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Managerial Consensus and Corporate Strategy: Why Do Executives Agree or Disagree about Corporate Strategy?

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This paper reports on a study which examined firstly the extent to which managers from the same corporation shared similar perceptions of corporate strategy, secondly, the extent of consensus across the corporations and finally the extent of consensus about different rationales for corporate strategy. The results revealed that consensus was not widespread. We suggest that this could occur where the rationale is unknown to the entire managerial team, ambiguous, regarded as unbelievable or of little interest. We also explain why there was generally consensus about competence-based strategies, and a lack of consensus about the motives for divestment and acquisition strategies.

Keywords: Corporate strategy, Managerial perceptions, Consensus

Introduction

In recent years debates about corporate-level strategy have centred on whether corporate centres matter, whether they create or destroy value, and whether businesses are better off with their particular corporate parent rather than with another (Goold *et al.*, 1994; Collis and Montgomery, 1997; Bowman and Helfat, 2001). This literature is rich, and there are a multitude of case examples available which illustrate various strategies. However, there are no studies which have explicitly explored executives' perceptions of corporate strategies. In particular, there has been no research that focused on the extent to which managers have a shared understanding of their corporation's strategy. There have been consensus studies examining managerial consensus at business-unit level, but none have addressed consensus about corporate-level strategies (Bourgeois, 1980; Dess, 1987; West and Schwenk, 1996; Bowman and Ambrosini, 1997).

In order to investigate how senior managers perceive corporate strategy, we designed a questionnaire with statements that reflect the most widely promulgated rationales for such strategies. This instrument is based on a survey of the corporate strategy literature, which focused on the content of corporate strategies rather than the processes of how corporate strategies are derived. This means we are concentrating on the content of consensus (i.e. what is agreed) and not the process (i.e. how agreement is reached).

The academic and practitioner literature review, which we summarise in the first part of this article, revealed that the main rationales for corporate strategy are portfolio planning, synergy, core competence, sticking to the knitting, growth, survival and spreading risk. We then explain why it is worth studying managerial perceptions. Then, after explaining our research design, we report on the results which revealed that consensus across managerial teams from the same organisation was not the norm, and that there were similarities across corporations about what strategies managers were most likely to agree about, and which were likely to display disagreement. The last part of the paper discusses these results.

Inferring Realised Strategy from Managerial Perceptions

Our research aim was to explore executives' perceptions of corporate strategy. Following Hambrick and Mason's (1984) arguments that managers' perceptions are the basis for their strategic choices, the corporate strategies perceived by managers are likely to influence their behaviour. Realised strategies can be distinguished from deliberate or intended strategies (Mintzberg and Waters, 1985). Therefore, whether the manager is operating at corporate headquarters, or at the apex of a strategic business unit, the manager's perceptions of the extant corporate-level strategy are likely to impact on the decisions being taken. Perceptions of corporate strategy probably have more influence on executive behaviour than formal statements of strategic intent. For instance if the corporate plan indicates that the strategy is about fostering synergies, but the individual executive perceives the strategy to be more about encouraging individual strategic business unit (SBU) competitiveness, then it is the latter perception that will affect the executive's behaviour. Hence although SBU executives may be aware of a formal statement of corporate-level strategy, they may well act in line with what they perceive the *actual* strategy to be. These executives may form this view of extant strategy from informal communications from the centre, or they may infer strategy from other organisational cues, like performance measurement systems.

This means that *realised* strategies are not necessarily accessible from an inspection of corporate documents like plans, mission statements or other statements of intent, nor can they be assumed to be aligned with the strategies espoused by the CEO or president. Realised strategies can be inferred from observing the actions and dispositions of the corporation's resources, but these phenomena are the results of *previous* realised strategies. Current realised strategies would contain an element of the future disposition of the corporation that has yet to be manifested to the outside observer. Thus realised strategy reflects past, current and future strategy, and can be accessed through the perceptions of corporate executives. Hence, what senior executives perceive to be their corporation's strategies should provide a clear indicator of their corporation's realised strategies (Wooldridge and Floyd, 1990; Bowman and Ambrosini, 1997).

Managerial Consensus

The literature on managerial consensus is rich in studies that examine realised strategies. However, most previous studies have examined consensus about business-level strategy but not about corporate-level strategy. A number of consensus studies have revealed that disagreement among managers is not unusual (Bourgeois, 1980, 1985). Moreover the consensus articles published have not provided a clear picture about whether disagreement among managers is detrimental to organisations, as both positive and negative results have emerged when the link between organisational performance and consensus has been investigated (West and Schwenk, 1996). It can be argued that the results displayed in the literature are not conclusive and comparable because consensus has not been uniformly measured. For instance some studies found that consensus facilitates better performance (Bourgeois, 1980; Dess, 1987), whilst others have found the contrary (Bourgeois, 1985) or that it did not matter (West and Schwenk, 1996). Consensus has also been examined on means or ends, on specific functional policies, and across different type of environments etc. (see Homburg *et al*., 1999 for a good review). We decided not to attempt to examine the link between consensus and performance. There are to date no studies addressing consensus about corporate strategy and therefore we are still at the exploratory level, and complicating the study by looking at possibly spurious relationships with performance did not appear to be a sound research objective at this stage.

A great deal of effort is typically expended at corporate and SBU level to derive appropriate strategies. The future prospects of the corporation are often judged on the basis of articulated future visions, and corporate strategies can inform choices of which businesses to buy, or sell and how the businesses within the portfolio should be managed to create corporate advantage. As what an individual executive perceives this strategy to be affects the decisions and priorities he or she sets, a measure of the effectiveness of the processes of corporate strategy could be the extent to which the *designed* strategy is perceived to be the *extant* strategy. Thus where there is strong consensus about the extant strategy we could infer that the strategy processes are effective, at least as far as awareness of the corporate intent is concerned. Conversely, where there is dissensus we can assume that there are problems with the strategy process. Note, however, that we are making inferences about the process that produces the strategy, not about the appropriateness or effectiveness of the particular strategy. Thus consensus might measure effective processes of strategy, not the quality of the *content* of the strategy.

Where there is consensus we should be able to assert that executives at least have a shared perception of