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Senior management perceptions of aspirational groups: A study of the UK general insurance market

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ABSTRACT

This study examines the concept of aspirational groups: a reference group that a firm wishes to associate with. A desire to belong to an aspirational group may provide an important source of strategy formulation. Drawing from insights from consumer marketing on aspirational groups, the study explores the composition and structure of aspirational groups compared to strategic groups in a market setting. Using qualitative data from senior managers in the UK general insurance market, this study arrives at the following findings. First, aspirational groups do not necessarily share the same composition or structure as strategic groups. Second, selection of aspirational firms is driven by attribute association. Third, aspirations can be conflicting and reversed. Fourth, firms do not seek membership of the aspirational group but isolate key attributes they aspire to. These findings contribute to knowledge on strategy formation by highlighting the important role aspirational groups play in understanding competitive market movements.

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1. Introduction

This study explores the concept of aspirational groups in a strategic group setting. Aspirational groups, broadly defined, are reference groups that firms wish to associate themselves with. The concept originated in social psychology and was prompted by the observation that people's behaviour is not only influenced by the groups to which they belong, but also by groups to which they aspire to belong (Bearden & Etzel, 1982; Merton & Rossi, 1968). This study aims to demonstrate that aspirational groups also emerge in a setting where senior managers analyse the firms in their industry sector, and that their presence provides additional insight in strategy formulation and competitive moves in that sector.

Aspirational groups are conceptually similar to strategic groups and share the same unit of analysis. Strategic groups comprise of similar firms in the same group and are typically identified in terms of resource deployment and market scope (Cool & Schendel, 1988; McGee, Thomas, & Pruett, 1995). Firms in these groups are barred from crossing over to other groups depending on mobility barriers (Caves & Porter, 1977). Aspirational groups in this context are defined as groups of firms to which a firm aspires to belong, but is prevented from doing so due to mobility barriers (real or perceived). Aspirational groups may be similar to well-established strategic groups but may also be idiosyncratic and unrelated to such groups.

Firms are believed to monitor the behaviour of referent firms within their strategic group and adjust their behaviour accordingly (Fiegenbaum & Thomas, 1995; Greve, 1998; Panagiotou, 2007). Firms thus use competitors from their current, existing group as a key reference point for strategy formulation. The contribution of this study is to demonstrate the value of the aspirational group as a second, important reference point for strategy formulation, even if membership of that aspirational group is realistically unattainable.

To illustrate the role of aspirational groups in a strategic setting, this research adopts a cognitive approach where insights are drawn from managers' perceptions of their industry (in line with Lant and Baum (1995); Peteraf and Shanley (1997); Porac, Thomas, Wilson, Paton, and Kanfer (1995); and Reger and Huff (1993)). Such an approach is complementary to an econometric approach (see for example, Fiegenbaum & Thomas, 1990; Guedri & McGuire, 2011; Leask & Parker, 2007; McGee & Thomas, 1986; Thomas & Pollock, 1999) where insights are drawn from archival data. The cognitive approach allows researchers to directly access a firm's aspirations, as voiced and articulated by their senior managers, in a way that would be difficult to capture using archival data.

The context in which the research will address these questions is the UK general insurance market. Insurance is a well-recognized context for strategic group studies (see e.g., Esper, Mas, & Murillo, 2008; Fiegenbaum & Thomas, 1990; Fiegenbaum, Thomas, & Tang, 2001; Ferguson, Deephouse, & Ferguson, 2000; Schimmer & Brauer, 2012). Although it has been common practice in strategic group research to focus on a single industry (see for example, Fiegenbaum & Thomas, 1990), substantial strategic differences may exist at an industry segment

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level. For example, Ferguson et al. (2000) analysed the property/casualty segment of the U.S. insurance industry, and found substantial differences within this industry, along a myriad of strategic dimensions including operating strategies, product offerings, regulatory oversight, scope of operation, and resource deployment. This argument also applies to the UK insurance market and therefore the study confines itself to the general insurance market (i.e. the non-life insurance market which is the UK equivalent of the US property and casualty market).

The study first develops four research questions on how managers within an industry sector look at aspirational groups in their sector. These questions relate to the composition and structure of aspirational groups, how managers perceive them, whether there is a degree of consensus regarding their formation, and to what extent membership of aspirational groups is perceived to be attainable or desirable. The study then addresses these questions using interviews with 25 senior managers in the UK non-life insurance sector, and concludes with a discussion on the contribution of aspirational groups to our understanding of strategy formulation.

2. Theory and questions

2.1. Strategic group and aspirational group overlap

A question of theoretical and practical interest is the potential overlap in the notion of aspirational groups and strategic groups. The concept of strategic groups dates back to the 1970s when Hunt (1972) first described an intra-industry structure in the US white goods industry. Strategic groups are defined here as a group, or sub-set, of firms within the same industry (Carroll, Pandian, & Thomas, 1994; Caves & Porter, 1977; Porter, 1979), that has formed on the basis of similar combinations of scope and resource commitments (Cool & Schendel, 1988; McGee et al., 1995). The group share a common view of how they are positioned in the market and will make similar decisions in key areas (Porter, 1980). Recent literature has studied performance of firms within and between groups, and has highlighted, amongst others, firm size and intra-group rivalry (Mas-Ruiz & Ruiz-Moreno, 2011), mobility barriers and multi-market competition (Guedri & McGuire, 2011) and retaliation strategies on market entry (Mas-Ruiz, Ruiz-Moreno, & De Guevara Martínez, 2014).

Aspiration is a notion that appears in the strategy literature; however there is an absence of a consistent terminology and a lack of convergent measures (Hill, Kern, & White, 2012). Aspiration is frequently applied in the context of an organizational aspirational and refers to a performance target or goal (see for example, Diecidue & Van De Ven, 2008; Schimmer & Brauer, 2012; Shinkle, 2012) which may be set at an industry average or other basis without reference to an aspirational group. In defining an aspirational group we have returned to its origins in social psychology and consumer marketing to clarify understanding of the term and its application.

Social psychology commonly cites three types of reference groups: membership groups to which the individual already belongs (Bearden & Etzel, 1982; Childers & Rao, 1992; Moschis, 1976); aspirational groups to which the individual aspires to belong to (Bearden & Etzel, 1982; Dholakia & Talukdar, 2004; Lessig & Park, 1978); and dissociative groups that an individual wishes to distance themselves from (Englis & Solomon, 1995; White and Dahl, 2007). As with the cognitive strategic groups, the three reference groups are formed in the mental representations of individuals (Escalas and Bettman, 2003) and may change over time when the desired standards are achieved (Chang & Arkin, 2002).

The strategic group aligns most closely with the membership group as the referent firms are within their own group (Fiegenbaum & Thomas, 1990). Observation has however identified that both strategic groups and membership groups fail to fully explain performance and behaviour respectively (Barney & Hoskisson, 1990; Bearden & Etzel, 1982; Hatten & Hatten, 1987 and Johnson, 1993). Within the social psychology and consumer marketing literature, aspirational groups are

considered to be a solution to these unexplained results (Bearden & Etzel, 1982).

What is unclear is whether the referent point, the strategic group leader or other members of the strategic group (Fiegenbaum & Thomas, 1995; Panagiotou, 2007) are also considered aspirational by firms in that group. Could strategic groups be both membership and aspirational groups? Therefore, our first question is: Do aspirational groups overlap with more traditional strategic groupings? Do they have the same composition or even the same level of aggregation?

2.2. Composition of aspirational groups

In social psychology, aspirational groups are those in which a person does not hold membership but wants, or aspires, to become a member (Escalas and Bettman, 2003). Aspirational groups can be socially close or distant, real or imaginary, what is important is that a positive view is held of that group (Cocanongher & Bruce, 1971; Lessig & Park, 1978).

Aspirational groups serve as a positive influence, a level of achievement to which individuals aspire (Childers & Rao, 1992). They can influence information processing, attitude formation and purchase behaviour (Bearden, Netemeyer, & Teel, 1989; Dholakia & Talukdar, 2004; Escalas and Bettman, 2003; Lockwood & Kunda, 1997; Moutinho, 1987). As individuals cannot join the aspirational group simply on the basis of a strong desire to be a member, they attempt to mimic the visible cues or associations of that group so they can be seen by others to be linked, or belong, to that group. For example, when aspirational groups use a brand, consumers may form associations about that brand that they then transfer to themselves thereby creating and projecting an image consistent with the group to which the individual wants to join (Escalas and Bettman, 2003).

Within the strategic group literature, a firm is understood to look to its own strategic group and referent firm therein in order to inform strategic decisions (Fiegenbaum & Thomas, 1995; Panagiotou, 2007). The rationale for this is that firms within a strategic group are similar to each other in terms of key strategic dimensions and the referent firm therefore presents a low risk model to benchmark against (Duan & Jin, 2014; Porter, 1979). Firms are only expected to look further afield and adopt a more risky strategy when they are experiencing performance problems (Levinthal & March, 1981). The social psychology literature would however suggest that firms are potentially aware of aspirational groups within their sector and although they may be strategically at a distance to themselves (Porter, 1979) they will have knowledge of their composition. This discussion leads to our second research question: What drives the composition of the aspirational groups in an industry sector, and is this perhaps influenced by attribute associations?

2.3. Within-sector consensus of aspirational groups

Within social psychology reference group theory there is an implied hierarchical structure. The members of one group will aspire to belong to another group that is perceived to be more elite, or superior, in some way. Those already in that aspirational group are likely to perceive the other group as inferior and non-aspirational and would wish to distance his or her identity from that group (Amaldoss & Jain, 2008; Bourdieu, 1984; Bryson, 1996).

Views on what constitutes an aspirational group do however differ. Englis and Solomon argued that there is 'no single lifestyle that serves as a positive or negative anchor for all consumers. Just as occupied (membership) groups vary widely so do idealized lifestyles aspired to by diverse consumer segments' (Englis & Solomon, 1995, p. 15). Each consumer segment is therefore likely to have its own aspirational group.

However, as consumers learn more about their aspirational group, they make fine-grained distinctions, lowering the degree of consensus on the activities of an aspirational group (Englis & Solomon, 1995). Consumers' understanding of the same aspirational groups may therefore, over time, differ within consumer segments. This conclusion contrasts

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