

Managerial configuration-making preferences, perceptions, and outcomes in the Canadian banking industry

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Abstract

The paper investigates configuration-making at the individual rather than the organizational level. Based on decision theory's distinction between 'rational' and 'social' decision processes, 'scope' and 'mode' are identified as critical configuration-making variables. The expected impact of scope and mode characteristics on perceptions of decision uncertainty and ambiguity are used to develop hypotheses that link managerial configuration-making perceptions, preferences, and outcomes. Survey results from 199 Canadian banking managers support most hypotheses and a fully-mediated model of configuration-making at the individual level.

Keywords: configuration-making, configuration-making preference, configuration-making scope, configuration-making mode, rational decision-making, social decision-making

Introduction

This paper develops and tests a model of managerial configuration-making preferences (MCMP), perceptions, and their outcomes in the Canadian banking industry. Organization configuration is defined as the nature of the alignment in the elements of an organization's strategy and structure (Miller, 1986 and 1996; Mintzberg, 1979 and 1989; Ketchen, Thomas, & Snow, 1993; Ketchen et al., 1997), strategy as the pattern that integrates an organization's decisions and actions into a cohesive whole (Mintzberg, 1987; Quinn, 1980), and structure as the mechanism for formulating and implementing strategy, including hierarchical reporting relationships, operating procedures, and information and control systems (Bourgeois, Duhaime, & Stimpert, 1999; Daft, 1998). From these definitions, configuration-making is the process that determines the linkage between strategy and structure, and MCMP the manager's consciously held choices of particular types of configuration-making processes over other types. Managers, as opposed to other organization members, are singled out based on the assumption that s/he is more likely than the others to be involved in, perceive, and have preferences about configuration-making activities.

Configuration research has sought to demonstrate that organization performance hinges significantly upon matching either the characteristics of the internal organization elements that make up configuration and/or the attributes of the configuration with the requirements of the external environment (e.g. Lawless & Tegarden, 1991; Miller & Friesen, 1984; Miller & Toulouse, 1998; Olson, Slater, & Hult, 2005; Yin & Zajac, 2004; Xu, Cavusgil, & White, 2006). The research supports Ketchen et al.'s (1997:233) meta-analytic finding that "27.6 percent of the utility available from prediction of performance differences across firms is predicted by configuration membership," a result that "remove[s] any equivocality surrounding configurations' ability to predict performance."

However, the managerial utility of the configuration research is limited by three related tendencies. First, the literature has tended to focus on the content of configuration. While the research has focused on the question of 'what' (content) characteristics of strategy, structure, and external environments match or do not match, it has still largely neglected the question of 'how' (process) particular configurations are achieved or not achieved. From the perspective of the manager, lack of process knowledge is serious, for knowing what to do in different situations falls short of being useful without knowing how to get it done.

Second, configuration research has focused on the organizational level of analysis, as opposed to the individual and group levels. While the characteristics of configuration and configuration-making may be viewed at the organization level, common knowledge suggests that the process that produces the characteristics originates at the individual and group levels. To be useful to practicing managers, this research needs to delve into these levels of analysis, translate configuration in terms that make sense at the individual and group levels, and explain how desired (and accidental) organizational configurations get built from individual preferences into organizational realities.

The third limitation of the research is the tendency to engage in studies in the 'functionalist' as opposed to the 'interpretive' tradition. The functionalist view assumes that organizations are "basically objective" and "out there" awaiting "impartial exploration and discovery" while the interpretive view assumes and investigates subjective interpretations "in here" (internal to both research subjects and researchers) (Cheney, 2000; Gioia & Pitre, 1990: 588-590). This tendency encourages a view of configuration-making as an objective design

exercise of moving organization pieces around to suit the requirements imposed by the competitive landscape. However, the view fails to take into account the user perspective, i.e., the subjective design requirements of the organizational players who are asked to implement, operate, and work within the parameters of a particular configuration design, and whose varied perspectives and preferences managers must invariably take into account in the configuring process.

These three tendencies have maintained gaps between the theory of configuration and the practice of configuration-making. To address the gaps, this paper develops and tests a model of the managerial view of the relationship between configuration-making characteristics and outcomes. In the following section, the research model and hypotheses are developed. Next, the procedures and methods used to test the model are described, and the results are presented. Finally, the results and implications for, and contributions to, research and practice are discussed.

Rational and social views of decision-making

Configuration-making (CM) may be conceived as a process of interplay of among different, sometimes conflicting MCMPs. Of particular interest in this paper is the relationship between the characteristics and outcomes of CM as perceived by managers, and the impact of the manager's preferences on the said relationship. Organisation CM is a type of decision-making, and may be viewed in terms of two dimensions – the 'rational' and 'social'. Essentially, the rational dimension encompasses the impersonal aspects of organization while the social dimension encompasses the interpersonal (Van de Ven & Astley, 1981; Yang, 2003).

A rational view of decision-making assumes that organizational goals are consistent across decision makers; information is knowable, being extensive, systematic, and accurate; decision processes are orderly and logical; and decisions are based on objective, impartial considerations (Daft, 1998; Jones, 1995; Yang, 2003). In contrast, a social view of decision making assumes inconsistent, multiple goals and preferences within organizations; the ambiguity of information; the disorderly nature of decision processes characterized by the push and pull of interests; and the need for bargaining and interplay as the basis of decisions (Daft, 1998; Jones, 1995; Yang, 2003).

Based on these contrasting assumptions, scholars have portrayed the rational and the social aspects of decision-making as co-existing, yet distinct dimensions of organizational life (e.g. Allison, 1971; Granovetter, 1985; Mintzberg, 1987; Schoemaker, 1993); investigated the dominance of one dimension over the other in explaining a variety of organizational actions (e.g. Bower, 1970; Child, 1972; Pettigrew, 1973, 1985, 1987; Pfeffer, 1981); and examined the implications of dominance on decision effectiveness (e.g. Dean & Sharfman, 1995; Eisenhardt & Bourgeois, 1988; Quinn, 1980).

While empirical support for distinguishing between the rational and social sides of decision-making is abundant, research that examines different decision-making attributes and outcomes from within each dimension is scant. This situation is potentially problematic for the practicing manager. Most managers are aware of the co-existence of rational and social considerations in decision situations. In at least some situations, managers may realize that favourable outcomes depend not so much on making trade-offs between rational and social actions, but on acting effectively within each action domain. For managers in these situations, empirical guidance from the decision literature is scant. This paper helps address the gap by

developing 'CM scope' and 'CM mode' as managerially important rational and social CM considerations, respectively.

CM scope as a rational consideration

There are two approaches to the study of configuration (Miller, 1996). One approach is to distinguish types of configuration either conceptually or taxonomically. Exemplars of this approach include works by Miles & Snow (1978), Porter (1980), and Miller (1986). A second approach is to distinguish attributes, or qualities, of configuration that vary between organizations, or within one organization over time. Miller's work on 'strategic simplicity' as a configuration quality (Miller, 1993; Miller & Chen, 1996; Miller & Toulouse, 1998) exemplifies the approach.

The quality approach is taken in this study to conceptualize the rational dimension of CM. Of particular interest is the degree of fit, or congruence, among the elements that make up configuration. From Nadler & Tushman (1980: 40), fit is defined as "the degree to which the needs, demands, goals, objectives and/or structure of one component are consistent with the needs, demands, goals, objectives, and/or structure of another component." As configuration encompasses many strategy and structure variables, it falls within the category of systems fit as discussed by Van de Ven & Drazin (1985) and Galunic & Eisenhardt (1994).

Configuration fit varies from low to high. In situations of high fit, many elements of configuration clearly support and reinforce one another. In low fit situations, the configuration system is loosely coupled, i.e., the links among configuration elements are few and/or weak. Higher fit situations have been associated with higher levels of organizational efficiency and/or effectiveness in comparison to lower fit situations (Venkatraman, 1989; Wright & Snell, 1998). On the other side, lower fit situations have been associated with improved organizational flexibility in dealing effectively with changing conditions (Ciborra, 1996, Wright & Snell, 1998).

At the managerial level, the choice between high and low fit may be related to the individual's underlying view about the stability of the external environment and its impact on organization performance. A view of the environment as stable or as having minimal impact on organization performance may encourage the construction of higher fit configurations as a means of improving organization performance. In contrast, a view of the environment as unstable and as a significant influence on organizational performance may encourage lower fit configurations, to improve the ability to quickly reconfigure the organization as environmental conditions demand.

An indicator of degree of configuration fit is 'CM scope'. CM scope refers to the number and range of strategy and structure elements that the organization attempts to integrate, i.e. make internally consistent, as a matter of policy. The concept is drawn directly from Miller (1996: 509), who asks: "do these elements, for instance, encompass only aspects of strategy and culture, or are systems and structure involved as well?" In a broad CM scope, a wide range of elements of strategy and structure are matched. For example, an effort is made to tie all organization goals to specific, detailed incentives, flesh out all organization goals and assign the parts to specific individuals and departments, and link all of the organization's formal priorities with very specific structures and reward mechanisms. In a narrow scope, only a few elements of strategy and structure are matched.

CM scope should not be confused with configuration type. Scope can vary between narrow and broad for whatever type of configuration is being targeted. Using Miles & Snow's (1978) typology in an example, a 'prospector', 'analyzer', and 'defender' configurations may be

accompanied by equally broad or narrow CM scopes; or two ‘prospector’ configurations might carry contrasting scopes. Thus, organizational choices regarding scope and type are mutually independent.

CM mode as a social consideration

CM mode is defined as the type of interpersonal behavior that governs configuration-making within the organizations. The concept of mode used in this paper relies on the duality of competition and collaboration in interpersonal relations within organizations. Distinguishing between competitive and collaborative behaviours is a recurring theme in the organization literature. For example, Mintzberg (1989: 272, 276) describes competition as a force that makes “people pull apart for their own benefit” and collaboration as a means of galvanizing people to “pull together for the common good.” The distinction is consistent with the dichotomy discussed by March & Olsen (1989: 22) between a “logic of consequentiality” in which behaviour is undertaken for instrumental reasons, and “logic of appropriateness” which is associated with obligatory action. Similar differences are described in comparisons made between political gamesmanship and competition versus collaboration and collegiality in organizations (Clegg & Hardy, 1996; Miller, Hickson, & Wilson, 1996; Quinn, Anderson, & Finklestein, 1996; Trist, 1981).

At the managerial level, the difference between the competitive and collaborative modes may be rooted in the individual’s view about what kind of social network governs interpersonal relationships within the firm. From Nohria (1992) and Laumann, Galskeiwicz, & Marsden (1978: 458), a social network is defined as “a set of nodes (e.g. persons, organizations) linked by a set of social relationships (e.g. friendship, transfer of funds, overlapping membership) of a specified typed.” With this definition, a traditional hierarchical form of organizing is considered as much a network as a flat, team-based form. In addition, the definition makes it possible to conceive of a single organization as constituting several, even many, layers of different kinds of social networks.

The concept of a competitive CM mode is essentially political. As such, the dominant network perspective is the power structure within the organization. Power is defined as the ability to wield scarce resources (Pfeffer, 1981) and in this manner influence the behaviour of others (Daft 1998). In this network view, success is defined by a person’s relative position in the hierarchy of power and the amount of resources he or she wields. The view has implications for vertical and horizontal work relations in the firm. First, vertical work relations are dominated by the command and control approach. For example, it is acceptable for the few in authority to make decisions without a compelling need to consult those affected, and subordinates are generally hesitant to express disagreement with superiors. Second, horizontal work relations are characterized by political gamesmanship. For example, information sharing is guarded, mistakes by others are counted and considered signs of incompetence when convenient, and contentious issues are resolved through the use of power and influence.

In a collaborative CM mode, the dominant network perspective is the firm’s knowledge structure. A dictionary definition of knowledge is “acquaintance with or theoretical or practical understanding of some branch of science, art, learning, or other area involving study, research, or practice and the acquisition of skills” (Gove & The Merriam-Webster Editorial Staff, 1981: 1251). Quinn, Anderson, & Finkelstein (1996) contend that the knowledge structure consists of nodes of intellect that are embedded vertically and horizontally within the organization’s

hierarchy, and that the nodes group into knowledge classifications such as cognitive (know-what), advanced skill (know-how), systems knowledge (know-why) and motivated creativity (care-why). In this network perspective, knowledge nodes and types constitute the firm's capacity to deal with emerging problems and opportunities. However, being fluid and widely dispersed makes intellect difficult to organize. Therefore, a measure of success is the ability to recognize, attract, organize, and deploy appropriate intellectual combinations from across the knowledge network as needs arise. Doing so requires cooperation by those who possess or control the needed knowledge. This view encourages the individual to cooperate with other individuals, knowing there may be a need in the future to ask them to reciprocate. Thus, all relationships are seen as inherently equal and horizontal, though combinations of relationships may be arranged in temporary hierarchies to meet emerging needs.

Hypotheses

As stated earlier, the goal of this study was to investigate relationships among managerial perceptions and preferences of CM characteristics, and the managers' subjective assessments of organizational outcomes. Overall, the study authors argue that particular CM characteristics will be associated with positive or negative outcomes.

CM outcomes may be divided into two components: a satisfaction component and a performance component. Based on Brief (1998), Fiske & Taylor (1991), and Spector (1997), satisfaction is defined as an internal state that is expressed by evaluating an experience with some degree of favor or disfavor. Essentially, satisfaction is an attitude (Brief, 1998) that is gained by comparing actual outcomes with outcomes that the individual feels are deserved (Cranny, Smith, & Stone, 1992). Of particular interest here is the manager's satisfaction with the organizational decision-making process. As indicated earlier, CM is viewed as a type of decision-making. Thus, it is appropriate to position satisfaction with organizational decision-making as an outcome of perceived CM characteristics.

Based on cognitive dissonance theory (Festinger, 1957), decision satisfaction should influence the manager's subjective assessment of organizational performance outcomes. Substantial inconsistency between satisfaction and performance assessment will normally motivate a person to reduce dissonance and achieve balance (Hellrieger, Slocum, Woodman, & Bruning, 1998). Hence, the more (less) satisfied a manager is with decision-making in the organization, the more (less) positively he or she will perceive organizational performance.

Therefore, it is proposed that the link between perceived CM characteristics and organizational performance is indirect, being fully mediated by satisfaction with organizational decision making. This formulation is consistent with the Tenbrunsel et al.'s (1996) characterization of an attitude (in this case, satisfaction with organizational decision-making) as a non-observable link between an observable stimulus (perceived CM characteristics) and an observable response (perceived organizational performance). The proposition is formalized as follows.

Hypothesis 1: Managerial satisfaction with organizational decision-making will fully mediate the relationship between managerial perceptions of CM characteristics and organizational outcomes.

Decision-making is an important part of the manager's job. Organizational characteristics that facilitate the manager's ability to make 'good' decisions will be viewed positively, improving the manager's satisfaction with organizational decision-making. Good decisions are

both effective and efficient. Like Daft (1998), decision effectiveness is defined as the extent to which the decision addresses organizational or other stakeholder goals. From Jones (1995), decision efficiency is defined as the extent to which the decision is timely and cost-effective.

Two factors that impede decision-making effectiveness and efficiency are decision uncertainty and information ambiguity. Decision uncertainty is the extent to which information is lacking about the factors that enable the individual to assign probabilities to the outcomes of alternative decisions (Duncan, 1972). Information ambiguity refers to the extent to which the information gathered about a decision situation is difficult to interpret and additional data about the decision cannot be gathered to resolve the issue (Daft, 1998). Either uncertainty or ambiguity can impede decision effectiveness and/or efficiency, and increase managerial frustration with decisions.

Earlier, CM scope was operationalized as the number and range of strategy and structure elements that are matched in the process of attempting to achieve a particular level of configuration fit. Thus, CM scope describes the extent to which guidelines exist for ensuring internal consistency of strategy and structure in all organizational activities. In a broad scope, guidelines encompass a wide range of goals, structures, and reward systems for a wide range of organizational levels, departments, positions, and activities. In a narrow scope, the guidelines are few. In decision situations, wide ranging guidelines increase decision efficiency by providing a checklist of areas for which information is needed. Furthermore, they increase decision effectiveness by providing the decision makers with filters for interpreting the information's decision implications as good or bad, based on the level of consistency between decision alternatives and the guidelines. By reducing decision uncertainty and ambiguity, broader CM scopes facilitate the manager's decision-making task, thereby increasing his or her satisfaction with organizational decision-making.

Hypothesis 2: Perceived scope of configuration-making will be positively associated with managerial satisfaction with organizational decision-making, such that the broader the scope, the greater the satisfaction.

Collaborative organizations provide the manager with a broad network of accessible knowledge sources vertically and horizontally across the organization. Political organizations do not. Because information is costly and potentially time consuming to collect externally, having access to a broad knowledge network internal to the organization may increase the efficiency with which unknown information is gathered. In addition, a collaborative system potentially improves decision effectiveness by allowing the manager to obtain specialist opinions from within the organization on which pieces of information are critical to the decision situation and/or how to interpret the information. By providing access to available knowledge within the organization, collaborative CM modes have greater potential to reduce the uncertainty and ambiguity that surround managerial decision-making, and to result in greater managerial satisfaction with organizational decision-making.

Hypothesis 3: Perceived mode of configuration-making will be positively associated with managerial satisfaction with organizational decision-making, such that the more collaborative the mode, the greater the satisfaction.

To this point, it has been proposed that perceptions of CM scope and CM mode will separately influence managerial satisfaction with organizational decision-making. In addition, it is proposed that scope and mode will interact with each other in their effects on satisfaction. Interaction implies that "the value of an outcome variable depends jointly upon the values of two or more predictor variables" (Aiken & West, 1991: 2). In a positive interaction, predictor

variables amplify each other's effects on the criterion; in a negative interaction, the variables weaken each other's effects.

Although CM scope and mode are similar in their effect on decision-making, they differ in the kind of decisions they are useful for. By providing the manager with guidelines for data collection and interpretation, CM scope enables the manager to 'routinize' the treatment of at least some parts of decision situations. From Simon (1960) and Miller, Hickson, & Wilson (1996), routine decisions are familiar or programmed in the sense that they can be made by reference to existing guidelines. However, not all decisions encountered by the manager can be addressed by referring to existing CM scope guidelines, no matter how broad these may be. Some managerial decisions are non-routine or have non-routine components, and resolving them requires going outside the established organizational rubric. In these situations, accessing the knowledge of others within the context of CM mode characteristics provides an alternative means to CM scope guidelines for addressing decision uncertainty and/or ambiguity.

CM scope and CM mode will likely interact in producing managerial satisfaction because many managerial decisions will involve both routine and non-routine decision components. They are likely to interact positively, because a broad CM scope would most likely increase satisfaction in the presence of a collaborative CM mode for dealing with the non-routine decision components. Similarly, a collaborative CM mode would most likely increase satisfaction in the presence of a broad CM scope that provides guidelines for dealing with routine decision components. Thus, CM scope and CM mode will have a joint effect on managerial satisfaction over and above the sum of their individual effects.

Hypothesis 4: Satisfaction with organizational decision-making will be influenced by a positive interaction between perceived configuration-making scope and perceived configuration-making mode.

Perceptions of CM characteristics comprise only one of two aspects of this study's model of the manager's cognitive structure leading up to subjective assessments of CM outcomes. The second aspect consists of the manager's preferences for particular CM characteristics. The view of the authors is that these preferences will moderate the relationship between perceived CM characteristics and satisfaction with organizational decision-making. This formulation is consistent with person-environment interaction theory, which views satisfaction, behaviour, and/or performance outcomes as a function of the match between the characteristics of the situation and the individual (Brief, 1998; Dawis, 1992; Spector, 1997).

Specifically, perceptions and preferences are hypothesized to interact positively such that the association between perceived scope (mode) and satisfaction will be stronger for managers whose scope (mode) preferences are consistent with their scope (mode) perceptions, than managers whose preferences are inconsistent with perceived organizational characteristics. Thus, a match between preferences and perceptions will lead to greater satisfaction than a mismatch between the two.

Hypothesis 5a: Satisfaction with organizational decision-making will be influenced by a positive interaction between perceived configuration-making scope and preferred configuration-making scope.

Hypothesis 5b: Satisfaction with organizational decision-making will be influenced by a positive interaction between perceived configuration-making mode and preferred configuration-making mode.

Methods

The study was undertaken in a cross-sectional survey design. 517 survey forms were sent in stamped, self-addressed envelopes to all participants and alumni of an executive banking program at a major Canadian university. Potential study participants worked full-time, represented 20 organizations, and were located mostly across Canada, with a small proportion in the US, the Caribbean, and Europe. In a cover letter, potential participants were informed that completing the survey was voluntary and that individual responses would be kept completely confidential and anonymous. 199 fully completed surveys were returned for a response rate of 38.5%. Of the respondents, 20% classified their position as top management, 60% as middle management, and 20% as lower management; 56% were male and 44% were female; and 54% were in the 41-50 age group, while 36% were in the 31-40 age group.

To measure perceived and preferred CM characteristics, respondents were asked to indicate their perceptions or preferences on a 7-point scale anchored by contrasting descriptions of particular organizational characteristics. For CM scope, 3 scale items measured whether only a few or most (1) organizational goals are tied to specific detailed incentives, (2) organization goals are fleshed out in great detail and assigned to specific individuals or departments, and (3) of the organization's important priorities are tied to specific structures and reward mechanisms. The scales yielded alpha reliabilities of .81 and .78 for perceptions and preferences, respectively.

CM mode was measured by a 5-item scale that elicited whether the perceived or preferred organization (1) allows employees to freely express their disagreement with managers or makes them hesitant to do so; (2) considers making the occasional mistake a normal part of learning and growth or a serious sign of incompetence; (3) encourages secrecy or wide information sharing; (4) addresses contentious issues through power and politics, or through open discussion of people's interests and preferences; and (5) makes important decisions after considering the interests of all those affected, or only the interests of a few with the most influence. The scales' alpha reliabilities for this study are .86 and .81 for perceptions and preferences, respectively.

A four-item scale was used to measure satisfaction with organizational decision-making on a 7-point scale. Respondents were asked to indicate satisfaction with the manner in which decisions are made, decision quality, speed of decision-making, and timeliness of decisions in the organization. Alpha reliability for this scale is .94.

Finally, perceived organization performance was measured through a 5-scale item that sought respondent ratings about organizational performance vis-à-vis the formal mission, revenue, expense, profitability, and customer satisfaction targets in the preceding fiscal year. Respondents were asked to score the organizational performance dimensions on a 5-point scale that ranged from 'far below targets or expectations' to 'far above targets or expectations.' The scale yielded an alpha of .79.

Analysis and results

Descriptive statistics and inter-correlations for all study variables are presented in Table 1. The proposed model was operationalized as an observed variable path analysis with parameters estimated with maximum likelihood estimation as implemented in LISREL VIII (Joreskog & Sorbom, 1992). All analyses were based on the covariance matrix.

As discussed earlier, the proposed model incorporates three interaction terms or moderated effects. To operationalize these effects, the recommendations of Aiken and West (1991) were followed. That is, the predictors were first centered about their respective means and then interaction terms were computed as the cross product of centered predictors. Although ‘theory trimming’ is a popular approach to improving model fit and model parsimony (Kelloway, 1995; 1998) the proposed model includes interaction terms that can only be properly evaluated with average effects included. Therefore, non-significant paths were not deleted from the model.

Tests of interaction effects lack power and interaction terms rarely account for more than 1-3% of criterion variance (Aiken & West, 1991). Therefore, a one-tailed criterion was adopted to evaluate the significance of parameters. Given the size of the sample, adopting a one-tailed critical value is roughly equivalent to focusing on interactions that account for at least 1% of criterion variance.

In addressing Hypothesis 1, the authors followed the commonly cited recommendation to test multiple, hierarchically nested models (Tabachnick & Fidell, 2001). That is, three versions of the proposed model were evaluated. First, the fully mediated model depicted in Figure 1 was tested. Second, a partially mediated model that added paths from all of the exogenous variables to organizational performance was tested. Finally, a non-mediated model was tested that included all of the paths in the partially mediated model but eliminated the path from satisfaction with organizational decision making to organizational performance. Both the non-mediated and fully mediated models are nested within the partially mediated model.

TABLE 1
Descriptive statistics and inter-correlations for all study variables (N = 199) ^a

Variable	M	SD	1	2	3	4	5	6	7	8
1. Perceived organizational performance	3.12	.78								
2. Satisfaction with decision-making	3.95	1.45	.52**							
3. Perceived organization scope	.00	1.46	.29**	.48**						
4. Perceived organization mode	.00	1.36	.26**	.61**	.51**					
5. Preferred organization scope	.00	1.62	.04	.16*	.36**	.13*				
6. Preferred organization mode	.00	1.15	.07	.09	.10	.08	.26**			
7. Perceived organization scope X Perceived organization mode	.08	2.03	.09	.13*	.04	.03	.18**	.01		
8. Perceived organization scope X Preferred organization scope	.37	2.63	.19**	.20**	.06	.16*	-.20**	-.00	.07	
9. Perceived organization mode X Preferred organization mode	.51	1.70	-.03	.06	.01	.07	.02	-.36**	.19**	.14*

^a Variables 3-6 are centered. Raw means are 4.23 for perceived organization scope, 3.86 for perceived organization mode, 4.67 for preferred organization scope, and 5.48 for preferred organization mode.

* p < .05 (1-tailed)

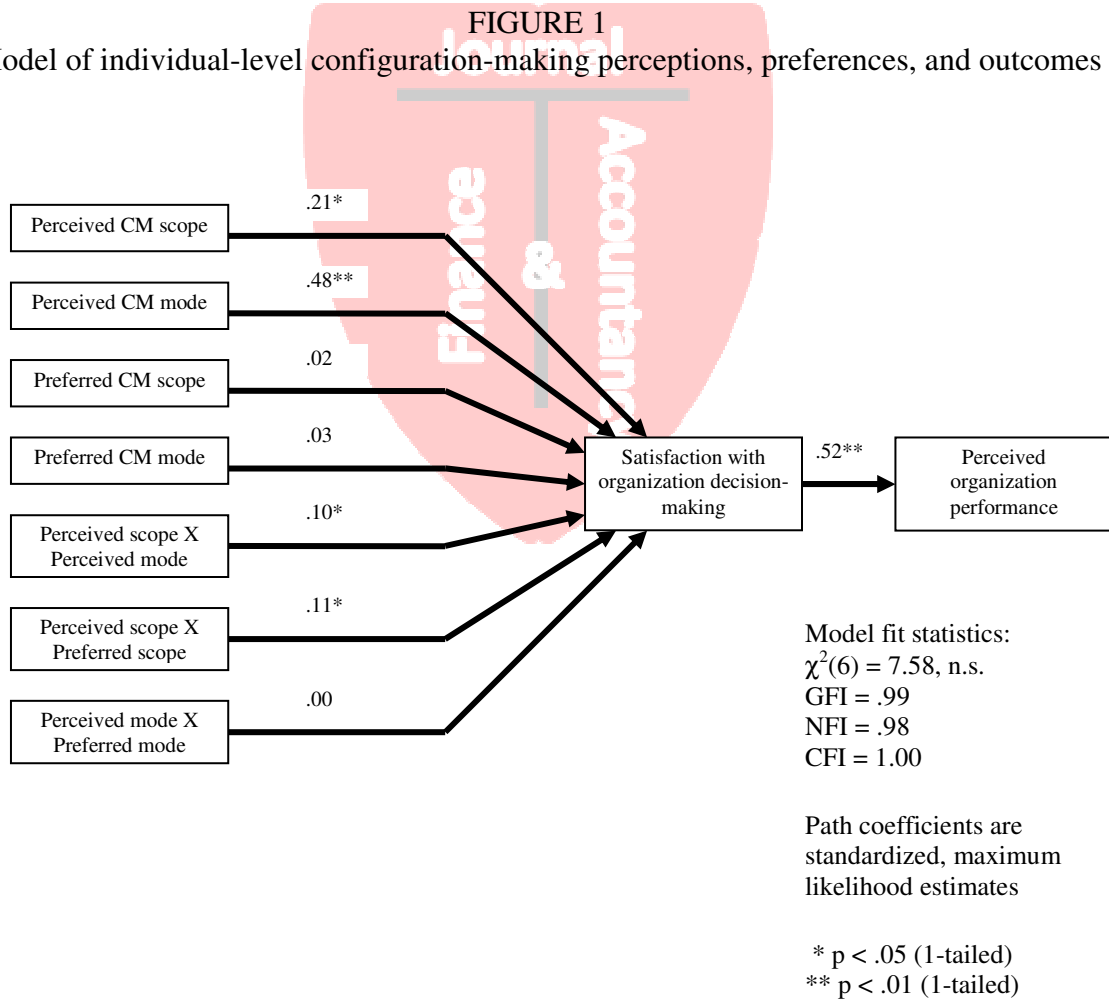
** p < .01 (1-tailed)

The partially mediated model is also a saturated model and provided a perfect fit to the data ($\chi^2(0) = 0.00$, ns). However, none of the paths from the exogenous variables to organizational performance were significant. Based on goodness of fit (GFI), normed fit (NFI), and comparative fit (CFI) indices, the non-mediated model provided a poor fit to the data ($\chi^2(1)$

= 41.51, $p < .01$; GFI=.96; NFI=.88; CFI =.87). The proposed fully mediated model provided an excellent fit to the data ($\chi^2(6) = 7.58$, n.s., GFI = .99; NFI = .98; CFI = 1.00). The fully mediated model did not differ significantly from the partially mediated model ($\chi^2_{\text{difference}}(6) = 7.58$, n.s.) but was more parsimonious. Therefore the fully mediated model supported Hypothesis 1 and was retained for further analysis.

Significance tests supported Hypotheses 1, 2, 3, 4, and 5a, but not 5b. Standardized parameter estimates for the model are given in Figure 1. The model accounted for 27% of the variance in satisfaction and 43% of the variance in organizational performance. As shown, perceived organizational performance was predicted by satisfaction with organizational decision-making ($\beta = .52$, $p < .01$). Satisfaction with organizational decision-making was predicted by perceived organizational scope ($\beta = .21$, $p < .05$), perceived organizational mode ($\beta = .48$, $p < .01$), and the interaction of perceived organizational scope and mode ($\beta = .10$, $p < .05$). Personal preference for scope also interacted with organizational scope to predict satisfaction with decision-making ($\beta = .11$, $p < .05$). With this one exception, preferred scope, preferred mode, nor the interaction of the preference variables made a significant contribution to the model.

FIGURE 1
Model of individual-level configuration-making perceptions, preferences, and outcomes



Discussion, limitations, and conclusion

The goal of this paper was to investigate relationships among managerial perceptions and preferences of CM characteristics organizational outcomes. Based on decision theory, configuration-making was broken down into the rational and social dimensions. Then configuration-making scope and mode were identified as critical rational and social concerns for MCMP. Based on the expected impact of specific scope and mode characteristics on the manager's perception of decision uncertainty and ambiguity, as well as interactions between perceptions of, and preferences for, particular characteristics, a fully-mediated model was developed to represent relationships among managerial perceptions and preferences of configuration-making characteristics and organizational outcomes.

A test of the model in a survey completed by 199 executives in the banking industry found strong support for the model. Overall results supported the hypothesis that managerial cognitions of CM characteristics influence subjective assessments of organizational performance. As expected, perceived scope and mode were each found to predict managerial satisfaction with organizational decision making, and interacted positively. For the manager facing low levels of satisfaction among subordinates with organizational decision making processes, these findings suggest action on two fronts. First, they suggest examining the extent to which the many elements of the firm's configuration – i.e., strategies and goals, structural arrangements, and reward systems at the organizational, unit, and individual levels – are aligned, perceived to be aligned, and provide internally consistent guidelines for organizational decision-making. The greater the number and range of elements encompassed by internally consistent guidelines, the greater the ability of decision makers to 'routinize' at least some aspects of decisions, and the greater satisfaction will be. Second, the findings suggest examining the extent to which collaborative behaviour in the form of information sharing and open discussion is encouraged within and between levels of the organization. The greater the collaboration, the more help decision makers can obtain in dealing with the non-routine aspects of decisions, and the greater satisfaction will be.

The positive interaction between perceived scope and mode suggests that ideally, a broad scope and collaborative mode should be maintained concurrently. However, this may not be possible in some situations. For example, if the organization's external environment were "hyper-competitive" (D'Aveni, 1994), "turbulent" (Chakravarthy, 1997), or "relentlessly shifting" (Brown & Eisenhardt, 1997), the manager may find it difficult to maintain required agility with a broad configuration-making scope. Or, in the face of a deeply rooted political culture, the manager may find it difficult to improve interpersonal collaboration within the organization, at least in the short term. The findings suggest that in these situations, the manager should work on the configuration-making dimension in which he or she can effectively improve satisfaction. For the manager faced with environmental turbulence, this means working on making the knowledge structure of the firm transparent and accessible to all as a basis of collaboration. For the manager faced with a political organization, this means working to establish a broad, tightly woven set of policies and decision guidelines that span all the elements of the configuration being targeted.

Only partial support was found for the hypothesis that perceptions and preferences interact positively in producing satisfaction with organizational decision-making practices. Specifically, the results support the hypothesis in the case of scope, but not mode. For scope, the finding means that while the perception of a broad scope is associated with a high level of

satisfaction, satisfaction is even higher for managers whose preferred scope is also broad. This suggests that where possible, individuals with broad scope preferences should be hired or developed to maximize satisfaction with decision-making practices in the organization.

For mode, the results failed to show that personal preference affects the positive relationship that was found between perceptions and satisfaction. The failure of the data to support the hypothesis may be due to the relative absence of variance in preferred mode in comparison to perceived mode. While mode perceptions covered a wide range in the political-collaborative spectrum (mean of 3.85 and standard deviation of 1.35 on a 7-point scale, with 7 being most collaborative), mode preferences were heavily skewed in favor of collaboration (mean of 5.49 and standard deviation of 1.15). The different statistical attributes suggests one of three possibilities. First, the study's sample may have been biased to include more individuals with a preference for collaboration than exists in the population from which the sample was drawn. Second, survey responses may have been subject to the self-serving "Lake Wobegon effect" (Harrison & Shaffer, 1994). This effect is the tendency of all the members of a population to view themselves in more favorable terms than the population. In this case, it is possible the effect occurred because as depicted by the study's CM mode scale items, collaboration may have been more favorably viewed by respondents than political behavior. Third, it may be that most individuals really prefer a higher level of collaboration than exists, even in their own behavior. Further research is needed to sort out these possibilities.

Two potential concerns may be raised about this study. First, because the study's model does not specifically address the impact of managerial cognitions on actual organizational performance, it may be viewed as irrelevant. The authors acknowledge the need for more focused research to establish the link between managerial satisfaction with organizational decision-making and organizational performance. However, given the centrality of decision-making to the manager's job and organization performance, the premise that 'a happy decision-maker is a productive decision-maker' appears valid. The implications of decision satisfaction on performance are similar to the implications of job satisfaction on performance. Job satisfaction research suggests that satisfaction and dissatisfaction affect many variables – including job performance, organizational citizenship behavior, absenteeism, turnover, burnout, and counterproductive behaviors (Brief, 1998; Katzell, Thompson, & Guzzo, 1992; Spector, 1997) that in turn impact organization performance.

A second concern with the study derives from the use of self-report survey data that gives rise to the possibility of common method variance inflating the parameters of interest. This concern is mitigated by several factors. First, the model explicitly incorporates interaction terms which are not plausibly caused by common method variance (Aiken & West, 1991). Second, note that several of the bivariate correlations approach zero suggesting that common method variance is not exerting a major effect (Lindell & Whitney, 2001). Finally, in a similar vein note that the study's model incorporates identifying restrictions that include specifying paths to equal zero (Kelloway, 1998). A substantial influence of common method variance would degrade the fit of such a model, and this is not the case for this study's data.

This study helps to address three tendencies in configuration research that have maintained gaps between the theory of configuration and the practice of configuration-making, namely (1) a content focus that ignores the processes through which content outcomes are achieved, (2) an organization level focus that excludes the individual and group level actions that produce organization level outcomes, and (3) a focus on objective reality to the exclusion of the subjectively held views that influence organizational action. To address these gaps, this study

focused on (1) the attributes of the configuration-making process, rather than those of configuration, (2) the individual managerial level, rather than the organizational level, and (3) managerial perceptions and preferences, rather than objective reality.

As such, this study extends configuration theory to encompass the individual manager's cognition about the process of configuration-making. One of configuration theory's main contributions is to distinguish high performing types of organizational arrangements – for example, Miles & Snow's (1978) prospector, defender, and analyzer types or Porter's (1980) differentiation, cost leader, and focus types. The study's contribution is to suggest ways of obtaining a targeted configuration to the satisfaction of managers. The study suggests that whatever the targeted configuration type, (1) a broad configuration-making scope is needed that not only supports the targeted direction but also provides managers with internally consistent decision making guidelines across organizational elements and levels, (2) a collaborative interpersonal mode is needed that would provide managers with transparency of, and access to, the knowledge structure within the organization that may be needed to deal with decision situations not encompassed by scope guidelines, and (3) both the scope and mode must be perceived by the managers for them to be satisfied that they are making decisions productively. Without at least one of these characteristics, satisfaction with organizational decision-making may become an issue, and its absence an obstacle, to the effective implementation of a targeted configuration.

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