



> Thursday, March 23rd, 2023
15:30 – 17:00
> Management & Society



EMPOWERING CHANGEMAKERS FOR A BETTER SOCIETY

‘THE ROLE OF TMT’S COGNITIVE DIVERSITY AMID UNFORESEEN EVENTS’

BY JEANINE PORCK, OKLAHOMA STATE

ABSTRACT

When firms face unforeseen events, their top managers must decide on which actions to take to mitigate their effects. Many scholars and practitioners believe that diverse viewpoints and ideas among top managers provide a strong foundation for strategic decision making and strong organizational performance in these instances. Yet, the continuous mixed findings on the role of cognitive diversity call into question this widespread belief. Some studies demonstrate that cognitive diversity among top managers may improve firm performance by bringing together insights from different domains to enhance decision-making quality, while other find these differences reduce firm performance as they cause decision delays and decrease the chance for a unified approach. To resolve these mixed findings, we integrate insights from the strategic communication and decision-making literatures to theorize on the role of top managers’ cognitive diversity amid surprise events. Specifically, we build on recent work in strategic communication which delineates how evaluators (i.e. analysts) want to see that a firm is able to strategically navigate positive and negative disruptions and comprehensively address their effects. By operationalizing cognitive diversity as (in)congruent risk speech among a firm’s top managers, we also answer the recent calls to use direct measures of cognitive diversity among senior leaders rather than demographic proxies. We test our hypotheses by examining 22.3 million words spoken by TMTs of S&P 500 firms surrounding earnings surprises between 2008-2019.