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## The role of managerial perception within strategic management: an exploratory overview of the literature

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### Abstract

Several scholars in the strategic management literature have long acknowledged the critical role of managerial perception both in organizational decision-making and strategy formulation processes. The aim of this paper is to provide an overview of strategy research from a managerial perception point of view. Thorough this, the paper analyses 22 managerial perception research published in strategic management literature. The study provides evidence for the significant influence that research from a managerial perception perspective has had on the field's understanding of how strategy forms in the organizations. The main contribution of this effort is an elaboration of various ways in which managerial perceptions influence strategy development process, beyond only implementation. A recommendation of future research opportunities within the managerial perception area is also provided. The research method used in this paper is literature review.

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### 1. Introduction

The behavior of human beings and societies are shaped under the influence of various concrete and abstract factors. There is no doubt that perception has a special position among the aforementioned abstract factors. Perception, as Young (1956) expresses it, refers to sensing, interpreting, and appreciating physical and social processes. As this paper is allocated to a high degree with perception, we believe that it is especially essential to elaborate on the nature and implications of perception. Even though research efforts on perception are rich and wide-ranging, the intent is not to present an extensive list of existing definitions of perception. Instead, the intent, in other words the aim of this paper is to establish a common understanding and a broad framework for perception, as a psychological concept and to provide an overview of strategy research from a managerial perception perspective.

The Oxford Dictionary defines perception as “the way in which something is regarded, understood, or interpreted.” More broadly, perception can be defined as a “complex process by which people select, organize, and interpret sensory stimulation into a meaningful and coherent picture of the world” (Berelson and Steiner, 1964:88). In the same

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manner, perception is “about receiving, selecting, acquiring, transforming and organizing the information supplied by our senses” (Barber and Legge, 1976:7). The research efforts on perception can be traced back to Bartlett’s (1932) leading studies on the constructive nature of cognition, which argues that schematic thinking dominates human perception in ways that human generic beliefs about the world influence and shape information processes. Several researchers have extended Bartlett’s work and have advanced the understanding of perception.

In the light of the above descriptions perception as a concept appears to be used in a variety of ways within a psychological context. However, we do not aim to enter into a psychological argumentation in the paper. We start with a brief walkthrough of the different managerial perception research existing in the literature within the business, more specifically strategic management context. By providing a research historic as well as gap in the literature the paper serves to reveal the direction in which the field has developed and where the gaps are. In brief, the paper intends to provide a guideline for scholars in positioning their future research efforts within managerial perception context.

## **2. Perception in Strategic Management**

Organizational culture has been described as a belief system shared by an organization’s members (Spender, 1983) and organizations need to analyse their varying perceptions (Keeton and Mengistu, 1992). This need for analysing of perceptions is very important for two reasons. On theoretical grounds, differences in perceptions among organizational members suggest that the existence of a shared value system (such as strategy development culture) throughout the organization be questioned. On practical grounds, identifying differences in perceptions of values held by organizational members would have implications for training and development programs. This would be especially beneficial for organizations that seek change by lessening differences in perceptions of organizational values (Keeton and Mengistu, 1992).

The previous definitions on perception have submitted that from a psychological point of view, people’s perceptions have a direct influence upon their decision-making and consequently the result of their decisions. Moreover, organizational researchers agree that many vital decisions taken in organizations likely to be affected by managers’ individual cognitive processes (Beyer et al., 1997). The critical role of managerial perceptions in organizational decision-making and strategy formulation processes has long been acknowledged also in the strategic management literature by several scholars. The research on the roles and effects of managerial perceptions in management field is yet to be completed, and the search for a better understanding of managerial perceptions on strategy in the field of strategic management endures its momentum. Therefore, organization theorists are also interested in relationships between perceptions and various aspects of organizations. For example; a study by Mahoney (1967) develops models of managerial perceptions of organizational effectiveness, a work by Anderson and Paine (1975) posit the influences of the perception of uncertainty in the environment on the perception of the need for change in a firm’s strategies.

Despite the abovementioned recognised crucial role of managerial perception in particular on strategy and in general on the whole strategy development process, the main research effort in strategic management literature usually focus on two areas: That is to say “what is a good strategy?” (Strategy as a product) and “what is good strategizing practice?” (Strategy as a practice) (Özleblebici, 2014). Since the managerial perception on strategy has a direct effect on strategic thinking and consequently on entire strategic management process (as depicted in Figure-1), it was suggested by some others that there is also a need to understand “what is perceived by strategy?” in other words “Strategy as perceived” aspect of this broad research topic. Therefore, some scholars have directed their researches to a number of gaps that need further explanation by approaching this research topic from a different angle.

Some important researches on managerial perception in strategic management field are addressed in the next section.

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