SUMMARY

BACKGROUND (CH. 1-3)

Corporate-level strategy deals with the way in which a corporation manages a set of businesses. Whether it is possible as a corporation to add value to its businesses is a critical question in strategic decision-making processes and therefore a key issue in strategic management. Strategic decision-making is conducted by and has effect on individuals, who bring their own perspective into the decision-making process. Behavioral and cognitive theorists have for long argued for the importance of managerial beliefs and mental models as a basis for decision-making. The popularity and relevance of the study of cognition for the field of strategic management has genuinely grown over the last decades.

The importance of managerial cognition in the strategy process is the primary argument in upper echelons theory, as proposed by Hambrick and Mason (1984/ 2007): executives act on the basis of their personalized interpretations of the strategic situations they face. According to this theory the demographic characteristics of executives can be used as valid proxies of managers’ cognitive frames. These cognitive frames and their direct effects on managerial outcomes are viewed as a black box, while the measurement of managerial characteristics, in particular the diverse backgrounds of managers, can be taken as proxies for strategic choices.

Whereas upper echelon theory focuses on managerial backgrounds as determinant of cognition, two other perspectives related to strategic choice suggest other antecedents. Agency theory (Fama and Jensen, 1983; Jensen and Zajac, 2004) proposes that managers translate different personal needs and interests into their belief systems, while social influence theory (Blumer, 1969; Chattophadhay et al., 1999) proposes that this process is influenced by social interaction with peers. A combination of these views, together with a focus on corporate-level strategy, suggests that not only managerial backgrounds are antecedents of managerial beliefs, but also those individual characteristics in which different interests and social environments come to the fore: the positions that managers have in the organization.

Knowing, accepting and resolving belief differences on corporate-level strategy can have a positive effect on value creation. Following Grant (2002), “those companies that possess a stable consensus concerning dominant logic are better able to achieve a fit between resources, strategy, structures, systems and style”. As Goold and Campbell (2000) state on the role of cognition in corporate-level strategy processes: “in the difficult field of synergies, the gut feel and intuitive judgement of experienced managers should carry considerable weight…a structured approach to
eliciting consensus is frequently needed”. As a start to this approach, this study maps where in the organization differences in judgement are most likely to exist.

PROBLEM DEFINITION
With concern to corporate-level strategy, this study hypothesizes that these differences are related to the different organizational positions of managers. It aims at answering the following research question:

What is the relationship between managers’ corporate-level strategy beliefs and their position within the corporation?

With this objective, it aims at addressing the following research gap:
1. Insight into the value of enriching upper echelons theory with other theoretical premises
2. Insight into corporate-level strategy beliefs
3. Insight into the influence of structural characteristics
4. Large research samples of primary (European) data

RESEARCH (CH. 4-5)
The research hypotheses focused on the relation between three positional characteristics (headquarter vs. business unit position -‘corporate position’-, hierarchical level and functional area) and beliefs on corporate-level strategy, controlling for upper echelons theory-based background characteristics. Field research was conducted by means of an online assessment of managers’ beliefs on corporate-level strategy. Data was collected from 350 managers in 5 Europe-based corporations across industries and countries.

Whereas most of the research into managerial cognition that has been conducted uses either secondary data or smaller samples of primary data, usually among more junior managers or MBA-students, the dataset is rather unique. The sample includes senior managers, such as board members, division heads, headquarter staff, business unit managers and functional managers in diverse areas, with different backgrounds. Statistical analysis (MANOVA) was conducted to test the research hypotheses.

MAIN FINDINGS (CH. 6)
Results show that a position at either corporate headquarters vs. the business units of a firm is significantly associated with beliefs on corporate-level strategy. Also different managerial levels associate with beliefs on corporate control. Functional area does not significantly associate with the dependent variables. Firm heterogeneity is the most significant explanation of diversity in corporate-level strategy beliefs, but also managers’ origin, study area and to some extent
functional experience, have some significance in relation to their beliefs on corporate-level strategy. Other forms of experience, however, did not yield significant results.

Thus, whereas the nature (e.g. origin) and, to some extent at least, the nurture (e.g. experience and education) of managers can effect their beliefs on corporate-level strategy, the now (e.g. their firm and position within that firm) is even more important. In other words: where one sits is where one stands.

THEORETICAL IMPLICATIONS (CH. 7-8)
The findings of this study extend insights from upper echelons theory research by adding new variables engrained in the positions of managers and not only in their backgrounds, broadening the theoretical foundation but also reaffirming some of the key assumptions of upper-echelons theory. However, the findings have also shown that this theory may need some refinement, especially with concern to its top management team focus, continental emphasis and assumptions on the importance of experience as indicator of managerial givens.

Findings imply that managerial beliefs are influenced by the ‘cognitive communities’ they are involved in, communities that have different interests and different social networks. The significance of these structural characteristics in explaining corporate-level strategy beliefs emphasize the value of extending upper echelons theory to an all echelons theory.

PRACTICAL IMPLICATIONS (CH. 8)
For practice, strategic beliefs on managers play an important role in the strategy process. This study has shown where in an organization any differences in beliefs on corporate-level strategy are most likely to appear. Of particular practical importance are differences across corporate positions (i.e. people at headquarters vs. people at the business), across management levels and, for international firms, across national origins. Considerable tension can arise when managers have different points of view on the corporate direction that should be taken, while an open strategic dialogue can be a catalyst.

This means that defining and implementing corporate-level strategy cannot simply be a task for top management or corporate headquarters alone. Because aligning strategies across businesses with the corporate goal is the crucial ingredient of corporate-level strategy, simultaneously capturing business value and corporate value, aligning the divergent beliefs on corporate-level strategy across managerial levels, nationalities, businesses and corporate headquarters is just as crucial in the strategy process.