing the frequency cut-off value to 2. As expected, due to the relatively small sample size (fewer possibilities to find repeated or similar types of cases), the results still support Solutions 1 and 2, but both the overall solution coverage and consistency fall significantly (0.36 and 0.79, respectively).

Finally, following Fiss (2011), we further conducted sensitivity analyses to test the robustness of our findings through alternative specifications of our causal conditions. Specifically, we varied the crossover point between +/- 25 percent for our measures during calibration. Minor changes are observed regarding the number and configuration of solutions, but the interpretation of our results remains substantively unchanged.

DISCUSSION AND CONCLUSION

Theoretical implications

When studying emerging economy MNEs, especially Chinese MNEs, high-tech manufacturers have attracted much attention. In contrast, little is known about the internationalization of Chinese financial service firms, though they have been fast-growing players in the international market, and have occupied better rankings among all types of top global MNE lists (e.g., *Forbes*, *Fortune*, and *Financial Times* etc.). One of the reasons is that, unlike Chinese manufacturing firms with a clear strategic asset seeking or learning motivation (cf. Cui *et al.*, 2017; Fan *et al.*, 2016), the internationalization of BFIs involves, beyond strategic asset-seeking goals, a more complex and dynamic process that emphasizes

effectiveness, efficiency and calculability with flexibility and speed (cf. Newenham-Kahindi, 2011).

With a locus of the financial internationalization of Chinese BFIs, this study embraces a configurational perspective to explore how they configure the leader-TMT dynamics to achieve high internationalization performance. Through a fuzzy-set analysis, a distinct taxonomy of the leader-TMT dynamics (namely, *grass-root*, *strategic executor*, *born-global* and *glocal*) is developed. The taxonomy development relies on the two important dimensions of the top leader's mindset formation basis, namely, foreign experience and political ties.

Following the cognitive process of managerial decision making (cf. Nadkarni, Herrmann, & Perez, 2011), we argue that both personal foreign experience and political ties act as *pull*- and *push*-side experiential knowledge factors that contribute to managerial mindset formation, which in turn influences firms' internationalization decisions. In the context of Chinese firms' internationalization, scholars (e.g., Lu, Liu, Wright, & Filatotchev, 2014) claim that these firms generally lack foreign experience due to their latecomer status and short history of internationalization. Thus, firms rely on personal foreign experience to guide the informational processing and analysis, which can be deemed a *pull*-factor towards the leader's mindset formation (Cui *et al.*, 2013). The literature also shows, in regard to this rapid internationalization process, that Chinese business leaders are likely to rely on political ties, given the long tradition of using these ties to coordinate transactions at home (Li *et al.*, 2009). In this regard, political ties as experiential knowledge reflect both obtaining asymmetric information and responding to national strategies and policies, which we treat as a *push*-factor towards the leader's mindset formation.

Given the principle of equifinality, we identify four solutions (four viable configurations), which provide novel insights into the international human resource variations

within Chinese BFIs' TMT formation. Based on the case analyses and prior discussion, we formulate propositions concerning how TMT diversity facilitates or hinders types of Chairmen in the process of internationalization. We interpret and discuss our proposition development as follows.

The first facet of TMT diversity, functional diversity, captures the dispersion of TMT members along a more task-related attribute-functional background. A functionally diverse TMT typically possesses a wide arrange of skills, ideas and perspectives, solving the task from different directions (Tihanyi *et al.*, 2000). It provides a source for search and innovation (Bantel & Jackson, 1989; Wiersema & Bantel, 1992), but it may hurt internationalization by behavioural disintegration and communication difficulties (Barkema & Shvyrkov, 2007).

In our configurational results, the cases for Solutions 3 and 4 (New China Life Insurance and the Bank of China) display the situation where the BFIs achieve a high level of internationalization performance through the Chairman's foreign experience with a diverse TMT in functions. Conversely, in the absence of both Chairman foreign experience and the TMT functionality diversity (Solutions 1 and 2), the BFIs are more likely to achieve their performance goal in internationalization.

To illustrate this, we argue that one major problem facing a Chairman with foreign experience is that they cannot keep the feet 'solidly on the ground' (or, in a Chinese phrase, *jie di qi*) and they implement locally accepted practices during internationalization (Mezias, 2002). Functional diversity can alleviate such a problem in at least three ways. First, the functionally diverse TMT members represent the breadth of information available to the Chairman in decision making (Van Knippenberg, De Dreu, & Homan, 2004). This supplements the Chairman's international orientation with important local knowledge, strengthening the TMT as a whole to internationalize the BFIs under China's regulatory

framework. Second, functional diversity also changes the team process and diverts the Chairman to locally embedded problems. Executives with different functional backgrounds diverge on the focus and understanding of the same issues, resulting in constructive debates (Barkema & Shvyrkov, 2007). Such a team process reshapes the Chairman's cognition and information filtering, reducing the liability of foreignness associated with foreign experience. Third, functional diversity provides the Chairman with foreign experience with a way to deal with opposition from TMT members. As functional diversity increases, a TMT's group cohesiveness falls (Ndofor *et al.*, 2015), as does the consistency and scale of opposition from the TMT. An experienced Chairman knows how to take advantage of disputes and inconsistency to become incorporated into a possibly unfriendly TMT. Taken together, we propose that:

Proposition 1: A TMT characterized by higher functional diversity will tend to mitigate the liability of the Chairman's foreign experience on internationalization performance.

The second facet of TMT diversity, age diversity, is more associated with personal demography than with specific tasks. Exposed to differing environmental stimuli and events, executives in different age cohorts develop varied attitudes and values; such diversity facilitates organizational change and innovation (Bantel & Jackson, 1989). The extant literature has pointed out the advantages of old and young executives. Young executives tend to have a grasp of the most recent knowledge, they are eager to learn and prefer to take risks, whereas older executives possess more working experience and are more loyal to the company (Wiersema & Bantel, 1992). Therefore, in general, a well-functioning TMT can benefit from age diversity by enjoying the advantages of different age cohorts.

Our fuzzy-set analysis of internationalized BFIs from mainland China shows that internationalization performance is likely to be higher for BFIs in the absence of the Chairman's political ties and the presence of TMT age diversity (Solutions 1 and 3). However, when the Chairman has political ties, age diversity of the TMT is not a necessary condition (Solution 2) or need not to appear (Solution 4) for a higher level of performance during internationalization. We attribute such a pattern to two major difficulties that the Chairman with political ties may face in taking advantage of age diversity. Those firms with politically connected Chairmen are usually deeply embedded in administrative and bureaucratic institutions (Fan *et al.*, 2007). Similar to party cadre selection, these firms follow a set of formal and informal guidelines for executive promotion. "Younger in average age" (Article 33, *Constitution of Communist Party of China*) is one prerequisite for a professional bureaucracy as well as a TMT in modern state-owned enterprises. In actual operation, age limits are set according to administrative ranks in state-controlled BFIs; a minimum tenure in key positions is required before she or he is promoted to a higher administrative level. As a result, executives in a TMT become isomorphic in terms of age. In other words, the Chairman with political ties can hardly benefit from age diversity, because this is rare in real situations.

Moreover, another difficulty stems from the TMT process and culture related to political ties. For the benefits of TMT diversity to materialize, knowledge and perspectives of executives needs to be well-distributed and considered in decision making (Barkema & Shvyrkov, 2007). As for those firms with politically ties, power is unevenly distributed within the TMT, with higher priority given to authoritative and senior executives (Peng & Luo, 2000). Consequently, a culture of greater power distance is cultivated under which a TMT cannot attend to and give equal consideration to all the ideas and information of members of varying ages. This also explains why age diversity still does not work when extraordinary or

talented persons are exceptionally appointed as executives, regardless of their age or seniority within state-controlled BFIs. Taken together, we propose that:

Proposition 2: A TMT characterized by higher age diversity will not mitigate the liability of the Chairman's political ties on internationalization performance.

The last TMT diversity in discussion is educational diversity, which is also a job-related attribute (Van Knippenberg *et al.* 2004). Well-educated executives are recognized as having a higher capacity for information processing and idea generation, and they embrace innovation and risk-taking (Tihanyi *et al.*, 2000). Yet a disproportionately large share of highly educated executives in a TMT may homogenize the ideas and perspectives available to the Chairman, thereby hindering absorptive capacity and consequently firm performance. Therefore, educational diversity provides a greater breadth of skills, knowledge and insights for realizing internationalization performance. Although prior studies have empirically found a positive effect of educational diversity on global strategic posture (Carpenter & Fredrickson, 2001) or performance (Murray, 1989), our fsQCA results point to an exception – the born-global configuration. As Solution 3 shows, TMT educational diversity need not appear for realizing high internationalization performance when the Chairman has foreign experience but no political ties.

The probable reason might be that the born-global firms are young start-ups that seek international business from or near their inception (Knight & Cavusgil, 2004). Along with this are the challenges for TMT members to be capable of navigating their way into foreign markets at the early stage of the company. Born-global research emphasizes human capital in the form of demographic variables such as education, because highly educated founders or executives are endowed with a stronger motivation to seek entrepreneurial opportunities in global markets (Fernhaber, *et al.*, 2009).

In the case of these born-global firms, early internationalization requires highly educated executives instead of educational diversity for two reasons. The decision for early internationalization is risky and resource-consuming, and it needs unanimous support from TMT members. Given that the level of education is indicative of the managers' global attitude (Arora, Jaju, Kefalas, & Perenich, 2004), well-educated executives are more likely to reach a consensus to champion such an internationalization decision. Further, as the NIC case shows, born-global firms usually have foreign shareholders and high-profile board members. They perceive a similarity with highly-educated executives and face fewer communication difficulties with them (Wiersema & Bantel, 1992). The benign interactions between the foreign shareholders, the board and the TMT tend to result in high internationalization performance. Taken together, we propose that:

Proposition 3: A TMT characterized by higher educational diversity will enhance internationalization performance, except for the born-global configuration.

Managerial implications

The findings from this study offer several practical implications. In general, we highlight the importance of evaluating the leader-TMT dynamics of a firm when crafting strategies for its internationalization process. Specifically, our findings suggest that, first, when forming a firm's top management team, decision makers or human resource professionals need to pay attention to the role difference between the top leader and TMT members. In each firm, the top leader's mindset directly reflects the firm's strategic decisions. Although it is possible that a particular TMT member might have either a higher level of foreign experience or stronger political ties, to some extent such a capability cannot directly lead to the firm's decision; rather, it must be 'recognised' or 'absorbed' by his or her leader, because the leader is the final decision maker and legal representative of the firm. Second, when realizing the mindset of the top leader, top management team diversity plays an important complementary role. For

instance, recalling Solution 2, if the leader focuses on executing or responding to a particular strategy or policy adopted by the government, the preferred TMT composition should include functionally convergent but education-diversified members, because such a team as a whole has fewer task-related emotional conflicts, and can make more objective assessments of implementation plans. Third, our configuration solutions of the leader-TMT dynamics illustrate distinct HR strategies to form a well-functioning top management team, and these are equally effective for achieving desired internationalization goals. Therefore, the equifinal solutions not only imply the unnecessary attempt to identify the ‘best way’ to structure the top management team, but also provide practical guidelines to attract, select and retain relevant senior executives.

Limitations and future research

Limitations of the study indicate potential directions for future research. First, whereas our specific focus on financial internationalization validates the configurational approach of the leader-TMT dynamics based on investors’ perceptions, it does not take into account other forms of internationalization (e.g., export, cross-border M&A, greenfield investments), as well as long-term performance after the overseas IPO. We advocate that future research examines the leader-TMT dynamics in other internationalization contexts.

Second, since China’s BFIs primarily chose Hong Kong as the foreign IPO location, the sample in our analysis is China’s BFIs listed on the HKEx. Although the 32 BFIs account for more than 80% of the whole population, such a research setting limits the generalizability of our study. We strongly suggest that future research extends our research by examining emerging economy BFIs’ foreign IPOs from other countries. How investors across countries differently perceive TMT configurations remains an intriguing research question.

Finally, we need to pay attention to the differences between the manufacturers, BFIs and other service firms. Prior literature has highlighted the distinct features of BFIs (Qian & Delios, 2008; Sun *et al.*, 2010), suggesting that the desirable TMT configuration is contingent on industry characteristics. While our study focuses on how the Chinese BFIs can effectively configure TMT during internationalization, we expect that future research can introduce the industry effect to leader-TMT dynamics.

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Table 1. Calibration of sets

Type	Variable	Measurement & data source	Calibration anchors	Values in Fuzzy-sets	Measure descriptive			
					Mean	SD	Max	Min
Outcome	<i>Price Premium</i>	Following Bruton <i>et al</i> (2010), the percent price premium is calculated as (offer price - book value per share)/offer price. Data sourced from the WIND database.	0.55, 0.40, 0.25	3	0.44	0.17	0.93	0.15
Leader's Mindset	<i>Chairman's Foreign Experience</i>	Coding a five-item scale where 5 = holding or used to hold a senior executive position at a foreign company, and 0 = without any working-related foreign experience.	5, 3, 1	3	1.75	1.30	1	5
	<i>Chairman's Political ties</i>	Coding a six-item scale where 5 = at the Chinese central government, and 0 = without any affiliation with governments.	5, 3, 1	3	2.31	2.12	0	5
TMT Diversity	<i>TMT Functional Diversity</i>	Following Qian <i>et al.</i> , (2013), TMT functional diversity is calculated with a Blau index	0.8, 0.7, 0.6	3	0.70	0.20	0	0.85
	<i>TMT Educational Diversity</i>	Following Qian <i>et al.</i> , (2013), TMT educational diversity is calculated with a Blau index	0.6, 0.5, 0.4	3	0.55	0.11	0.18	0.74
	<i>TMT Age Diversity</i>	Following Bantel and Jackson (1989), using the coefficient of variation (the standard deviation divided by the mean).	0.15, 0.10, 0.05	3	0.11	0.04	0.19	0.03

Table 2. Necessary conditions

Causal configurational solutions	Price Premium (at the end of the IPO year)	
	Consistency	Coverage
Leader's Mindset		
<i>Chairman's Foreign Experience</i>	0.26	0.73
<i>Chairman's Political ties</i>	0.47	0.62
TMT Diversity		
<i>TMT Functional Diversity</i>	0.67	0.58
<i>TMT Educational Diversity</i>	0.78	0.63
<i>TMT Age Diversity</i>	0.69	0.66

Note: Necessary conditions are calculated with the fsQCA 2.5 software.

Table 3. Truth table based on the fuzzy-set data matrix (logical remainders not listed)

Causal Conditions					Number	Outcome	Consistency		
FE	PT	TMT FD	TMT ED	TMT AD		Price Premium	Raw	PRI	PRODUCT
1	0	1	0	1	1	1	0.913	0.857	0.782
1	1	1	1	0	1	1	0.893	0.814	0.727
0	1	0	1	1	2	1	0.885	0.816	0.722
0	0	0	1	1	4	1	0.834	0.775	0.646
0	1	0	1	0	1	1	0.824	0.757	0.624
0	1	1	0	1	1	0	0.808	0.646	0.522
1	0	1	1	0	1	0	0.759	0.341	0.259
0	1	1	1	0	2	0	0.751	0.610	0.458
0	0	1	1	1	4	0	0.726	0.572	0.415
1	0	0	0	1	1	0	0.714	0.424	0.303
0	0	1	1	0	1	0	0.675	0.516	0.348
0	1	1	1	1	6	0	0.652	0.500	0.326
0	1	1	0	0	2	0	0.505	0.116	0.059

Note: 1) FE refers to Chairman's foreign experience, while PT stands for Chairman's political ties; TMT FD = TMT functional diversity, TMT ED = TMT educational diversity; TMT AD = TMT age diversity; 2) Prices Premium is calculated at the end of the firm's IPO year. 3) PRODUCT is calculated by Raw consistency multiplying PRI

Table 4. Configurational Solutions – Price Premium

Upper Echelon Framework	Price Premium (at the end of the IPO year)			
	Solution 1	Solution 2	Solution 3	Solution 4
	Leader's Mindset			
<i>Chairman's Foreign Experience</i>	⊗	⊗	●	●
<i>Chairman's Political Ties</i>	⊗	●	⊗	●
TMT Diversity				
<i>TMT Functional Diversity</i>	⊗	⊗	●	●
<i>TMT Educational Diversity</i>	●	●	⊗	●
<i>TMT Age Diversity</i>	●		●	⊗
Consistency	0.86	0.85	0.91	0.89
Raw Coverage	0.31	0.18	0.13	0.10
Unique Coverage	0.15	0.04	0.06	0.05
Case Identification*	CMBC/CMB/G LSC	China Re/ HTSC/CRCB	NCI	BOC
Overall Solution Consistency	0.87			
Overall Solution Coverage	0.47			

Note: Black circles indicate the presence of a condition, and circles with “X” indicate its absence. Large circles indicate core conditions; small ones, peripheral conditions. Blank spaces indicate “don’t care”. * We use abbreviation of case company in the table, and the full name of each case company as following: China Minsheng Bank (CMBC), China Merchants Bank (CMB), Guolian Securities (GLSC), China Reinsurance (China Re), Huatai Securities (HTSC), Chongqing Rural Commercial Bank (CRCB), New China Life Insurance (NCI), Bank of China (BOC).