

# How managers' beliefs about firm performance guide priorities

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A new study from the University of Vaasa explores managers' perceptions on firm performance. According to the study, managers approach firm performance differently. Some managing directors may emphasize partnership with customers, while others might emphasize fine tuning in production. Various factors influence managers' perceptions. For instance, management tools like the Balanced Scorecard system and demands from customers influence perceptions.

M.Sc. Timo-Pekka Uotila from the University of Vaasa explores [managers'](#) perceptions on [firm performance](#). In his dissertation, Uotila studied how managing directors understand firm performance.

"It is important that managers are aware of their beliefs related to the firm performance," says Uotila. Even though growth and profitability can be seen as unifying factors in managers' thoughts, the elements considered leading to successful action differ between managers. Managers only react to changes in the business environment that are considered meaningful.

"The business environment is constantly changing. To identify meaningful changes depends on the managers' beliefs related to factors leading to firm performance." Uotila states that managers should step away from the continuous rush of daily work and consider their beliefs.

## Forming beliefs within the social environment

"Performance models that are used the most, such as the Balanced Scorecard system, provide a rather clean-cut, ideal view to firm performance. However, even though these tools offer a good way to make sense of firm performance, reality is always a bit more complex and fuzzy."

Uotila states that sometimes within an industry, certain "recipes" may be found. These recipes consist of issues that are considered important for firm performance within the industry. "Managers' experiences and lessons learned from competing firms have influence on the recipes for good performance. In addition, business schools, consultants, and media all influence the topics that are on the top of the conversations related to firm performance. These forces guide the managers thinking towards similarity."

Uotila states that despite the industry pressures, managers have to form their own perceptions for the firm performance. "The cause-and-effect chains related to the firm performance are ambiguous. That leaves room for managers' own interpretations on firm performance and elements leading to it," says Uotila.

## **Multi-method research as a tool to study managers' perceptions**

Uotila used a qualitative, multi-method approach in his dissertation. The approach is relatively little used in the area of business studies. Twenty-two managing directors gave their views on firm performance. Interview material was explored through the means of content analysis, cognitive mapping, and rhetorical analysis.

Provided by University of Vaasa

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