

# How Does Top Management Team Stability Affect Corporate Risk-Taking Level

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**Abstract.** Taking the data of A-share listed companies in Shenzhen and Shanghai from 2014 to 2023 as the research sample, this paper examines the impact of top management team stability on corporate risk-taking. The study shows that top management team stability is significantly negatively correlated with the level of corporate risk-taking, i.e., the higher the stability of the team, the lower the level of corporate risk-taking. In addition, when the enterprise is a non-state-owned one, the top management team members have a financial background, and the enterprise is a small-scale one, the inhibitory effect of the team's stability on the level of corporate risk-taking is more obvious. This paper provides new empirical evidence for the study of the influence of top management team stability on the level of corporate risk-taking, with some reference value for the formulation of relevant government policies.

**Keywords:** Top Management Team Stability, Corporate Risk-taking Level, Ownership Type, Firm Size.

## 1. Introduction

The 19th CPC National Congress proposed that China's development is still in and will be in an important period of strategic opportunities for a long time, which means that China's enterprises need to deepen the internal reform and accelerate the transformation and upgrading to grasp the opportunity for change. However, these practices require enterprises to take more risks. As 2025 marks the culminating year of China's "14th Five-Year Plan" (2021-2025) and a critical period to lay the groundwork for a strong start to the "15th Five-Year Plan" (2026-2030), the Chinese government has proposed key economic objectives, including expanding corporate foreign trade and advancing high-quality economic development. In this way, corporate risk preferences in investment decisions significantly impact both business growth and economic progress, underscoring the imperative to enhance corporate risk-taking capabilities in alignment with national strategic goals.

The level of enterprise risk-taking reflects the behavioral preference of enterprise risk investment, and enterprises should choose all investment projects with positive expected net present value (NPV), that is, the marginal Q is 1 (Tobin, 1969). From the macro level, choosing high-risk investment projects can bring higher expected returns than low-risk investment projects. From the micro level, the higher the level of risk-taking, the more conducive to the enterprise to fully utilize the investment opportunities and enhance the competitive advantage of the enterprise (Yu et al., 2013). Previous studies demonstrate that the characteristics of executives' compensation (Zhang et al., 2013), CEO's gender (Faccio M et al., 2016), overseas background (Song et al., 2017), resignation threat (Tan C et al., 2022), and the experience of being imprisoned (Huang S et al., 2024) all affect the level of corporate risk taking. Based on this, how does top management team (TMT) stability, as one of the characteristics of the TMT, affect the level of corporate risk-taking? This paper takes the A-share listed companies in Shenzhen and Shanghai in China from 2014 to 2023 as a sample to study the impact of TMT stability on corporate risk-taking level. In this study, the volatility of corporate earnings was used to measure the level of corporate risk-taking, and the change in the number of executives and the change in the members, i.e., TMT stability, were tested as explanatory variables. The results find that TMT stability is significantly and negatively related to the level of corporate risk-taking. This suggests that the more stable the TMT is, the more investment projects with high risk but positive expected NPV will be abandoned when making investment decisions.

The main contributions of this paper are reflected in the following three aspects. First, while previous studies mainly discuss the impact on the risk-taking level of firms from the external environment, this paper puts forward a new direction on the risk-taking level from the internal perspective of the stability of TMT. Second, while previous literature has examined the impact of TMT stability on corporate social responsibility (Li, 2018), corporate technological innovation performance (Zhang et al., 2018), the cost of corporate debt financing (Luo et al., 2023), and the digital transformation of firms (Li and Sun, 2024), this paper looks at the firms' preference of choosing venture capital projects and analyzes the impact of TMT stability on investment decisions from the perspective of corporate risk-taking level. Third, this paper conducts a heterogeneity analysis based on three aspects, ownership types, financial backgrounds of executives and firm sizes, to study whether there is a difference in the impact of TMT stability on the level of risk-taking under different subgroups. This is of some reference significance to how enterprises can improve the selection of executives and venture capital projects according to their characteristics.

## 2. Theoretical Analysis and Research Hypotheses

Corporate risk-taking level refers to the degree of risk an enterprise is willing to take in pursuit of high returns when faced with uncertain investment decisions in the course of business. In the critical period of China's economic development and transformation, enterprises making accurate investment decisions will improve their risk-taking ability and enable them to develop and survive in the changing environment. TMT, as an important part of corporate operations, plays a decisive role in making investment decisions. The upper echelon theory proposes that, due to the complexity of the market environment, corporate managers are unable to fully recognize the various aspects, whose characteristics affect the firm's strategic choices (Hambrick and Mason, 1984). It has been found that the heterogeneity of the characteristics of TMT members, such as gender, occupational background, educational background, and age, significantly affects the level of risk-taking (Yang and Guo, 2024; Guo and Pian, 2024). The stability of the TMT refers to the degree to which the TMT remains unchanged over a certain period, including both the stability of executive members and the stability of size (Akgün and Lynn, 2002; Zhang et al., 2018), which is also an important reflection of the characteristics of the TMT. When there is a change in the personnel of the TMT, the heterogeneity of characteristics between the newly appointed executives and the original executive members will produce conflicts, bringing changes and adjustments to the business methods and investment decisions, which in turn affect the level of risk-taking (Liu and Zhang, 2023). Therefore, this paper argues that TMT stability has an impact on the level of corporate risk-taking.

First of all, the principal-agent theory suggests that under the contract of the agency relationship, the principal will entrust the agent to implement some of the decisions. When the two parties have conflicts for the purpose of maximizing their respective interests, the agent will no longer make decisions in the principal's best interests. This agency relationship exists between the owner and the manager in the modern enterprise. When there is goal incongruence as well as information asymmetry between managers and owners, managers tend to favor risk-averse investment decisions, while owners are more inclined to risk-preferent decisions (Jensen and Meckling, 1976). In order for managers to prevent financial and reputational damage to themselves, and thus preserve their positions and compensation packages, TMTs will focus more on avoiding risky investment projects, even if they may bring high returns to the firm. The hypothesis of rational man proves that executives will maximize their interests through various ways to obtain compensation, and the excess compensation obtained due to rent-seeking is "unjustified", so the executives who have already received the excess compensation will shift from selecting high-risk projects with positive NPV to lower-risk projects as much as possible to reduce the level of risk-bearing (Men and Yang, 2021). Second, based on the social identity theory, the relationship between individuals with similarities such as the same situation, similar interests, and the same value orientation in the group is closer, which makes it easier for individuals to obtain a sense of self-identity in the group as a way of

promoting cooperation and avoiding conflicts and disagreements (He, 2015). In an enterprise, the increased stability of TMT will promote the sense of identity among members and the formation of groupthink. In a stable TMT, due to the strong convergence of members' interests, the stable TMT will tend to maintain the status quo and reduce high-risk strategic change behaviors to avoid damage to the interests of team members (Xu and Li, 2022), which will inhibit the level of corporate risk-taking. Based on the above analysis, Hypothesis 1 was proposed.

H1: There is a negative correlation between TMT stability and the level of corporate risk-taking, i.e., the more stable the TMT, the lower the level of corporate risk-taking.

The psychological characteristics of the TMTs will have an important impact on their investment decisions. Overconfident managers have a more optimistic evaluation of their abilities and the investment environment. They believe that the knowledge and experience they possess are rich enough to make more accurate judgments about the riskiness of investment projects and then choose high-risk investment projects more decisively, thus increasing the level of corporate risk-taking (Yu et al. 2013; Gao and Liu, 2021). From the perspective of human resource theory, a highly stable TMT can generate strong internal cohesion among its members and promote management to always work closely together and make joint decisions in a complex and changing environment (Man and Lam, 2003). When members of the TMT have formed a high degree of trust and tacit understanding after a long period of bonding, they will tend to choose technological innovation projects with a significant lag between high risk, high investment, and high return (Cao and Feng, 2018), which improves the level of corporate risk-taking. Based on the above analysis, Hypothesis 2 was proposed.

H2: The stability of TMT is positively related to the level of corporate risk-taking, i.e., the more stable the TMT is, the higher the level of corporate risk-taking is.

### 3. Research Design

#### 3.1 Sample Selection and Data Source

This paper takes the data of A-share listed companies in China's Shenzhen and Shanghai markets from 2014 to 2023 as the research sample. To make the empirical conclusions more reliable and valid, the screening was carried out according to the following criteria. First, samples of financial, insurance, and real estate companies were excluded. Second, samples of ST, \*ST, and PT companies were deleted. Third, samples with missing key data were also screened out. Finally, 19,527 valid samples were obtained, and the relevant data in this paper were all from the CSMAR Database. To eliminate the interference of extreme values, the variables in this paper were winsorized by 1% and 99% with the statistical software Stata 17.0.

#### 3.2 Variable Definition

##### 3.2.1 Explained Variable: Risk

Drawing on the studies of John et al. (2008), Boubakri et al. (2011), and Yu et al. (2013), this paper adopted the volatility of corporate earnings to measure the level of corporate risk-taking. The greater the volatility of earnings is, the higher the level of corporate risk-taking is, and vice versa. Return on assets (ROA) is the ratio of earnings before interest, taxes, depreciation, and amortization (EBITDA) for the year to total assets at the end of the year. To alleviate the impact of industry factors on enterprises, the industry-adjusted ROA of Enterprise *i* in Year *t* was expressed by  $ADJ\_ROA_{i,t}$ . According to Eq.1 and Eq.2, the standard deviation Risk of  $ADJ\_ROA$  was calculated on a rolling basis with every three years ( $T=3$ ) as an observation period to measure the level of corporate risk-taking. The specific equations are as follows.

$$ADJ\_ROA_{i,t} = \frac{EBITDA_{i,t}}{ASSETS_{i,t}} - \frac{1}{X} \sum_{k=1}^X \frac{EBITDA_{i,t}}{ASSETS_{i,t}} \quad (1)$$

$$Risk_{i,t} = \sqrt{\frac{1}{T-1} \sum_{n=1}^T \left( ADJ\_ROA_{i,t} - \frac{1}{N} \sum_{t=1}^T ADJ\_ROA_{i,t} \right)^2} | T=3 \quad (2)$$

### 3.2.2 Explanatory Variable: Stability of TMT (STMT)

With reference to Zhang et al. (2018), the stability of the TMT under consideration includes both changes in the number and the members. The number refers to the total number of executives disclosed in the annual report of the company, including the chairman, directors, general managers, deputy general managers, etc., excluding independent directors and outside directors. The number of executives who have been retained during the sample period was used to measure the stability, provided that the size of the TMT remains constant. In this way, Model 3 was constructed to calculate the TMT stability, borrowing from Crutchley et al. (2002) and Yu and Chi (2004).

$$STMT_{t,t+1} = \frac{M_t - \#(S_t/S_{t+1})}{M_t} \frac{M_{t+1}}{(M_t + M_{t+1})} + \frac{M_{t+1} - \#(S_{t+1}/S_t)}{M_{t+1}} \frac{M_t}{(M_t + M_{t+1})} \quad (3)$$

$M_t$  denotes the total number of executives of the firm in Year t.  $\#(S_t/S_{t+1})$  is the number of executives who are in office in Year t but leave in Year t+1.  $M_{t+1}$  represents the total number of executives in Year t+1 and  $\#(S_{t+1}/S_t)$  refers to the number of executives who are not in office in Year t but are newly added in Year t+1. The value of STMT takes the range of [0,1], and the closer the value is to 1, the more stable the TMT is.

### 3.2.3 Control Variables

Drawing on previous studies (Liu and Zhang, 2023; Li and Sun, 2024; Ding and Yu, 2025), this paper selects the following control variables: fixed assets ratio (PPE), capital expenditures (Capital), number of employees (Employee), asset-liability ratio (Lev), cash ratio (Cash), ownership concentration (Top1), corporate value (Tobinq), firm’s age (CEY), and corporate scale (Size). The definitions of the above variables are shown in Table 1.

### 3.3 Model Construction

In order to explore the influence of TMT stability on the level of corporate risk-taking, this paper constructed the following multiple regression model.

$$Risk_{i,t} = \beta_0 + \beta_1 STMT_{i,t} + Controls + \sum Year + \sum Firm + \varepsilon_{i,t} \quad (4)$$

In Model 4, the explained variable is  $Risk_{i,t}$ , which denotes the level of corporate risk-taking. The explanatory variable is  $STMT_{i,t}$ , which is the TMT stability. Controls represent the set of control variables.  $\sum Year$  and  $\sum Firm$  denote the yearly and firm fixed effects, respectively.  $\varepsilon_{i,t}$  is the random disturbance term. Detailed variables and definitions are shown in Table 1.

Table 1 Variable Definition

Variable	Symbol	Definition
Risk-Taking Level	Risk	Calculate Based on Eq.2
TMT Stability	STMT	Calculate Based on Eq.3
Fixed Asset Ratio	PPE	Net Fixed Assets/Total Assets
Capital Expenditure	Capital	ln (Payments for Fixed, Intangible, and Other Long-term Assets)
Number of Employees	Employee	ln (Total Number of Employees in Listed Companies)
Asset-Liability Ratio	Lev	Total Liabilities/Total Assets
Cash Ratio	Cash	Closing Balance of Cash and Cash Equivalents/Current Liabilities
Ownership Concentration	Top1	Shares Held by the Largest Shareholder/Total Shares
Firm’s Age	CEY	ln (1+Years of Establishment)
Corporate Value	Tobinq	Market Value/Total Assets
Corporate Scale	Size	ln (Total Assets)

## 4. Empirical Results and Analysis

### 4.1 Descriptive Statistics

Table 2 reports the results of descriptive statistics for the main variables of this study. Among them, the mean value of Risk is 0.036, the standard deviation is 0.041, fluctuating within the range of 0.002 to 0.238, and the median is 0.023, which is lower than the mean value. The overall distribution is to the right, indicating that the sample firms are generally at a lower level of risk-taking and that there is a large difference among the firms. The mean value of STMT is 0.893, the standard deviation is 0.122, the minimum value is 0.436, and the maximum value is 1, which indicates that the stability of the TMT of the sample firms is relatively high, but some firms have frequent changes in their TMTs.

Table 2 Descriptive Statistics for Main Variables

	Observed Value	Mean Value	Standard Deviation	Minimum	Median	Maximum
Risk	19527	0.036	0.041	0.002	0.023	0.238
STMT	19527	0.893	0.122	0.436	0.929	1.000
PPE	19527	0.198	0.141	0.003	0.171	0.639
Capital	19527	18.868	1.713	14.168	18.861	23.434
Employee	19527	7.845	1.207	5.226	7.758	11.284
Lev	19527	0.423	0.195	0.064	0.417	0.896
Cash	19527	0.716	0.993	0.024	0.378	6.271
Top1	19527	32.501	14.450	8.041	30.090	72.804
Tobinq	19527	2.131	1.378	0.843	1.696	8.783
CEY	19527	2.989	0.293	2.197	2.996	3.611
Size	19527	22.389	1.265	20.081	22.213	26.365

### 4.2 Benchmark Regression Analysis

Table 3 reports the regression results of Model 4, reflecting the relationship between TMT stability and the level of corporate risk-taking, with each column of the regression controlling for the fixed effects of the year and individual enterprises clustered to year. Column 1 presents the regression results without the inclusion of control variables. The coefficient of STMT is -0.017 and is significant at the 1% level, which preliminarily verifies that TMT stability is negatively associated with corporate risk-taking. Column 2 shows the regression results with control variables added, and the coefficient of STMT is -0.015, which is significant at the 1% level, indicating that Risk decreases by 0.015 units for every 1 unit increase in STMT. It further indicates the negative correlation between the TMT stability and the level of corporate risk-taking, i.e., the more stable a company's TMT is, the lower its level of risk-taking is, verifying H1.

Table 3 Benchmark Regression

	(1) Risk	(2) Risk
STMT	-0.017*** (-4.45)	-0.015*** (-4.28)
Constant	0.052*** (15.09)	0.217** (2.57)
Controls	Yes	Yes
Year FE	Yes	Yes
Firm FE	Yes	Yes
Observations	15,467	15,467
R-squared	0.508	0.531

Note: \*\*\*, \*\*, and \* indicate passing 1%, 5%, and 10% significance tests, respectively. What in parentheses is statistics t. Clustering is to the year. Same below.

### 4.3 Heterogeneity Analysis

In order to explore the relationship between TMT stability and the level of corporate risk-taking in more depth, this part analyzes the heterogeneity of the relationship between the two under different circumstances from the localized perspectives of the ownership type, the differences in the backgrounds of the executive team, and the firm size.

#### 4.3.1 Ownership Type

According to previous studies (Li, 2018; Chen et al., 2018), enterprises were categorized into non-state-owned enterprises and state-owned enterprises according to the nature of property rights. The regression results in Table 4 are as follows. Column 1 indicates that the coefficient of STMT in non-state-owned enterprises is significant at the 1% level, while it is not so in state-owned enterprises as presented in Column 2. In state-owned enterprises, the stability of the TMT is higher than that of non-state-owned enterprises because there are certain restrictions on the tenure of executives and more factors to be considered in the appointment and removal of executives. Compared to non-state-owned enterprises, state-owned enterprises prefer robust investment strategies, which makes the risk-taking level of state-owned enterprises show a lower tendency than that of non-state-owned enterprises. Therefore, the stability of the TMT of non-state-owned enterprises has a greater impact on the risk-taking level compared to state-owned enterprises.

Table 4 Heterogeneity Analysis: Ownership Type

	(1) Risk Non-state-owned	(2) Risk State-owned
STMT	-0.017*** (-4.53)	-0.008 (-1.84)
Constant	0.243 (1.73)	0.090 (1.32)
Inter-group Coefficient Test		-0.009*
Controls	Yes	Yes
Year FE	Yes	Yes
Firm FE	Yes	Yes
Observations	14,047	5,421
R-squared	0.506	0.532

#### 4.3.2 Financial Background of Executives

According to the studies (Guo and Pian, 2024; Li et al., 2024), firms were categorized according to whether the executives have a financial background or not. The regression results in Table 5 are as follows. Column 1 indicates that TMT stability is not significant in the sample of firms whose executives do not have a financial background. Column 2 demonstrates that the coefficient on TMT stability is significant at the 1% level in the sample of firms whose executives have a financial background. Compared with enterprises whose executives do not have a financial background, enterprises whose executives have a financial background have fewer differences of opinion and a more stable TMT when making investments. Executives with a financial background are more able to maintain rationality when making investment decisions and use their rich professional knowledge and experience to choose less risky investment projects, which then suppresses the level of corporate risk-taking. Therefore, the effect of TMT stability on the level of corporate risk-taking is greater in firms whose executives have a financial background than in firms whose executives do not have one.

Table 5 Heterogeneity Analysis: Executive Level

	(1) Risk	(2) Risk
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	No Financial Background	With Financial Background
STMT	-0.002 (-0.56)	-0.016*** (-5.14)
Constant	0.263*** (3.57)	0.104 (1.20)
Inter-group Coefficient Test		0.014***
Controls	Yes	Yes
Year FE	Yes	Yes
Firm FE	Yes	Yes
Observations	5,472	13,363
R-squared	0.578	0.533

### 4.3.3 Firm Size

According to the study (Gu et al., 2023), enterprises with the number of employees greater than and less than the median were respectively divided into two groups, large-scale and small-scale. In Table 6, Columns 1 and 2 show that the stability of TMT is significantly negative for both small-scale and large-scale firms. In terms of regression coefficients, the regression coefficients for small-scale firms are larger than those for large-scale firms, mainly due to the fact that small-scale firms lack financial support more than large-scale firms, resulting in a weaker level of risk-taking. Therefore, the inhibitory effect of TMT stability on the level of corporate risk-taking is more pronounced in small-scale firms.

Table 6 Heterogeneity Analysis: Firm Size

	(1) Risk Small-Scale	(2) Risk Large-Scale
STMT	-0.019*** (-5.13)	-0.008* (-2.15)
Constant	0.059 (0.51)	0.193** (2.96)
Inter-group Coefficient Test		-0.011**
Controls	Yes	Yes
Year FE	Yes	Yes
Firm FE	Yes	Yes
Observations	9,668	9,845
R-squared	0.510	0.477

### 4.4 Analysis of Mediating Effect

It has been shown (Ding and Yu, 2025) that based on the analysis of behavioral theory, the stability of TMT can stimulate the ability of managers, prompting managers to reduce short-sighted behavior and make decisions in the long-term interests of the enterprise, which in turn can achieve sustainable development. According to Fu (2012), high-capacity managers will select venture capital projects more carefully during the investment decision-making process in order to maintain their reputation in the broker market, which in turn inhibits the level of risk-taking in their firms. In order to explore the transduction role of managerial ability in the relationship between the stability of TMT and the level of corporate risk-taking, this study constructed the managerial ability indicator, Ability, according to the method of Demerjian et al. (2012), and set the following model of the relationship between the stability of TMT and managerial ability, drawing on the mediating effect analysis method of Jiang (2022).

$$Ability_{i,t} = \gamma_0 + \gamma_1 STMT_{i,t} + Controls + \sum Year + \sum Company + \varepsilon_{i,t} \quad (5)$$

The regression results in Table 7 are as follows. Column 1 is the benchmark regression result of TMT stability and corporate risk-taking level, which is consistent with the regression results in Table 2. Column 2 presents that the coefficient of TMT stability is significantly positive at the level of 10%, which indicates that the stability of TMT can enhance managerial competence. In summary, for enterprises, TMT stability inhibits corporate risk-taking, and managerial ability plays a partial mediating effect.

Table 7 Results of the Mediating Effect of Managerial Competence

	(1) Risk	(2) Ability
STMT	-0.015*** (-5.49)	0.004* (2.02)
Constant	0.143 (1.57)	-0.610*** (-4.81)
Controls	Yes	Yes
Year FE	Yes	Yes
Firm FE	Yes	Yes
Observations	19,527	19,527
R-squared	0.495	0.817

#### 4.5 Endogeneity Test

In order to address the potential endogeneity issue, referring to Li et al. (2024), the cubic of the difference between the stability of the TMT and the mean was selected as the instrumental variable to be tested. According to the test results, the Kleibergen-Paap rk LM statistic is significant at the 1% level, which rejects the original hypothesis of “insufficient identification of instrumental variables”. The regression result of the F-value in the first stage is 7674.03, which is greater than the empirical value of 10, indicating that there are no weak instrumental variables. All of the above demonstrate the rationality of the selection of instrumental variables.

The results of the two-stage regression of instrumental variables are shown in Columns 1 and 2 of Table 8, where the coefficient of the instrumental variable STMT\_IV is significant at the 1% level, indicating that it is positively related to STMT. The results of the second-stage regression show that the TMT stability and the level of risk-taking are still significantly negatively related, suggesting that if the stability of TMT suddenly decreases (e.g., in case of a sudden departure of the core executive), firms may curb their risk-taking by adjusting their risk strategy, etc.

Table 8 Endogeneity Test: Instrumental Variable Method

	(1) STMT	(2) Risk
STMT		-0.0226** (-4.55)
STMT_IV	7.100*** (69.57)	
Controls	Yes	Yes
Year FE	Yes	Yes
Firm FE	Yes	Yes
N	15467	15467
F Value		7674.03***

#### 4.6 Robustness Test

##### 4.6.1 Replacement of Explanatory Variable

In order to enhance the reliability of the research results, this paper referred to the practice of Luo et al. (2023) to expand the definition of TMT. Independent directors and supervisors were included

to recalculate the stability of TMT (STMT1), which replaced the original explanatory variable (STMT) to be reintroduced into Model 4 for the benchmark regression. The test results, as shown in Column 1 of Table 8, show that the coefficient of the replaced stability of TMT (STMT1) is negatively significant at the 1% level, consistent with the findings of the previous parts.

#### 4.6.2 Replacement of Explained Variables

This paper took the following steps to replace the explained variables. First, used Lev as a proxy for the explained variable Risk and excluded Lev from the control variables before conducting the benchmark regression (Xiao et al., 2018). Second, according to He et al. (2019), the measurement of Risk was replaced, and the window period was changed to 5 years (year t-2 to year t+2) to measure Risk1, which replaced the original explained variable Risk to be reintroduced into Model 4 for the benchmark regression. The above regression results are shown in Columns 2 and 3 of Table 8, respectively. The coefficients of STMT are significantly negative at the 5% level, indicating that the robustness tests all support the findings of the previous parts.

Table 9 Robustness Test

	(1) Risk	(2) Lev	(3) Risk1
STMT		-0.017** (-3.11)	-0.011** (-3.26)
STMT1	-0.012*** (-3.93)		
Constant	0.214** (2.50)	-1.318*** (-6.84)	0.125 (1.51)
Controls	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes
Observations	15,467	15,467	15,467
R-squared	0.531	0.852	0.705

## 5. Conclusions and Implications

This paper tested the relationship between the stability of TMT and the level of corporate risk-taking with the A-share listed companies in Shenzhen and Shanghai in China from 2014 to 2023 as a research sample. It was found that there is a negative correlation between the stability of TMT and the level of corporate risk-taking, i.e., the more stable the TMT is, the lower the level of corporate risk-taking is. The TMT stability in non-state-owned firms has a more significant effect on the level of risk-taking in firms than in state-owned firms. The TMT stability with a financial background inhibits the level of risk-taking more than in those without a financial background. And the stability of TMT has a greater effect on the level of risk-taking in small-scale firms than in large-scale firms. In addition, in the process of the TMT stability affecting the risk-taking level, the managerial ability of the firm plays a mediating effect. After the test by selecting the cubic of the difference between the TMT stability and the mean as an instrumental variable, it was shown that in the event of a sudden decline in the stability, the firm may inhibit its level of risk-taking by adjusting its investment strategy. Finally, this paper conducted a robustness test by replacing the explanatory variables with the explained variables, which further enhances the reliability of the previous findings.

The findings of this paper have the following policy implications. First, the executive selection mechanism of enterprises should be optimized. The government should issue guiding documents to standardize the criteria and process of executive selection in enterprises. The government can also set up a special fund to support enterprises in making a smooth transition when executives leave.

Second, policies for the training of financial talents should be strengthened. The government should increase the popularization of financial knowledge and establish a multi-level financial

training system covering online, offline, short-term, and long-term forms. Executives should be required to participate in regular financial knowledge assessment, the results of which are linked to salary and promotion. This approach can motivate executives to take the initiative to learn financial knowledge and other means to improve the financial literacy of executives with non-financial backgrounds, so as to make them more rational in investment decision-making and enhance the level of corporate risk-taking.

Third, differentiated policies should be formulated to facilitate the balanced development of enterprises of different sizes. The government should set up government-funded financial guarantee institutions which can provide guarantee services for small-scale enterprises, reduce their financing costs, and enhance their risk-bearing level. Policies for the introduction of overseas talents can attract high-end overseas talents to join large-scale enterprises. Large-scale enterprises can be guided to make use of their resource advantages to actively engage in high-risk, high-return projects, such as strategic international investment, to achieve stable growth in the national economy.

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