TOP MANAGEMENT TEAM DIVERSITY AND FIRM PERFORMANCE: EMPIRICAL EVIDENCE FROM THE FASHION AND LUXURY INDUSTRY

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Abstract

The purpose of this study is to advance the current understanding of the relationship between top management team (TMT) diversity and firm performance in the fashion and luxury industries. Predictions from the relevant theoretical perspectives – namely, Upper Echelons and Social Psychology theories – are often conflicting, and the controversial nature of this phenomenon together with the lack of empirical studies in the fashion and luxury industries have inspired the research question to investigate the link between TMT diversity and firm performance. Moreover, this is even more relevant in a setting where human capital management is one of the main keys to the long-term survival of fashion and luxury brands. To this extent, a principal component analysis and subsequent regression analyses have been performed on a sample of 78 listed companies operating in the fashion and luxury industries, over the five-year period 2011-2015. Results indicate that TMTs with greater gender, international experience, and educational background diversity are positively associated with higher firm performance. Hence, we found support for the Upper Echelons Theory, which predicts organizational outcomes as a function of managerial characteristics, thus offering few practical implications for companies operating in these industries.

Keywords: Top Management Team, Fashion and Luxury, Upper Echelon Theory, Diversity, Firm Performance

1. INTRODUCTION

Over last years, a prominent role has been assumed by the phenomenon of diversity, which has received growing attention by practitioners and academics and it is now considered one of the best practices proposed by most corporate governance codes around the world. The genesis of the "value in diversity" (Hoffman, 1959) can be traced back to the scholars from the humanistic field which have investigated the benefits associated with heterogeneous teams during the 1950s. Only three decades later the research has started to focus on the relevance of the Top Management Team (TMT) in guiding the firm's strategy as well as its influence on firm economic performance. The milestone in this field has been the work of Hambrick & Mason (1984), which conceptualized the centrality of the "dominant coalition" in defining corporate goals, implementing strategies and achieving predetermined results under the name of Upper Echelons Theory (UET). According to their framework, organizational outcomes are reflections of the personality, characteristics, and behaviours of the individuals at their apex (Hambrick & Mason, 1984).

Since the affirmation of the UET, researchers have devoted growing attention to examining how the human side of managers, captured by their backgrounds and psychological characteristics, might influence their strategic decisions. Among the major theoretical perspectives the social categorization theory (Tajfel, 1981; Turner, 1987), the similarity-attraction paradigm (Byrne, 1971) and

the information processing theory (Katzenbach & Smith, 1993) can be found.

Taken together, these theoretical foundations have yielded mixed and often contradictory results of TMT diversity on organizational outcomes. More specifically, while some theories recognize that a greater diversity may contribute to higher levels of firm innovativeness, creativity and performance (Carpenter, 2002; Dezsö & Ross, 2012; Zhang & Bartol, 2010), it may also lead to negative aspects comprising slower decision making, communication interruptions and interpersonal conflicts (Hambrick & D'Aveni, 1992; Li & Hambrick, 2005). Due to opposing forces that affect firm's performance, the TMT diversity has frequently been defined as a "double-edged sword' (Triana, Miller & Trzebiatowski, 2013).

Drawing upon this open debate around the highly controversial impact of top management team diversity on firm performance, our study aims to shed new light on this phenomenon, by focusing on the peculiar setting of the fashion and luxury industry, fascinating to explore given its need of balancing management rationales and creative instances. Indeed, due to the high social meaning of fashion and luxury products, the relevance of aesthetics and the symbolic value they embody, product, branding, and marketing strategies in this industry require extremely sensitive managers capable to be highly imaginative and rigorous at the same time in their decision-making process.

In addition to that, given the importance of creativity, innovation brand value and the need to maintain the so-called dream equation behind luxury products over time, luxury and fashion managers should be able to take decisions bases not only on economic rationality. This might mean to sacrifice economic results or even suffer some financial losses in the short-term to properly build a brand with reputation and legitimacy in order to guarantee profits in the future. As a consequence of this delicate tandem between managers and creative people, it is crucial to shape complementary teams with respect to their expertise, background, and sensitivity (Cappetta, Perrone & Ponti 2003, Kapferer & Bastien, 2012).

Building upon the gap in this field, the current work aims to advance the extant literature on TMT diversity analysing a sample of 78 companies operating in the fashion and luxury industry. We have collected data about the composition of TMT of each company over a five-year time period 2011-2015. Then, a principal component analysis (PCA) has been conducted to understand whether different diversity attributes are correlated with each other and subsequently, an ordinary least square (OLS) regression has been performed, where firm performance represents the response variable to be tested against the aggregated diversity attributes resulting from the PCA. The results support the UET as we found that firm performance is associated with some of the underlying diversity attributes examined. In particular, findings show that gender diversity, heterogeneity in managers' educational backgrounds as well as the presence of more managers with international experiences are positively associated with firm performance.

The contribution of this research is threefold. First, we expand the extant literature on TMT diversity in the empirical setting of fashion and luxury industry, which is one of the best contexts to explore the impact of diversity given its peculiarity to balance management and creative skills in order to achieve success. Some practitioners even proposed a series of rules to follow in order to stay relevant within this industry, the so-called "Anti-laws of marketing", which include the advice of keeping non-enthusiasts out of your target base, not responding to rising demand, making difficult for clients to buy, designing ads without the role of increasing sales and also, in extreme cases, trying not to sell (Kapferer & Bastien, 2012). Second, we provide new empirical evidence to the currently open debate assessing whether TMT diversity may constitute a driver of firm performance. Third, we conceptually decompose the TMT diversity construct into its multiple demographic dimensions and empirically test the impact of these different attributes on firm performance.

2. PECULIARITIES OF THE FASHION & LUXURY INDUSTRY

Fashion and Luxury industry is made up of two main types of product: the fashion category includes apparel and personal accessories (i.e. leather goods, shoes, custom jewels, eyewear) with a short product life-cycle addressing the current consumer trend; the luxury category includes the same categories accessories but competing in the high-end of the market as defined by price and brand image (for luxury the issue of exclusivity is a critical one). This industry, thanks to the growth of the luxury segment and the surge of the so-called fast fashion, has generated several challenges that are nowadays at the centre of researchers' debates (Okonkwo, 2009). In particular, phenomena such as hyper-segmentation of consumers, brands' proliferation, growing role of emerging markets, increasing competition from new and online players, international travel and culture convergence and the very strong impact of the digital revolution require more sophisticated strategies to successfully compete (Corbellini & Saviolo, 2009, Misani & Varacca Capello, 2016).

Besides the recent evolutionary trends and typical variety distinguishing this sector, there is also another intrinsic peculiarity of fashion and luxury firms which is the necessity to "*manage creativity, which means leading creativity without impeding or deforming it*" (Corbellini & Saviolo, 2009). This never-ending challenge primarily resides in the relationship between managers and creative people, which makes the composition of top management teams an interesting peculiarity of this industry.

Consequently, managers and owners play a crucial role in defining the day-to-day strategy to compete in this industry. Indeed, when dealing with a luxury or fashion item, rich of internal and external cues such as human imprint, heritage, and complexity, the management team needs to approach the business by focusing on the core competencies needed to preserve its intrinsic symbolic value (Carcano, Corbetta & Minichilli, 2011). Other aspects that characterize this industry are given by the specific time of launching new collections, which is becoming more and more

frequent and not strictly related to the seasons as in the past (Misani & Varacca Capello, 2016).

Thus, the financial strategy of a luxury and fashion brand will be to maximize not necessarily the net profit but the brand's value (Kapferer & Bastien, 2012). To do this, a correct balance between maintaining a growing profitability in the short-term and investing resources to generate value, in the long run, is strictly required. Despite that, in some cases managers may be tempted to over-focus on short-term profits and neglect the symbolic capital made by accumulated patrimony of trust, reputation, value, and prestige (Bordieu, 1977), which ensures the firm's existence in the long run. That is why; an invaluable resource for luxury and fashion firms is the composition of their top management teams that should comprise people with enough sensitivity to sustain growth while resisting the pressure of stock markets without diluting the symbolic capital (Carcano, Corbetta & Minichilli, 2011).

In fact, succeeding in fashion and luxury demands managers capable to be both highly creative, imaginative but also extremely rigorous. Two examples could be the partnerships between Pierre Bergé and Yves Saint Laurent or Tom Ford and Domenico di Sole, where the brands originate from the conundrum creator-manager. However, a single pair is not sufficient to successfully compete: it is critical to form complementary teams in terms of expertise, background, and sensitivity, including artists, artisans, and managers (Kapferer & Bastien, 2012). Surprisingly, little attention in the research has been devoted so far to study the background of the key decision makers in an industry where the centrality of people is a crucial aspect to the long-term existence of the brands and subsequent survival of companies.

Drawing upon this management-creative tandem and the resulting necessity to build complementary top management teams, this article and underpinning research relies on a major assumption: diversity is a precondition and an invaluable source of competitive advantage for fashion and luxury companies.

3. THEORETICAL BACKGROUND AND HYPOTHESES DEVELOPMENT

Based on the upper echelons theory (Hambrick & Mason, 1984), researchers have considerably devoted increasing attention to investigating how the human side of managers, captured by their backgrounds and psychological characteristics, might influence the strategic decisions they make. Previous studies found that TMT composed by different managers' observable background characteristics (such as age, gender, functional track, education and professional experiences) can provide a significant competitive advantage (Bunderson & Sutcliffe, 2003). Likewise, positive links have been found between TMT heterogeneity and competitive moves (Hambrick, Cho & Chen, 1996), internationalization (Sambharya, 1996), growth (Kor, 2003), degree of diversification (Michel & Hambrick, 1992), innovativeness (Bantel & Jackson, 1989), ambidexterity orientation (Ling, 2013) strategic change and velocity (Cannella & Holocomb, 2005), venture capital funding (Beckman, Burton & O' Reilly, 2007), greater strategic orientation (Auh & Menguc, 2005) and strategy formulation and implementation (Finkelstein & Hambrick, 1990).

Similarly, it has been argued that TMT background diversity has important performance implications. For instance, prior research has showed effects of TMT diversity on organization performance to vary from positive (Carpenter, 2002; Hambrick, Cho & Chen, 1996; Eisenhardt & Schoonhoven, 1990), though statistically non-significant (Ferrier, 2001; West & Schwenk, 1996; Michel & Hambrick, 1992) to negative (Habelian & Finkelstein, 1993)[1].

It seems that the relationship between TMT diversity and firm performance is not unilaterally positive or negative, but rather, that the context in which a team works or the industry in which the firm operates moderates the relationship. There is, therefore, a growing consensus among academics that contingency factors like environmental stability (Keck, 1997), team members' interactions (Cannella & Holocomb, 2005; Carpenter, 2002) and most importantly, industry characteristics (Murray, 1989; Pegels, Song & Yang, 2000) must be taken into consideration when investigating the TMT diversity and firm performance relationship.

Following the upper echelons theory, we investigate the relationship between attributes of demographic diversity and firm performance. Among these dimensions (for a recent meta-analysis, see Certo, Lester, Dalton, & Dalton, 2006), scholars examined also the elements of age and tenure of TMT members as predictors of both team processes and outcomes. Therefore, also the two aforementioned attributes will be reviewed in the following paragraphs.

3.1. Gender diversity

Several studies show that managerial gender diversity is positively related to performance outcomes (Auh & Menguc, 2005; Erhardt, Werbel & Shrader, 2003; Dwyer, Richard & Chadwick, 2003). More specifically, Campbell and Mínguez-Vera (2008)'s study on Spanish boards identifies a positive impact of female directors on performance. Using a sample of Singapore firms, Kang, Ding, and Charoenwong (2010) find that stock markets respond positively to the appointment of female directors to boards. Liu, Wei, and Xie (2014)'s study on Chinese boards likewise indicates a positive and significant relation between board gender diversity and firm performance using the pooled OLS regression and the two-stage least square method. Moreover, Conyon and He (2017) investigate the relation between firm performance and boardroom gender diversity using quantile regression methods and show that the presence of women on board has a positive effect on firm performance, and this effect varies at different parts of the performance distribution. With regard to the role of female directors in family firms, Amore, Garofalo & Minichilli (2014) find that female directors significantly improve the operating profitability of female-led companies. On the contrary, Rubino, Tenuta & Cambrea (2017) show that the presence of women directors negatively affects family firm value.

[1] For a comprehensive review see Certo, Lester, Dalton & Dalton (2006) and Carpenter, Geletkanycz & Sanders (2004).

These empirical findings rely on an important stream of the literature that examines differences in leadership styles of male and female managers (Eagly & Johnson, Gender and Leadership Style: A Meta-Analysis, 1990). In particular, consistently with the social identity theory, it has been argued that representation of women on the TMT may bring numerous benefits to the organization (Krishnan & Park, 2005). First of all, researchers claim that skills prevalent in female managers such as relationship building, facilitation and empowering others increasingly constitute the values of forward-looking organisations, thus sustaining positive long-term performance. Second, it has been found that women tend to act through a problem-solving attitude and their result is more likely to substantially contribute to innovation, by developing more responsive and customer-driven organizations (Welbourne, Cycyota & Ferrante, 2007). Third, when considering the skills that men and women face on their way up the corporate ladder, it is important to point out that women have the advantage of having survived the effects of male hierarchies. These survival capabilities combined with their technical skills - deemed a prerequisite for top-level positions - may confer to women a psychological advantage and thereby improve their interactions with peers and subordinates (Tharenou, 2001). Fourth, it has been demonstrated that women generally adopt a "learning" approach also within their networking strategies: mainly in order to overcome gender-related obstacles, they seek and nurture relationships both inside and outside the organization (Gersick, Bartunek & Dutton, 2000; Ibarra, 1997). This behaviour fosters more comprehensiveness and it is deemed to generate higher-quality decisions (Miller, 1998).

Lastly, the multiple roles that women play in their personal lives, including marital, parental, or filial, sharpen their multitasking abilities and enrich their interpersonal skills (Ruderman, Ohlott, Panzer & King, 2002). Overall, it has been argued that skills of female managers are more likely to increase comprehensiveness in decision-making and enhance organizational performance, and we hypothesize that their peculiarities are even strengthened in the fashion and luxury industry:

H1: In the fashion and luxury industry, there is a positive relationship between gender diversity in TMTs and firm performance.

3.2. National diversity

In the context of globalization and executive search transcending national borders, the number of foreign TMT members has been significantly increasing over the last years (Staples, 2007; Heijltjes, Olie & Glunk, 2003). However, empirical studies on the effects of TMT nationality are still rare (Carpenter, Geletkanycz & Sanders, 2004; Nielsen & Nielsen, 2013) and their definition, measurement, and examination in organizations have been a real challenge, researchers agree to believe that TMT nationality diversity may have important implications. A different combination of formal and informal institutions may influence how top managers process information and cope with strategic opportunities and threats (Crossland & Hambrick, 2007; Nielsen & Nielsen, 2013). The executive's country of origin considerably influences his/her perception and interpretation of strategic situations (Hambrick & Mason, 1984).

Drawing upon these assumptions, previous researchers propose that having different nationalities represented within the top management team is associated with several advantages. First of all, multinational teams contribute with a broader range of knowledge and institutionally experiences, nationally diverse teams engage in in-depth discussions, consideration of numerous alternatives, thus generating more creative ideas (Hambrick, Davison, Snell & Snow, 1998). As a consequence, multicultural teams are deemed to better solve complex tasks and come up with more innovative solutions (Ely & Thomas, 2001). A foreigner entering a corporate board may bring not only different perspectives, skills, and knowledge but also different values, norms and understanding (Ruigrok, Peck & Tacheva, 2007). Because the strategic decision-making is a process intrinsically characterized by high complexity, uncertainty, and information asymmetries, nationality diversity is supposed to improve the inclusiveness and quality of TMT strategic decisions, which in turn it is conceived to be beneficial to firm performance (Nielsen & Nielsen, 2013).

On the other side, cultural and national diversity in organizations can be also seen from a pessimistic view (Mannix & Neale, 2005). In the first place, the negative perspective could be derived from social identity (Tajfel, 1981) and similarity-attraction (Byrne, 1971), theoretical paradigms which postulate that individuals usually have a preference for their own group. Likewise, since nationality and culture influence communication patterns and interpersonal interactions styles, nationally diverse teams may face affective conflicts and misunderstandings, lower cohesiveness, and slower decision making (Hambrick, Davison, Snell & Snow, 1998).

Overall, we think that in the peculiar context of fashion and luxury industry, the benefits of nationally diverse TMTs such as enhanced creativity, higher quality decisions and greater problem solving could be counterbalanced by affective costs associated with team processes. As a consequence, the following hypothesis has been advanced:

H2: In the fashion and luxury industry, there is a positive relationship between national diversity within TMTs and firm performance.

3.3. International experience

One factor that is considered to be particularly beneficial to executives is represented by international experience, i.e., personal and professional experience in different cultural settings from the one of their country of origin (Meyer & Gelbuda, 2006). International directors bring value through diverse cultural experiences and those that are exposed to other boards add value by bringing diverse perspectives to board discussions (Srinidhi, Gul & Tsui, 2011). Female directors who are exposed to different experiences could enrich the discussions and improve the decisions made by the board (Hillman, Shropshire & Cannella 2007).

Drawing upon the resource-based perspective, academics claim that international experience of top

managers constitutes an intangible resource that is valuable, rare, difficult to transfer and, thus, a source of competitive advantage (Carpenter, Sanders & Gregersen, 2001; Sambharya, 1996). Internationally experienced managers may also have detailed knowledge of the contributions of foreign subsidiaries to overall firm performance and of coordination issues with other units (Daily, Certo & Dalton, 2000), and it might be useful for international expansion strategy.

Furthermore, internationally experienced TMTs may also benefit from a larger network of international contacts that facilitates acquisition and access to information about distant markets (Athanassiou & Nigh, 2000; Hermann & Datta, 2005), which may moderate liabilities of outsidership (Johanson & Vahlne, 2009; Lee & Park, 2006). Moreover, prior studies show that top managers' international experience is positively related to a firm's internationalization strategy (Carpenter & Fredrickson, 2001; Tihanyi, Ellstrand, Daily & Dalton, 2000) and performance (Athanassiou & Nigh, 2000; Carpenter, Sanders & Gregersen, 2001). Hence, according to this logic and the aforementioned benefits of internationally experienced TMTs, the following hypothesis has been proposed:

H3: In the fashion and luxury industry, there is a positive relationship between international experiences of TMT members and firm performance.

3.4. Professional background diversity

Empirical research claims that professional experiences of TMT members represent a good proxy of managerial expertise and capabilities (Carpenter, Sanders & Gregersen, 2001; Castanias & Helfat, 2001; Kor, 2003). In particular, two different aspects can be distinguished in terms of professional experiences: on the one hand, previous experiences of TMT members within the industry where the company predominantly operates and, on the other hand, the experiences gained from other industries. Both of these facets are expected to bring several benefits to TMTs and organizations in general.

First of all, long tenure in the industry across different companies constitutes a crucial resource to get an in-depth understanding of how the industry works its competitive conditions and specific technologies (Kor, 2003). This allows managers to identify emerging market opportunities, position new products, design proper strategies and anticipate potential threats (Castanias & Helfat, 2001; Schefczyk & Gerpott, 2001). Moreover, the previous industry-specific managerial experience can result in a special source of competitive advantage as it may significantly mitigate the liability of newness (Goethals, 2003).

Similarly, also the number of different industries in which each TMT member has previously worked may constitute an important source of expertise. While a team of individuals who solely have experience in one industry is less likely to recognize unexpected threats and opportunities and may tend to "group think" (Janis, 1982), managers with diverse industry backgrounds will be quicker in identifying trends, assessing threats and opportunities, evaluating choices from distinct perspectives, and will consequently make less conformist strategic decisions, which, in turn, will be positively related to firm performance. Finally, heterogeneity in professional backgrounds is expected to be beneficial by generating constructive conflicts, which should prevent "group think" and help the group to avoid costly mistakes in terms of premature decisions (Eisenhardt & Schoonhoven, 1990). Hence, based on the above discussion, the present study will test the following hypothesis:

H4: In the fashion and luxury industry, there is a positive relationship between diversity in professional experiences of TMT members and firm performance.

3.5. Age and tenure diversity

Empirical research suggests that people of similar ages tend to perceive situations through analogous lenses, reflecting shared experiences and this may lead to conformism in strategic decision-making as well as difficulty in challenging the status-quo (Tsui & O' Reilly, 1989; Wagner, Pfeffer, & O' Reilly, 1984). Moreover, older team members seldom risk takers and may be more reluctant to change (Wiersema & Bantel, 1992), while younger TMT members tend to support riskier decisions (Hambrick & Mason, 1984) as well as to have higher education levels (Bantel & Jackson, 1989). Moreover, younger managers are more inclined to participate in innovative strategies leading to firm growth (Barker & Mueller, 2002). Therefore, age diversity should result beneficial in overcoming these barriers and could lead to improve performance as long as the task requires information-processing like creative idea generation or problem-solving (Van Knippenberg, Van Knippenberg, De Cremer & Hogg, 2004), by leveraging on a broader range of knowledge, skills, and abilities derived from heterogeneous members' experiences (Kunze, Boehm & Bruch, 2013).

The same conflicting approaches afflict the role of organizational tenure, which reflects the accumulation of specialized and organizationally relevant knowledge (Gilson, Maynard, Jones Young, Vartiainen & Hakonen, 2014). On the one hand, tenure heterogeneity, by bringing variety of skills and perspectives, could be beneficial in counterbalancing the negative effects deriving from long-tenured teams, such as commitment to "status-quo", lower quality decisions and groupthink (Bantel & Jackson, 1989; Michel & Hambrick, 1992; Zenger & Lawrence, 1989). On the other side, it may be argued that more tenure-diverse TMTs will foster the generation of subgroups, with consequent problems of miscommunication and stereotyping which in turn might be negatively related to firm performance (Boerner, Linkohr & Kiefer, 2011).

As before, we think that in a globalized and so dynamic context such as the fashion and luxury industry, also considering the impact of the digital revolution (in terms of commerce, marketing and communication activities related to the customer engagement), homogeneous TMT are less likely to ensure higher cooperative interaction as described by social categorization theories and similarity-attraction paradigm. Therefore, based on the above discussion, the following hypothesis has been advanced:

H5: In the fashion and luxury industry, there is a positive relationship between age and tenure diversity within TMTs and firm performance.

3.6. Educational background

One of the most important demographical construct when considering TMT diversity is represented by the education of the team members, both in terms of level and field of study. Following the assumptions of the upper echelons theory, the educational background can be associated with better information and knowledge within the team (Williams & O'Reilly, 1998). Furthermore, as formal education reflects an individual's cognitive capabilities, diversity in the educational background is generally related to a variety of top managers' perspectives and skill sets. Therefore, heterogeneity in educational backgrounds may improve problem-solving and strategic decision making especially in dynamic and complex industry environments (Finkelstein, Hambrick & Cannella, 2009).

A number of studies have investigated the positive link between the TMT educational diversity with a high number of organisational outcomes, such as strategy, innovation and performance (Bantel & Jackson, 1989; Wiersema & Bantel, 1992), founding a positive relationship between TMT educational diversity and firm performance (Carpenter, Geletkanycz & Sanders, 2004; Finkelstein & Hambrick, 1996). For example, Carter et al. (2010) suggest that female directors tend to hold more college degrees and are more likely to hold advanced degrees compared to their male counterparts. Likewise, Ahern & Dittmar (2012) suggest that women have a higher level of education than male directors do. Among the empirical researches that show an improvement in business performance, Smith, Smith & Verner (2006), identifying a positive effect on the value of the firms by female directors in top management, largely attribute this impact to higher education. Hence, according to the previous arguments, we state the following hypothesis:

H6: In the fashion and luxury industry, there is a positive relationship between educational diversity of TMT members and firm performance.

4. EMPIRICAL ANALYSES

4.1. Sample description

The sample is composed of the companies examined in the Fashion & Luxury Insight 2015 (Varacca Capello, Merlotti & Misani, 2015), which comprises the main international players in the fashion and luxury industries, except for firms producing luxury cars, yachts, audio and photo equipment, entertainment and travel[2]. In addition, to the particular extent of this study, the beauty cluster has also been excluded from the original sample, as its dynamics are more similar to those of the fast-moving consumer goods sector rather than the luxury and fashion industry itself. In detail, the companies have been selected according to four criteria: i) listed in a financial market and owners of internationally renowned brands; ii) consolidated sales greater than 200 million euros; iii) full financial results available to the public; iv) operating in one or more of the following businesses, the one from which they derive the majority of their income: Active (clothing, shoes, sport equipment), Apparel (clothing), Department Store, Eyewear, Jewels & Watches, Fashion Retail, Financial Conglomerates, Leather Goods, Online Specialists.

According to the above-listed screening criteria, the sample considered accounts for 78 companies, which have been observed for a five-year time period, from 2011 to 2015. We identify 390 firm-year observations over the 5 years considered for our analysis. However, firms for which financial data are not available were excluded. Therefore, the final sample consists of 362 observations. It is a heterogeneous sample of firms, both in terms of geographical composition (46% of firms are American, 44% are European and 10% are Asian firms) and of activity (the three largest clusters are apparel, 24%; leather goods, 21%; and fashion retail, 19%).

4.2. Data collection

Several steps were needed to produce a team-level index of heterogeneity from its individual-level components. First of all, a number of underlying dimensions for the measure of TMT heterogeneity has been identified: age, tenure, gender, nationality, educational and professional backgrounds as well as function and international experience of each TMT members. Secondly, data for each of the aforementioned dimensions have been collected at the individual level – considering the single top management team member - and then aggregated at a group-level by different diversity indices.

As the definition of the TMT takes a predominant role (Carpenter, Geletkanycz & Sanders, 2004), following the theoretical construct of the "dominant coalition" proposed by Hambrick & Mason (1984) and "managerial elites" of Finkelstein & Hambrick (1996), we included all the executives who are deemed to have a direct influence on the formulation of a firm's strategy (Geletkanycz & Hambrick, 1997). As a consequence, TMTs comprise executives with the following positions: Chairman of the Board; Vice-Chairman; Chief Executive Officer; Chief Operating Officer; Chief Financial Officer; Chief Marketing Officer: Chief Creative Officer; Senior Vice-president and Executive Vice-president. On the other hand, non-executive directors, company secretaries, treasurers, and presidents of divisions were generally not included under this definition. This approach is in line with prior studies (Keck, 1997; Geletkanycz & Hambrick, 1997; Sanders & Carpenter, 1998). Information on each individual was obtained from different public sources: Orbis, Compustat, company websites, annual reports, SEC filings (for US-based firms) and, when required, from social networks as Linkedin.

From these sources, the following information has been collected. The *age* of each TMT member was taken directly by the annual report. The *tenure* was calculated by subtracting from the current year of analysis the year in which the executive joined the top management group. The *gender* of each TMT member was coded as a dummy variable equal to one if the person was a woman and zero otherwise. Concerning *the nationality*, this variable was coded as a categorical variable reflecting the country of origin of each TMT member. With regards to the *educational background*, three types of information were collected for each TMT member:

[2] This is a project conducted annually by SDA Bocconi in partnership with Fondazione Altagamma, the Italian luxury brands' committee that since 1992 has been bringing together Italy's premiere firms within the most cultural and creative industries with the mission to foster their growth.

- *Level of Education*, computed by coding the data into four main categories: (1) high school, (2) bachelor, (3) master degree, (4) PhD;
- *Field of Study*, which coherently with previous operationalization in upper echelons studies, has been aggregated into 6 main categories: (1) business, (2) law, (3) creative, (4) engineering and sciences, (5) social sciences, (6) other;
- *University attended*, reflecting the institution where each TMT member studied.

With regard to the *professional background*, three types of information for each TMT member have been collected:

- *Previous experiences in other organizations*, a dummy variable equal to one if the person had worked in other companies before and zero otherwise;
- *Previous experience in other industries*, a dummy variable equal to one if the person had worked in industries (at least one) different from the current one, and zero otherwise;
- *Industry diversity*: when TMT members had previously worked in other industries, data regarding the specific industry has been collected (into 22 major categories).

Likewise, *the function of the top management team members* was computed as a categorical variable according to the official title of each TMT member (Wiersema & Bantel, 1992): 1) general management; 2) finance and accounting; 3) marketing and sales; 4) human resources; 5) production and operations; 6) creative; 7) R&D and engineering; 8) legal and counsel.

Lastly, the *international experience* of each TMT member was computed through three separate variables:

- *International experience for study reasons*: whether the TMT member has studied in a country different from his/her country of origin for a period of at least 6 months;
- *International experience for job reasons*: whether the TMT member has worked or been assigned to a project in a country different from his/her country of origin for a period of at least 6 months;
- *International experience for job and study reasons* whether the TMT member has both studied and worked in a country different from his/her country of origin for a period of at least 6 months.

In all the three cases, the variable was coded as a dummy variable equal to 1 if the member had international experience and 0 otherwise. Table 1 summarizes how information has been coded into variables.

Table 1. Coding of the collected variables for each TMT' member

Variable	***Measurement***
Age	Continuous (measured in years) Exact Age or Year - Year of birth
Tenure	Continuous (measured in years) Current Year - Year in which the individual joined the top management team
Gender	Dummy 1= Woman; 0= Man
Nationality	Categorical Country of Origin
Educational Background	
1. Level of Education	Categorical 1= High School; 2= Bachelor Degree; 3= Master Degree; 4= PhD
2. Field of Study	Categorical 1= Business, 2=Law, 3=Creative, 4=Engineering and sciences, 5=Social sciences, 6=Other
3. University Attended	Categorical Institution where the TMT member studied
Professional Background	
1. Experience in other organizations	Dummy 1= if the TMT member previously worked in other organizations; 0= Otherwise
2. Experience in other industries	Dummy 1= if the TMT member previously worked in other industries; 0= Otherwise
3. Industry Diversity	Categorical n= from 1 to 22 reflecting 22 major industry categories
Function	Categorical 1= General management, 2= Finance and accounting, 3= Marketing and sales, 4 =Human resources, 5 =Production and operations, 6 =Creative, 7 =R&D and engineering, 8 =Legal and counsel
International Experience	
1. International Experience | Study	Dummy 1= if the TMT member studied in a country different from the one of origin for a period of at least 6 months; 0= Otherwise
2. International Experience | Work	Dummy 1= if the TMT member studied in a country different from the one of origin for a period of at least 6 months; 0= Otherwise
3. International Experience | Work and Study	Dummy 1= if the TMT member worked and studied in a country different from the one of origin for a period of at least 6 months; 0= Otherwise

The next step was to produce group-level indices of diversity for each TMT in order to aggregate the 60.780 individual-level observations collected into team-level observations. To this extent, three different measures were used. Simple ratios were produced for those characteristics measured by dummy variables such as gender, experiences in other companies and industries as

well as international experience. Coefficient of variations was used in the case of continuous variables such as tenure and age diversity; in these cases, indicators were calculated as the standard deviation divided by the mean (Boeker, 1997; Wiersema & Bantel, 1992). The coefficient of variation was preferred to variance as it is independent of the mean, which is included in the analyses as a separate variable (Murray, 1989). Categorical variables such as nationality, education, function and occupational diversity were measured by the Blau's index, which is largely used in top management team research (Carpenter, 2002; Finkelstein & Hambrick, 1996). The index ranges from 0 (when all members are in the same category) to 1 (in case of maximum heterogeneity among TMT members). Table 2 summarizes the measurement of the 16 diversity variables produced for each TMT investigated.

Table 2. Description of diversity variables

Age	1. Age Mean	Simple Average of TMT Members' Age
	2. Age Diversity	Coefficient of Variation calculated on TMT Members' Age
Tenure	3. Tenure Mean	Simple Average of TMT Members' Tenure
	4. Tenure Diversity	Coefficient of Variation calculated on TMT Members' Tenure
Gender	5. Gender Diversity	Percentage of Women within TMT
Nationality	6. National Diversity	Blau's Index of nationalities represented in TMT
Education	7. Edu Level Diversity	Blau's Index computed by grouping the titles of study represented within the TMT into 4 categories: High School, Bachelor, Master, PhD
	8. Edu Field Diversity	Blau's Index computed by grouping the field of study represented within the TMT into 6 categories: Business, Law, Engineering, Creative, Social Sciences, Other
	9. University Heterogeneity	Blau's Index computed on the universities represented within the TMT
Professional Background	10. Organization Diversity	Percentage of TMT Members who worked in other companies (at least one)
	11. Industry Diversity	Percentage of TMT Members who worked in other industries (at least one)
	12. Occupational Diversity	Blau's Index computed by grouping the industries represented within the TMT into 22 categories: Administrative Services; Entertainment; Hospitality; Retail; Automotive; Finance; Industrial Goods; Service; Construction; FMCG; Materials; Technology; Consulting; Food&Beverage; Other; Tobacco; Design; Grocery; Public Sector; Energy; Healthcare; Research
Function	13. Functional Diversity	Blau's Index computed by grouping the functions represented within the TMT into 8 categories: Finance&Accounting, Marketing&Sales, HR, Production/Operations, Creative, IT/R&D/Engineering, Legal&Counsel, General Management
International Experience	14. International Experience W	Percentage of TMT Members who had a work experience abroad for at least 6 months
	15. International Experience WS	Percentage of TMT Members who had spent a period of at least 6 months abroad, either for work or for study
	16. International Experience S	Percentage of TMT Members who studied abroad for at least 6 months

4.3. Dependent variable

The dependent variable is ROA (return on assets), which has been commonly used to measure the impact of governance characteristics on firm performance (Minichilli, Brogi & Calabrò, 2016). It is computed as operating income divided by total assets. However, in order to increase the robustness of our empirical findings, we also repeat our baseline analysis using ROI (return on investment), calculated as the ratio of EBIT on total assets, which is considered to be particularly suitable to evaluate the efficiency of firms' investment (Jacobson, 1992). Financial variables have been obtained from Orbis database.

4.4. Independent variables

Our study has tested the aforementioned six hypotheses through a regression analysis where the diversity indices were used as independent variables. To do this, a Principal Component Analysis (PCA) has been conducted in order to aggregate the 16 measured dimensions into more synthetic indicators. A bivariate analysis of the diversity measures was conducted in order to assess whether any relationships exist between them, and the Pairwise Correlation matrix is shown in Table 3. As from the correlation matrix emerges that Gender Diversity and National Diversity are statistically independent and uncorrelated to the other variables, they have not been included in the principal component analysis and they will be considered as separate variables in the regression.

In order to determine the number of components to extract from the original set of variables, we look at the components with eigenvalues higher than 1. The results (available upon request to the authors) indicate that 6 components should be taken into consideration. However, we noted that 2 components were mainly composed by one single variable each and were not the result of a linear combination of more variables. Thus, we decided to retain only 4 components. After having determined the number of components to be extracted, the PCA has been performed and the results are presented in Table 4. Thus, the following 4 components were extracted:

1. *International Experience*, which aggregates the three variables related to the international experience of TMT members.
2. *Professional Background*, which aggregates the variables concerning the professional background of managers: organization diversity, industry diversity (e.g. the ratio of managers with experience in other industries) and occupational diversity (e.g. the Blau's index computed on the industries represented in each TMT).
3. *Temporal Heterogeneity*, which combines the variables related to age and tenure of TMT members.
4. *Educational Background*, related to education and functional diversity.

In addition, the other two variables excluded from the PCA analysis were used as independent variables in the regression model:

5. *Gender Diversity*, calculated as the percentage of women within the TMT.
6. *National Diversity*: Blau's index computed on the basis of nationalities within the TMT.

Table 3. PCA correlation matrix

	Variables	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*	*11*	*12*	*13*	*14*	*15*
1	Tenure Mean	1														
2	Tenure Diversity	-0.091	1													
3	Age Mean	0.307	0.205	1												
4	Age Diversity	0.286	0.212	0.159	1											
5	Gender Diversity	-0.103	0.16	0.053	0.09	1										
6	Organization Diversity	-0.334	0.012	0.043	-0.17	0.16	1									
7	Industry Diversity	-0.226	-0.094	-0.038	-0.165	0.029	0.814	1								
8	Occupational Diversity	-0.307	-0.014	0.021	-0.096	0.009	0.469	0.472	1							
9	International Experience W	-0.175	-0.007	-0.139	-0.153	0.1	0.51	0.616	0.138	1						
10	International Experience WS	-0.167	-0.067	-0.334	-0.184	-0.049	0.289	0.428	0.039	0.693	1					
11	International Experience S	-0.131	-0.14	-0.309	-0.13	-0.053	0.236	0.404	0.011	0.631	0.945	1				
12	National Diversity	-0.146	0.084	-0.016	-0.106	-0.072	0.24	0.266	0.316	0.375	0.269	0.273	1			
13	Edu Level Diversity	0.057	0.135	0.142	-0.02	0.077	-0.1	-0.16	0.112	-0.028	-0.041	-0.076	-0.025	1		
14	Edu Field Diversity	-0.103	0.103	0.145	0.279	0.214	0.108	-0.058	0.29	-0.057	-0.114	-0.122	0.157	0.18	1	
15	University Heterogeneity	-0.172	-0.065	-0.063	-0.114	0.163	0.247	0.078	0.36	0.024	-0.026	0.006	0.159	0.155	0.277	1

Table 4. Loadings of principal components extracted

Variables	*PC1*	*PC2*	*PC3*	*PC4*
Tenure Mean	0.0916	-0.1834	0.2973	-0.0108
Tenure Diversity	0.0762	-0.0017	0.3143	0.1412
Age Mean	-0.0253	0.1086	0.4313	-0.0475
Age Diversity	0.0511	-0.0174	0.4198	-0.0538
Organization Diversity	0.0499	0.3419	0.1025	-0.0971
Industry Diversity	0.1213	0.2859	0.1136	-0.1744
Occupational Diversity	-0.1125	0.3447	-0.0346	0.0331
International Experience W	0.2971	0.0396	0.1118	0.0195
International Experience WS	0.3505	-0.1139	-0.0222	0.0892
International Experience S	0.3388	-0.1207	-0.0268	0.0627
Edu Level Diversity	0.0646	-0.1232	0.0213	0.5134
Edu Field Diversity	-0.0767	0.1635	0.1463	0.1600
University Heterogeneity	-0.1118	0.1486	-0.2147	0.2957
Functional Diversity	0.0785	-0.0414	0.0263	0.4473

4.5. Control variables

Following previous research on TMT diversity, the study includes several control variables: top management team size, leverage, cash holdings, firm size, and tangibility. They represent the most common corporate characteristics taken into considerations when examining TMT heterogeneity effects on firm performance (Carpenter, Geletkanycz, & Sanders, 2004; Certo, Lester, Dalton, & Dalton, 2006).

In particular, prior research suggests that TMT size represents an important determinant of intra-group heterogeneity and ultimately of firm performance (Halebian & Finkelstein, 1993). Some papers highlight the benefits associated with having larger TMTs such as increased ability to process information (Henderson & Fredrickson, 1996), the enlarged range of perspectives when evaluating problems and more constructive conflicts (Amazon & Sapienza, 1996). On the other hand, other scholars argue that also some disadvantages can outweigh the aforementioned benefits. As TMTs increase in size, for instance, communication, coordination, and cohesiveness problems may arise (Halebian & Finkelstein, 1993). Also, larger teams are more likely to be characterized by inertia, thus resulting in less effective (Kiefer, 2005). Consistently with the above argument, we controlled for TMT size to avoid to underestimate the variety of smaller top management teams (Biemann & Kearney, 2009), and it was measured as the number of top management team members in the respective year. With regard to financial variables: leverage is calculated as total

debt to total assets. Cash holding is a measure of firm liquidity and it is computed by the ratio of cash and cash equivalents to total assets. Firm size is measured as the natural logarithm of total assets. Lastly, we measure tangibility as the ratio of fixed assets to total assets.

Table 5 and Table 6 show the main descriptive statistics of our sample and the correlation matrix. In order to verify whether multicollinearity is a problem, we measure the variance inflation factor (VIF). Results, showed on the first column of table 6, indicating that multicollinearity is not an issue in our model.

Table 5 Descriptive statistics of the total sample

Variables	*Mean*	*Standard deviation*	*First quartile*	*Median*	*Third quartile*
ROA	0.137	0.111	0.068	0.128	0.193
Gender diversity	0.199	0.184	0.000	0.167	0.300
National diversity	0.196	0.241	0.000	0.087	0.340
International experience	0.000	1.087	-0.277	0.235	0.670
Professional background	0.000	1.000	-0.560	0.292	0.673
Temporal heterogeneity	-0.000	1.000	-0.624	-0.097	0.598
Educational background	0.000	1.000	-0.534	0.158	0.760
TMT size	10.408	8.027	6.000	8.000	12.000
Leverage	0.117	0.143	0.004	0.063	0.175
Cash holdings	0.169	0.118	0.076	0.140	0.240
Size	14.386	1.290	13.557	14.222	15.361
Tangibility	0.433	0.167	0.302	0.420	0.564

Table 6. Pearson Correlations Matrix

	Variables	*IF*	*№1*	*№2*	*№3*	*№4*	*№5*	*№6*	*№7*	*№8*	*№9*	*№10*	*№11*	*№12*
1	ROA		1.000											
2	Gender diversity	1.58	0.131 (0.010)	.000										
3	National diversity	2.20	-0.038 (0.462)	0.072 (0.155)	.000									
4	International experience	1.88	0.131 (0.010)	.011 (0.829)	-0.266 (0.000)	1.000								
5	Professional background	2.37	0.069 (0.176)	.151 0.003)	0.296 (0.000)	0.000 -1.000	1.000							
6	Temporal heterogeneity	1.54	-0.115 (0.023)	.114 (0.025)	-0.007 (0.896)	0.000 -1.000	0.000 -1.000	1.000						
7	Educational background	2.18	0.160 (0.002)	.157 (0.002)	0.086 (0.091)	-0.000 -1.000	-0.000 -1.000	-0.000 -1.000	1.000					
8	TMT size	2.23	0.067 (0.188)	.088 (0.084)	0.273 (0.000)	0.138 (0.006)	0.200 (0.000)	-0.049 (0.330)	0.317 (0.000)	1.000				
9	Leverage	1.75	-0.099 (0.059)	.049 (0.349)	-0.088 (0.095)	0.121 (0.020)	0.028 (0.595)	-0.059 (0.257)	0.140 (0.008)	0.031 (0.561)	1.000			
10	Cash holdings	2.36	0.176 (0.001)	.207 (0.000)	-0.086 (0.089)	-0.129 (0.011)	-0.193 (0.000)	-0.039 (0.442)	0.127 (0.012)	0.004 (0.936)	-0.375 (0.000)	1.000		
11	Size	3.56	0.163 (0.001)	0.003 (0.957)	0.240 (0.000)	0.010 (0.844)	0.084 (0.101)	-0.099 (0.052)	0.415 (0.000)	0.515 (0.000)	0.241 (0.000)	-0.075 (0.139)	1.000	
12	Tangibility	2.44	-0.078 (0.125)	.102 (0.046)	0.146 (0.004)	0.096 (0.061)	0.272 (0.000)	-0.052 (0.311)	0.109 (0.032)	0.121 (0.017)	0.345 (0.000)	-0.558 (0.000)	0.331 (0.000)	.000

5. EMPIRICAL ANALYSIS

In previous studies, the relationship between corporate governance variables and firm performance has been examined through both the model of ordinary least squares (OLS) and fixed/random effects panel model. The choice of the econometric technique is usually related to the size of the sample and the period analysis. In our study, the sample is not very large and, at the same time, the period of analysis is relatively small (5 years). Consequently, we opted to apply for ordinary least squares (OLS) regression, controlling for time, industry and country effects, which allow us to avoid problems of heterogeneity.

Table 7 shows the results of our analyses. With regard to the main independent variables of the study, the empirical results show the existence of a positive and statistically significant relationship between firm performance and three diversity variables: gender diversity (0.0994, $p < .01$), international experience (0.015, $p < .10$) and educational background (0.0122, $p < .10$). Thus, we found support for the hypotheses 1, 3 and 6. On contrary, the empirical findings do not show a statistically significant relationship between firm performance and nationality diversity, professional background, and temporal heterogeneity. Thus, we do not find support for the hypotheses 2, 4 and 5. Hence, the results of the regression model are in line with three out of six hypotheses. In the fashion and luxury industry, companies with more women in their TMTs, more managers with international experiences and higher educational backgrounds seem to be better able to improve firm performance than firms in the same business with less heterogeneous TMTs. Finally, as robustness test, we repeated our baseline model (column 1 of table 7) using ROI as the dependent variable. As shown in column 8, the results are consistent with those of our baseline model 1. In addition, we regressed our main independent variables individually and the empirical findings are unchanged.

Table 7. Empirical analysis

Variables	*(1)*	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*
	ROA	*ROA*	*ROA*	*ROA*	*ROA*	*ROA*	*ROA*	*ROI*
Gender diversity	0.0994*** (0.0326)	0.0861*** (0.0318)						0.0973*** (0.0308)
National diversity	-0.0256 (0.0302)		-0.0365 (0.0291)					-0.0348 (0.0285)
International experience	0.0115* (0.00611)			0.0106* (0.00579)				0.00962* (0.00577)
Professional background	-0.00499 (0.00741)				-0.00815 (0.00703)			-0.00222 (0.00701)
Temporal heterogeneity	-0.00424 (0.00622)					-0.000182 (0.00617)		-0.00711 (0.00588)
Educational background	0.0122* (0.00738)						0.0122* (0.00725)	0.0164** (0.00697)
TMT size	-0.00307*** (0.000903)	-0.00285*** (0.000857)	-0.00246*** (0.000887)	-0.00273*** (0.000861)	-0.00265*** (0.000865)	-0.00272*** (0.000866)	-0.00309*** (0.000889)	-0.00314*** (0.000853)
Leverage	-0.0937** (0.0450)	-0.0903** (0.0445)	-0.0899** (0.0450)	-0.0788* (0.0448)	-0.0901** (0.0451)	-0.0850* (0.0450)	-0.0855* (0.0448)	-0.0699 (0.0425)
Cash holdings	0.114* (0.0630)	0.126** (0.0617)	0.173*** (0.0597)	0.186*** (0.0599)	0.174*** (0.0597)	0.173*** (0.0604)	0.162*** (0.0599)	0.0956 (0.0595)
Size	0.0434*** (0.00729)	0.0447*** (0.00697)	0.0449*** (0.00712)	0.0435*** (0.00699)	0.0443*** (0.00705)	0.0434*** (0.00705)	0.0405*** (0.00720)	0.0404*** (0.00689)
Tangibility	-0.0960** (0.0449)	-0.102** (0.0448)	-0.0813* (0.0447)	-0.0803* (0.0445)	-0.0752* (0.0452)	-0.0833* (0.0447)	-0.0834* (0.0445)	-0.0847** (0.0424)
Constant	-0.483*** (0.103)	-0.530*** (0.0951)	-0.515*** (0.0958)	-0.504*** (0.0957)	-0.538*** (0.0978)	-0.514*** (0.0975)	-0.475*** (0.0984)	-0.398*** (0.0970)
Year dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Industry dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	362	362	362	362	362	362	362	362
R-squared	0.336	0.316	0.304	0.308	0.304	0.301	0.307	0.343

*Note: Standard errors in parentheses (*** p<0.01, ** p<0.05, * p<0.1)*

6. DISCUSSION OF RESULTS

The present study supports, at least partially, predictions of the Upper Echelons theory (Hambrick & Mason, 1984) in the fashion and luxury industry, as firm performance has been found to be associated with some of the underlying diversity attributes examined. In particular, the empirical findings suggest that having a more heterogeneous top management team in terms of gender, international experience, and educational background is beneficial for the financial performance of the fashion and luxury companies.

In particular, with regard to the first hypothesis, empirical findings suggest that the peculiar conundrum between management and creativity dominates in the fashion and luxury industry, and the female leadership advantage seems to be validated (Eagly & Johnson, 1990). The results show that having more women on the top management team is positively associated with financial performance. Thus, in line with the extant literature on gender diversity, the present study confirms the benefits of including more female managers in key strategic decisions. These advantages include several aspects: through their relationship building and empowering skills, their "feeling" cognitive style (Hoffman & Hurst, 1990) as well as their pronounced problem-solving attitude and multitasking approach (Welbourne, Cycyota & Ferrante, 2007), women are likely to enhance decision-making comprehensiveness and to foster organizational effectiveness, ultimately leading to superior financial performance. Consistently with existing research (Liu, Wei & Xie, 2014; Conyon & He, 2017; Amore, Garofalo & Minichilli, 2014), the present study confirms that also in the fashion and luxury industry, the disadvantages that may arise from potential differences in values, perception and cognitive styles between men and women are outweighed by the several benefits that female managers bring to the organizations.

Concerning the third hypothesis, the empirical results confirm that also in the fashion and luxury industry, executives' international experience - either for work or study purposes - is positively associated with firm's financial performance: managers who spent a period of at least six months in a country different from that of their origins seems to contribute to organizational performance. The finding is in line with the extant literature, which argues that international experience of top managers constitutes an intangible resource that is valuable, rare, difficult to transfer and, thus representing a source of competitive advantage (Carpenter, Sanders & Gregersen, 2001). Following this perspective, life and work experiences in foreign contexts allow managers not only to mature an in-depth understanding of the institutions and culture of specific regions (Lee & Park, 2006) but also enhances their cognitive orientation and ability to come up with more fresh solutions, by looking at situations from different lenses. The cultivation of this global "mindset" (Murtha, Lenway & Bagozzi, 1998) seems to be particularly relevant in the fashion and luxury industry where one of the most crucial aspects is the internationalization process. Indeed, firms operating in this sector need to seek volumes beyond their own borders, by leveraging on a global client base rather than a local clientele, which might be not large enough to satisfy profitability goals (Kapferer & Bastien, 2012).

Finally, with regard to the sixth hypothesis, the empirical evidence shows that also in the fashion and luxury industry the diversity in the educational background of executives is positively related to firm financial performance: higher education in TMTs leads to better firm financial performance. This finding confirms that managers with strong educational background are generally related to a variety of perspectives and skill sets. Consequently, heterogeneity in educational backgrounds may

enhance problem-solving in the firms and improve the strategic decision-making process on the boards (Finkelstein, Hambrick & Cannella, 2009).

7. CONCLUSIONS

The aim of this study is to advance the current understanding of the TMT diversity, by taking as empirical setting the fashion and luxury industry. Although there are a lot of empirical studies investigating the link between TMT heterogeneity and organizational outcomes, the research has yielded inconsistent and sometimes inconclusive results, thus leaving the debate on whether managerial backgrounds' diversity might be beneficial still open (Homberg & Bui, 2013). Also from the theoretical paradigm point of view, mostly based on the Upper Echelons and Social Psychology theories, conceptual arguments are equivocal and their predictions not unitary.

Moreover, the current research issue originated from the lack of empirical research about TMT diversity in the fashion and luxury industry, which has been considered fascinating to explore. A peculiar management-creativity tandem characterizes this context and the consequent necessity to build complementary teams, capable to deal with the challenging as well as unconventional management of heritage brands. Hence, the current paper has been designed to fill such gap in the TMT diversity literature.

In line with the Upper Echelons framework and decision making theories, data overall confirm that TMT diversity can be considered a source of competitive advantage also and especially in the fashion and luxury industry. Our results have proved that there is value in involving more women in key strategic decisions as well as individuals who have spent at least six months in a country and characterized by strong educational background.

In short, this article once again supports the idea that the human capital management is extremely crucial in this sector where people – in terms of managers and owners – have a central role in leading firm's strategies and contributing to the long-term survival of iconic brands. Hence, important managerial and practical implications could be drawn from fashion and luxury companies that will deal up with top management team selection decisions.

First of all, contrary to popular beliefs and industry practices, it could be suggested that fashion and luxury companies should consider the option of hiring more women and managers with a strong background who might bring new and fresh perspectives to their top management teams.

In addition, it could be highly recommended for fashion and luxury firms to hire and retain managers with previous international experiences. They represent a unique resource, in particular in those industries addressed by globalization competing forces that need to seek volumes beyond their own borders, by leveraging on global clients rather than a local clientele, which might be not large enough to satisfy profitability goals (Kapferer & Bastien, 2012).

Although this work contributes with the aforementioned practical implications to expand the TMT diversity literature, there are also few limitations that must be acknowledged. For instance, the study relies on a relatively small sample in terms of a number of companies and short time period due to the limited information disclosure on top management teams, whereas a more extensive study could provide a richer dataset of observations.

Moreover, when investigating the TMT diversity-firm performance relationship, some moderating forces such as institutional context or team proximity might be taken into account. Furthermore, our research is limited to listed firms, while future studies may extend the investigation also to private firms, which still account for the majority of players in this industry. Finally, another possible direction for further research could be to examine the role of cognitive diversity, measuring managers' values and as well implicit attributes to understand whether these factors might influence firm performance.

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