



CEO-TMT Exchange, TMT Psychological Empowerment and Firm Performance: The Moderating Effects of TMT Incentive Pay

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Abstract

This study is an attempt to investigate the associations of CEO-TMT exchange; psychological needs and incentive pay are highlighted to elucidate the complicated psycho-socio cognitive dynamics among top management team (TMT) members and are valued of their competence and, subsequently, their effect on firm performance. The study adopts the upper echelon perspective, by collecting sample from firms in Jordan, using the structural equation model (SEM). The research results show that both of CEO-TMT exchange and psychological empowerment have significant effects on firm performance. TMT psychological empowerment plays a mediating role in linking CEO-TMT exchange with firm performance. Moreover, incentives pay a moderate with psychological empowerment to support in enhancing firm performance. An integrated consideration of CEO-TMT exchange and TMTs perceive empowerment may provide a more understanding of empowerment process, team-level, leader dynamics and interactions. CEO-TMT compensation system design also can provide very strong incentives to stimulate TMT members. Limitations and implications are discussed.

Keywords: Upper-echelons perspective, incentive pay, psychological empowerment, CEO-TMT exchange, firm performance.