

Escaping the All-Star Trap: Reshaping Leadership in Growth-Stage Technology Enterprises—Observations Based on Dynamic Capabilities Theory and Empirical Evidence from the Chinese Context

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Abstract: Growth-stage technology enterprises often fall into the trap of stacking up “all-star” talent. Drawing on dynamic capabilities theory and upper echelons theory, together with empirical research in the Chinese context, this paper points out that top management team (TMT) heterogeneity has an inverted U-shaped relationship with corporate digital transformation, and that excessive diversity triggers cognitive conflict and internal friction. Reshaping leadership in technology enterprises should proceed on three levels: at the capability level, building a dynamic “sensing–seizing–reconfiguring” closed loop; at the team level, seeking the “golden ratio” of cognitive complementarity and constructing a flexible “stable core + agile edge” architecture; and at the organizational level, driving the founder’s cognitive leap from chief technology officer (CTO) to chief strategy officer (CSO) and establishing a decision sandbox mechanism that supports ambidextrous learning—ultimately completing a paradigm shift from individual heroism to a symbiotic organizational system.

Keywords: Growth-Stage Technology Enterprises; Transformational Leadership; Top Management Team Heterogeneity; Dynamic Capabilities; Specialized, Refined, Distinctive, and Innovative (SRDI) Enterprises

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Across China’s manufacturing landscape, “specialized, refined, distinctive, and innovative” (SRDI) enterprises and “little giant” firms are becoming the most vibrant cells of the country’s economic transformation. Most of them originate from a highly forward-looking technological idea or from a niche segment easily overlooked by industry giants. Relying on their founding teams’ absolute focus on a single field, they rapidly complete their initial accumulation, going from zero to one.

However, once these firms move beyond the seed stage and confront complex market competition and the pressures of scaling up, many founders fall into deep anxiety: the technological edge that once carried all before it begins to fall short in the face of intricate organizational management. As founders rush to shore up their weaknesses, a cognitive fallacy known as the “all-star” mindset has spread rapidly through technology entrepreneurship circles—founders firmly believe that as long as they spare no expense in assembling top technical experts and professional managers with dazzling résumés, an all-star lineup will enable them to upgrade their organizational capabilities smoothly.

Yet the truth of the business world is that an organization is not a simple sum of capabilities. In recent years, both management practice and academic research have been pouring cold water on this fervor. Several empirical studies of

Chinese firms have revealed that the background heterogeneity of the top management team (TMT) has a significant effect on corporate strategic transformation; however, this effect is by no means a matter of “the more, the better.” Instead, it follows an inverted U-shaped pattern in which “too much is as bad as too little” ^[1].

In a highly uncertain business environment, the core meaning of leadership in technology enterprises has undergone a fundamental transformation. Leadership is no longer a charismatic display of the founder’s individual heroism; rather, it should be elevated into a dynamic capability deeply embedded within the organization—one that, through a continuous cycle of sensing the environment, seizing opportunities, and reconfiguring resources, brings about a paradigm shift from individual decision-making to systemic symbiosis. This is where a firm’s truly reliable managerial leverage lies.

1. Moving Beyond Static Advantage: Dynamic Capabilities and Managing the Odds under Uncertainty

Traditional leadership research has long been preoccupied with trait and behavioral theories, eager to paint a personality portrait of the ideal leader. Such models, premised on a static environment, look increasingly feeble today, when technologies iterate rapidly and business models can be disrupted at any moment. As Teece points out, only by relying on dynamic capabilities—the higher-order organizational capabilities to integrate, build, and reconfigure internal and external resources in response to rapidly changing environments—can firms achieve sustained evolution ^[2].

Schoemaker, Heaton, and Teece further point out that the core responsibility of leaders has long since shifted from maintaining the organization’s steady-state operation to serving as the driving force behind the dynamic renewal of organizational capabilities ^[3]. For technology-based enterprises operating in a nonlinearly evolving environment, static competitive advantages are often fleeting. In this higher-order game riddled with unknowns, transformational leadership is essentially an exercise in managing the odds under uncertainty, and it requires firms to form a tight closed loop across three core dimensions.

Sensing: the environmental insight to stay one step ahead. Capturing weak signals before opportunities take shape and before threats materialize is the starting point of dynamic capabilities. This requires leaders to step out of their technological comfort zone, establish institutionalized channels for scanning policies, markets, technologies, and customer needs, and convert information scattered across the front line into strategic intelligence that can support decision-making. Many founders with technical backgrounds are used to keeping their heads down to polish their products but seldom look up to see the road ahead—and the absence of sensing is often a firm’s first step toward missing its window for transformation.

Seizing: the resource-allocation capability to bet decisively. Sensing an opportunity is merely the first step; the real test lies in calculating the best odds and betting decisively under severe resource constraints. Transformational leaders need to use powerful inspirational motivation to pull fragmented technological explorations together into a clear business blueprint, and to establish platform-based decision-coordination mechanisms internally, ensuring that core resources are channeled precisely toward the growth engines with the greatest leverage.

Reconfiguring: the organizational resolve to fold a losing hand. The downfall of many technology enterprises stems not from strategic myopia but from execution paralysis—the inability to translate new strategies into organizational action. The growth of an enterprise is, in essence, a process of continually “killing” its previously successful self. When the situation turns against it, the organization must have the resolve to cut its losses, decisively restructure its existing organizational DNA, and even dare to abandon the old path that once brought it glory.

Therefore, building leadership in technology enterprises is by no means a matter of copying a successful entrepreneur’s checklist of traits. Rather, it means keeping the three dimensions of “sensing–seizing–reconfiguring” cycling continuously so as to build a system capable of self-iteration.

2. The Heterogeneity Paradox: Finding the “Golden Ratio” of Cognitive Complementarity

Upper echelons theory holds that an organization’s strategic choices are, in essence, a projection of the cognitive bases and values of its TMT ^[4]. Many founders place blind faith in “all-stars” precisely because they hope to bring in “heavyweights” from diverse backgrounds to overcome collective blind spots. However, they often overlook the other side of the coin:

excessive heterogeneity can send communication costs soaring and erode the foundation of trust, ultimately dragging down decision-making efficiency ^[5].

Drawing on 2010–2024 data from A-share companies listed on the Shanghai and Shenzhen stock exchanges, the empirical study by Hao et al. (2026) provides highly incisive evidence on this theoretical tension: TMT heterogeneity in educational background, functional expertise, and overseas experience has a significant inverted U-shaped relationship with corporate digital transformation ^[1].

Insufficient heterogeneity: blind spots on the left side of the curve. When team members have highly homogeneous backgrounds (e.g., a team made up entirely of engineers), the team unconsciously falls into a cognitive cocoon. Fatal blind spots in financial leverage, business model innovation, and market expansion leave the firm severely lacking the momentum to transform.

Moderate heterogeneity: the optimum at the top of the curve. As members from different backgrounds join, the collision of diverse perspectives begins to generate chemistry, and the team's abilities to seize business opportunities and to guard against systemic risks improve in tandem.

Heterogeneity overload: the internal-friction trap on the right side of the curve. Once heterogeneity crosses a critical threshold, diversity turns from an asset into a liability. Vast cognitive gaps leave executives working at cross-purposes on strategic goals, and the team's collective capacity for action is exhausted by endless internal wrangling.

Clearly, heterogeneity itself is never the goal; the quality of complementarity is. What founders really need to calculate is not the “star power” of the team's résumés but how well its members' cognitive structures “mesh.”

Moving from an all-star team to a synergistic one also calls for a practical self-check. When building a TMT, founders must abandon the vanity of stacking up famous names and instead look for functional complementarity that creates chemistry. Talent with a T-shaped knowledge structure is especially valuable here—such people have deep expertise in a particular technical field as well as the business breadth to communicate across boundaries, making them natural shock absorbers for defusing cognitive conflict within the team.

Firms may wish to use a few “cognitive health” questions to regularly examine their teams for a drift toward homogeneity: Is anyone calmly questioning the commercial viability of the current technical approach? Is anyone rigorously calculating the drawdown risk and financial bottom line of strategic decisions? Is anyone continuously monitoring how much flexibility remains in organizational capabilities and the talent pipeline? If the answer to every question is no, the TMT is converging on “a single voice” and sliding into the dangerous abyss of homogeneity.

3. The Fulcrum between Stability and Agility: Balancing Tensions in Managerial Bandwidth

In organizational design, heterogeneity answers the question of “who should be on the team,” whereas stability answers the question of “how long they can stay.”

A study by Zhang et al. published in *Finance Research Letters* reveals an underlying logic that entrepreneurs often underestimate: management team stability significantly promotes corporate digital transformation, an effect that is particularly pronounced among small and medium-sized enterprises ^[6]. Tan's research likewise shows that TMT stability is significantly and positively correlated with the sustainability of corporate innovation ^[7]. Ye and Yu's analysis of data on 891 “little giant” enterprises further confirms that a stable TMT can enhance innovation quality by strengthening organizational resilience ^[8]. The business logic behind these findings rests on two levers.

The signaling lever. A stable core team sends the capital market a strong signal of strategic coherence and sound governance, which can effectively lower trust costs and ease the firm's financing constraints.

The trust lever. Long-term “battle-tested” bonding within the core team substantially reduces information asymmetry and opportunistic behavior, driving the coordination efficiency of strategy execution to a high level.

However, at a time when the digital economy is reshaping the business landscape, absolute stability is tantamount to slow suicide. Excellent leaders of technology enterprises know how to deploy a flexible “stable core + agile edge” architecture.

The core decision-making layer (the Core). This layer comprises the founder and the co-founders who deeply identify

with the firm's underlying logic. Serving as the organization's ballast, they remain highly stable and are responsible for safeguarding strategic steadfastness and the organization's cultural foundation.

The peripheral execution and advisory layer (the Edge). This layer maintains a moderate degree of mobility and openness. Firms can set up external expert think tanks or flexible advisory committees, bringing in top cross-disciplinary minds on a project or task basis to keep injecting fresh perspectives into the organization, while using internal job rotation to unlock dormant potential and break down departmental silos.

True leadership lies in precisely distinguishing "valuable stability grounded in trust" from "harmful rigidity born of a fear of change." Two questions are worth asking regularly as a self-check. Is the team stable because its members can still challenge one another productively on key decisions, or because no one is willing to voice dissent anymore? Do core members stay because they genuinely endorse the new strategy, or out of inertia rooted in path dependence? In each case, the first answer signals stability; the second, rigidity.

4. The Endgame of Organizational Evolution: From Super-Individuals to a Decision Sandbox for Ambidextrous Learning

Most crises that erupt in technology enterprises during their middle and later stages can be traced back to the founder's own "cognitive bandwidth" hitting its ceiling. McKinsey research indicates that the leaders at the helm of technology unicorns that successfully navigate business cycles generally combine "curiosity and flexibility" with the ability to "withstand pressure and make tough decisions"^[9].

This means that founders must undergo a painful cognitive leap: transforming from a "chief technology officer" fixated on technical refinement into a "chief strategy officer" well versed in business logic. The founder is no longer the superhero who "solves every problem" but must become the architect who "designs the problem-solving system."

The highest form of such system design is to build organizational mechanisms that support "ambidextrous learning" (organizational ambidexterity). As early as 1991, March pointed out that firms must strike a delicate balance between "exploratory learning" (radical innovation that ventures into unknown territory) and "exploitative learning" (incremental improvement that squeezes value out of existing businesses)^[10]. O'Reilly and Tushman further argued that ambidextrous organizations, which can manage both types of learning simultaneously, significantly outperform single-track firms over the long term^[11], while Raisch and Birkinshaw cautioned that ambidexterity does not arise naturally and requires the joint support of leadership behavior and structural design^[12]. Bai et al. (2025) likewise pointed out that transformational leadership drives the formation of such ambidexterity through three pathways: intellectual stimulation, individualized consideration, and inspirational motivation^[13].

How, then, can these high-level theories be translated into everyday management practice? Growth-stage technology enterprises need to establish a fault-tolerant "decision sandbox" mechanism.

First, create a structured space for exploration. Establish independent performance metrics and incentive mechanisms for frontier exploratory businesses, and resolutely decouple these businesses from the short-term financial evaluations applied to mature ones.

Second, establish an executive sandbox simulation mechanism. When facing major strategic choices (e.g., digital transformation or expansion into new product lines), do not rely on the founder's "one-man rule"; instead, use a data-driven decision sandbox to conduct multidimensional probability estimation and red team/blue team exercises, exposing the team's cognitive blind spots in advance.

Third, build ambidexterity into performance metrics. Incorporate both "exploratory innovation" and "exploitative innovation" into executives' key performance indicators (KPIs) or objectives and key results (OKRs), using institutional arrangements to keep the management team's attention from being entirely held hostage by short-term operational indicators and to force the team to reserve managerial bandwidth for long-term positioning.

It should be emphasized that the value of the sandbox lies not in the "simulation" itself but in fault tolerance. Only when the cost of trial and error is contained within the sandbox will the organization dare to act decisively on the real battlefield.

Conclusion

For China's vast number of SRDI enterprises, the battles ahead will be decided not by individual technical parameters but by the speed of organizational evolution. Today, as cross-Strait collaboration in the technology industry continues to deepen and innovation factors flow ever more rapidly, whoever first completes a systemic upgrade of leadership will secure a more favorable position in the restructuring of the industrial division of labor.

Escaping the seemingly glamorous all-star trap, ceasing to stack up star credentials, and instead seeking the golden ratio of cognitive complementarity; finding the optimal leverage in the ambidextrous interplay between exploration and exploitation; and building a symbiotic system with a "stable core, agile edge"—this is the strategic anchor that technology entrepreneurs should hold onto most firmly through turbulent cycles. The ultimate victory of leadership is to enable the organization, even without the founder's halo, to function like a precision radar and a powerful engine: sensing continuously, betting decisively, and reconfiguring rapidly.

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