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STRATEGIC IMPLICATIONS FOR MANAGERIAL RECRUITMENT: ONE CASE STUDY SEEN IN THREE DIFFERENT PERSPECTIVES

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Abstract

This paper discusses the implications three strategic perspectives – industrial organisation theory, resource-based view and the Austrian school of strategy – may have on managerial recruitment. In line with the strategic perspectives, managerial recruitment would in the case of industrial organisation theory be a product of environmental concerns, selecting a manager according to what strategy would need to be implemented. In the case of the resource-based view, managers were argued to be selected according to what core competence presented a competitive advantage in a corporation, thus determining managerial characteristics in the form of especially functional background. In the case of the Austrian school of strategy, flexibility is emphasised and it was therefore argued, that management teams would need to be created in such a way as to support substantive, task-related conflict through heterogeneity in organisational tenure, education and functional background, while avoiding causing affective, personal conflicts through homogeneity in age, gender and race. The implications of these different strategic perspectives will be illustrated with a case study. No judgement concerning the relative efficiency or effectiveness of the strategic perspectives will however be made.

Managers are one of a corporation's most important resources. In controlling all other resources by deciding what resource is to be acquired, developed, sold etc. the manager will be one of the most important resources a corporation possesses. Such managerial decisions may also be termed strategies, of which there are three main perspectives – industrial organisation theory, the resource-based view and the Austrian school of strategy. As this paper discusses implications by strategic perspectives on the managerial recruitment process and its outcome, i.e. the characteristics of a manager, it thus, treats one of the most important processes in a corporation – the connection between the perhaps most important corporate resource of managers and other resources.

Gupta (1986) argues that there are four arguments against matching managers to strategies. Need for strategic flexibility, need for management development, when having motivational problems due to managers with responsibility for build missions being more easily promoted and in the case of managers having very limited latitude for action. Nevertheless, he also argues that benefits may also be gained from matching managers to strategies, as strategies differ over time and across organisations and that the relative usefulness of specific managerial skills depends upon the strategic context, managers differ according to personality, education and experience and because matching managers to strategies will lead to improved performance. Gupta (1986) is one advocate for a specific strategic perspective, which will be treated in this paper. Nevertheless, one may agree nominally upon the above benefits although the purpose of a strategy will depend upon tradition and perspective. This paper will therefore discuss these different strategic perspectives and analyse what kind of impact they may have on managerial recruitment. To clarify such analyses, they will also be formulated as hypotheses, which are subsequently tested upon a case study. However, the purpose of the paper and the case study is not hypothesis testing, but rather hypothesis-generating with the case study presenting an illustrating example of the possible impact of different strategic perspectives. Furthermore, no judgement will be made according to the relative productivity of strategic perspective, either in the form of managerial recruitment or organisational performance.

The paper will be disposed in the following way. First, previous research on the three strategic perspectives of industrial organisation theory, the resource-based view and the Austrian school will be presented, in order to first describe these different perspectives. After this, the different perspectives' implications for management recruitment will be analysed in terms of impact upon recruitment assumptions and the outcome of the recruitment process, i.e. the manager. In order to fully depict such implications on the recruitment process, a case

study on the Swedish multinational corporation Cardo will be presented. First, method is described, after which results and analyses are presented. Finally, a summary is presented before a discussion of the three strategic perspectives, as well as of implications from the case study is made. However, it must be emphasised that this paper does not make any assumptions or judgements of the relative usefulness or effect upon corporation performance that a specific strategic perspective will have.

PREVIOUS THEORY ON STRATEGY

In this section, three main perspectives on how strategy can influence a corporation's performance and consequently how a strategy is beneficially formulated and executed, will be presented. These perspectives are the industrial organisation theory, whose main advocate is Michael E. Porter (1991), whose work will be the basis for that section of this article. Another perspective on strategy is the resource-based view, which originated with the work of Jay B. Barney (1991, 1993), whose work will mainly constitute the second section. Finally, the Austrian school of strategy is more diverse in its nature than the other two and therefore, perhaps more difficult to summarise. Nevertheless, the third section will be based upon the work of Robert Jacobson, as he also treats other perceptions than his own within the field of Austrian school of strategy, and also because he relates this specific school to the other two perspectives.

THE INDUSTRIAL ORGANISATION THEORY OF STRATEGY

According to this theory, profit depends upon two things; the attractiveness of the industry in which the corporation is active and its relative position compared to its competitors in that industry. Industry attractiveness in turn depends upon bargaining power of suppliers and of buyers, threat of new entrants and of substitute products or services and of rivalry among existing competitors, a model called the five forces. Keeping the industry structure constant, a successful corporation is one with a relatively attractive position compared to its competitors, i.e. the corporation has a competitive advantage. (Porter, 1991)

Competitive advantage can be divided into two basic types; the ability to differentiate products or services, thus commanding a premium price which exceeds the extra cost of them, or lower cost than competitors. In the pursuit of a strategy, choice of scope will also be made as it is central to the strategy and may or may not be inconsistent with pursuing a specific type of strategy. Thus, a corporation can achieve a competitive advantage in performing required activities in unique ways whereby customer value is created and a

premium price can be commanded or they can be performed at a collectively lower cost than competitors. Why then are some firms able to perform specific activities in ways that create superior value or at a lower cost than others are? Porter's (1991) answer to this is drivers, which are structural determinants of differences among competitors. Drivers of competitive advantage in activities that are considered most important are; scale, cumulative learning, pattern of capacity utilisation, the activity's location, the timing of investment choices, extent of vertical integration, linkages between one activity and others, ability to share activity with other business units, institutional factors affecting the activity such as government regulation and firm policy choices about how to configure an activity independent of other drivers. In an international strategy, the main question becomes one of scope and how activities or skills can be shared across business units. (Porter, 1991)

Performing an activity requires assets, which can be both tangible such as the financial ones, or intangible such as those embodied in human resources and technology. Tangible assets will tend to depreciate, while intangible ones tend to be more long-term. Furthermore, performing an activity will in turn create other assets, which will feed back into the effectiveness or cost of performing activities. Thus, there is no optimal positioning within an industry, but success requires the choice of a strategy, which will result in a relatively attractive position given the industry structure, the corporation's circumstances and positions of competitors and keeping the corporation's activities consistent with the chosen strategy and position. How then are specific corporations able to achieve advantageous positions and able to sustain them. There are two reasons for this; first, corporations may have advantageous initial conditions. However, the cause for such initial conditions constitutes the second reason. In order for a corporation to have specific initial conditions, managerial choices, as position and skills of today are results of prior managerial choices on how to deploy resources, configure activities and what skills to create or acquire. (Porter, 1991)

THE RESOURCE-BASED VIEW OF STRATEGY

According to the resource-based view corporations within an industry can be heterogeneous concerning strategic resources, which corporations control and those resources may not be perfectly mobile across corporations, causing the possibility that heterogeneity can be long lasting. Firm resources include all assets, capabilities, corporation attributes, organisational processes, information, knowledge etc. controlled by a corporation, which enables it to formulate and implement strategies, which improve the corporation's efficiency and effectiveness. According to Barney (1991, 1993), there are three kinds of resources; physical

capital resources such as equipment, human capital resources such as experience and organisational capital resources such as formal reporting structure. A corporation will have a competitive advantage when it is implementing a strategy, not simultaneously implemented by any current or potential competitor. A sustainable competitive advantage is realised when a corporation is implementing a strategy not simultaneously implemented by any current or potential competitor and when competitors are unable to duplicate this strategy and therefore unable to receive its benefits in the form of profit. (Barney, 1991)

Four attributes must be realised before a corporation has the potential of sustained competitive advantage. A firm resource must be valuable, in that it exploits environment opportunities or neutralises threats. It must be rare, in order for competitors not to be able to conceive of and implement the strategy in question. It must also be imperfectly imitable, in order for competitors to be unable to duplicate the strategy, which can occur due to unique historical conditions, ambiguous causality or social complexity. Finally, the resource must not be substitutable, i.e. there may be no strategically equivalent valuable resource that itself is not either rare or imitable. Thus, competitors must not be able to substitute for the resource by finding a similar or different resource to substitute the one underlying a corporation's sustainable competitive advantage. (Barney, 1991)

For a corporation to achieve sustainable competitive advantages, choices and decisions must however be made by managers. According to Barney (1993) himself, one of his purposes has been bringing back managers into the strategic management research. Managers may thus either be causes for sustainable competitive advantages, or they may also constitute the sustainable competitive advantage themselves in that they present both a form of human capital resources as well as a form of organisational capital resources. This will however be described more in detail in the section on strategic implications for managerial recruitment. (Barney, 1993)

THE AUSTRIAN SCHOOL OF STRATEGY

The Austrian school originates partly from the inability of industrial organisation theory to take into account the dynamic environment, which surrounds the corporation. One distinctive priority of the Austrian school is its emphasis upon the market process. Markets are viewed as processes of discovery, which mobilise a dispersed information, by Austrian economists. Furthermore, they argue that firms earn profits through entrepreneurial discovery, wherefore they focus on the entrepreneur as motivated by supranormal profits. The entrepreneur is seen as a tool for promoting discovery and for achieving profits by realising opportunities in a

constantly changing marketplace, which is at a disequilibrium. However, as competitors will imitate strategies known to generate supranormal profits, until that generation of premium is eliminated, abnormal returns are only temporary. According to this assumption, previous attempts in research to find systematic strategies depicting regularities that corporations can use to consistently achieve supranormal profits will be unsuccessful. (Jacobson, 1992)

Instead, Austrians advocate that business success is dependent upon many time- and firm-specific unobservable factors. As innovations in the form of new products, production processes and organisational techniques are implemented, realisation of supranormal profits are dependent upon innovation and provide the incentive for it, but as innovations will be imitated these profits are short-term. (Schumpeter, 1934; 1942 in Jacobson, 1992) Nevertheless, innovations as bringing the market into disequilibrium are brought about by successfully directing resources toward the fulfilment of consumer needs. (Mies, 1949 in Jacobson, 1992) Thus, although many opportunities exist in the market place, an entrepreneur is needed to discover the errors or inefficiencies, constituting opportunities, and to eliminate them. The role of the entrepreneur is thus to gather, evaluate and utilise information, by which economic opportunities can be observed, which have been overlooked by others. (Jacobson, 1992)

Such entrepreneurial discovery may not only be scientific in nature, e.g. a result of research and development. Due to imitation tactics, innovations are quickly imitated or quickly become obsolete and therefore, knowledge of continuous changes producing new disequilibrium situations may be more efficient in realising new profit opportunities. Knowledge of particular circumstances of time and place, for example local conditions, people and special circumstances may thus enhance a corporation's ability to adjust to the continuous changes and to flexibly be able to exploit rapidly changing and dissipating opportunities. (Jacobson, 1992)

IMPLICATIONS OF STRATEGIC PERSPECTIVES FOR MANAGERIAL RECRUITMENT

In this section, the three previously presented perspectives on strategy will be discussed according to what impact they will have on managerial recruitment, in terms of assumptions underlying the recruitment process and what result in terms of characteristics of the manager such assumptions will have. Furthermore, hypotheses will be formulated in order to clarify relationships between strategic perspectives and managerial characteristics. The first section,

industrial organisation theory, will be based upon the work of Anil K. Gupta (1986), as he is one of the greatest in this field. Also, his work is clearly influenced by industrial organisation theory in that managers are seen as respondents to the environment. Indeed, one of the distinctions used is the division of competitive advantage into low cost and differentiation. The second section, the resource-based view, will be based upon the work of Jay B. Barney (1991, 1993), as the subject has not been treated to a great extent by others than himself. The third section, the Austrian school, will be mainly based upon the work of Lisa Hope Pelled (1996), as her work is prominent in analysing how managerial characteristics will influence group productivity vs. creativity. As profits will depend upon innovation, which in turn depends upon the observing of and action upon disequilibrium opportunities, management flexibility and creativity become essential. However, individual management characteristics will also be discussed.

THE INDUSTRIAL ORGANISATION THEORY OF STRATEGY

According to the industrial organisation theory, strategies are ways of achieving success in relation to the corporation's environment and thus, the manager becomes a means for analysing and responding to the environment opportunities and threats. One researcher in the area of managerial recruitment who seems to be very much influenced by the industrial organisation theory is Gupta (1986). This influence is apparent in that the impacting factors of strategy are divided into the two levels of corporate and business unit strategy and in the concepts that are used in explaining this influence. On corporate level, the impacting factor is degree and nature of diversification and on business unit level, the impacting factors are type of mission and type of competitive advantage, where the typology of Porter (1991) is used, i.e. low cost or differentiation. It is argued that the personal background will shape a manager according not only to a personal bias for a specific strategy, but also in terms of what the manager will be able to perceive when analysing the environment. Thus, as managers will be the ones to implement a strategy and as it is argued that the characteristics of a manager will impact this implementation, managers will be selected according to their characteristics in terms of what strategy is to be implemented. (Gupta, 1986)

In the case of corporate level strategy, the degree of diversification influences managerial recruitment. While the type of diversification represents the nature of linkages between units, vertical, horizontal or none and the extent of diversification addresses the question whether the diversification is related or unrelated. Different degrees of diversification from single business to unrelated diversified corporations require different

perspectives, priorities and behaviour on the part of the CEO. If the number of profit centres is limited or in the case of a single business and the external environment's boundaries are relatively well defined, initiative and responsibility for decisions on how to compete within the industry and what functional strategies to implement rest with the CEO. Thus, critical skills will be expertise in R&D, manufacturing and marketing, high interpersonal orientation and extended familiarity with the particular corporation and industry. In the case of an unrelatedly diversified corporation the primary task of the CEO becomes portfolio management, addition to or reduction of businesses and financial resources allocated to different businesses. Instead, decisions regarding competition will reside with various middle level general managers. Thus, skills needed are related to financial management and impersonal financial control. This is enhanced by future direction in that a CEO pursuing an increased diversification strategy would normally require a successful international experience, but also in the case of increased unrelated diversification primarily a financial/legal background. In the case of an increased related diversification, an operating background in areas such as marketing, manufacturing or technology would be more beneficial. (Gupta, 1986)

Hypothesis (IO1) In line with Industrial Organisation Theory, a CEO with responsibility over a single business will need such skills as expertise in R&D, manufacturing or marketing, high interpersonal orientation and extended familiarity with the particular corporation and industry.

Hypothesis (IO2) In line with Industrial Organisation Theory, a CEO with responsibility over a corporation with an unrelated diversification strategy will need such skills as are related to financial management and impersonal financial control.

Hypothesis (IO3) In line with Industrial Organisation Theory, a strategy of increased unrelated diversification will require a CEO with a financial/legal background.

Hypothesis (IO4) In line with Industrial Organisation Theory, a strategy of increased related diversification will require a CEO with a background in areas such as marketing, manufacturing or technology.

Concerning strategic business unit level, there are two different strategies, which will influence managerial recruitment. The first is strategic mission, which represents different positions on the product life cycle and will be treated according to the two extremes build and harvest. Build strategies are typically undertaken in the growth stage of the product life cycle and products in this face tend to face greater environmental uncertainty, as factors such as competitive structure, number of competitors, relations with buyers and suppliers, market demand, distribution channels, product technology and manufacturing process change more rapidly and are more unpredictable. Given the long-term time horizon and market share orientation, managers will tend to require skills relating to risk-taking, product-market

innovation, entrepreneurial behaviour and human resource development. In a harvest mission business unit, environmental uncertainty will tend to be less and given the short-term horizon and profit maximisation orientation, a manager will tend to require skills relating to accounting/finance, production and a preference for avoiding risk and innovation. (Gupta, 1986)

Hypothesis (IO5) In line with Industrial Organisation Theory, a general manager responsible for a build mission will require skills relating to risk-taking, product-market innovation, entrepreneurial behaviour and human resource development.

Hypothesis (IO6) In line with Industrial Organisation Theory, a general manager responsible for a harvest mission will require skills relating to accounting/finance, production and a preference for avoiding risk and innovation.

Concerning the other form of strategy on business unit level, there are two main categories of competitive strategy, differentiation and low cost. To achieve a competitive advantage through differentiation, the primary focus is to create something that is perceived as unique by the customer through for example brand loyalty, superior customer service, product design and features, technology and dealer network. Thus, managers will require skills relating to marketing, product R&D skills, industry knowledge and ability to foster creativity. The other approach, low cost, constitutes a primary focus upon achieving low cost relative to competitors, through for example economies of scale, tight cost control, experience curve effects and cost minimisation in areas such as R&D, service, sales force and advertising. Thus, managers will require skills relating to maximising internal throughput efficiency, such as tight financial and operational controls. (Gupta, 1986)

Hypothesis (IO7) In line with Industrial Organisation Theory, managers with responsibility for a differentiation strategy will require skills relating to marketing, product R&D, industry knowledge and ability to foster creativity.

Hypothesis (IO8) In line with Industrial Organisation Theory, managers with responsibility for a low cost strategy will require skills relating to maximising internal throughput efficiency through tight financial and operational controls.

THE RESOURCE-BASED VIEW OF STRATEGY

Here, the connection between strategic perspective and managerial recruitment is even clearer, as Barney's (1991, 1993) own views on management will be presented. Nevertheless, a distinction needs to be made in that managers in this perspective may either be selected in order to manage the potential of other sustainable competitive advantages, or they may present a sustainable competitive advantage in themselves. Consequently, a manager may be recruited due to prior experience and skill concerning another resource, due to individual capabilities presenting a sustainable competitive advantage in human capital, or due to the

manager's relation to other managers presenting a sustainable competitive advantage in organisational capital. (Barney, 1993)

The most direct impact strategy may have upon managerial recruitment according to the resource-based view, is selecting a manager with experience from the area in which the corporation has a competitive advantage. This will tend to happen, as a manager will have future responsibility over such a strategy and due to managers' perceptions and behaviour biases being affected by their personal background, such an experience will tend to be a benefit. Furthermore, as sustainable competitive advantages commonly involve social complexity and causal ambiguousness, personal experience may be needed in order for a manager to know how such a sustainable competitive advantage has evolved and therefore, how it may be continued.

Hypothesis (RBV1) In line with the Resource-Based View, a manager with a background in the area of a corporation's (sustainable) competitive advantage will tend to be promoted hierarchically.

Furthermore, managers may present a sustainable competitive advantage in themselves, in terms of managerial human resources and managerial organisational resources. A corporation's human resources include all knowledge, judgement, experience, risk-taking propensity and wisdom of individuals associated with the corporation. A sustainable competitive advantage in managerial human resources may be constituted of formal managerial training, managerial experience and managerial intelligence and cognitive style. While these may be valuable, they are nevertheless not commonly rare and are thus not likely to be sources of competitive advantage. Managerial experience and managerial intelligence and cognitive style is more likely to be a source of sustained competitive advantage, as they are less likely to be possible for direct duplication. However, they may still be substituted for and may thus not present a competitive advantage. Nevertheless, human resources being the potential of individuals, they still need to be organised in order for their value to be fully realised. (Barney, 1993)

Managerial organisational resources include such managerial resources, as are properties of groups of managers in a corporation. They constitute relationships among managers and transformational leadership. Relationships among managers mostly concern the need for good interpersonal relationships, resulting in good communication lessening the time that decision taking will take. Such relationships may be valuable, rare and costly to imitate, but will still need to be organised in terms of structures, systems and styles, to be fully taken advantage of. This will be treated more in the next section on the Austrian school of strategy,

but for now we can conclude that according to the resource-based view, managers in a group will tend to have similar characteristics. Transformational leadership represents a senior manager being able to take charge of a corporation and to fundamentally alter its strategy, its culture, its operations etc. in a way that will substantially add to the corporation's economic value. This may seem a managerial human resource, in that formal management training, managerial experience and management intelligence and cognitive styles will be important for a transformational leader, as well as for example personal charisma. However, the need for a transformational leader to emerge in a particular fitting organisational setting puts a prerequisite on this form of resource, which is therefore termed a managerial organisational one. As a transformational leader is dependent upon organisational context and is usually a CEO, i.e. on the top of the hierarchical ladder, the possibility of predicting a manager to become a transformational leader is very low, if not extinct. (Barney, 1993)

Hypothesis (RBV2) In line with the Resource-Based View, top management teams will tend to be homogeneous in characteristics, to realise the possibility of sustainable competitive advantage of managerial human resources.

THE AUSTRIAN SCHOOL OF STRATEGY

The Austrian school of strategy emphasises not only analysing and responding to the environment according to a specific strategy. Indeed, there is not specific strategy, which will be successful on a long-term basis. The manager's role is therefore not to implement a specific strategy, but to constantly analyse the environment and to constantly be able to change according and to respond to the environmental continuous change, which is perceived as inevitable. As a manager, as discussed earlier, is a product of the personal background, the flexibility of one manager even if it is the CEO is therefore not enough. The Austrian perspective's implications for managerial recruitment, in terms of needed flexibility and creativity, will instead be subject to group characteristics, as studied by Pelled (1996).

An important concept in the model of Pelled (1996) is conflict, which represents an intermediary factor between managers' demographic characteristics and a corporation's performance. She has identified two forms of conflict, substantive conflict, which represents conflict on cognitive tasks and is beneficial for task performance, and affective conflict, which is destructive interpersonally and stems from communication problems as individuals fail to overcome demographic differences. Different demographic variables trigger different conflicts according to the two dimensions of job-relatedness and visibility. Age, gender and race are high in visibility and will therefore trigger affective conflict. Organisational tenure,

education and functional background are high in job-relatedness and will therefore trigger substantive conflict. Group tenure is high in both visibility and job-relatedness, representing a particular situation where it may cause affective conflict at first, an effect which will however dissipate in visibility with time and may even present a moderator in the factors of age, gender and race causing affective conflict, a relationship which may dissipate with time. Heterogeneity in factors causing substantive conflict will tend to increase creativity and overall task performance. Homogeneity in factors causing affective conflict will however tend to lead to overall efficiency, as decisions may be made without personal conflicts. Also, due to an argued negative effect upon substantive conflict by the factors causing affective conflict, homogeneity in these factors will be beneficial for substantive conflict. Thus, regarding the Austrian school's emphasis upon flexibility and creativity, heterogeneity in organisational tenure, education, functional background will be beneficial for creativity, as well as homogeneity in the factors of age, gender, and race. (Pelled, 1996)

Hypothesis (AS1) In line with Austrian School of strategy, members of a management team will tend to be homogeneous in the factors of age, race and gender.

Hypothesis (AS2) In line with Austrian School of strategy, members of a management team will tend to be heterogeneous in the factors of organisational tenure, education and functional background.

CASE STUDY

In this section, a case study of the Swedish multinational corporation Cardo will be presented in order to fully be able to discuss and analyse the different implications for the managerial recruitment process different strategic perspectives will have. Thus, the case study is not to be seen as mainly having a hypothesis-testing purpose, but an exemplifying one. The case study presents a possibility for evaluating how different strategic perspectives may affect recruitment decision assumptions and therefore also the outcome, in terms of characteristics of the manager. Yet again, it must be emphasised that this paper does not make any assumptions or judgements of the relative usefulness or effect upon corporation performance that a specific strategic perspective will have. For a description of the case study in greater detail, see Stafsudd and Wedlin (1998).

METHOD

The study of strategy's impact on managerial recruitment was done within a larger context of studying the whole of the recruitment process and its outcome, i.e. the employed managers (Stafsudd and Wedlin, 1998). The study was made in the form of a case study at the Swedish

corporation Cardo, which was chosen for its design into three major business areas, Cardo Door, Pump and Rail, providing three case studies in one and its high percentage of 90 per cent of sales abroad, enabling data on foreign managers to be gathered. However, Cardo was also chosen according to the more pragmatic reason of geographical proximity, as headquarters are situated in the south of Sweden.

As so many aspects of the recruitment process were to be studied, we tried to gather as much different information on it as possible. This was therefore done in several different ways: Documents, survey and interviews.

Documents Corporate data was gathered in the form of documents from and about Cardo. General information consisted of for example annual reports and organisational charts, but specific information was also gathered in the form of strategy documents and documents concerning Cardo's human resource management model and a person profile analysis used in the selection of managers were also obtained.

Survey Continuing the data gathering process, we also sent a survey to all Cardo managers, including those abroad, from the hierarchical level of middle-management up, with a minimum level of function manager at business area level. Apart from our introductory letter explaining the purpose of the study, the survey was also accompanied by a letter from the Cardo VP of Personnel. After one reminding letter, 51 managers of 100, to which the survey was sent, answered it, translating into a response rate of 51 per cent. The survey was designed as a curriculum vita, including questions concerning the person's name, age, father's and mother's occupation, military degree, education, working experience and nationality. The primary purposes of the survey was to study the homogeneity vs. heterogeneity of the population Cardo managers, as well as to observe which variables correlated with a higher hierarchical level.

Several variables were then coded, such as international experience (dummy variable), functional background, background in operations vs. finance (dummy variable), educational level and internal or external recruitment to management level. However, one weak point of this coding was that skills needed for build and differentiation strategies vs. harvest and low cost strategies resembled each other closely and was therefore coded into a dummy variable for build/differentiation vs. harvest/low cost. This will be further discussed in the analysis below. Furthermore, organisational tenure, i.e. number of years spent at Cardo, and number of functions the individual had worked in, which was also coded in relation to work experience. These variables were then analysed in a regression analysis, with

hierarchical level as the dependent variable, as well as analysed by means and standard deviation.

Interviews Interviews were also conducted with Cardo managers, which were restricted to managers at the headquarters, lasting from one and a half to two hours. The interview persons were related to us by the group level VP of Personnel, having stated wishes concerning interview persons having different responsibilities regarding function, position on group or business area level, as well as different positions. Another wish was to interview managers especially responsible for the personnel function. The interview persons consisted of the group level VP of Personnel, one business area VP of Personnel, one business area VP of marketing and one group level Director of Treasury.

The interviews were conducted according to a loose structure provided by an interview guide, from which we could diverge when introduced by the interview person to an especially interesting subject. Questions in the interview guide pertained to general areas, such as wages, benefits, status, structure, leadership style and market actors, such as board of directors and owners, as well as specific questions concerning recruitment policy and process. Specific topics of interest for this paper were questions pertaining to strategy, life cycle, responsibility area, skills and abilities needed in a position, leadership style, corporate culture, perceived potential competitors for promotion and a description of responsibility area.

CASE COMPANY

Cardo AB is an industrial group, which is divided into three business areas; Cardo Rail, Cardo Pump and Cardo Door. Cardo Rail is one of the largest subcontractors to the railway industry, supplying brake and other safety systems. Cardo Door is one of the world's largest manufacturers of industrial doors, being market leader in Europe, and is also one of Europe's largest producers of garage doors for private use. Cardo Pump is one of Europe's four largest manufacturers of pumps for use in municipal water and sewage treatment facilities, but also in process and construction industry.

The headquarters of Cardo are situated in Malmoe, in the south of Sweden, apart from Cardo Pump, which is placed in Gothenburg. In 1997, Cardo was represented in more than 30 countries worldwide and 91 per cent of its sales was accumulated outside of Sweden. The most important market is Europe, constituting 84 per cent of invoiced sales. The group as a whole employs 7,400 people, whereof 78 per cent works abroad.

RESULTS

Here, the empirical data will be presented in the form of analyses pertaining to the previously made hypotheses regarding the three different perspectives. First of all, the variables were analysed by means of a regression analysis, depicted in table 1.

Variable	Beta	SE B	T	Sig T
Age	,27	,02	1,22	,23
Age at First Management Position *	-,38	,02	-2,32	,03
Years in First Management Position	-,09	,02	-,50	,63
International Experience (dummy) *	,30	,20	2,11	,04
Organisational Tenure / Work Experience	,18	,32	1,03	,31
Number of Functions / Work Experience	-,04	1,22	-,20	,84
Number of Positions / Work Experience **	,43	,98	2,96	,01
Operational vs. Financial Background *	,34	,30	2,07	,05
Function of Present Position	-,14	,30	-,89	,38
Technology vs. Business Ec. Background *	-,41	,16	-2,69	,01
External or Internal Recruitment *	-,37	,19	-2,16	,04
Social Class	,01	,11	,08	,93
Prestigious School	,23	,09	1,60	,12
Education Level	-,09	,15	-,58	,57
(Constant)		,96	6,18	,00
Adjusted R Square ,41719				
Standard Error ,40453				
F = 2,99404 Signif F = ,0082				

Table 1. Regression analysis with the dependent variable of higher hierarchical level.

Industrial Organisation Theory of strategy Concerning diversification, the Cardo Group can be described as totally undiversified concerning its three Business Areas, although they are all three situated in the manufacturing industry. Nevertheless, they require and focus on different competencies in their business. Furthermore, strategy documents indicated if not further unrelated diversification, then at least growth in the presently unrelated diversification. This is in line with above regression analysis, depicting how a financial background is positively correlated with a higher hierarchical level. Furthermore, we were told during interviews how group level management consisted almost solely of managers with a financial background and we know this to be true in the case of the CEO. Furthermore, as table 1 depicts, an international experience is significantly correlated with a higher hierarchical level, indicating a need for such skills higher up in Cardo. Thus, hypotheses IO1 and possibly also

IO3 have been strengthened, in that the managerial characteristics of a financial background is correlated with an unrelated diversification strategy.

The results concerning the strategic business unit level of strategy will now be presented in table 2, and presented in further detail below. The mean is a measure of the two extremes represented in the dummy variable of either a background suited for build and differentiation strategies on one hand, or a background suited for harvest and low cost strategies on the other.

Division	Mean	Standard Deviation	n
Cardo	0,66	0,48	29
Cardo Rail	0,64	0,55	6
Cardo Door	0,73	0,47	11
Cardo Pump	0,50	0,50	11

Table 2. Strategic skills in Cardo (build/differentiation: 0 and harvest/low cost: 1)

Cardo Rail is situated in a mature industry, while trying to emphasise growth on both a national and internal level, which is manifested both in strategy documents and the evaluation measures of both costs and after sales volume. This may be the reason for the inconclusive result in that neither of the requirements for build nor harvest is emphasised in managerial characteristics in this business area. Cardo Door is considered to be the leader of the industry and it is currently situated in the mature stage of the life cycle, while not making any attempts toward growth. Thus, we consider Cardo Door to have a harvest strategy and we were also able to observe that managers in Cardo Door were characterised by skills related to maximising internal throughput through tight financial and operational controls. Concerning Cardo Pump, it was also situated in a mature market with governmental and municipal authorities as customers. It was considered to have a harvest mission and did have a mean in the financial background section. Thus, hypotheses IO5 and IO6 were considered to be somewhat strengthened.

Cardo Rail's inconclusiveness is also represented concerning its strategy in terms of competitive advantage, as it tries to move from a low cost strategy to a differentiation one, trying to build up its customer service, which is currently perceived as a weak point. Thus, the inconclusive result would indicate a need for multiple managerial skills, which was also found. At Cardo Door, standardisation is emphasised as the production of different products has been separated in different production units, indicating a low cost strategy. We also found a higher mean indicating correlation between low cost strategy and background in

finance or production. At Cardo Pump, one important aspect is the centralisation of production, whereas another is the importance of flexibility and local representation in dealing with local authorities. Thus, Cardo Pump utilises both low cost and differentiation with an emphasis on low cost. Managers in Cardo Pump are characterised by a tendency toward a finance or production background. The means indicated that competitive advantage strategy may have an impact on recruitment in the form of managerial characteristics. However, we would have expected Cardo Door to have a higher mean than Cardo Pump, which did not occur. Nevertheless the hypotheses IO7 and IO8 are considered to be somewhat strengthened.

Resource-Based View of strategy The results of whether competitive advantage in terms of functional resource is correlated with managerial characteristics will now be presented in table 3, as well as in more detail below.

Business Area	Function	Frequency	Per Cent
Cardo Rail	Technology	6	75,0
	Marketing/Sales	1	12,5
Cardo Door	Finance	2	12,5
	Technology	8	50,0
	Marketing/Sales	6	37,5
Cardo Pump	Technology	5	62,5
	Marketing/Sales	1	12,5

Table 3. Frequency of managers with different functional backgrounds

In Cardo Rail, core business is considered to be brake systems with strengths considered to be engineering and brake system know-how. Thus, a greater number of managers in the technology function would be expected, which has been found. Cardo Door describes its core competence as the development of technological concepts of making industrial doors. A greater number of technology managers would thus also be expected here, which consequently also has been found. The same is true for Cardo Pump, in that its core competence resides in technological knowledge based upon long experience in the industry and a greater number of technology managers have been found. Furthermore, the regression analysis in table 1 depicts how a technology background as opposed to one in business economics is positively correlated with a higher hierarchical position. Thus, hypothesis RBV1 is considered strengthened, as core competence does tend to be reproduced in the characteristics of the corporation's managers.

As for hypothesis RBV2, homogeneity and heterogeneity will be discussed in more detail in the next section. Interestingly, the strengthening of one perspective's

hypothesis will also mean a strengthening for another's, as both argue that communication may be facilitated by common characteristics among managers.

The Austrian School of strategy Results concerning homogeneity and heterogeneity in different groups will be presented in table 4, as well as in more detail below. The population of Cardo managers has been divided into two groups, one low to medium management, i.e. level 0, and one medium to top management, i.e. level 1.

Variable	Division	Mean		Standard Deviation		n	
		Level 0	Level 1	Level 0	Level 1	Level 0	Level 1
Age	Cardo	44	44	7,7	5,7	39	9
	Cardo Rail	47	41	4,6	-	7	1
	Cardo Door	42	42	7,3	8,9	15	3
	Cardo Pump	44	48	8,9	3,0	4	7
Organisational Tenure	Cardo	6	9	4,3	7,6	39	9
	Cardo Rail	5	2	2,9	-	7	1
	Cardo Door	6	6	4,3	7,5	15	3
	Cardo Pump	6	14	5,0	7,5	17	4
Experience	Cardo	20	20	7,9	6,5	39	9
	Cardo Rail	23	22	4,6	-	7	1
	Cardo Door	19	16	7,6	6,5	39	9
	Cardo Pump	21	23	9	4	17	4

Table 4. Homogeneity vs. heterogeneity in Cardo (low to middle management: 0 and middle to top management: 1)

Concerning the variables, which promote affective conflicts, age, gender and race, there are some differences across and within the groups concerning age. However, when one considers that such a large portion of Cardo's hierarchy is embedded by those two groups, the differences do not seem so great. Furthermore, concerning gender, the population of Cardo managers did not include one woman, i.e. a total homogeneity in this variable. Furthermore, in the case of gender this was substituted for nationality instead to serve as a variable for communication difficulties rather than any racial bigotry. The findings were rather conclusive in this variable also, in that no individual worked outside his home country, apart from one Swedish manager who worked in the U.S.A. Thus, the homogeneity is almost total in this variable too. Thus, hypothesis RBV2 and hypothesis AS1 are considered to be strengthened.

In the case of variables causing substantive conflicts, organisational tenure, education and functional background, the results are more inconclusive. Unfortunately, it was not possible to study the moderating variable of group tenure. Organisational tenure is somewhat heterogeneous between and within groups. Concerning education, there are two

kinds of education possible for Cardo managers, engineering and business economics. This difference is carried on in educational level, as engineers tend to have a higher educational degree than managers with an education in business economics. Supposedly, this could be due to managers in engineering holding positions in R&D will tend to have a greater need for openness toward innovation. It is difficult to see that this clearly promotes creativity within the organisation, as there does not seem to be so much heterogeneity in these variables as two large different camps of engineers and business economics. In order to achieve heterogeneity-induced flexibility and creativity, the corporation would probably need more levels to their heterogeneity. Furthermore, the heterogeneity does not seem to increase with managerial level, which is an indication that it is not entirely positively appreciated. Although the technological background seems to be prevalent in Cardo, flexibility and creativity is more important than R&D per se in the continuous change and innovation needed. Furthermore, interviews revealed the impression and opinion that Cardo managers are relatively conservative rather than flexible and open-minded. This was indeed the only impression of any form of corporate culture obtained during interviews, i.e. a sense of caution permeating the corporation. Thus, hypothesis AS2 is not considered to be strengthened.

ANALYSIS

Industrial Organisation Theory of strategy This perspective seems to be taken into account in that Cardo's unrelated diversification was correlated with an emphasis upon a financial background and international experience, which was significantly positively correlated with a higher hierarchical level, where those skills would be needed. Nevertheless, the results for hypotheses concerning strategic mission and competitive advantage were less conclusive. Interviews divulged occasions of such considerations being taken into account, as for example Cardo Rail with a beginning emphasis on build mission and differentiation strategy employed a new marketing manager, whose experience had prior been in the more sensitive and volatile industry of drugs. However, the results for the different business areas were inconclusive. This could perhaps be explained by a difficulty, in that the strategic skills required for build and differentiation were the same, as opposed to harvest and low cost strategies. If this had not been the case, a stronger tendency had perhaps been possible to observe and analyse.

This problem stems from another line of research, treating how control systems affect strategic behaviour and should therefore be designed to carry out behaviour relevant to a specific strategy (Anthony and Govindarajan, 1995; Grant, 1995) In this research the same control systems were considered beneficial for either build and differentiation or harvest and

low cost strategy in their different emphases upon time horizon and capital dependency. The largest reason for this was, however, that it was argued that a low cost strategy could not be followed without being in a mature stage of the product life cycle, as the economies of scale could not be achieved without having obtained a large market share (Anthony and Govindarajan, 1995). Where a build mission was not concurrent with a differentiation strategy, or a harvest mission with a low cost strategy, it was simply termed as a case of misfit and that greater care should be taken in determining which was more important, the mission or the strategy, which should consequently be used as a guideline in shaping the control system. Indeed, in a later article, Gupta (1992) apparently realised this problem and changed the strategic skills needed into a greater propensity for risk-taking and ambiguity regarding the build mission, whereas the functional background of R&D or marketing was held constant. This development was however not explained, nor even commented upon and therefore, I chose to keep the older and more clearly operationalised concepts regardless of their faults. However, this does mean that although corporations seem to take strategic implications in the form of environmental factors into account, the support for this is not clear-cut. Nevertheless, this problem was an important and interesting one, in light of strategic implications on managerial recruitment and therefore, this earlier source was chosen above the more current one, in that it also presented the one main difference between them.

Resource-Based View of strategy Concerning the resource-based view of strategy, the results seemed clearer at first glance. Recruitment did seem to be very influenced by what the corporation termed its core competence or competitive advantage, as a technological core competence was correlated with this variable being significantly positively correlated with a higher hierarchical level. Nevertheless, there is a problem in this section too, as it is almost a prerequisite for core competence to be difficult to make explicit, unless causal ambiguity or great path dependency exists. Furthermore, the expression that technological knowledge is a core competence does seem rather vague, in that it encompasses so much and does not clearly specify what activity the corporation has a competitive advantage in.

Furthermore, as could be seen in table 1, having been externally recruited to management level was significantly positively correlated with a higher hierarchical level and one main argument in the resource-based view is that core competence and the competitive advantage it brings cannot be acquired, only internally produced and developed. Thus, the benefit in promotion processes of being externally recruited does seem to make the probability of Cardo having a core competence less, even if such competence can be embedded into the organisational structure instead of requiring internal carriers of it. However, Cardo

has recognised this specific fact of external recruitment being beneficial, and is currently trying to change this trend by being more aware of it and by initiating management development programs, in order to change perceptions of personnel within the organisation. Thus, the resource-based view seems to exist at Cardo, but does not seem to be very clearly formulated, relying perhaps as much on historical tradition than any conscious attempt to boost competitive advantage.

Austrian School of strategy In line with this perspective and with that of the resource-based view of strategy, communication seems to be a factor of emphasis within Cardo, as this would be facilitated by homogeneity in the variables causing affective conflicts, age, gender and race. This homogeneity is not only the case of Cardo furthermore, as it has been observed to be true for the majority of Swedish managers (Collin and Stafsudd, 1998). When it comes to variables causing substantive conflicts, organisational tenure, education and functional background, there were no conclusive indications that heterogeneity was strived for.

Indeed, regarding education and functional background, Cardo seems to consist of two main parties, including engineers and business economics. The case of two such parties would probably not tend to increase creativity and flexibility, as there would be no true diversity encouraging creative discussion and flexibility. It is more probable that the two parties would lock themselves into their stated views, refuse to take into account the opinions of the other party, and substantive conflicts in task-related questions would probably tend to become more and more affective and personal in its nature. Thus, although efficiency and communication productivity is taken into account, flexibility does not seem to be of great concern at Cardo, related by the atmosphere of caution while still benefiting a technological background in managers.

SUMMARY

This paper has discussed the implications three strategic perspectives – industrial organisation theory, resource-based view and the Austrian school of strategy – may have on managerial recruitment. In line with the strategic perspectives, managerial recruitment would in the case of industrial organisation theory be a product of environmental concerns, selecting a manager according to what strategy would need to be implemented. In the case of the resource-based view, managers were argued to be selected according to what core competence presented a competitive advantage in a corporation, thus determining managerial characteristics in the

form of especially functional background. In the case of the Austrian school of strategy, flexibility is emphasised and it was therefore argued, that management teams would need to be created in such a way as to support substantive, task-related conflict through heterogeneity in organisational tenure, education and functional background, while avoiding causing affective, personal conflicts through homogeneity in age, gender and race.

In the case of Cardo, it was found that the two first perspectives of industrial organisation theory and the resource-based view could be combined in that the corporation emphasised a financial background due to its unrelated diversification strategy, while also benefiting the core competence of technological knowledge through promoting managers with a technological background. Communication and efficiency were also promoting through homogeneity in age, gender and race, while creativity and flexibility was not noticeably enhanced by management heterogeneity in organisational tenure, education and functional background. This was also correlated with the only existence of corporate values in an atmosphere of caution.

DISCUSSION

The purpose of this paper was to discuss what implications strategy, in the form of the three perspectives, industrial organisation theory, the resource-based view and the Austrian school, would have on managerial selection and recruitment in the form of characteristics of the actually recruited managers. It is important to recognise that the purpose was not to determine what perspective would yield the best organisational performance, nor to determine whether the case company Cardo, did in fact take a specific strategy perspective into account. The discussion does however become tautological, in that it first argues that a strategy perspective will have certain effects upon managerial characteristics, and when such characteristics are later observed, it is concluded that the corporation does have such a perspective. This tautological argument must not be taken at face value, but as a means for furthering the understanding of the strategic perspectives. Thus, the case is to be understood as one of many possibilities, where it is argued that if specific managerial characteristics are found, then it may be that the corporation has made such recruitment decisions consciously or sub-consciously, as well as upon the basis of strategic considerations or other possible and relevant considerations.

Nevertheless, it is interesting to note that the three different perspectives were not as unlikely to integrate as first look would have it. As the case study showed, taking

environment considerations into account in recruiting a manager due to what strategy was to be performed, was not impossible to connect to a wish to promote resource-based competitive advantages in recruiting managers with prior knowledge of such a resource. Especially considering a better conceptualisation of the skills and abilities needed for executing different strategies, in view of perceptual conditioning and behavioural bias, this connection could be most productive to explore in future research. However, the third perspective does present difficulties in being integrated with the others. According to the first two perspectives, a manager will either be recruited in accordance with environment or resource demands, while the demand placed upon the manager by the Austrian school is being an individual of limited perceptual conditioning and behavioural bias. The question here is not to select managers due to what they will and will not be expected to do within reasonable limits, but to find a manager that does not have any such perceptual or behavioural limits. Thus, this perspective may indeed be difficult to incorporate with the others and may be last taken into account, as the case study also showed.

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