Foreword

The kind of interactions in, and the governance structure of, firm organizations systematically change when the size of the organization grows over time. In a developmental view firms typically start as rather small entrepreneurial businesses. At this stage, the entrepreneurial conception of what business to do, and how, can directly shape the ongoing organizational activities provided it is sufficiently articulate, effectively communicated to and adopted by the firm members. This can be achieved by giving detailed orders and controlling order execution and performance tightly, leaving little room to initiative and discretion on the part of the individual firm members. A governance regime of this kind can be characterized in a stylized way as a monitoring regime with intra-organizational interactions resembling the principal–agent model of modern microeconomics. When the business is profitable and the organization size is expanding, a governance regime like this requires a growing hierarchy of managerial layers at which orders and controls can be channeled top down. Hierarchical directives and controls find their limits, though, when the firm’s environment gets more turbulent and unanticipated and non-routine problems need to be solved on a large-scale basis. Even with monitoring devices in place, such problems leave room for a growing incoherence of individual problem solving and for motivational hazards with respect to the level of effort taken. As a consequence, managerial controls can be rendered increasingly ineffective – one of the causes of the well known managerial diseconomies to firm growth.

As an alternative, a governance regime can be tried at the early state of small entrepreneurial businesses that can be characterized in a stylized way as a cognitive leadership regime. Under this regime, the task perceptions of the individual firm members are informed by a common, socially shared cognitive frame that corresponds to the entrepreneurial business conception and a social model of high task commitment. Tacit agreement on theses features is a crucial means of coordination within the organization. It allows more room to be given to individual initiative, discretion and self-responsibility without degrading organizational coherence. At the same time, it positively affects individual work motivation and identification with the firm’s goals. The problem is, however, that a shared cognitive frame and a corresponding social model of high task commitment
cannot be achieved by entrepreneurial or managerial order. They hinge on the outcome of a collective social cognitive learning process that takes place in communication with, and by observation of, other firm members. The outcome of the collective learning process is likely to be influenced by a multitude of factors like, for example, the entrepreneur’s capacity to prevail in the informal agenda processes and the particular features of the business conception. It is also very likely to be affected, however, by the growth of the firm organization delimiting, for instance, the frequency and intensity of face-to-face interactions between the entrepreneur and the growing number of firm members.

The governance regime of cognitive leadership, its attractive cooperative features and the challenges it faces in the process of organizational growth are the topic of Silke Scheer’s fascinating study. She elaborates the still not fully understood motivational foundations of this regime that contrast so drastically with the portrait of unconditionally self-interested, opportunistic attitudes within firm organizations as it has been drawn by the principal–agent literature. To explore the mutual contingencies of socially shared cognitive frames, social models of task commitment and work motivation at the empirical level is no easy task. Silke Scheer addresses it on the basis of a questionnaire methodology. She offers first insights on the empirical role that the different governance regimes play for motivating firm members, for solving unanticipated and non-routine problems, and for the degree of organizational coherence. In doing so, her study highlights the practical relevance of the cognitive leadership regime and the characteristic motivational features on which it draws that are widely neglected in the modern theory of the firm.

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