

Yanick Kemayou

More Class in Management Research

The Relationship between
Socioeconomic Background
and Managerial Attitudes



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With a Preface by Prof. Dr. Martin Schneider



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Yanick Kemayou
Paderborn, Germany

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More Class in Management Research

Preface

Our parents' income, the education they afford us, the values they teach us and the people we meet as children, in short: our socioeconomic background, influences the way we think and decide as adults. By implication, socioeconomic background will influence the way in which even top managers and other organizational leaders see the world and act accordingly. Perhaps this is a truism. At any rate, management researchers have hitherto not had much to say about the importance of socioeconomic background for managerial decisions and economic outcomes. Topics such as the importance of class for organizations and the reproduction of inequality are usually discussed left of the mainstream, in so-called "critical management studies".

Things have begun to change since the start of the lingering crisis in 2008. Many observers feel that the crisis has dramatically exacerbated preexisting inequalities in income, wealth, and opportunities. Others have identified as the reason for the crisis a widespread misconduct among managers and other command post holders, i.e. among a small, socially closed elite. If on the one hand a failing social elite is at least partly responsible for the most severe economic crisis since 1929, and on the other hand management scholars are silent on the elite members' social background, then – as some argue – this points to a crisis also of management research as a discipline.

Yanick Kemayou seeks to make good this sin of omission and argues for a reintegration of socioeconomic background into management research. Managers' class roots and their experience when growing up, he argues, should be taken into account in order to understand top management decisions. More specifically, Yanick Kemayou explores if and how socioeconomic background influences important attitudes which are likely to shape top-management decisions, namely risk propensity, sense of control, and fairness perceptions. He unpacks the rather abstract concept of socioeconomic background by focusing not only on the class origin of leaders but also on key experiences during their lives. It does make a difference for their attitudes whether leaders are climbers (their parents were not among the organizational leaders) or not; whether climbers have received support to advance in their education and career; and whether reproduced leaders (their parents were already among the organizational leaders) experience contact with people of the "lower" classes.

There is so much to praise in this dissertation. The theory ingeniously combines management research, psychology, and sociology. Among other things, it rediscovers Max Weber's argument of self-legitimization to explain why different groups of leaders and non-leaders differ in their sense of control. The hypotheses are far from trivial. The easy ones Yanick Kemayou notes in passing. (Easy hypotheses are the finding that leaders differ in their attitudes from other people, and that social climbers differ from the reproduced leaders.) The identification of constructs in an existing dataset, the German Socio-economic Panel, can become klugy. But Yanick Kemayou succeeds elegantly by distinguishing in the data the four groups of leaders whose key experiences in their lives are likely to produce differing attitudes. He also knows his methods and how to illustrate effect sizes.

It was a pleasure to supervise Yanick Kemayou's first legs of his scientific journey. At first I could not believe that social background really is so seldom discussed and measured in management research. But Yanick Kemayou convinced me. Essentially, Yanick Kemayou's dissertation makes the convincing case for a new, socially sensitive micro-foundation of management strategy. This is a formidable but timely research program.

Prof. Dr. Martin Schneider

Paderborn, September 2015

Abstract

Recent works criticize a disconnectedness of management studies from broader societal issues; a disconnectedness which might explain why it has little to contribute on pressing contemporary questions such as social reproduction or socioeconomic stratification. This in turn may be related to the recent macroeconomic turmoil experienced by many Western capitalist societies. With that backdrop, this thesis looks at how the socioeconomic background of organizational leaders can help explain their management-relevant attitudes. The thesis provides theory development and first empirical tests of the impact of socioeconomic background on leaders' risk propensity, sense of control, and justice perceptions. The theoretical model integrates sociological research on class dynamics and social psychological research on the links between socioeconomic class and management-relevant attitudes. More specifically, my argument is grounded on works about the intergenerational transmission of risk attitudes, the socioeconomic roots of sense of control, and the justice-related effects of social distance. On the conceptual side, I classify organizational leaders into four distinct groups. Firstly, organizational leaders from higher socioeconomic backgrounds, i.e. reproduced leaders, are divided into those who, due to intergroup contact, exhibit a lower social distance toward the broader classes of the society. The other group consists of leaders from higher backgrounds with a high social distance toward the broader classes. Secondly, organizational leaders from lower socioeconomic backgrounds, i.e. the social climbers, are divided into those who were formally or informally supported during their career and those for whom that support was absent.

Cross-sectional data from the German Socioeconomic Panel are used to empirically test the model. Probit, ordered probit and ordinary least squares regressions provide robust support for the theoretical ideas. For instance, results on sense of control show that reproduced leaders exhibit a stronger sense of control than their peers from non-upper class background. Moreover, reproduced leaders with a lower social distance toward broader classes, i.e. non-distant reproduced leaders, exhibit more favorable justice perceptions toward less privileged socioeconomic groups such as unskilled workers than distant reproduced leaders. These results, at the very least, lay bare that the students of management are forgoing some explanatory power by ignoring the socioeconomic background of their research subjects. At best, the results pave the way for a new avenue of research which would, hopefully, lead to a better understanding of the dynamics between social structures and the inner life of organizations.

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1 Introduction

The specter of the recent economic and financial crisis, the so-called Great Recession, is still haunting a number of industrialized Western countries. Since its outbreak in the years 2007-2008, the Great Recession has been determining not only political but also research agendas. Following both popular and scientific accounts on the crisis, it appears that a broad range of factors might have led to the disaster. For instance, not only neo-liberal oriented economic policies have been criticized but also the alleged lack of an ethical component in the science of economics. As rightly pointed out by Kirchgässner (2009), these arguments mainly come from the left side of the political spectrum. Of course, the political right also has found its own explanations for the economic fiasco. These include arguments such as the failure of governments and their regulatory agents (Vaubel, 2009). Looking at the events from both the perspectives of history and economic sociology, Mizruchi (2010) further argues that, at least for the USA, the recent crisis can be explained by a lack of coordination within the US-American corporate elite. Unlike their predecessors during the 1907 and 1929 crises, the contemporary US-American corporate elite was “[n]o longer constrained by the state and labor, and increasingly independent of the banks as well, the corporate elite became increasingly fragmented, its members focused primarily on their specific short-term interests” (Mizruchi, 2010: 132).

While the above accounts of the Great Recession mostly address structural issues such as the failure of the regulatory framework, the fragmentation of the elite, or the lack of ethics in economics, some commentators also make a case that specific individual attitudes and behaviours can be regarded as one of the major triggers of the crisis. A case in point is the discussion about managerial greed (Mennell, 2014; Suárez, 2014) or the risk attitudes of actors in the financial sector (MacKenzie, Garavan, & Carbery, 2014). Furthermore, Schmitz (2013) suggests that the empathy of individuals at the upper echelons of major banks is adversely affected by the fact that they form such a distinct social group and Lunn (2013) argues that the overconfidence of actors in the financial field can help explain the Irish banking crisis.

Considering those individual factors, the Great Recession therefore seems to be linked to issues such as excessive risk-taking behaviours, disconnectedness between the leaders of major organizations and the lay populations, and a strong belief of some influential economic actors in their own capabilities. These issues might well qualify as

research topics for management researchers. Since some of the issues debated as causes of the Great Recession fall in the realm of what management scholars have been studying, one could expect management research to cut a good figure in the wake of the crisis. However, this is hardly the case as discussed for instance by Kochan et al. (2009), MacKenzie et al. (2014), and Thomas & Wilson (2011). Indeed, when it comes to the crisis, management research seems to have its own crisis. A way to comprehend whether there is something such as a crisis in contemporary management research is to look at the field's major challenges, as stated by its own actors.

1.1 Major challenges of contemporary management research

The arguments in the discussion about the challenges of contemporary management research are mainly related to the rigor versus relevance debate which has been engaging management scholars for more than half a century now (Gulati, 2007). In this context, one of the main questions is whether too much focus of attention on rigor has shifted the field's attention away from matters which actually matter. This view is well grasped in Goodall's (2008) interrogation whether "management research has become too theory-led". With respect to the economic crisis, the main point to be identified in works debating on the challenges of management research is its disconnectedness from both other social sciences and broader social issues and the associated self-centrism.

Gulati (2007: 779), for instance, argues that while longing for relevance, management research has "lost touch" with its social sciences-based roots. Hinings & Greenwood (2002) make a similar case albeit not with respect to the relevance debate. The lamented disconnection from other social sciences may help to understand why in the rigor versus relevance debate, relevance mostly means being relevant for management practitioners (Gulati, 2007). Such an understanding of relevance is rather intriguing. Reading accounts such as Kochan et al. (2009), it is obvious that the scope of relevant management research can and should be extended as being relevant not only *for* management practitioners, but also being relevant *to* broader societal issues. But as noted by Lounsbury (2013), students of organizations have become largely disengaged from issues of broader societal relevance such as social stratification or social change.

The disconnection from the origins can only be worsened by the self-centrism

ascribed to contemporary management research. Starkey, Hatchuel, & Tempest (2009: 548), for instance, state that management research “lacks pluralism and diversity”. This reported self-centrism is rather surprising since figures such as Karl Marx, Max Weber or Emile Durkheim, regarded as “key architects of some of the most influential theories” in modern management research (Gulati, 2007: 778), could barely be categorized as management researchers from today’s perspective. According to the same Gulati (2007: 775), management researchers have even organized themselves in tribes, i.e. groups “that form around rigor and relevance, sequestering themselves into closed loops of scholarship and dismissing the work of outsiders”. The emergence of these tribes and the associated tribalism within management studies has only worsened the situation ascribed to the reported self-centrism. Taken together, contemporary management research is not only disconnected from its origins and from broader social questions, but also represents a self-centered body further weakening itself through tribalist tendencies. This is, admittedly, a rather gloomy depiction of the relatively young discipline of management research. The possible gloomy state of affairs should not occlude that management research has been, by other accounts, a largely successful venture (see for instance the recent ‘celebration’ of organization theory by Lounsbury & Beckman, 2014). As formulated by Peter McKiernan, a former president of the European Academy of Management, “[t]he evolution of modern management has been slow but very successful. Management and business schools flourish, even in recession, as international products, conferences, journals and networks proliferate on the strength of strong demand” (McKiernan, 2009: 149). However, the same McKiernan further admits a “perceived weakness of management theory and research”. Whether it be just a perceived weakness, or some real troubles, there seems to be a consensus that management research is going through its own crisis. The recent economic and financial crisis, then, may just have cast a light on issues which have already been troubling management scholars. Fortunately, a crisis is by its very definition a turning point; it creates both dangers and opportunities. The current economic crisis and the current state of management research therefore provide an opportunity to rethink some issues in the field – and to introduce some new, missing perspectives.

According to Kochan et al. (2009: 1088), if management scholars are to take advantage from the rebuilding of organizations, which is likely happening as a result of the crisis, and to play an active role in this process, they should “reframe and broaden the dominant paradigm guiding management research in recent years”. More concretely,

Lounsbury (2013: 3) states that much of the research in the field of organization and management theory lacks “imagination or deeper engagement with broader societal and political issues” and hence in order to move both forward and toward more social relevance, management scholars could, for instance, address issues such as economic inequality and ecological sustainability. Similar points have been raised by scholars such as Walsh, Weber, & Margolis (2003) who reconsider the narrow focus on firm performance as the main outcome variable and reintegrate the notion of social welfare, Goodall (2008) who studies the issue of climate change in management studies, and Knights (2008) with his research on the consequences of inequality in both business and society. In an inspiring piece of research, Zald & Lounsbury (2010) convincingly developed that the above mentioned concerns share as their common denominator the issue of social stratification and the role of elite in contemporary societies.

The question is then how to face up to these issues; how the issues of social stratification and elite can be addressed in order to produce a less disconnected, i.e. more socially inclusive management knowledge. Issues of social stratification and elites are closely related to the question of social reproduction which itself grounds on the study of the socioeconomic background of those at the top. In this thesis, I argue that looking at how the socioeconomic background of organizational leaders might affect organizational processes and outcomes is one of the paths toward a less disconnected study of organizations.

Following the idea that the attitudes and behaviors of “small groups of influential people” have favored the crisis (Krugman, 2011), it appears worthwhile to look at these groups of influential people. Krugman’s “influential people” possibly coincide with Zald & Lounsbury’s (2010) “command posts holders” and we can assume that they are highly likely to be members of their respective national business elite, i.e. influential organizational leaders. Empirical studies consistently report that the business elites in industrialized Western countries mainly come from the upper classes of the society. Hartmann (2009), for instance, reports that in France, Germany, and the USA more than 75 percent of the business elite were brought up in upper class backgrounds. In a British-French comparative study Harvey & Maclean (2008) find similar results, despite a different operationalization strategy. The distinct groups of influential individuals therefore mostly come from a very distinct socioeconomic background.

Almost three decades ago, Hambrick & Mason (1984) conjectured in their now

seminal paper about a possible influence of the socioeconomic background of organizational leaders on the strategic choices of their respective organizations. In the 2007 update of their paper, Hambrick (2007) observes the persistent lack of research on the issue and restates the case of the possible relevance of socioeconomic background of organizational leaders. More specifically, he asks how executives from modest backgrounds may differ from their counterparts from wealthier ones with respect to their reactions to compensation strategies. Other recent accounts such as Côté (2011) and Gray & Kish-Gephart (2013) call not directly for research on socioeconomic background, but on class matters in the organizational context. Overall, these calls may suggest that having a close look at the socioeconomic background of managers is a promising route to improving extant knowledge on real-world organizational phenomena.

Having introduced the case for a study of socioeconomic background, the next section will further motivate the topic by discussing how contemporary management research could be enhanced through the study of the socioeconomic background of its subjects, and more specifically of organizational leaders.

1.2 Improving management research by introducing socioeconomic background

The effects of managers on organizational outcomes have long been a subject of academic dispute. While some streams of research such as the population ecology (e.g. Hannan & Freeman, 1977) and the neo-institutional theory (e.g. DiMaggio & Powell, 1983) minimize the role of managers on organizational outcomes, the scholars drawing from the strategic choice perspective argue that managers do play a role for organizational outcome (see for instance the above mentioned paper by Hambrick and his late colleague). However, even scholars from the population ecology stream have recognized that managers can shape their organizations. In a theoretical contribution on the “population ecology of organizations”, Hannan & Freeman (1977) term research focusing on the role of managers “adaptation perspective”. Even if they argue that organizational outcomes cannot be adequately explained by the adaptation perspective, they do recognize that “[c]learly, leaders of organizations do formulate strategies and organizations do adapt to environmental contingencies” (Hannan & Freeman, 1977: 930). Indeed previous research findings have shown that focusing on individual-level