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Embedding Strategy

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EMBEDDING STRATEGY

ABSTRACT

Business leaders naturally desire company strategy to be understood and accepted by employees, in order to help ensure that the ongoing decisions and behaviours of employees are well aligned with competitive intentions and each other. Yet we know very little about why some members understand and accept the company strategy and others do not, what we call strategic embeddedness. This study uses data from a large sample (60,000-plus) employee survey in a global corporation with over 300 operating companies to explore this question. As part of this survey, employees are asked to confidentially indicate to what extent they understand and accept their company's strategy. We explore three levels of possible influence: local job conditions (task, teamwork, and education/development conditions), supervisor engagement, and senior management engagement. We examine their independent effects while also examining mediation effects and their relative influence. We find that a) positive and supportive local job conditions, which are more likely when aligned with the strategy, are associated with greater strategic embeddedness, b) supervisors have indirect influence on strategic embeddedness, fully mediated by their influence on local job conditions, and c) senior managers have a disproportionately important role to play when it comes to strategic embeddedness. We question the popular "cascading" model of strategy implementation, where senior management mostly cascades the strategy down the chain of command. We argue that senior management needs to actively push and take responsibility for the dissemination of company strategy, taking their message as directly as possible to employees.

INTRODUCTION

Why do some employees understand and accept their company's business strategy while others do not? This simple question is a major concern to business leaders, who are charged with developing and communicating their business strategy and rely upon employees acting in alignment with that strategy. We define an embedded strategy as a condition where employees of a company are both familiar with the company's strategy—for example, they could easily explain it to a new colleague—and are convinced by the strategy, believing the company is pursuing the right strategy. Embeddedness is higher where we find this mixture of strategy awareness and acceptance. Embeddedness may be a tall order if the strategy in question was corporate-level strategy, where employees may be forgiven for not having fully captured the (less concrete, more distant) overarching strategy. But our focus in this paper is on company, or single business-unit-level, strategies, which for most employees is the first level of meaningful, integrated and coherent competitive strategy.

There are perhaps few things company leaders—who are normally charged with formulating and developing strategy—should want more than to have those strategies embedded in the minds of employees. This seems a fundamental criteria for moving an organization forward in an aligned manner and offering the strategy the best chance of success. In fact, prominent performance management tools, such as the balanced scorecard methodology, are based on the premise that employees moving in an agreed-upon direction, coordinated and connected to the larger issues and objectives inherent in a company's strategy, is the first essential condition to high company performance (Kaplan & Norton, 2005), and numerous strategy thinkers have decried situations where employees are not connected-up with the strategy (Angwin, Paroutis, & Mitson, 2009; Collis & Rukstad, 2008; Hambrick & Fredrickson, 2005). Kaplan and Norton's research finds that 95% of a company's employees are "unaware of, or do not understand, it's strategy" (Kaplan & Norton, 2005). Few companies can control and monitor every aspect of employee behavior in their efforts to align strategy with conduct, and so employee understanding and acceptance of strategy is important. Moreover, organizations can invest in many aspects of high-performance work systems (Gittell, Seidner, & Wimbush, 2010), improving selection methods, building skills/knowledge, and stoking motivation, but if employees do not "get" the company strategy it is less likely that those investments will pay off.

Embedding company strategy, however, is likely to be problematic. It is a non-trivial task. An embedded strategy is not an automatic consequence of having formulated one, whereby just sharing a strategy statement or memo from company executives would be enough to ensure embeddedness. There are at least three reasons embedding strategy represents a serious challenge to organizations.

First, there are conceptual challenges. Strategies are by nature complex, involving an integration of multiple elements, each of which can be heavy with meaning and depth. For example, consider Hambrick and Fredrickson's framework for strategy formulation (2005), which consists of five key elements: **Arenas of play** (*Where will we be active? How much emphasis to the various product categories, market segments, technologies, or geographies?*), **Vehicles** (*Internal development, joint-ventures, licensing/franchising, and/or acquisitions?*),

Differentiation (*How will we win? What will make us special?*), **Staging** (*What will be our speed and sequence of moves?*), and **Economic Logic** (*How will we, in the end, obtain our returns? How will we capture value?*). This is a well constructed framework: the elements are clear, reach out to compelling strategic subthemes, and while not without some conceptual overlap they retain independent meaning and importance. If the framework were not relatively comprehensive and multi-faceted, it would be less useful in formulating the strategy. This is because company strategies are *by nature* relatively thick with meaning, high-level and integrative, and so Hambrick and Frederickson's framework is more a taxonomy of the actual strategic elements required to fully capture strategy than a mere conceptual device or theoretical tool. In fact, attempting to oversimplify a company's strategy has the same dangers as overcomplicating the strategy: meaning may be lost, and so understanding weakened. We are not suggesting that "five" is the required or magic number of elements to describe strategy. Other strategy thinkers, for example, suggest frameworks consisting of three elements and push for greater simplicity—Collis and Rukstad (2008) boil it down to **Objectives**, **Scope**, and **Advantage**. Yet each of these elements still retains considerable depth in meaning and requires employees to grasp the integrative nature of the strategy—what the pieces consist of, including the background and contextual knowledge inherent in each, and how the pieces fit together and leverage one another. This is partly because strategy formulation—not just the strategies—is a complex and laborious process (Slater, Olson, & Hult, 2006). Firms introducing strategic change and doing situational analysis, for example, require adequate time and opportunities for sensemaking (Stensaker & Falkenberg, 2007). The point is that intellectual effort is required not only to formulate but then also to fully grasp the strategy. This, in turn, is likely to require time, discussion, and effort. Embedding strategy can require considerable work and cannot be taken for granted—it deserves measurement.

Second, there are political challenges. Strategies have various implications, intended and unintended, for organizational members—relative status, workload and job design expectations, job security, professional identity, and so on. Strategies—and strategizing—can produce active struggles within the organization, between management and the workforce, between competing functions/regions, between executives, and so on. Discourse surrounding strategy, then, can be highly politicized (Knights & Morgan, 1991; Laine & Vaara, 2007). Members may conceptually understand the strategy, but additional toil and discourse may be required to have the strategy accepted and adopted by members.

Finally, while discourse and active engagement will be important for embedding strategy, aligning job conditions with strategic ideas will also be important to this work (Slater & Olson, 2000), and this takes time and effort. That is, for members to more fully grasp the company strategy, they may need to see it also implanted in local task structures, team processes, and educational or training opportunities (Kaplan & Norton, 2005; Sirmon & Hitt, 2009). For this reason, again, strategy formulation alone is unlikely to ensure an embedded strategy.

Remarkable is the absence of direct attention to this question in the strategic management literature. Kerr and Jackosky (1989) come closest in their theoretical model of aligning managers with strategies, where trade-offs are discussed between selecting managers in order to ensure strategic fit versus management development. Taking the view that management development is an important alternative to selection in ensuring strategic alignment, they point to the possibility of managers attaining better understanding and acceptance of business strategy through adequate management development. Unfortunately, few empirical studies have pursued this issue. Indeed, articles on the general topic of strategic alignment are generally concerned with how organizational structures, systems, and processes need to be aligned with business strategy in order to optimize performance. Alignment, in other words, tends to focus on macro organizational features (e.g., control systems, compensation, etc.) (Slater & Olson, 2000) rather than on employees and their understandings/acceptance of strategy. Or else alignment is used in a verb sense, where the question is more how to discern the future nature of fit between environmental conditions and internal resources (Fiegenbaum, Hart, & Schendel, 1996; Slater & Olson, 2000), not necessarily how organizational members may be enrolled in that eventual strategic understanding. Where alignment eventually deals with conceptions of strategies in the heads of individuals, it is focused on top management teams and the sharing of strategic schemas (Daft & Weick, 1984; Huff, 1990; Nadkarni & Narayanan, 2007). To sum, there is no real attention to whether and how business strategies are understood and accepted by broader organizational members.

This study concerns strategic embeddedness in one large, multinational corporation, consisting of several hundred companies (business units with profit and loss responsibilities, of which there are 363 in our sample). Every four years this corporation conducts an employee survey which captures employee engagement levels related to various aspects of the organizational context, such as job satisfaction, teamwork, quality of supervisor, and so on. Importantly for our purposes, the survey includes measures of strategic awareness and acceptance, from which we can form a single factor and composite measure of strategic embeddedness. This study focuses on explaining the variance in strategic embeddedness across employees. The central question is *why do some employees understand and accept their company's business strategy better than others*? Variance in the composite measure exists—16% were in the highest category (between a 4 and 5 average rating on a 5-point Likert scale), then 39% (between 3 and 4), 31% (between 2 and 3), and 13% (between 1 and 2), the sort of spread we might expect in such a population. In other words, employees had significantly different experiences in their settings and accumulated different perspectives on their local company's strategy. Part of the explanation is surely the local strategies themselves, and so we must control for the fixed effects of each local company, the 363 strategic business units. Above and beyond these fixed effects, however, what differences in employee experiences will predict stronger versus weaker strategic embeddedness? That is, what is it about their local interactions that can help us explain variance in embeddedness?

Although the employee survey is a vast data set (over 60,000 responses) with a high response rate (85%), we are limited to the questions asked within the survey for clues. Fortunately, the breadth of questions allows us to form not only suitable baseline controls or correlates which explain strong versus weak embeddedness but also several important sources of difference in how employees experience their setting and which should have a bearing on strategic embeddedness. We consider three different drivers of variance in strategic embeddedness: *job conditions*, *supervisors*, and *senior management*. Each element works as a possible filter for strategic interpretation, a 'prism' through which information about (or consistency with) the strategy may be conveyed. Briefly, *job conditions* are about the task, team, and other workplace conditions as experienced by employees, and when these are well aligned with the strategy, they should be more positively experienced. *Supervisors* who are engaging, informative, and open are more likely to convey accurately the company strategy and help it to be accepted. Likewise, *senior leaders* who offer ample and bi-directional communication are more likely to find their strategies more embedded in employees. These elements are comprehensive in the sense of providing a source of explanation for embeddedness across several hierarchical levels in a typical organization—local workplace experiences, interactions with immediate supervisors, and interactions with the most senior managers in their local companies. These, combined with various controls and company fixed effects, offer reasonable sources of explanation for variance in strategic embeddedness. Moreover, they allow us to test the relative impact of the three main constructs. Is satisfaction with (Angwin, Paroutis, & Mitson, 2009) job conditions the dominant and most relevant correlate of strategic embeddedness? Do engaged supervisors create significantly more strategic awareness and acceptance amongst those in their charge? Do senior leaders, who are formally responsible for setting the strategy, have any influence on how it is eventually embedded, beyond the influence of supervisors and the local conditions they help to craft? Finally, all three of these sources of embeddedness should matter, but does one matter much more than the others? These are questions we will explore below. We begin by describing each of the three main explanatory elements in our model before we outline our data and methods and present our results.

JOB CONDITIONS, SUPERVISORS, AND SENIOR LEADERS

Job Conditions Job conditions concern the context surrounding the execution of work. They concern task conditions, teamwork, and training and development conditions. The general mechanism we suggest is a link between the positive perception of these job conditions when there is an alignment of job conditions with strategy. In a sense, these are hygiene factors, but nonetheless important—managers need to ensure some basic level of consistency between job conditions and the company's strategy in order for the company to perform well. Where those job conditions offer such consistency, they are more likely to, in turn, help embed the company strategy in the minds of employees.

Let's begin with task conditions, which capture whether employees have clarity on job responsibilities, adequate resources to do the job well (equipment, tools, software), access to necessary information, and so on. Task conditions are more likely to be thought orderly, proper, or acceptable where they are well aligned with strategy. For example, consider an employee in a company where high-touch and proactive customer service is a core part of the strategy, a strategy which should require adequate and specific resources to execute on that strategy (relevant databases, travel time and budgets, contracting of relevant third-party support, etc., all of which will depend on the nature of the business model and strategy). This employee is more likely to rate highly the statement "I have the resources I need to do a good job" if those resources are appropriate given the strategy. In turn, they are more likely to understand and embrace the strategy, sensing the presence of the strategy in their task and work conditions.

Teamwork captures the wellness of the team to which the employee belongs (e.g., the quality of the working atmosphere, whether the team members stick to their agreements, and so on). Teamwork is more likely to be positive where that work is joined-up and connected to the strategy. This does not mean that teams cannot be internally well functioning in situations where they run at cross-purposes to the strategy (and vice-versa, exhibiting internal dysfunction although otherwise aligned with the strategy of the company). However, this strikes us as less likely. Teams who work at cross-purposes to the strategy are likely to experience tension and conflict; teams whose work is well aligned with the strategy are more likely to be productive and experience more positivity concerning teamwork. Indeed, such teams are more likely to further "get" and accept the strategy.

Finally, training and development conditions capture employee satisfaction with training and development opportunities (whether they are useful for the job, whether they prepare you for new assignments, and so on). Once again, these experiences are more likely to be positive where they are well aligned with the broader purpose and strategy of the company, that is where the employee can link the training or development opportunity with the strategic purpose they are being asked to accomplish. In turn, positive training and development opportunities should result in greater understanding and acceptance of the strategy.

In sum, our first hypothesis represents a broad, contextual factor in understanding why some employees are embedded with the company strategy while others are not. The suggestion is that employees will favour local job conditions that capture the extant strategy of the company, conditions where local systems appear “connected-up” with the broader purpose of the company, and this in turn will boost their understanding and acceptance of the company’s strategy. We therefore propose:

Hypothesis 1: Employees who positively experience job conditions (working conditions, teamwork, and training and development conditions) are more likely to experience greater embeddedness with the company strategy.

Supervisors An employee’s immediate supervisor should be an important source of information regarding the strategy of the company. Supervisors are presumably the closest human source of strategic alignment. This should depend, however, on the extent of engagement of the supervisor with an employee. Supervisor engagement is measured for each employee and captures items like the extent to which supervisors keep the employee informed about important decisions and developments, whether the supervisor communicates responsibilities and performance objectives, whether the supervisor treats the employee with respect, and so on. In general, where an employee experiences a more engaged supervisor, that employee is more likely to gain understanding and acceptance of the company strategy. Supervisor engagement can be thought of as relational bandwidth with someone one step closer to the strategy makers of the organization. Where that bandwidth is higher—where there is more communication and support running through the relationship—there is likely to be more opportunity for more meaningful and personal discussions on strategy. In turn, employees which have an engaged relationship with their supervisor are more likely to understand and accept the company’s strategy.

Hypothesis 2: Employees who experience more engaged supervisors are more likely to experience greater embeddedness with the company strategy.

Senior Management Finally, senior leaders should also be an important source of information regarding the strategy of the company. On the one hand, it could be argued that they are the best source, being the body responsible for formulating and setting the company strategy, and so they should be in the best conceptual position to articulate and explain the strategy. As the ultimate source of authority and decision-making in the company, they should also have the clout to be taken seriously—strategy can certainly be conveyed by supervisors, but the experience of hearing the strategy from the top leaders can be very powerful. On the other hand, they may be the least likely to embed strategy in the minds of employees if they are unable to be adequately present or engaged in the working lives of their employees. Because senior managers are relatively scarce and face many demands on their time, they may be more likely to cascade down the strategy and expect subordinate supervisors to project strategic direction and ensure alignment. One key contingency which should influence the extent of their impact on strategy embeddedness is the extent to which senior managers create higher quality (if not higher volume) exchange and develop trust with the employee base, and so a more receptive workforce. In our population, each company's senior management team's engagement is also assessed, with a focus on the extent to which senior management communicate clearly down and in a timely fashion, listen to ideas channeled up and take them seriously (bi-directional exchange), and establish trust. Senior leaders who depend upon a communication cascade to embed strategy (i.e., through supervisors and the consistency of job conditions) should not have much direct influence on strategic embeddedness, rather relying upon the other factors for strategic alignment. Senior leaders who can also engage employees, however, should realize a significant direct effect. In sum:

Hypothesis 3: Employees who experience more engaged senior leaders are more likely to experience greater embeddedness with the company strategy.

We expect each of the three factors to have independent influence. There is, however, the question of relative influence. For example, it may be that job conditions will have the greatest relative influence because of their immediacy and presence in employees' daily lives. Or perhaps supervisors, as the nearest figures of authority and local source of strategic communication will have the lion's share of influence. Or perhaps senior leaders, as the ultimate formulators of strategy and figures of authority, will embed strategy best. We leave this as an empirical question and turn now to our methods and results.

METHODS

Our data consists of the most recent employee survey of a large global corporation operating in the media sector and related services. This survey, conducted once every 4 years, targets all employees of the corporation, and is voluntary, asking people to share their experiences "regarding important aspects of your professional life and workplace environment." Employees work within some 363 operating companies and which form the core context for the survey (the work setting they are asked to consider in answering the questions). Even though these companies are aggregated into larger reporting divisions, the effective working units are the local operating companies and thus the relevant context for this survey. Employee anonymity and data confidentiality are assured, making employee forthrightness in responses more likely. The format is straightforward—Likert-type statements are made to which the employee has 5 response options (*Strongly Disagree, Disagree, Neither Agree nor Disagree, Agree, Strongly Agree*). Over 60,000 employees filled out the 2010 survey, with a participation rate of 85.1%, the highest participation rate in the history of the survey, and a level of participation that limits problems of non-response bias. Being restricted to just this survey for our data clearly suffers from common-method bias, as both dependent and independent variables are gathered from the same instrument, however this survey is/was never framed as an exercise in examining strategic embeddedness but is framed as a general employee satisfaction survey, to take the pulse of the corporation on a variety of workplace issues. This should lessen the likelihood of respondents being conscious of a specific model and causal paths and imposing their beliefs.

Our dependent variable, strategic embeddedness, captures an employee's understanding and acceptance of his/her company strategy, conditions which have been argued to be essential to an employee's ability to actually act upon a strategy (Kerr & Jackofsky, 1989). It is based on 3 items concerned with strategy issues, with these 3 items focusing on strategic comprehension and conviction. The items are: *I am familiar with my company's strategy (e.g., long-term objectives) so that I could explain it to a new colleague*, *I understand the implications of my company's strategy for my individual work goals*, *I am* *convinced that my company is pursuing the right strategy*. Other, but conceptually unrelated items are asked in this section, such as “My company shows a long-term commitment to the environment.” The three items on strategic understanding and acceptance load onto 1 factor and have a Cronbach alpha of $\alpha = 0.86$.

We controlled for several baseline factors that could influence strategic embeddedness. **Tenure** measures how long each respondent has been with the company, which is taken from the survey instrument and has four options (less than 3 years, 3-6 years, 6-10 years, and more than 10 years). Employees longer with the company may be more likely to embrace the strategy. **Level** measures seniority or rank based on the corporation’s 15 point scale (a higher number in our measure represents greater seniority). Employees of higher rank may be more likely to understand and accept the strategy (Hambrick, 1981). **Work/Life** measures perceived balance between working life and private life (based on 4 items which form this scale in the survey, e.g., “*I am able to maintain a healthy work-life balance*,” factor analysis reveals a 1-factor solution and $\alpha = 0.69$). Employees who find office work does not impinge on private life are more likely to hold a favourable view of the strategy. **Compensation** measures perceived fairness in the total amount the employee is paid (based on 2 items, e.g., *“The total compensation I receive is fair in view of my position and level of responsibility,”* 1-factor, $\alpha = 0.76$). Employee satisfaction with his/her pay level may potentially overwhelm and colour his/her view of the company, including understanding and acceptance of the strategy. We therefore control for compensation satisfaction. **Commitment** measures pride in and loyalty to the company (based on 3 items, e.g., *“I am proud to work for my company,”* 1-factor, $\alpha = 0.92$). Like for compensation, employees who are not proud of their company and display a low level of commitment are likely to filter and interpret strategic information in an overly negative way, and so display less strategic understanding and acceptance. Similarly, employees who display pride and commitment (e.g., would recommend the company to others as a good employer) may filter and interpret strategic information in an overly positive way, and so display more strategic understanding and acceptance.

Turning to our explanatory variables, job conditions are captured by three variables. **Taskwork** is an aggregate scale capturing quality of working conditions (e.g., *I am satisfied with the conditions at my workplace (lighting, ventilation, furnishings, noise level, etc.)*) and task or responsibility perceptions (e.g., *I have the autonomy I need to do a good job*). 12 items make up this scale (1-factor, $\alpha = 0.89$). **Teamwork** focuses respondents specifically on the colleagues with whom they share the same supervisor. 7 items comprise this scale and capture how well the teamwork is perceived (e.g., *"The working atmosphere within my team is good,"* 1-factor, $\alpha = 0.91$). **Development** captures 6 items regarding continuing education opportunities (*"The continuing education and training opportunities are useful for my current job."*) and career development (*"In my team, employees are well-prepared for new assignments."*) (1-factor, $\alpha = 0.84$). Two additional items are part of these general categories but are not included in the scale as they focus on, and may be confounded with, the supervisor's contribution to development and training.

Questions concerning the **Supervisor** focus the respondent's attention specifically on the person to whom they report to directly in the execution of their daily work. 15 questions are asked about the quality of their supervisor and form this scale (e.g., *"My supervisor keeps me informed about important decisions and developments,"* 1-factor, α = 0.96). Finally, the variable **SrManagement** captures perceptions of the quality of the senior management of the company. 3 items contribute to this scale and capture bi-directional engagement ("*Senior management notifies us in a timely manner about important decisions and developments*," "*Senior management takes employees' criticism, complaints and ideas seriously"*) and general trust ("*I fully trust my company's senior management"*) (1-factor, α = 0.90).

Empirical analysis consisted of xt-regressions with fixed-effects using STATA(v12), which are appropriate for panel data (the panel in this case are the companies, within which are embedded the employees who provide individual observations). OLS regression is not appropriate where there are non-independence of observations (i.e., multiple observations from the same company). Xtreg with fixed effects provides a conservative modeling option, providing individual effect estimates but which take into account the possible impact of company-level effects. Regressions were run first on the baseline controls, followed by job conditions, supervisor effects, and finally senior management effects. A mediation analysis was also conducted in order examine the interplay between job condition and supervisor effects.

RESULTS

Table 1 presents the descriptive statistics and pair-wise correlations of all the variables used in our models. Most controls and variables are correlated with strategic embeddedness in the expected direction, with the exception of tenure, which has a small but significant correlation in the negative direction (-.05, p<.01, employees who are longer with the company tend to experience less embeddedness with strategy). However, we need to see if this effect remains when controlling for level/rank, with which tenure is naturally correlated (0.25, p<.01).

Tables 1 & 2 about here.

Table 2 presents our various xt-regression models. **Model 1** is the baseline. We find that employees of higher rank are much more likely to experience strategic embeddedness, as expected. Also, employees with more positive work/life balance, more positive views of their compensation, and higher levels of commitment to the company are all more likely to experience strategic embeddedness. These controls explain 39% of the variance in responses on strategic embeddedness, leaving still substantial amounts of variance to account for.

Model 2 introduces the job condition variables. All three job conditions are in the predicted direction and support hypothesis 1. Taskwork ($\beta = 0.092$, $p<.001$), teamwork ($\beta = 0.033$, $p<.001$), and development opportunities ($\beta = 0.26$, $p<.001$) are all positively associated with strategic embeddedness. Because each of these variables is measured on an identical scale (1-5), effect sizes are directly comparable by examining the beta coefficients. We notice that development opportunities are particularly influential in driving strategic embeddedness. Where employees encounter a longer term development path for their career and education and training opportunities, they are more likely to feel aligned with the strategy of the company, an effect which is 3-9 times stronger in magnitude than taskwork and teamwork experiences, a relative impact which generally remains in subsequent models. We will come back to the implications of this result in our discussion. Overall, we find that employees who positively experience local job conditions, and which is more likely to be the case where these job conditions are better aligned with strategy, are more likely to experience greater embeddedness with the company strategy. Do these impacts remain, however, when we turn to more direct sources of conveying strategic information, such as through the supervisor and senior management?

Model 3 introduces only the impact of the supervisor over and above the impact of the baseline model. We will add the impact of the local job conditions in the subsequent model, the purpose being to first examine the independent impact of engaged supervisors. We find a positive impact of supervisors on strategic embeddedness ($\beta = 0.12$, $p<.001$), as expected. **Model 4** introduces the job condition variables included in Model 2 along with supervisor impact of Model 3. Now, however, we find no direct impact of supervisor engagement on strategic embeddedness, and therefore hypothesis 2 is not supported. We need to be careful not to assume that supervisor engagement has no impact on strategic embeddedness. In addition to Models 2-4, we ran models which allowed us to test for mediation effects between job conditions, supervisors, and strategic embeddedness. Mediation tests involve examining the independent effects of job conditions and supervisors on the dependent variable (i.e., Models 2 and 3) and the effect of supervisors on each of the job conditions, to see whether the supervisor effects run partially or only through the job conditions effects. We ran these models using the full baseline controls as in Model 1. In each instance, supervisor engagement is a strong predictor of local job conditions, namely

Taskwork (β = 0.24, p<.001), Teamwork (β = 0.42, p<.001), and Development (β = 0.28, p<.001). The influence of supervisors was generally the strongest factor in predicting positive local job conditions, and this was true even when including any effects of senior management on local job conditions (supervisors were more influential than senior management in each instance, as would be expected in predicting such local structures and conditions). In short, this suggests a *fully* mediated condition: supervisors may not have a direct impact on strategic embeddedness but they have an indirect impact, through their impact on local job conditions—aligning these local structures with strategic directions pays-off in greater strategic embeddedness.

Model 5 introduces the impact of senior management on strategic embeddedness, over and above all the other effects (i.e., the full model). There is a significant impact of senior management on strategic embeddedness (β = 0.35, p<.001), supporting hypothesis 3. The strength of the influence is also markedly greater than the other independent variables, roughly an order of magnitude stronger than taskwork (β = 0.049) and teamwork (β = 0.026) and twice the development coefficient (β = 0.17). The variance explained by the addition of senior management increases by 6.7%. **Figure 1** plots the regression coefficients of each of the main independent variables. The focus is on the slopes of the five lines (senior management, supervisors, teamwork, taskwork, development); the much greater slope of the senior management line shows graphically the comparative influence of this variable. **Model 6** presents the influence of senior management without local job condition variables, and the results remain similar (β = 0.38, p<.001, as they do if only senior management is tested against the baseline model: β = 0.39, p<.001).

DISCUSSION

Our study contains three central findings: that favourable job conditions (taskwork, teamwork, development conditions) can increase the level of strategic embeddedness; that supervisor engagement is not directly linked with greater strategic embeddedness but is fully mediated by the supervisor's influence on local job conditions which in turn influence strategic embeddedness; and that senior management has a strong and independent influence on strategic embeddedness.

The relative impact of senior management is particularly noteworthy. It is also not obvious. One popular scenario of how strategies may be embedded involves communication cascades. Senior managers are responsible for forming strategy and then conveying that strategy to their immediate reports, who then pass on the message to those below them, and so on, until the strategy, hopefully, becomes embedded within the organization. This is not wrong, and companies of any size will depend upon some level of cascading for strategy to become embedded. Also, our results suggest some support for this cascading process as we find that both local job conditions matter to embeddedness and that the supervisor has an influence on strategic embeddedness through those job conditions. The mechanism implied is that where supervisors create positive job conditions—which should be more likely where they are connected-up to the strategy and help support the business model of the company—employees are more likely to become aligned with the strategy (Kaplan & Norton, 2005). But our findings suggest that this process is not the whole or most important component. Senior managers who are timely and engaged with employees of any rank, providing information on important developments and decisions (i.e., strategic ones), and then who also take seriously the ideas of employees, encouraging those ideas up the chain of command, are much more likely to see their strategies embedded in the minds of those employees. This effect is irrespective of the nature of the local companies we studied (regressions included fixed-effects for local companies, controlling for local company differences), so it is hard to argue that while senior management engagement is fine for small companies it is not practical for large companies. With the various communication technologies and mediums available to senior leaders today, it is becoming harder to argue that senior management is spread too thin to actively engage with employees on strategy. Rather, we argue that this is their central purpose, and a task they are best suited to do.

We suggest that senior management's relatively large influence on embeddedness can be attributed to at least two factors. The first is largely conceptual, the second largely emotional and symbolic. Senior leaders are in the best position to really understand the strategy. As we noted, strategies can contain considerable complexity and require integrative thinking (Collis & Rukstad, 2008; Hambrick & Fredrickson, 2005). They may also have political consequences, with implications for various constituent interest groups (functions) (Laine & Vaara, 2007). Managers further down the pyramid may simply lack the birds-eye view and reach to provide the clearest explanations of that complexity. This is particularly important because clarity and concreteness have been associated with the success of strategic directions or visions (Collins & Porras, 1994). It may seem counter-intuitive that individuals who are relatively removed from the daily, and most concrete, operations of a company should be in a better position to provide concreteness and so clarity, the intuition being that the managers most removed from the "real" work can only dwell on the abstract. But we need to keep in mind that the object of explanation is not a local practice but an integrated picture of how the company will best compete, and senior leaders should have an advantage here. In fact, some have argued that their setting of context is a crucial step in the strategy implementation process and dialogue (Bungay, 2011).

Second, senior leaders have a symbolic role. Pfeffer points to the importance of attribution and ritual in the authority that leaders hold, rather than decision rights or actual resources (Pfeffer, 1977; Pfeffer, 1981), which may be dispersed much further down and far away from the leader. For instance, employees attribute causality in overall organizational action to the leader, imbuing that role more than any other with the ability to control the direction and future of the company. The senior leadership podium is therefore particularly powerful for getting people's attention on strategy, because it is imbued with greater control over collective purpose and action. Top leaders are also the rightful owners of certain rituals, and this should include communicating and discussing the strategy. In fact, the expectations for engagement on strategy may be so strong that they are missed—and the leader diminished—when they are absent or inadequate. This doesn't mean that specific strategy directors or "strategy offices" cannot help, and some have called for greater use of such units and roles (Angwin, Paroutis, & Mitson, 2009). But, as Angwin, Paroutis, and Mitson point out (2009), senior strategy directors seem to do the most good when they exist as part of the top management team *and* are heavily involved in making sure the strategy is being applied, wrestling with the various operational tensions that emerge, offering two-way communication, ironing-out the implications for strategy, and so on. In other words, they more closely resemble the work of top leaders and the behaviours our survey captures, rather than hands-off, conceptual, low-involvement strategy offices. Although our own data does not allow us to capture whether or not senior strategy directors were involved and how they operated, we can at least point to the importance of engagement in senior management as a whole. We also suspect that strategy so embedded, through an active and engaged senior management team, are more likely to result in feelings of procedural justice and its benefits in strategic decision making (Kim & Mauborgne, 1998)

There is some related evidence that senior leaders may not appreciate the importance they play in embedding strategy and why this may be the case. Richard Rumelt's recent book on good and bad strategy (2011) reflects on a lifetime of research on strategy and its formation. One of his central points is that bad strategy is very common, and his explanation of why this is the case sheds light on the challenges of properly embedding strategy. A key issue for Rumelt is that leaders confuse ambition with strategy (Rumelt, 2011: p32). That is, a bad strategy is high on sales objectives and market share goals, with a dash of optimism and positive thinking thrown-in (p70), but low on details and discussions of competitive advantage and dynamics. The details include the tough choices and compromise that it takes to build a real strategy, as Rumelt expands upon well. For our purposes, we believe that delivering a growth goal presumably requires much less (if any) engagement compared to the explanations required when choices are tough, compromise is required, and leaders must really explain (not simply state) how the company is going to compete and be distinct. Practically, this means that the absence of senior management engagement may reflect an, apparently common, misconception of what strategy actually is. It may also mean that when senior leaders do engage in a bi-directional manner (as our survey captures), they are more likely to produce employees who understand and accept the company strategy, including their place in that strategy. There is also evidence that a lack of senior management engagement during times of strategic change in particular leads to a vacuum in sensemaking and implementation (Balogun & Johnson, 2004).

Finally, our finding that supervisors have no direct effect in embedding strategy is somewhat surprising. After all, an employee's supervisor is by definition closer to the source of the strategy and yet has regular and immediate contact with the employee. However, we can speculate that, because most of the companies were not undergoing substantial strategic reformulations—precisely moments where middle management interpretation may be most powerful and needed (Balogun & Johnson, 2004)—supervisor engagement on strategy may not have been as crucial. Also, our findings imply that supervisors have the greatest impact on strategic embeddedness through well functioning, and presumably strategically well aligned, local job conditions. Their function in the strategy cascade, then, is not to parrot the strategy but to operationalize it across the tangible job conditions that impact employees on a daily basis. This is important work. Local job conditions don't appear out of thin air but need to be crafted, maintained, and adapted, and, as we saw in the mediation analysis, the quality of the supervisor is a powerful predictor of positive taskwork, teamwork, and development experiences.

CONCLUSION

Our paper challenges senior managers to get in front of their strategies and engage with employees in a bi-directional manner and building trust, and so helping to ensure that employees will "get it" and "accept it" when it comes to company strategy. Because dictating employees' every action and decision is nearly impossible in most organizations, having them aligned with the business strategy is essential. Yet it may be too easy and convenient for senior leaders to rely upon a strategy cascade to embed essential ideas about company position and competitive dynamics in the minds of employees, counting on middle managers and their work on local job conditions to ensure that strategy becomes understood and accepted. Although local job conditions matter, senior management has a unique voice and understanding of strategy, and this may help explain the substantial influence they have on strategic embeddedness when they engage with employees. The influence of senior management engagement needs to be better appreciated, and processes developed to help put senior management closer to the workforce.

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TABLE 1: DESCRIPTIVE STATISTICS AND PAIR-WISE CORRELATIONS

Variable	Mean	SD	Min	Max	1	2	3	4	5	6	7	8	9	10	11
1. Strategic Embeddedness	3.30	0.97	1	5	1.00										
2. Tenure	2.48	1.22	1	4	-0.05	1.00									
3. Level	7.55	2.22	1	15	0.05	0.25	1.00								
4. Work/Life	3.68	0.78	1	5	0.45	0.03	0.10	1.00							
5. Compensation	2.95	1.09	1	5	0.44	0.08	0.14	0.46	1.00						
6. Commitment	3.77	1.01	1	5	0.62	0.01	0.14	0.54	0.51	1.00					
7. Taskwork	3.93	0.68	1	5	0.55	0.02	0.15	0.66	0.52	0.67	1.00				
8. Teamwork	3.94	0.78	1	5	0.38	-0.10	0.03	0.40	0.32	0.41	0.59	1.00			
9. Development	3.18	0.87	1	5	0.59	-0.05	0.04	0.58	0.57	0.61	0.70	0.52	1.00		
10. Supervisor	3.87	0.89	1	5	0.42	-0.08	0.00	0.42	0.37	0.46	0.64	0.63	0.60	1.00	
11. Sr.Management	3.30	1.03	1	5	0.67	-0.07	0.08	0.51	0.51	0.66	0.61	0.41	0.63	0.45	1.00

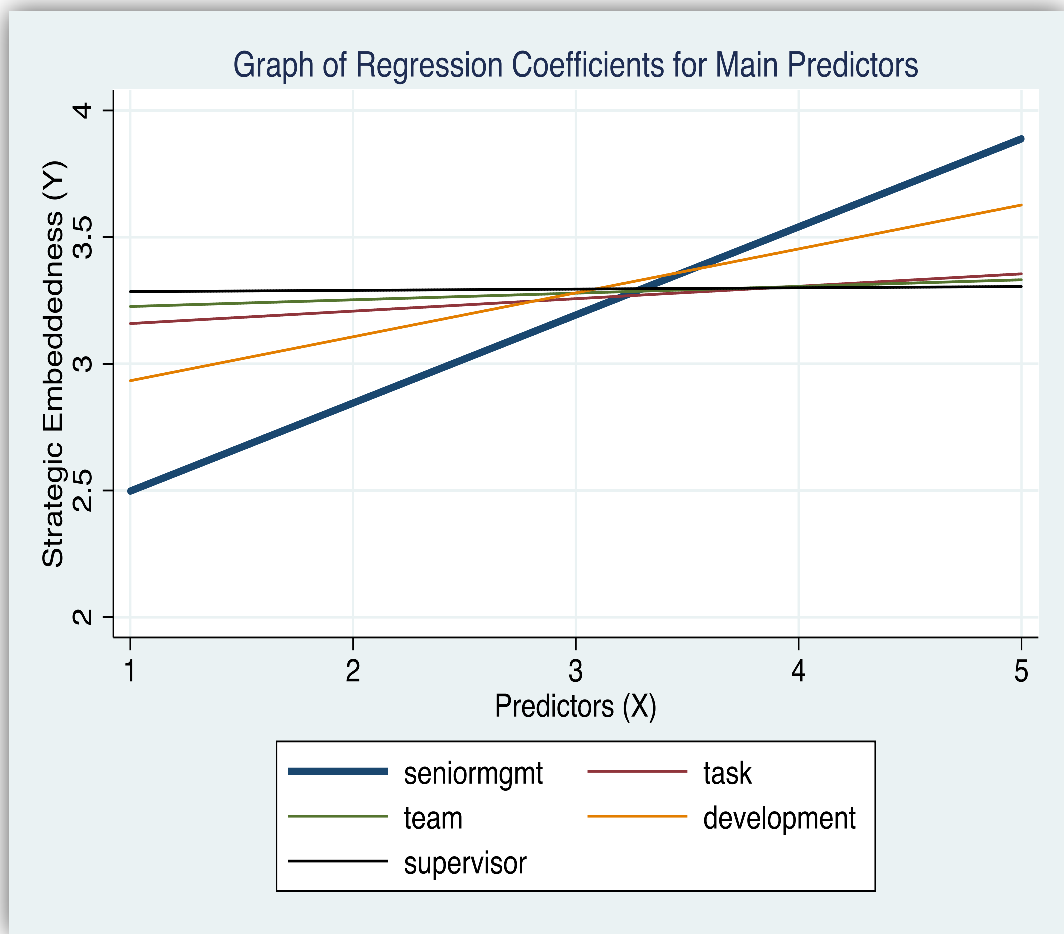
Pairwise deletion of missing cases, N range = 67016 to 69356
All correlations above |.02| are significant at p<.01

TABLE 2: XT-REGRESSIONS OF STRATEGIC EMBEDDEDNESS WITH COMPANY FIXED-EFFECTS

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
	Strategic Embeddedness	Strategic Embeddedness	Strategic Embeddedness	Strategic Embeddedness	Strategic Embeddedness	Strategic Embeddedness
Tenure	-0.00096	0.0068*	0.0024	0.0067*	0.026***	0.025***
	(0.0028)	(0.0028)	(0.0028)	(0.0028)	(0.0026)	(0.0026)
Level	0.018***	0.0070*	0.017***	0.0072*	0.0032	0.0088**
	(0.0031)	(0.0030)	(0.0031)	(0.0030)	(0.0029)	(0.0029)
Work/Life	0.18***	0.053***	0.15***	0.054***	0.022***	0.075***
	(0.0049)	(0.0054)	(0.0050)	(0.0054)	(0.0051)	(0.0047)
Compensation	0.14***	0.064***	0.12***	0.064***	0.019***	0.050***
	(0.0033)	(0.0034)	(0.0033)	(0.0034)	(0.0033)	(0.0032)
Commitment	0.45***	0.34***	0.41***	0.34***	0.22***	0.25***
	(0.0038)	(0.0042)	(0.0040)	(0.0042)	(0.0042)	(0.0040)
Taskwork		0.092***		0.091***	0.049***	
		(0.0076)		(0.0079)	(0.0075)	
Teamwork		0.033***		0.031***	0.026***	
		(0.0047)		(0.0050)	(0.0047)	
Development		0.26***		0.26***	0.17***	
		(0.0052)		(0.0053)	(0.0051)	
Supervisor			0.12***	0.0039	0.0050	0.075***
			(0.0039)	(0.0047)	(0.0044)	(0.0037)
SrManagement					0.35***	0.38***
					(0.0039)	(0.0039)
Constant	0.41***	0.21***	0.23***	0.21***	0.22***	0.24***
	(0.028)	(0.029)	(0.029)	(0.029)	(0.027)	(0.026)
Observations	61,039	60,861	60,814	60,663	60,247	60,392
Number of Companies	363	363	363	363	363	363
Adjusted R-squared	0.388	0.426	0.396	0.426	0.493	0.480
F	7799	5700	6712	5048	5889	8025

Standard errors in parentheses
Company fixed effects (363 companies)
*** p<0.001, ** p<0.01, * p<0.05

FIGURE 1: REGRESSION COEFFICIENTS COMPARISON



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