Middle managers’ knowledge of strategy: antecedents, cognitive accuracy and self-awareness

Ruth A. Cruikshank*
School of Business & Economics, Wilfrid Laurier University, 75 University Avenue, Waterloo ON, N2L 3C5, Canada Fax: 519-884-0201 Email: rcruikshank@wlu.ca
*Corresponding author

Ellen R. Auster
Schulich School of Business, York University, 4700 Keele Street, Toronto ON, M3J 1P3, Canada Fax: 416-736-5762 Email: eauster@schulich.yorku.ca

Nada O. Basir
Faculty of Business and Information Technology, University of Ontario Institute of Technology, 2000 Simcoe Street North, Oshawa, ON, L1H 7K4, Canada Fax: 905-721-3178 Email: nada.basir@uoit.ca

Trish Ruebottom
Goodman School of Business, Brock University, 500 Glenridge Avenue, St. Catharines ON, L2S 3A1, Canada Email: truebottom@brocku.ca

Abstract: Middle managers provide a powerful conduit for strategy execution particularly in fast paced environments. Their knowledge of strategy is critical for strategic change to be successful. Yet, little research directly examines how aware middle managers are of corporate strategy and how accurate they are in their understanding of how that strategy translates into divisional goals. Framed in cognition theory, this exploratory study uses qualitative and quantitative
analysis to investigate the antecedents, accuracy and self-awareness of middle managers’ knowledge of strategy within a large North American financial firm (N = 294). Implications for research and practice are highlighted.

**Keywords:** middle managers; strategy; knowledge; cognitive accuracy; self-awareness; corporate strategy, divisional strategy, strategic change, banking, communication, strategic change antecedents.


**Biographical notes:** Ruth A. Cruikshank is an Associate Professor in Business Policy at the School of Business and Economics, Wilfrid Laurier University where she is also Associate MBA Director, and formerly Teaching Associate in Educational Development. In her prior experience as a commercial bank lender Ruth worked with hundreds of client firms at many stages of development. Drawing on this practical experience and her educational background (BPhEd University of Toronto; MBA, PhD York University), Ruth currently contributes as a leader in the area of curriculum management, in addition to teaching and consulting in strategic management and governance.

Ellen R. Auster is Professor of Strategic Management and Founding Director of the Schulich Centre for Teaching Excellence at the Schulich School of Business, York University. She earned her BA from Colgate University and her PhD from Cornell University. Specialising in strategic transformations and turnarounds, she has written several books and published widely in journals including: *The Academy of Management Review, Management Science, Sloan Management Review, The Journal of Business Ethics, Human Resource Management, and Research Policy* and has been honoured with the Academy of Management Distinguished Educator Award and research awards from the Academy of Management and Management Science.

Nada O. Basir is an Assistant Professor of Strategic Management at the Faculty of Business and IT, University of Ontario Institute of Technology. Her research is in the area of strategy and organisation theory. More specifically, she is interested in the innovation process and the relationship between the micro and macro dynamics that bring about innovation and entrepreneurial ventures. Prior to starting her PhD, Nada worked in the pharmaceutical industry in business development and marketing.

Trish Ruebottom is an Assistant Professor of Strategic Management at the Goodman School of Management, Brock University. Her research interests lie at the intersection of social innovation and language, specifically exploring the rhetorical strategies employed by social enterprises as they engage in creating social change. Her work has been published in *Journal of Business Venturing, Journal of Business Ethics, MIT/Sloan Management Review* and the *Social Enterprise Journal*.

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1 Introduction

Research on middle managers in the last two decades reveals the powerful role that middle managers play in enacting strategy, particularly in fast-paced business environments (Mantere, 2005; Suominen and Mantere, 2010; Auster et al., 2005). As organisational structures become larger, more complex and global in scope, the role of middle managers in strategy diffusion throughout the organisation becomes ever more important (Dutton et al., 1997; Huy et al., 2014; Klagge, 1996; Miles et al., 2010; Mollick, 2012; Westley, 1990). Instead of being viewed as receivers of upper echelon directives, middle managers roles are redefined as essential to strategic change success. As Huy, (2001, p.79) highlights, middle managers “translate and synthesize…[and] implement strategy because they know how to get things done…[they] keep work groups from spinning into alienated, paralysed chaos; and … turn vision into reality”.

Yet for middle managers to become strategy enablers, they first must understand what the strategy is of their firm. Prior research examines contextual factors moulding middle managers’ roles, how middle managers enact strategy, and their importance in achieving strategic outcomes. However, a critical but under-researched underlying assumption is that once strategy is articulated and formally communicated by top management it will become embedded in the minds of middle managers and drive performance outcomes. Our study sought to explicitly explore this assumption.

More specifically, grounded in cognition theory and combining qualitative and quantitative analysis, this exploratory study investigates the antecedents of strategy knowledge, and the extent that middle managers are accurate and self-aware of their own strategy knowledge. We define strategy knowledge as the theoretical or practical understanding about firm strategy. Strategy is defined as the firm’s corporate and business unit goals, scope and competitive positioning (Andrews, 1971; Porter, 1996). The next section of the paper describes our two studies. Study 1 provides a qualitative analysis of the existing strategy of a large financial institution and the antecedents to their middle managers’ strategy knowledge. From this first phase of our research, hypotheses are developed about the relationship between the antecedents and strategy knowledge. Study 2 tests the relationship between these antecedents and strategy knowledge, the accuracy of the middle managers’ knowledge, and their self-awareness of their knowledge of strategy. The subsequent section discusses the results. The paper concludes by highlighting contributions, limitations, directions for future research and implications for practice.

2 The strategic role of middle managers

Empirical research directly examining the strategic role of middle managers flourished with the foundational research by Wooldridge and Floyd (1989, 1990), and Floyd and Wooldridge (1992a, 1992b, 1994) showing the impact on performance of middle management involvement and understanding of strategy. See Wooldridge et al. (2008) for a comprehensive review of extant research on middle managers.

One stream of work focuses on the contextual factors shaping middle managers’ strategic roles. For example, Marginson (2002) finds that top management framing of the strategic context influences the extent to which middle managers are likely to initiate and develop new strategic ideas. Carney (2004) explores the impact of organisational
structure, specifically examining the number of hierarchical layers of management and its influence on middle managers’ perceptions of their strategic roles. Foss et al. (2010) highlight and call for further research on organisational context factors insofar as they contribute to organisational knowledge in general. More recently, Huy (2011) shows how strategy implementation actions by senior executives elicit socio-emotional responses and lead middle managers to either support or dismiss specific strategic initiatives. Despite providing important contributions to our understanding of how structure, top management framing, and top management actions, affect middle managers behaviour, knowledge, and perceptions, the question of how much middle managers know about the strategy and the drivers of that strategy knowledge remains unclear.

A second cluster of studies examines the relationship between middle management strategic actions and organisational outcomes (e.g., Burgelman, 1994; Kellermanns et al., 2005; Meyer, 2006). Recent studies including Conway and Monks (2011), for example, study the vital ways middle managers act as agents of change by looking at how they manage the tensions produced by their linking pin position between top-down and bottom-up processes of change. Middle managers realise strategic change through their boundary spanning roles (Shi et al., 2009) or trial and error learning (Rerup and Feldman, 2011). Currie and Procter’s (2011) study reveals a third dimension of the role of middle managers by highlighting how middle managers provide the bridge between strategy and implementation. Recently, Chadwick et al.’s (2015) findings underscore the importance of middle managers in operationalising top management’s strategy. They find that in order for top managers’ resource orchestration efforts to influence firm performance, top managers’ strategic emphasis must be carried out by other actors within the firm, especially middle managers. Similar to the work on contextual factors, this line of research, while contributing significantly to our understanding of the powerful impact middle managers have on strategic outcomes, also presumes that somehow top management strategic imperatives are being received accurately by middle managers.

A third, and the most related body of work to our research, explores the cognitive processes of middle managers’ involvement in strategy (e.g., Balogun and Johnson, 2004; Dutton et al., 1997; Guth and MacMillan, 1986; Huy et al., 2014; Mangaliso, 1995; Ren and Guo, 2011; Westley, 1990). For example, Balogun and Johnson’s (2004), and Rouleau and Balogun’s (2011) studies reveal the pivotal role of middle managers in sense-making during organisational change. Similarly, Luscher and Lewis’s (2008) action research focuses on helping middle managers interpret, communicate, and implement strategic change through the use of paradox in the Danish LEGO company. Ren and Guo (2011) explore the influence of attention structures on middle managers’ strategic selection, shaping, and selling of opportunities within the firm. Additionally, middle managers’ interpretation of their leaders as legitimate or illegitimate change agents plays a large role in determining whether they will implement or resist change (Huy et al., 2014). Research has also pointed to a paradox when it comes to middle management involvement in strategy formation. While strategic involvement can increase shared understanding and improved decision making (Burgelman, 1994; Wooldridge and Floyd, 1989, 1990), research has also shown that involvement can lead to increased politics and more imposed constraints in strategy development which waste resources and undermine effective strategic decisions (Collier et al., 2004). To reconcile these findings, Ahearne et al. (2014) recently found a curvilinear relationship between middle managers’ strategy involvement and performance. The benefits associated with involvement lead to strategic flexibility but only to a certain threshold. After this threshold problems
due to a lack of strategic control outweigh these benefits. While offering essential insights on how middle managers make sense of and navigate their roles, communicate, and take strategic action, a pre-condition of action is middle managers’ understanding of strategy knowledge which has yet to be examined.

Thus, prior research underscores how middle managers are critical conduits enabling strategy to become shared. It offers powerful insights on middle manager’s strategic roles, how they enact strategy, and achieve strategic outcomes. Yet, the underlying pre-condition that middle managers have a clear understanding of the firm’s strategy is assumed. In this study, we explicitly examine this assumption by exploring the antecedents of strategy knowledge and the extent to which middle managers are both aware of, and accurate in their understanding of the strategy they are responsible for enacting and implementing. In doing so, our study addresses an important research gap that spans these three streams of research on middle managers and their strategic role. The next section delves more deeply into cognition as a theoretical grounding for this research.

3 Cognition and middle managers’ strategy knowledge

“...Presumably, to be “organizational”, intentions must be broadly shared – truly collective.” (Mintzberg and McHugh, 1985, p.162)

Cognition theory offers a useful grounding for our study of middle manager’s’ knowledge of strategy. Jelinek and Litterer (1994, p.12) note that shared organisational cognitions are an essential element of a cognitive theory of organisations. One fundamental shared cognition within organisations is the strategy or shared purpose.

As a cognitive lens, strategy serves as an individual cognitive representation – a “mental template that when imposed on the information environment gives it form and meaning and in so doing serves as a cognitive foundation for action” (Walsh, 1995, p.291). However, before middle managers can share strategy or translate it into action, they must first, both understand and be accurate in their knowledge of strategy (Walsh, 1995).

Kaplan (2011) in her review of two decades of research on cognition and strategy reflects on the field and delineates future paths for research. One line of work she underscores, echoing Walsh (1995), is the importance of further exploration on the “accuracy of cognitive frames” which they both see as being foundational for research on cognition. Gavetti and Levinthal (2000) similarly highlight that the accuracy of cognitive frames is critical because the more accurate cognitive framing is, the more likely strategic outcomes will be improved.

Prior research on the accuracy of cognitive framing yields fascinating insights about the accuracy of cognitive framing of the external environment. Work by Sutcliffe (1994) for example, compares managers’ perceptions of environmental instability and munificence with objective measures. She found that top team traits such as tenure and experience are associated with reduced errors in perceptions. Baum and Mezias (1992), and Baum and Lant (2003) further explore measures for testing the accuracy of cognitive frames of the competitive environment finding that some managers over-estimate competitors whereas other managers miss competitors and that some of these errors are attributed to the degree of experience. Other studies flip the causal arrows examining how
the external environment moulds strategic schema and behaviour. For example, Nadkarni and Narayanan (2007) highlight how the clock-speed of different industries shapes the complexity and focus of strategic schemas. Nadkarni and Barr (2008) examine how industry velocity shapes the structure of cognitive representations and the speed of strategic action.

Our study, in light of this research on cognitive accuracy, focuses on the antecedents of one very critical organisational shared cognition – namely the strategy of the firm. More specifically, we explore the enablers or disablers of this shared cognition which we call the antecedents of middle managers’ strategy knowledge. We also investigate the accuracy of middle managers’ individual representations of the firm’s strategy, and then how self-aware middle managers are of their knowledge.

4 Exploring middle managers’ strategy knowledge through embedded sequential design

To develop an understanding of the firm’s strategy and the antecedents of middle managers’ strategy knowledge that is grounded and reflective of participants’ perspective, and then examine how these antecedents influence strategy knowledge, we employ an embedded sequential design. Embedded sequential design has two steps which includes an initial qualitative study for preliminary exploration which is followed by quantitative analysis to test relationships (Creswell, 2013; Creswell and Clark, 2011; e.g., Böhme et al., 2012; Kownatzki et al., 2013; Yauch and Steudel, 2003). In this sense, we answer calls for mixed method research that involves “site-based studies that examine human behaviours in their natural social settings (Orlikowski and Baroudi, 1991, p.23) and take the perspective that people in organisations are ‘knowledgeable agents’ (Gioia et al., 2012, p.17).

In the first study, we chose an exploratory, qualitative approach since there is limited existing theory that could help select which of the many individual and organisation-level factors are most relevant to middle managers’ strategy knowledge and also to ensure an understanding of the firms’ strategy in this study. From the qualitative study, we gained an understanding of the firm’s strategy at both the corporate and divisional levels, as well as developed several hypotheses about the antecedents of strategy knowledge. In the second study, a quantitative survey then tests the relationship between the antecedents and strategy knowledge, as well as the accuracy of the middle managers’ strategy knowledge. Based on these findings, we further examine middle managers’ self-awareness of their knowledge of strategy.

5 Study 1: qualitative development of the model and hypotheses

5.1 Method

Our focus in the first study was to learn about top management’s articulated corporate and divisional strategy. Study 1 was therefore conducted as interpretive research with the goal of describing meanings and understandings of firm strategy as presented in the words, talk and text of top managers (Gephart and Rynes, 2004; Yin, 1994).
5.2 Research site

The Technology Research & Development division (TR&D) of a large, global North American bank was an ideal site for this study of strategy knowledge for several reasons. Similar to other North American banks, the bank in our study is facing relentless change stemming from significant shifts in the external environment ranging from globalisation and regulation (Darroch and Litvak, 1992) to the recent financial crisis (Meredith, 2009). Additionally, financial services are undergoing radical technological transformation changing the very nature of their services and operations. The dramatic shift to electronic transaction banking in the last decade further amplifies the competitive importance of the technology division within this bank. At the same time, since strategies of the large banks are relatively homogeneous across the industry, performance is likely more significantly affected by strategy execution and management than strategic positioning (Darroch and Litvak, 1992; Meredith, 2009). Yet efforts to implement strategy are complicated by hierarchical organisational structures with many layers, a geographically dispersed workforce and large numbers of employees.

5.3 Data sources and analysis

Data sources for Study 1 included both interviews and archival data, which articulated the strategy at the organisation and division level, as well as the factors impacting middle manager knowledge of strategy. Semi-structured, in-depth interviews were conducted with 14 informants at various levels in the organisation who were selected because of their strategic knowledge. Strategic documents provided the mission statement that guides the bank’s decisions and delineates the values by which it operates. These strategic elements were confirmed through interviews as being relevant to the decision-making and operations of the firm. Divisional strategy was not as well documented; however strategy statements for the division emerged in interviews with the Senior Vice President and in internal newsletters.

Content analysis was used to analyse the interviews and the archival data. Tracy (2010) highlights several criteria to support the validity of qualitative research findings, particularly rich rigor, credibility, resonance and coherence. In this study, we triangulate between multiple data sources and between multiple researchers (Denzin, 1978), iterate between data and theory (Eisenhardt, 1989) and gather member reflections (Tracy, 2010) to ensure the validity and dependability of the emerging themes. To analyse the data, we first coded the text for key topics, repeat phrases, attitude and tense. From this coding, major categories emerged which were either common throughout the data (clusters) or conceptually powerful in understanding the data (Miles and Huberman, 1994; Patton, 1990). The final step of the analysis involved developing themes from a review of categories across the data, which were relevant in understanding strategy knowledge (Miles and Huberman, 1994; Patton, 1990). These themes form the basis of the articulated strategy of the organisation and the hypotheses about antecedents to strategy knowledge.

5.4 Results

Based on the interview analysis, review of internal documents, and ongoing search of relevant literature conducted in Study 1, eight hypotheses about factors influencing
strategy knowledge were explored in Study 2. These hypotheses include two organisational antecedents: strategy communications (formal and informal) and organisational climate (warmth and structure); and four individual antecedents: participation in strategy decision-making, perceived relevance of strategy, tenure and experience.

5.4.1 Organisational antecedents of strategy knowledge

Two organisational antecedents of strategy knowledge emerging from the qualitative research conducted in Study 1 are strategy communications and organisational climate. Strategy communication can be defined as “communication aligned with the overall strategy to enhance the company’s strategic position” (Argenti et al., 2005, p.83). In this large bank, contradictory experiences and impact were reported about strategy communication; however, all participants emphasised the importance of strategy communications for their strategy knowledge. Informants generally differentiated between formal and informal communication, and indicated a need to move back and forth among both sides of the communication context.

“…I recognize a need to have sort of regular formal meetings, but I prefer not to raise everything at those...[The place for informal communication] it’s usually the concourse. You go down there for a coffee. And you’ll just see people. And then you hear what’s happening.”

Informants also recounted experiences of communication breakdown, situations where communication was either ineffective or had negative consequences:

“We were expecting some real information to come out about change. Instead what we got was another speech about change coming. So we’re ready. You can tell us any time now! They still haven’t done anything...”

In addition, there were mixed views on e-mail communication, which is seen as a double-edged sword within the organisation. Many respondents express a preference and dependence on this communication channel, but also report major problems in usage and interpretation. The literature confirms the link between organisational communication and strategy execution and similarly uses the distinction between formal and informal communications (e.g., Fenton and Langley, 2011; Gray, 2008; Gay and D’Aprix, 2006; Tucker et al., 1996). Based on both the interviews and prior literature, two hypotheses emerged about the relationship between communication and strategy knowledge.

Hypothesis 1: Formal communication about strategy will be positively associated with knowledge of strategy.

Hypothesis 2: Informal communication about strategy will be positively associated with knowledge of strategy.

Organisation climate was another predominant theme in our interviews, however, in a limited sense. Following Tagiuri and Litwin (1968, p.27), organisational climate is defined as: “a relatively enduring quality of the internal environment of [the] organisation that (a) is experienced by its members, (b) influences their behaviour, and (c) can be described in terms of the values of a particular set of characteristics or attributes of the environment”.
Climate captures how an organisation is experienced by employees (Schein, 2000) and it is important for strategy because “an organisation’s strategy has to be aligned with the views and feelings of those who implement it” (Burton et al., 2004, p.71). As Payne (2000) notes, climate can be particularly useful for assessing the degree of integration or fragmentation in an organisation. Climate also addresses a number of dimensions such as openness and participation, which are found in prior research on strategy implementation (Rausch et al., 2001).1 It is this connection with communication and learning (Falcione et al., 1987; Falcione and Kaplan, 1984; Jablin, 1980) that makes the organisational climate construct an appropriate variable in this study.

Several studies address dimensions of climate (e.g., Downey et al., 1975; James and Jones, 1974; Lawler et al., 1974). While each study has minor differences, they are captured in the dimensions articulated by Downey et al. (1975): decision-making style, warmth, risk, openness, rewards/consideration and structure. Although each of these factors were included in our climate measure, for analytic purposes we captured warmth and structure in our hypotheses, as these were the factors stemming from Study 1 that interviewees believed were most likely related to strategy knowledge transmission, and structure was explicitly identified as an important component of middle managers’ sensemaking (Balogun and Johnson, 2004).

Hypothesis 3: Organisational climate characterised by high levels of warmth will be positively associated with knowledge of strategy.

Interestingly, informants frequently moved from a question about strategy to a response about structure, one of the dimensions of climate. For example, how the organisational context is being experienced by participants in terms of structure related to their views about the organisation’s strategy:

“One informant
Q: Has there been a change in strategy in TR&D?
A: Well, from a philosophical perspective, in terms of the structure and the rationale behind it, I see a big change. Project Managers in the old environment had...

[Another informant]
Q: Tell me about the current strategy of TR&D.
A: We’ve kind of adopted a new structure within core banking and I think it’s being viewed as pretty much how TR&D should evolve to in the future, and so in that sense I am aware of the strategy.”

This suggests that employees experience and cognitively perceive shifts in organisational structure as related to changes in strategy and led us to this hypothesis:

Hypothesis 4: Organisational climate characterised by low perceptions of structure will be positively associated with knowledge of strategy.

The next section discusses individual antecedents arising from our qualitative data.

5.4.2 Individual antecedents of strategy knowledge

Based on the interview data, participation in strategy decision-making emerged as one of the key drivers that participants felt was related to their understanding of strategy

Middle managers’ knowledge of strategy
knowledge. Informants told stories of strategy processes in which they had been involved, and also of times where a lack of participation disabled strategy knowledge, such as in this quote:

“I am aware of the strategy because I am a part of that strategy and part of defining that strategy in terms of how we take the organization, TR&D, from where it was to where we want it to be.”

This sentiment is echoed in numerous studies indicating that participation in strategic decision-making is likely to increase knowledge and commitment to strategic decisions and improve execution (e.g., Raes et al., 2011; Raman, 2009; Suominen and Mantere, 2010; Westley, 1990; Wooldridge and Floyd, 1989, 1990). It is a concept that also appears in strategic involvement, commitment and goal setting research (e.g., Lawler, 1999; Locke and Latham, 1990). Thus, it is predicted that participation in strategy formation and strategic planning will increase knowledge of strategy.

Hypothesis 5: Participation in strategy decision making in the firm will be positively associated with knowledge of strategy.

Perceived relevance of strategy was an occasional and somewhat controversial side remark in our interview data that also emerges in the literature as an important predictor. One senior executive commented that, “Really they [middle managers] don’t need to know about our strategic plans to do their jobs”, an attitude that likely permeated the organisation and impacted strategy knowledge. If some senior managers felt strategy knowledge should reside only with them, middle managers might be less enthusiastic about trying to learn the strategy of the firm. In contrast, if other senior managers reinforced the importance of middle manager’s role in executing the strategy of the firm, middle managers would be more likely to try to gain strategy knowledge. However, while the participants highlight the lack of relevance, the literature offers a contradictory perspective. Psychology and communications scholars recognise the screening role that perceived relevance plays in perception and learning (Hommel et al., 2002; Weick, 1979). Perceived relevance may affect attention to and comprehension of strategy messages within the organisation. Low perceived relevance may lead to relatively little strategy information-seeking, and little or no attention paid to strategic messages throughout the firm.

Bandura (1986) reinforces the importance of perceived relevance as it relates to individual attention in organisational or social learning processes in his work on social cognitive theory. Learning in organisations, as Bandura and Wood (1989, p.362) suggest, is partially governed by “attentional processes [which] determine what people selectively observe in the profusion of modelling influences and what information they extract from on-going modelled activities”.

Guth and MacMillan (1986) also incorporate the concept of relevance in their study of middle managers and strategy implementation. They conclude that perceptions of personal relevance and self-interest will drive commitment and cooperation in implementing strategy. More recent research attempts to extend the concept of relevance by exploring the role of attention in shaping strategic action (e.g., Bouquet et al., 2009; Cho and Hambrick, 2006; Occasio, 1997). Based on the extensive literature in this area, we capture the importance of perceived relevance in strategy knowledge in our study with this proposition:
Hypothesis 6: Perceived relevance of strategy will be positively associated with knowledge about strategy.

Finally, review of related literature also suggests that an individual’s tenure and experience with the organisation and industry are important additional antecedents of strategy knowledge beyond the themes emerging from the interview data. Personal experience creates the cognitive frame within which individuals categorise and understand information (Ramaprasad and Mitroff, 1984; Rosch, 1978). Length of experience of an individual within a firm is believed to be a key learning and knowledge factor within the organisation. Nass (1994, p.47) argues that “knowledge rather than skills is the primary result of experience”. This experience affects cognitive frameworks and individual understanding of strategic issues, enabling individual to see interdependence and strategic implications of issues (Bantel and Jackson, 1989; Dutton et al., 1983; Fredrickson, 1985). Organisational socialisation research also acknowledges the impact of time on understanding the organisational context and norms (Chao et al., 1994; Van Maanen and Schein, 1979). Thus, we predict that increasing organisational tenure is positively associated with increasing strategy knowledge. Similarly, since firm strategy involves industry related goals and competitive position, it is proposed that experience in other firms in this financial services industry would inform employees about strategic industry drivers and strategy of others, thus contributing to overall strategy knowledge:

Hypothesis 7: Organisational tenure will be positively associated with knowledge of strategy.

Hypothesis 8: Industry experience will be positively associated with knowledge of strategy.

Figure 1 shows a summary of the proposed relationships in this study.

**Figure 1** Proposed relationship between articulated strategy and middle managers’ strategy knowledge
Study 2: quantitative exploration of the antecedents and accuracy of middle manager’s strategy knowledge

6.1 Sample and procedures

Study 2 tests the hypotheses emerging from Study 1 of the relationship between the antecedents and strategy knowledge, as well as the accuracy of strategy knowledge amongst middle managers. The survey instrument addresses knowledge of both corporate and divisional strategy, and included items designed to test the antecedents (Hypotheses 1–8) as well as the accuracy of strategy knowledge. The questionnaire was developed and pretested with a small group of TR&D employees, and again revised following Hinkin’s (1998) recommendations for survey development, including item generation, questionnaire administration, item reduction, factor analysis and replication. Where possible, we employed already developed measures. The cover letter and questionnaire were reviewed for input and approval with the Vice President, Human Resources and Manager, Human Resources. Potential respondents were assured of anonymity and confidentiality.

The survey was then delivered to 634 employees in the TR&D Division with 301 responses to the organisational survey returned, of which 294 were usable for analysis. This represents a 47.5% response rate. The response profile was reviewed with the Manager, Human Resources, who indicated that the responses were satisfactorily representative of the department as a whole. Data were then analysed, including exploratory evaluation of the measurement items, and regression analyses of the independent variables identified in the hypotheses.

6.2 Measures

6.2.1 Strategy knowledge

The dependent variable, middle managers’ strategy knowledge, is measured in two ways, perceived strategy knowledge and actual strategy knowledge. To measure perceived strategy knowledge, respondents were asked to provide a general self-rating, that is, to evaluate their own level of strategy knowledge on a 1–10 scale at both the division and corporate levels. Next, to measure actual strategy knowledge, respondents were asked to ‘pick from the list’ statements which they believed best articulated corporate strategy, and then divisional strategy. There were 10 items in each list; three of these statements were correct, that is they had been part of senior management’s articulated strategy.

Actual strategy knowledge was scored by allocating two points for each correct answer and applying a partial penalty 0.25 for each incorrect item identified for both division and corporate level strategy knowledge. This deduction adjusted for the ‘guess factor’, where respondents’ answers are based on vague or unsure knowledge. Just as high levels of accurate shared knowledge about strategy can have a positive impact on performance through consistent decision-making and accurate translation of strategy into action, incorrect strategy knowledge may have a more negative impact on performance than no knowledge at all. These items offer an understanding of perceived and actual knowledge levels at both the division and corporate level, enabling testing of the accuracy of strategy knowledge within the organisation. Differences between the two measures, self-rated and actual strategy knowledge, provide post-hoc analysis of the middle managers’ awareness of their own strategy knowledge.
To check validity, senior bank staff reviewed measures as we developed the survey. In addition, we compared scores across organisational levels. Wooldridge and Floyd (1990) suggest that their measures would be partially validated if they revealed the ascending pattern evidenced in an earlier study by Hambrick (1981) showing that strategy knowledge increases with organisational level. This approach was replicated in this study, and overall ascending results here were considered as further validation.

6.2.2 Strategy communication

Hypotheses 1 and 2, which focus on the independent variable strategy communication, were measured with items asking about frequency of the various sources and channels of strategy communication suggested in the interviews. Factor analysis was undertaken on the items, resulting in three dimensions. One dimension emphasised informal communication – hallway ‘chats,’ informal meetings, email, and project team communications. The second and third dimension represent two aspects of formal communications: corporate communications such as memos from higher levels, formal meetings with supervisors, senior management presentations, and Board of Directors annual reports; and divisional communications, including internal working documents related to strategy such as memos and division newsletters.

6.2.3 Organisational climate

Although a wide variety of organisational climate measures are available in the literature, a truncated version was required due to length constraints imposed at the site. A semantic differential scale from Auster and Ekstein (2005) assessed the degree of warmth and structure of the organisational climate (Hypotheses 3–4).

6.2.4 Perceived relevance

Perceived relevance (Hypothesis 6) was measured using the ‘personal involvement inventory’ (PII) adapted from Zaichkowsky (1985). The PII includes a seven-point semantic scale (strongly agree – strongly disagree) which allows respondents to indicate their perceptions of relevance. Validity of the PII index is reported in the literature (Zaichkowsky, 1985), and analysis of results in our study showed that data from this scale was normally distributed and highly reliable for measuring relevance (α = 0.91).

6.2.5 Participation in strategy formulation

Participation in strategy formulation (Hypothesis 5) was based on a self-report measure of participation in developing strategy for the TR&D department and for the Bank as a whole.

6.2.6 Organisational tenure

Organisational tenure (Hypothesis 7) was a self-report measure of the number of years working in the organisation.
6.2.7 Industry experience

Industry experience (Hypothesis 8) was also a self-report measure capturing number of years employed in the industry.

6.3 Results

6.3.1 Descriptive analysis

Table 1 summarises the descriptive statistics (means, standard deviations, and correlations) for the strategy knowledge measures. There are a number of significant, positive correlations among the knowledge measures. Principal components analysis on the strategy knowledge measures show some indication of corporate and divisional self-rated items loading onto the same factor. However the measures are kept separate to enable comparison, and to see nuances with the independent variable relationships. The two actual strategy knowledge items for corporate and divisional strategy are positively and significantly correlated but nevertheless emerge as clearly separate components in factor analysis.

Seventy-eight percent of survey respondents correctly identified at least two of three strategy priorities at the corporate level; 37% identified all three. At the division level, however, only 50% correctly identified at least two of three TR&D strategy statements, and 12% identified all three. Note that although employees ranked themselves as most knowledgeable about division strategy, and less knowledgeable about corporate strategy, actual scores showed the opposite. Scores for knowledge of corporate strategy were in fact considerably higher than those for divisional strategy. T-tests measure the difference between these scores and the difference was found to be significant \[t(586) = 11.696, p < 0.0001\] (See Table 2).

Table 1 Means, standard deviations, and correlations of middle managers’ strategy knowledge

<table>
<thead>
<tr>
<th>Variable</th>
<th>M</th>
<th>SD</th>
<th>1</th>
<th>2</th>
<th>3</th>
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<tbody>
<tr>
<td>1. Perceived corp. strategy knowledge</td>
<td>5.42</td>
<td>(1.86)</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>2. Perceived divisional strategy knowledge</td>
<td>5.67</td>
<td>(1.91)</td>
<td>0.71*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Actual corp. strategy knowledge</td>
<td>6.60</td>
<td>(3.00)</td>
<td>0.12*</td>
<td>0.11</td>
<td></td>
</tr>
<tr>
<td>4. Actual divisional strategy knowledge</td>
<td>3.81</td>
<td>(2.78)</td>
<td>0.17**</td>
<td>0.23**</td>
<td>0.22**</td>
</tr>
</tbody>
</table>

N = 294.  
*p < 0.05 (2-tailed); **p < 0.01 (2-tailed).

Table 2 Corporate vs. divisional strategy knowledge

<table>
<thead>
<tr>
<th>Variable</th>
<th>t-statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual strategy knowledge</td>
<td>( t = 11.70 )</td>
</tr>
<tr>
<td>Corp strategy knowledge (n = 294)</td>
<td>6.60</td>
</tr>
<tr>
<td>Divisional strategy knowledge (n = 249)</td>
<td>3.81</td>
</tr>
</tbody>
</table>

*p < 0.0001.
6.3.2 Antecedents of strategy knowledge

The hypotheses were formally tested using regression analysis. Full regression results are provided in Table 3. Analysis indicates that although the model provides reasonable explanation for both self-rated and actual knowledge of strategy, it has more explanatory power for self-rated strategy knowledge \( R^2 = 0.224 \) and \( R^2 = 0.226 \) for corporate and divisional knowledge respectively] than for actual knowledge \( R^2 = 0.130 \) and \( R^2 = 0.091 \) respectively].

Table 3  Regression analysis results for antecedents of strategy knowledge

<table>
<thead>
<tr>
<th>Perceived corp. strategy knowledge</th>
<th>Perceived divisional strategy knowledge</th>
<th>Actual corp. Strategy knowledge</th>
<th>Actual divisional strategy knowledge</th>
</tr>
</thead>
<tbody>
<tr>
<td>( \beta )</td>
<td>( \beta )</td>
<td>( \beta )</td>
<td>( \beta )</td>
</tr>
<tr>
<td>Organisational tenure</td>
<td></td>
<td>0.33**</td>
<td>0.11**</td>
</tr>
<tr>
<td>Industry experience</td>
<td></td>
<td>0.18**</td>
<td>0.18**</td>
</tr>
<tr>
<td>Perceived relevance</td>
<td>0.21**</td>
<td>0.13**</td>
<td></td>
</tr>
<tr>
<td>Perception of hierarchy</td>
<td></td>
<td>–0.21**</td>
<td>0.14**</td>
</tr>
<tr>
<td>Warmth</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Participation in strategy</td>
<td>0.14**</td>
<td>0.04**</td>
<td></td>
</tr>
<tr>
<td>Informal communication:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Corporate</td>
<td>0.37*</td>
<td>0.31**</td>
<td>0.18**</td>
</tr>
<tr>
<td>Divisional</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>( R^2 )</td>
<td>0.22</td>
<td>0.23</td>
<td>0.13</td>
</tr>
</tbody>
</table>

\( N = 294. \)

Only those results that are significant are shown in the table.

* \( p < 0.05; ** p < 0.01. \)

Two independent variables, tenure and communication, emerged as the most significant drivers of strategy knowledge. Informal and formal (corporate and divisional) strategy communication (Hypotheses 1–2) were the antecedents most significantly and positively associated with all strategy knowledge measures. Informal communication was significantly correlated with all four strategy knowledge measures. Formal communication was only significantly related to self-rated corporate strategy knowledge. The relationship between organisational tenure (Hypothesis 7) and strategy knowledge was also strongly supported, with positive and significant association with actual corporate and divisional strategy knowledge.

For organisational climate (Hypotheses 3–4), only structure was significant, while warmth was not. Interestingly, perceptions of a more hierarchical structure corresponded with higher actual strategy knowledge and lower self-rated strategy knowledge. In other words, increased structure facilitates improved strategy knowledge, although respondents
perceive that structure would hinder their strategy knowledge. Perceived relevance (Hypothesis 6) was significantly and positively associated with self-rated but not actual strategy knowledge. Participation in strategy formulation (Hypothesis 5) was also significant with both self-rated and actual knowledge of divisional strategy, but not with corporate strategy knowledge. Industry experience (Hypothesis 2) was only significantly associated with actual divisional strategy knowledge.

6.4 Additional analysis

Although we set out to study accuracy and antecedents of strategy knowledge, our data also revealed a difference between middle managers’ self-rated knowledge of strategy and their actual levels of strategy knowledge, showing that they were not aware of their own level of strategy knowledge. We opted to explore this lack of self-awareness further, although we are cognizant of the limitations of supplementary analysis that moves data into analysis beyond the original research question. Table 1 shows that the correlation between self-rated and actual strategy knowledge variables is positive and significant, but the correlation is low \[ r_{pa} = 0.12, \ p < 0.05 \] for corporate strategy and \[ r_{pa} = 0.23, \ p < 0.01 \] for divisional strategy. Additionally, the self-rated and actual strategy knowledge have different antecedents.

Widely used analysis methods for difference scores are criticised because they introduce “serious conceptual and methodological problems that render results ambiguous and potentially misleading” (Edwards, 1995, p.307). Thus, a somewhat simplified version of polynomial regression prescribed by Edwards (1995) estimates both directional and non-directional (absolute) effects on the difference between actual and self-rated strategy knowledge.

We evaluated the size of the difference between actual and self-rated knowledge, and more specifically, the absolute value of the difference between self-rated and actual strategy knowledge scores as the dependent variable. The direction, that is, whether the manager overestimated or underestimated their own knowledge of strategy, was examined using polynomial regression on the algebraic difference between self-rated and actual scores. Regression results for awareness of strategy knowledge are presented in Tables 4 and 5.

Table 4  Regression analysis results for strategy knowledge awareness: perceived (p) – actual (a) strategy knowledge

<table>
<thead>
<tr>
<th></th>
<th>Size of gap</th>
<th>Size of gap</th>
<th>Direction of gap</th>
<th>Direction of gap</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>corp. strategy knowledge</td>
<td>divisional strategy knowledge</td>
<td>corp. strategy knowledge</td>
<td>divisional strategy knowledge</td>
</tr>
<tr>
<td>/p_c – a_c/</td>
<td>/p_d – a_d/</td>
<td>(p_c – a_c)</td>
<td>(p_d – a_d)</td>
<td></td>
</tr>
<tr>
<td>Organisational tenure</td>
<td>-0.18**</td>
<td>-0.28**</td>
<td>-0.14*</td>
<td></td>
</tr>
<tr>
<td>Industry experience</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Perceived relevance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Perception of hierarchy</td>
<td>0.21**</td>
<td>-0.21**</td>
<td>-0.13*</td>
<td></td>
</tr>
<tr>
<td>Warmth</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Participation in strategy</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 4 Regression analysis results for strategy knowledge awareness: perceived (p) – actual (a) strategy knowledge (continued)

<table>
<thead>
<tr>
<th>Size of gap</th>
<th>Size of gap</th>
<th>Direction of gap</th>
<th>Direction of gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>corp. strategy knowledge</td>
<td>divisional strategy knowledge</td>
<td>corp. strategy knowledge</td>
<td>divisional strategy knowledge</td>
</tr>
<tr>
<td>(</td>
<td>p_c - a_c</td>
<td>)</td>
<td>(</td>
</tr>
</tbody>
</table>

Strategy communication:
Informal
Formal
Corporate
Divisional

-0.19**

\(R^2\)
0.09 Not significant 0.09 0.03

\(N=294.\)

Only those results that are significant are shown in the table.
*\(p < 0.05\); **\(p < 0.01\).

Table 5 Regression analysis results for strategy knowledge awareness: overestimators vs. underestimators

<table>
<thead>
<tr>
<th>Awareness (p – a)</th>
<th>Awareness (p – a)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate strategy knowledge</td>
<td>Divisional strategy knowledge</td>
</tr>
<tr>
<td>Overestimators</td>
<td>Underestimators</td>
</tr>
<tr>
<td>(p_c &gt; a_c)</td>
<td>(p_c &lt; a_c)</td>
</tr>
</tbody>
</table>

Organisational tenure
Industry experience
Perceived relevance
Organisation climate:
Perception of hierarchy
Warmth
Participation in strategy
Strategy communication:
Informal
Formal
Corporate
Divisional

-0.39**

0.30*

0.24**

-0.25*

\(R^2\)
0.14 0.14 Not significant 0.10

Only those results that are significant are shown in the table.
*\(p < 0.05\); **\(p < 0.01\).

Overall, this additional post-hoc analysis reveals that the antecedent variables are less powerful in explaining self-rated knowledge than actual knowledge. However, the same two antecedents, strategy communication and tenure, that most significantly influenced
the accuracy of strategy knowledge are also the variables most positively associated with middle manager’s self-awareness of their strategy knowledge.

There are also some interesting differences in which variables influenced over- and under-estimation. Although studies on self-rating show a tendency to leniency, or overestimation of knowledge, in self-ratings (e.g., Chapham, 1998; Nilsen and Campbell, 1993; Thornton, 1980), in this study there is not a common tendency towards either leniency or severity in self-ratings. There is inaccuracy lack of awareness, but there are approximately the same number of respondents who underestimate their knowledge of strategy as overestimate their knowledge of strategy. Tenure with the organisation, for example, is only significantly (and negatively) associated with the tendency to overestimate. Perception of hierarchy, one component of the organisational climate measure, had two effects. It increases managers’ overall awareness of their own strategy knowledge, and also increases the tendency to underestimate for those in the underestimator group. Thus, employees who perceive their environment as more hierarchical considered their own knowledge to be more limited.

7 Discussion

Our study begins to carve out terrain and insights for understanding factors that enable or disable shared strategy knowledge inside the firm. This shared knowledge contributes to structural capital that is a foundation asset for building resilient organisations (Ordóñez de Pablos, 2004). By combining qualitative and quantitative analysis, this study provides an exploratory account of the antecedents of strategy knowledge and the extent that middle managers are accurate and self-aware of their own understanding.

Ensuring that middle managers in a large organisation are knowledgeable of the organisation’s strategy and can accurately assess their awareness of strategy is not a simple challenge that can be assumed away in either research or practice. While recent work suggests that middle managers play a crucial role in disseminating strategy throughout the organisation and translating strategy into concrete actions, our study of a large North American bank reveals significant knowledge limitations. Beyond empirically confirming the existence of inaccuracy in middle managers’ knowledge of strategy, deeper analysis uncovered some fascinating dynamics with middle managers overestimating their knowledge of divisional strategy, yet underestimating their knowledge of corporate strategy.

In addition, our findings shed light on important antecedents of strategy knowledge, although they influence actual knowledge and self-rated knowledge levels in different ways. Actual strategy knowledge is positively related to tenure, industry experience, perceptions of hierarchy, participation in strategy formulation, and informal communications. Self-rated strategy knowledge is positively related to perceived relevance, participation in strategy formulation, and informal and formal (corporate and divisional) communications, but negatively related to perceptions of hierarchy. Informal communications is the only variable to be significantly associated with both corporate and divisional strategy knowledge as well as both self-rated and actual strategy knowledge.

Our qualitative and quantitative findings provide a deeper understanding of the drivers of strategy knowledge we uncovered. Organisational-level influencers are increasingly an area of interest in the knowledge management literature (Lin et al., 2014;
Middle managers’ knowledge of strategy

Ordóñez de Pablos and Lytras, 2008; Rylander and Peppard, 2003), and our study provides relevant evidence regarding a particular type of knowledge. One related influencer, strategy communication, emerges from both interview and survey analysis in this study as the variable most strongly associated with strategy knowledge. The importance of communication is also reinforced in interview data highlighting inconsistencies and insufficiencies in communication of strategy in TR&D. Interview informants frequently pointed to breakdowns in strategy communication in their division when describing their experiences. In the interview data, formal communication was stated as especially important in building strategy knowledge, and middle managers overwhelmingly indicated they wanted to be told more about strategy. Yet several senior managers expressed doubt about the relevance of strategy for employees at lower levels. These internal inconsistencies likely confuse strategy communication and debilitate knowledge of strategy among middle managers in this firm.

In our supplementary analysis focusing on middle managers’ self-awareness (the difference between actual and self-rated knowledge), middle managers were more likely to overestimate their knowledge of divisional strategy and underestimate their knowledge of corporate strategy. These findings on awareness of middle managers’ strategy knowledge are important, as they suggest that middle managers sometimes may not know that they should be seeking additional strategy knowledge.

Additionally, the same two variables that most significantly influenced accuracy are also the most pervasively associated with self-awareness. Strategy communications and tenure with the organisation are significantly and positively associated with middle managers’ awareness of their corporate strategy knowledge. As noted in the results section, there are also some interesting differences in which variables influenced the tendency to over-and under-estimate strategy knowledge. Tenure with the organisation, for example, is only significantly (and negatively) associated with the tendency to overestimate, indicating that time with the organisation can reduce the risks associated with overestimating one’s knowledge. Perception of hierarchy also had interesting effects. Middle managers that perceive their environment as more hierarchical considered their own knowledge to be more limited.

8 Limitations and directions for future research

One limitation and clear avenue for future study is to complement the present study with research exploring strategy knowledge in other contexts that include varying company and industry characteristics. These comparisons will enable researchers to more closely map the relationships between organisational context and strategy knowledge when company structure and processes are different and in industries that are relatively slower or faster paced. Additionally, future research could fruitfully explore the antecedents, accuracy and self-awareness of middle managers’ strategy knowledge with alternative methodologies such as using direct measures as opposed to self-reports.

A second path for future research is deeper investigation of specific factors that influence the strategy knowledge gap. More systematic examination of the impact of the different types of communication (e.g., e-mail, CEO broadcast, town halls, and cascading meetings), as well as the nature of communication and language employed, would improve our understanding of their link with self-rated and actual strategy knowledge. Another communication-related area for future study is to address the relationship
between different strategic communication approaches and individuals’ unique learning styles. Included in this domain might be investigation into approaches for calibrating communication frequency and channels to avoid information overload on middle managers.

A third possible extension would be to map the development of strategy knowledge from a cognitive perspective to enable deeper insights about strategy knowledge acquisition and subsequent moulding and diffusion across the organisation. Complementing the stream of research focusing on the role of middle managers in sense-making and sense-giving of strategy (e.g., Gioia and Chittipeddi, 1991; Gioia et al., 1994; Luscher and Lewis, 2008; Rouleau and Balogun, 2011), our study suggests that deeper investigation of both actual and self-rated strategy knowledge will enrich our understanding of the dynamics of cognition and strategy.

Another important direction for further research centres on the outcomes of strategy knowledge awareness. While this study focuses on awareness and the antecedents, research must also consider whether these are functional or dysfunctional for the organisation. Much organisational behaviour research on goals and goal congruence indicates that shared goals improve performance (Latham and Locke, 1991; Locke and Latham, 1990). However, inaccuracies in strategy knowledge may be the places where innovation and initiative might occur. Inaccuracies may therefore be seen as beneficial, particularly in times of change, creating the necessary tension and dialectics within the firm that enable the organisation to evolve and adapt to new situations (Wind and Crook, 2005; Sutton, 2002).

Finally, future studies looking at accuracy of strategy knowledge could explore its impact on the unfolding implementation process and ultimately firm performance. Gavetti and Levinthal (2000) examine the problem of accuracy in relation to outcomes by using computer simulations to model cognitive frames as representations of complex environments. Their assumption is that the more accurate the cognitive frame, the better the performance. Their findings reveal that different frames shape different paths of search and action and ultimately generate different results. Although this work investigates how accurately managers view the external competitive landscape, future work could similarly explore how the accuracy of internal strategy knowledge by middle managers affects strategy execution alternatives and their impact on organisational performance.

9 Implications for practice

Our results suggest that there are effective intervention options for managers wishing to improve strategy knowledge. Each strategy communication variable (informal communication, corporate and divisional communications) had a significant positive impact on at least one of the four strategy knowledge measures. This indicates that managers should use a broad set of strategic communication tools to enhance strategic understanding and knowledge. In particular, formal communication appears highly effective for transmitting corporate strategy. Yet in addition, the high level of importance of informal communications also indicates a need for top management to include a range of informal channels for both corporate and divisional strategy knowledge diffusion. The findings regarding actual vs. self-rated strategy knowledge suggest that top level managers should invest more time engaging with middle managers about the extent to
Middle managers’ knowledge of strategy

which they understand the strategy and its implications for execution within their divisions. In addition, the findings on participation in strategy development further underscore the powerful role that engagement and involvement from the beginning have on the extent of understanding of strategy knowledge within their divisions.

Tenure with the organisation is the other variable that is especially noteworthy in our results, as survey findings indicate it is significantly associated with actual strategy knowledge, for both corporate and divisional strategy. These finding also support research on knowledge absorption over time within the organisation (e.g., Chao et al., 1994). However, organisation tenure is a challenging managerial target. Its antecedents are multilevel factors ranging from organisational dynamics such as climate, culture and internal systems to individual factors such as commitment and aspiration, and even external environment factors such as job market availability. In organisational decisions, tenure and longevity is often traded off against efficiency and flexibility criteria. The HR professionals we worked with in this study expressed real concern about strategy knowledge continuity and turnover levels. They lacked evidence on the relationship between tenure, strategy knowledge and firm performance but believed it was important. This speaks to the bigger issue of the short and long-run benefits of employee retention.

10 Conclusion

Our study offers a multi-method exploration of the drivers and dynamics of strategy knowledge among middle managers in a large financial services firm. Faced with fast-paced, dynamic environments, top managers are keen to understand how they can enable middle managers to respond to strategic challenges and changes while being guided by the overall strategy of the firm. Our study supports the idea that there is a need for a more distributed approach to strategy, which would enable strategising to occur at many levels beyond top management. Further understanding of the dynamics and drivers of strategy knowledge at both corporate and divisional levels is important for both theory and practice.

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References


Note

Organisational culture emerged as a construct of greater interest than climate in recent years in some theoretical arenas. However, culture explains the why of climate and connotes a broader scope of behaviours including values, norms, reward systems, ideology, and rituals (Martin, 2002; Schein, 2000, 2004). Indeed, Schein (2000, p.xxiv) suggests that “climate is a cultural artefact resulting from espoused values and shared tacit assumptions”.