ACADEMY OF Management Review

DON'T GET IT MISCONSTRUED: CONSTRUAL LEVEL SHIFTS AND FLEXIBILITY IN THE UPPER ECHELONS

Journal:	*Academy of Management Review*
Manuscript ID	AMR-2017-0273-STFSTR.R3
Manuscript Type:	STF Strategy
Theoretical Perspectives:	Upper Echelons Perspectives, Mergers and Acquisitions, Social Cognition, Information processing theory
Topic Areas:	Merger/Acquisition strategy and implementation < Corporate Strategy < Business Policy and Strategy, Strategic decision making < Strategic Management Process < Business Policy and Strategy, CEO/TMT decision making < Upper Echelons/Corporate Governance < Business Policy and Strategy, Perception, information processing, and attributions < Managerial and Organizational Cognition
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DON'T GET IT MISCONSTRUED: EXECUTIVE CONSTRUAL LEVEL SHIFTS AND FLEXIBILITY IN THE UPPER ECHELONS

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Acknowledgements: We would like to thank Associate Editor Kevin Corley and three anonymous reviewers for their valuable and constructive feedback throughout the review process. We would also like to thank Lu Pi and Larkin Poe for their editorial and administrative assistance and, most importantly, Naomi Steinbach for her perfectly-timed arrival.

Running Head: CONSTRUAL SHIFTS AND FLEXBILITY

ABSTRACT

Whereas much of upper echelons research focuses on the background characteristics and traits of executives to explain their strategic choices, much less is understood about the information filtering process by which those characteristics manifest in strategic decisions. We develop theory to explain how executives process information by integrating construal level theory with upper echelons theory. Construal level theory describes how the same event can be interpreted in different ways, thus influencing the type of information people pay attention to, how they process that information, and the resulting decisions and actions. Our theoretical framework explores the dynamic nature of construal levels by developing two new constructs—construal shifts and construal flexibility. In doing so, we draw on self-regulation research to detail how executives can develop the capacity to modify how they process information to best meet changing situational demands. As an illustrative example, we apply our theory to the acquisition context and demonstrate the vital role played by construal shifts and flexibility for executives attempting to manage complex strategic actions. The end result is a framework by which executives can effectively navigate the challenging acquisition process.

Keywords: Upper echelons; Construal level theory; Mergers and acquisitions

The manner in which executives process available information is a crucial determinant of their ultimate strategic choices (Finkelstein, Hambrick, & Cannella, 2009; Hambrick & Mason, 1984). Indeed, few jobs present greater information ambiguity and decision-making complexity than those faced by top executives (Finkelstein et al., 2009). Executives are frequently exposed to incredible amounts of information, which, at times, can overload them and compromise their decision-making (Ganster, 2005; Hambrick, 2007; Hambrick, Finkelstein & Mooney, 2005). Thus, to successfully make and implement strategic decisions, executives must process complex sets of information in ways that overcome these inherent informational challenges.

For this reason, information processing is at the heart of upper echelons theory, which posits that executives process information based on how they uniquely perceive environmental stimuli (Hambrick, 2007; Hambrick & Mason, 1984). Executives process information through a unique field of vision, selective perception, and interpretation, which helps explain the different strategic choices they make (Hambrick & Mason, 1984). Within upper echelons research, however, most work has focused on how executives' characteristics—such as their personality, background, and values—motivate different strategic choices (see Wowak, Gomez-Mejia, & Steinbach, 2017, for a review), largely ignoring how information processing styles affect strategic decisions. As Hambrick (2007: 337) notes, the result has been that "the psychological and social processes by which executive profiles are converted into strategic choices remain largely a mystery—the proverbial black box." In order to more fully develop the upper echelons model, and to better understand how executives can oversee successful strategic initiatives, theory is needed to explain "how the executive mind works" (Finkelstein et al., 2009: 59). In this paper, we take a step in this direction by integrating construal level theory—a theory about information processing from cognitive psychology—into the upper echelons.

Construal level theory (Trope & Liberman, 2010) describes how the same event or entity can be interpreted in different ways (e.g., via abstract and distant (high-level) vs. concrete and near (low-level) mental representations), which influences the type of information people pay attention to, how they process that information, and ultimately their decisions and actions regarding that event or entity. As such, construal level theory maps well on to the 'filtering' mechanisms at the heart of upper echelons theory (e.g., field of vision, selective perception, and interpretation). Indeed, the theory was developed to understand how and why choices are made and subsequent behaviors are regulated (Wiesenfeld, Reyt, Brockner, & Trope, 2017). Notably, adopting an appropriate construal level helps people adapt to the demands of their current situation or activity (Ledgerwood, Trope, & Liberman, 2010). In this paper, we explore the implications of construal level for executives, as their information processing style likely influences their effectiveness when making and implementing strategic decisions. The goals and challenges that executives face vary throughout large-scale decision processes, thus necessitating changes in information processing styles as situations unfold. We argue that executives who are able to engage in appropriate construal level shifts are more likely to meet the dynamic challenges facing them when pursuing strategic initiatives.

To illustrate the importance of construal level theory for executive information processing demands, we use the acquisition context. Specifically, we develop theory to explain how and why construal shifts are important for executives making and implementing acquisition decisions. We argue that the complex and dynamic nature of the acquisition process presents significant cognitive challenges for acquiring executives in their attempts to effectively execute the acquisition (Haleblian, Devers, McNamara, Carpenter, & Davison 2009). We develop theory explaining how the substantive and changing information processing demands facing top

executives throughout the acquisition process (e.g., Hitt, Hoskisson, Johnson & Moesel, 1996) necessitate commensurate shifts in their information processing style (i.e., construal level).

By integrating construal level theory into upper echelons research, we make several theoretical contributions. First, we provide unique insights into the sociocognitive styles by which executives process information and come to their decisions. Construal level theory provides an ideal platform for us to build theory that contributes to the upper echelons literature by describing how executives process complex strategic decisions and how that processing can influence decision effectiveness. Our theory holds promise for upper echelons and strategic leadership researchers seeking to better understand the crucial role of the information processing by which executives make strategic decisions and the factors that predict which executives are more likely to effectively regulate these styles to suit the current goal or activity.

Second, incorporating insights from self-regulation theory (Bandura, 1991; Carver & Scheier, 1998; Karoly, 1993), we contribute to construal level theory by developing two key constructs: construal shifts and flexibility. *Construal shifts* highlight the dynamic nature of construals and how changes in construal level are often necessary for decision-making processes. To date, research has mostly focused on the passive nature of construals (i.e., primed by the environment), yet a central premise of our theorizing is that construals must be self-regulated to align them with the processing demands of the current situation. This premise fits Wiesenfeld et al.'s (2017: 370) suggestion that "in organizational settings the best outcomes may be expected from those who can most flexibly change their level of construal", but despite that suggestion, there has yet to be any meaningful attempt to build theory in this area. Our theorizing, therefore, breaks new ground in the literature by emphasizing the relevance of within-person changes (vs. between-person differences) in construal level. Building on this, we leverage self-regulation

processes to explain how executives develop *construal flexibility*, which is the capacity to make construal shifts to align one's current construal with the processing demands of the current activity or situation. Construal flexibility is valuable whenever organizational decision-makers are tasked with complex initiatives involving dynamic information processing demands.

Finally, our theory provides sociocognitive contributions to several streams of research on mergers and acquisitions (see Haleblian et al., 2009, for a review) and can help inform our understanding of the challenges that often befall executives throughout the acquisition process. For example, researchers have identified a range of personal characteristics (e.g., Gamache, McNamara, Mannor, & Johnson, 2015; Hayward & Hambrick, 1997) to explain why executives choose to invest heavily in acquisitions despite their high failure rate (King, Dalton, Daily, & Covin, 2004). However, by directly focusing on the information processing mechanisms associated with construal levels, we provide a more proximal understanding of why executives struggle to make more effective acquisition decisions. Relatedly, our work also contributes to research on post-acquisition integration (see Graebner, Heimeriks, Huy, & Vaara, 2017, for a review) and provides insight into the construal shifts necessary to balance the needs associated with both structural and cultural integration (Teeikangas & Laamanen, 2014). By focusing on executive construal levels, our theory can help executives adopt the appropriate information processing style to overcome sociocognitive challenges throughout the acquisition process.

SECTION I – INTEGRATING AND EXTENDING CONSTRUAL LEVEL AND UPPER ECHELONS THEORIES

A central tenet of upper echelons theory is that differences in how executives process information shape their strategic choices (Hambrick, 2007; Hambrick & Mason, 1984). This view emphasizes "the executive and the information-filtering process by which he or she arrives

at a 'construed reality' of the strategic situation and decides what ought to be done about it" (Finkelstein et al., 2009: 46). Upper echelons theory posits three steps to the information filtering process of executives: 1) a limited 'field of vision' within which executives direct their attention (Hambrick, Cho, & Chen, 1996; Souitaris & Maestro, 2010), 2) 'selective perception' of what stimuli to further consider (Dearborn & Simon, 1958; Waller, Huber, & Glick, 1995), and 3) 'interpretation' of information "through a filter woven by one's cognitive base and values" (Hambrick & Mason, 1984: 195). The principal consequence of this filtering process is that no two executives construe the same stimuli in the exact same manner and, as such, make different strategic choices despite facing similar circumstances (Finkelstein et al., 2009; Hambrick, 1989).

Whereas upper echelons research has primarily examined how various background characteristics of executives directly influence their strategic choices (e.g., effects of narcissism on acquisitions; Chatterjee & Hambrick, 2007), by comparison, the information filtering processes by which personal characteristics and strategic decisions are theoretically linked have been relatively overlooked (Bromiley & Rau, 2016). Although researchers have begun to explore managerial cognition and its filtering role in the upper echelons model (Narayanan, Zane, & Kemmerer, 2011), the research to date has primarily concerned cognitive content (e.g., knowledge and beliefs; Kabanoff & Brown, 2008; Walsh, 1988) and structure (e.g., causal maps; Barr, 1998; Kaplan, 2008). In contrast, little attention has been paid to the cognitive style of executives, or "how the executive's mind works" (Finkelstein et al., 2009: 59), despite its important and unique effects on decision-making processes and strategies (e.g., Hayes & Allinson, 1994; Hunt, Krzystofiak, Meindl, & Yousry, 1989).

To remedy this, and in keeping with the socio-cognitive roots of upper echelons theory, we incorporate construal level theory from social cognitive research, which suggests that the way

information is mentally construed and processed is an important driver of decision-making and action (Liberman & Trope, 2008; Wiesenfeld et al., 2017). Construal level theory is well-suited for providing insight into executives' information processing style because construal levels explain how people "make predictions, evaluations, and choices with respect to [their] construal of objects rather than the objects themselves" (Liberman & Trope, 2008: 1204). The construal level that people use to process information shapes the type of information they pay attention to and how it is interpreted (Trope & Liberman, 2010). Further, Barreto and Patient (2013) find evidence that managers who construe information differently also differ in their responses to exogenous cues, which suggests that construal level theory may also be relevant for executive decision-making. Thus, construal level theory dovetails nicely with upper echelons theory in that construal levels shape the filtering process by which executives construe their reality.

Construals vary from abstract and decontextualized (high-level) to concrete and contextualized (low-level; Trope & Liberman, 2010), which profoundly alter how information is processed. A high-level construal "works to expand people's mental horizon; it helps connect them to their broader, more distant goals and helps highlight the relevance of these concerns in the present" (Wiesenfeld et al., 2017: 369). With a high-level construal, people are future-oriented and focused on the desirability of distal end-states and the meaning of their actions (i.e., *why* actions are taken). In contrast, a low-level construal "tends to contract people's mental horizons; it focuses their attention on the unique and idiosyncratic demands of present circumstances" (Wiesenfeld et al., 2017: 369). People using a low-level construal are present-oriented, vigilant about avoiding losses, and focused on the feasibility of short-term goals and the means for attaining them (i.e., *how* actions are performed). Because high- and low-level construals reflect opposing styles of information processing, they are mutually exclusive

(Liberman & Trope, 1998). Supporting the distinction between these construals, high- versus low-level construals have unique effects on, for example, prosocial behavior (Rosen, Koopman, Gabriel, & Johnson, 2016), leader behaviors and follower reactions (Berson & Halevy, 2014; Venus, Johnson, Zhang, Wang, & Lanaj, 2018), and fairness perceptions (Brockner, Wiesenfeld, Siegel, Bobocel, & Liu, 2015), among others (see Wiesenfeld et al., 2017, for a review).

Differences in construal level, therefore, are tied directly to the information filtering process as described in upper echelons theory. For example, an executive using a high-level construal is likely to seek out broad, abstract information related to distal goals (*field of vision*), filter out information that is irrelevant for abstract goals and the desirability of end states (*selective perception*), and frame the remaining information they perceive based on its meaning towards the firm's desirable future (*interpretation*). In contrast, an executive using a low-level construal is likely to seek out concrete, narrow information about specific strategic options (*field of vision*), filter out information that pertains to distal ideas (*selective perception*), and interpret information based on feasibility concerns for the strategic action being considered (*interpretation*). Thus, executives who hold opposite construal levels are apt to arrive at different decisions and pursue different courses of action when faced with similar situations.

Primary versus Current Construal Levels

In general, people become embedded in how they process information, as construals "persist even when the initial reasons that gave rise to the association are no longer present" (Trope & Liberman, 2010: 442). Although the construal used in a given context (e.g., at work) tends to be consistent (Reyt & Wiesenfeld, 2015), construals are malleable nonetheless (Ledgerwood et al., 2010; Venus et al., 2018; Wiesenfeld et al., 2017). Building on this idea, we distinguish between people's primary construal level (i.e., the level they are naturally

predisposed towards) and their current construal level (i.e., the level they are using presently) and explore how executives can *shift* their current construal.

Consistent with the core premise of upper echelons theory—that executives' information processing is shaped by psychological factors (Finkelstein et al., 2009)—primary construal levels are shaped by personality traits, orientations, and values. For example, a defining quality of high extraversion is a sensitivity to rewards, which causes extraverts to make choices based on the desirability of outcomes (Lanaj, Chang, & Johnson, 2012). Given this focus on desirability, the processing style of extraverts tends to reflect a high-level construal whereas introverts tend to have a low-level construal. Similarly, given the close ties between distance and construal (Trope & Liberman, 2010), executives with an extended temporal orientation (e.g., a strong future focus; Nadkarni & Chen, 2014) will tend to have a high-level construal, whereas those with a narrow temporal orientation (e.g., a strong present focus) will have a low-level construal.

Besides personality traits, personal values (e.g., individualism/collectivism or political ideology; Davis, Schoorman, & Donaldson, 1997; Chin, Hambrick, & Trevino, 2014) can shape construal level. For example, people holding individualism values see themselves as distinct from others and defined by their unique skills and attitudes (Johnson & Saboe, 2011). Conversely, those holding collectivism values define themselves in terms of their group memberships and ties to others (Markus & Kitayama, 1991). Collectivism values thus prompt a high-level construal, as more general and abstract categorical thinking is needed to draw similarities between unique entities (i.e., the self and others) that are temporally and socially separate from one another (Förster, Liberman, & Kuschel, 2008). Individualism values, however, prioritize concrete knowledge of one's own traits, skills, and attitudes independent of the broader social context (Förster et al., 2008), thus prompting a low-level construal.

Because primary construal levels are tied to relatively stable psychological factors, they are likely to be stable as well, causing executives to become entrenched in a primary construal. For example, those with a high-level construal tend to be extreme in their perceptions of future events (e.g., more positive than realistic; Trope & Liberman, 2010), which blinds them to practical or concrete issues (Smith & Trope, 2006). Thus, even when a low-level construal is needed, executives may fail to recognize the need to shift or otherwise find it difficult to do so. Conversely, a low-level construal will lead executives to focus on narrow, immediate concerns, resulting in a closed-mindedness that causes them to neglect global, high-level, and future-spanning issues outside their relatively narrow scope (Marguc, Förster, & Van Kleef, 2011).

Although executives have a primary construal, this may differ from their *current* construal level that is presently activated. Understanding how executives can overcome their predisposition towards a primary construal level is crucial, as the nature of their job presents information processing demands that change frequently. Given the complexity of most strategic actions, each action on its own may require different types of activities that place unique processing demands on executives over time (Henderson & Fredrickson, 1996). Rather than being entrenched in a particular construal level, individuals must instead be flexible in order to self-regulate their current construal level (Wiesenfeld et al., 2017).

Construal Shifts

A *construal shift* involves transitioning from information processing using a high-level construal to using a low-level construal, or vice-versa. Such shifts are neither positive nor negative, and executives may even be unaware that they are making them. In fact, the focus to date has primarily been on construal shifts that occur outside awareness by priming near versus far psychological distances (Trope & Liberman, 2010). Ideally, however, executives actively

self-regulate these shifts to minimize discrepancies between their current construal and the external demands of their present activity. A benefit of construal shifts is that they may mitigate some of the cognitive biases and heuristics that disrupt executive decision-making (Bazerman & Moore, 2012). Such biases and heuristics often arise when there is a mismatch between one's current construal level and how an event or activity should be construed (e.g., processing abstract ideas with a low-level construal), thereby triggering shallow processing (Fujita, Eyal, Chaiken, Trope, & Liberman, 2008). However, when a match is achieved, more systematic processing is triggered that minimizes cognitive biases and heuristics. Although construal shifts can be taxing (Hamilton, Vohs, Sellier, & Meyvis, 2011), there are clear benefits for executives who self-regulate their current construal so that it fits the demands of their situation.

Further, while identifying the appropriate construal level for a given set of activities is difficult enough for executives, determining how frequently to make construal shifts can also be challenging. At times, executives may only need to make occasional construal shifts and remain at a given construal level for extended periods of time, whereas at other times, the self-regulation demands are higher such that executives need to make more frequent construal shifts as they juggle multiple types of decisions and activities that simultaneously require different information processing styles. How frequent these shifts need to be made can vary considerably based on existing demands. Given that people's embeddedness makes a single construal shift episode difficult enough for executives (e.g., Hamilton et al., 2011; Trope & Liberman, 2010), the difficulty that executives face executing a particular strategic decision-making process is even more daunting when considering the need for frequent shifts and tighter self-regulation.

Construal Flexibility and the Role of Cognitive Self-Regulation

Navigating complex decisions and activities is less daunting for those who can transition

between construal levels with ease and match their current construal level to external demands (Wiesenfeld et al., 2017). Doing so requires *construal flexibility*, which is the capacity to make construal shifts to align one's current construal with the processing demands of the current activity or situation. Although it comes with inherent tradeoffs, construal flexibility is crucial because it enables decision-makers to avoid entrenchment that can inhibit their adaptability to solve the disparate problems likely to emerge throughout complex decision processes (Dane, 2010). Construal flexibility is comprised of two dimensions. First, it requires *recognition* of the existence of different construals and which construal a person is currently utilizing. Second, it requires the *skill* to identify external cues signaling the need for a particular construal and shift accordingly.[1] Having construal flexibility, therefore, combines an understanding of one's thinking with the capacity to self-regulate that thinking to align with changing situational demands thus paralleling other multidimensional competencies (e.g., emotional intelligence involves recognition of one's current emotional state and then using it to guide thinking and action; Salovey & Mayer, 1990). Executives vary substantially in their construal flexibility through their recognition of their own construal and their skill at shifting between construals.

The means through which construal flexibility develops and operates can be understood via the lens of self-regulation, which specifies the process of how people exert control over their cognition and behavior during goal pursuit (Bandura, 1991; Johnson, Lin, & Lee, 2018; Kanfer, Frese, & Johnson, 2017; Karoly, 1993; Puanik, Koopman, Vough, & Gamache, In press). In general, it involves simultaneously monitoring internal states (e.g., mindsets, goals) and external circumstances (e.g., task demands, performance feedback) and taking reparative action whenever internal-external discrepancies are detected (e.g., when feedback indicates current performance

[1] These recognition and skill dimensions are relatively orthogonal, a detail which we revisit in the Discussion.

falls short of one's goal; Austin & Vancouver, 1996; Johnson, Chang, & Lord, 2006). Construal flexibility is a specialized example of this process because it entails executives recognizing their information processing style while at the same time monitoring the external cues and demands associated with a strategic event (e.g., acquisitions). When internal-external discrepancies are detected, executives' internal processing style must shift so that it aligns with external demands (e.g., shifting to a low-level construal to process concrete, detail-rich information when conducting due diligence). Importantly, monitoring and regulating internal-external discrepancies can be deliberate or automatic (Carver & Scheier, 1998; Johnson et al., 2006), thus it is possible for construal shifts to occur independent of awareness and intention.

A key ingredient of effective self-regulation is self-control, which is exercised whenever people change the way they would otherwise think or behave (Johnson, Lin, & Lee, 2018). Without it, self-regulation processes (e.g., construal shifts) break down. Exercising self-control is not, however, a resource-neutral activity. Rather, the attentional resources that fuel acts of self-control are limited (Baumeister, Bratslavsky, Muraven, & Tice, 1998; Kanfer & Ackerman, 1989). Thus, to exert self-control, executives must first have sufficient attentional resources and then allocate these resources to the activity at hand (to monitor feedback, suppress competing goals, etc.). Importantly, after engaging in activities that require self-control, executives may find themselves in a depleted state with too few attentional resources. When depleted, it becomes difficult for executives to regulate their subsequent thoughts and behaviors, thus precipitating failures in self-control on ensuing activities (Gabriel, Koopman, Rosen, & Johnson, 2018).

Self-control and attentional resources are particularly relevant for construal flexibility because shifting between high and low construal levels is a demanding activity (Hamilton et al., 2011). To facilitate shifts away from a high-level construal, for example, cognitive suppression is

required to block out information that is no longer relevant (e.g., abstract information concerning future-states). Cognitive suppression, however, depletes attentional resources (Johnson et al., 2006), thereby diminishing people's ability to self-regulate afterward (Johnson, Muraven, Donaldson, & Lin, 2018). Owing to the high demands of alternating between high and low construals, strategic decision-making in the absence of construal flexibility is challenging. Those who lack construal flexibility expend considerable resources to monitor internal states and external cues, suppress their primary construal when the other level is activated, and make construal shifts. Moreover, even when they successfully shift their construal level, the cost in terms of attentional resources leaves them depleted and vulnerable to subsequent self-regulation failures (Hamilton et al., 2011). As a result, their ensuing information processing will be suboptimal, possibly precipitating further decrements in self-control as they cope with the aftermath, causing episodes of successful construal shifts to be offset by difficulties later in a strategic process. Ostensibly, this paints a bleak picture for executives to develop their construal flexibility, yet these adverse outcomes can be overcome via experience because self-control is improved through practice (Muraven, Baumeister, & Tice, 1999).

Self-control is akin to exercising a muscle because it causes fatigue and reduces performance in the short-term yet improves strength and endurance in the long-term (Muraven & Baumeister, 2000). As executives gain experience shifting between construal levels, they develop their metacognitive skill (Swanson, 1990), such that regulating cognitive processes becomes more accurate and more automatic, thereby lessening resource demands (i.e., fewer attentional resources are needed to suppress the current construal and shift to a different construal). With experience, executives also develop richer associative memory structures for identifying external cues (Westphal & Fredrickson, 2001), which lessens resource demands by

facilitating the automatic detection of and response to changes (Zollo & Singh, 2004). In short, recognizing different construals and executing construal shifts become better with practice.

The development of both the recognition and skill underlying construal flexibility emerges most directly from executives' adaptive expertise—an information processing capability that allows experts to understand and solve novel problems (Holyoak, 1991). Adaptive expertise emerges through experiences that expose individuals to diverse information processing demands and similarly-diverse cognitive approaches to meet those demands (Barnett & Koslowski, 2002). Adaptive expertise is distinct from domain-specific expertise in that it does not rely on specific routines developed over time but rather facilitates deeper consideration and revision of current cognitive procedures (Hatano & Inagaki, 1986). In this sense, adaptive expertise is tied to self-regulation, as it requires the metacognitive capabilities that regulate and control information processing in order to address novel situations (Smith, Ford, & Kozlowski, 1997). Different forms of executives' experiences stimulate these benefits by exposing executives to qualitatively distinct cognitive demands and approaches that build their adaptive expertise, such as career variety (Crossland, Zyung, Hiller, & Hambrick, 2014), experience breadth (Mannor, Matta, Block, Steinbach, & Davis, 2017), and foreign work experience (Godart, Maddux, Shipilov, & Galinsky, 2015). Ultimately, we posit that executives develop adaptive expertise from accumulated experiences in which they confront varied cognitive demands, thereby enabling them to recognize the different cognitive approaches to meet those demands (i.e., high and low construals) and to be better skilled in identifying the conditions under which those approaches are best suited. In this sense, adaptive expertise directly builds up executives' construal flexibility "muscle," giving them the recognition and skill needed to make construal shifts.

Proposition 1: Executives' adaptive expertise develops the recognition and skill

dimensions underlying construal flexibility.

Whereas experience is valuable for developing *both* the recognition and skill dimensions underlying construal flexibility, dispositional traits can also contribute to its development through *either* recognition *or* skill. Drawing on self-regulation theory, three such characteristics are likely to have a profound role in shaping the development of construal flexibility: openness to experience and conscientiousness through the recognition dimension, and epistemic motivation through the skill dimension. For the former, traits that instill an openness toward regulating via different processing styles will increase executives' recognition of different construals. This is exemplified by openness to experience, a trait characterized by intellectual curiosity and a preference for variety, novelty, and change (Costa & McCrae, 1988). People high in openness are motivated to regulate their information processing by adopting different processing approaches (Busato, Prins, Elshout, & Hamaker, 1998), thereby increasing their recognition of the different approaches available to them when making decisions. Further, given their mindfulness and attentiveness to their present reality (Giluk, 2009), open-minded people are likely to have an accurate sense of their current cognitive state, including their current construal. As such, executives with greater openness to experience will develop greater recognition of high- and low-level construals, thus building their construal flexibility.

Conscientiousness, a trait comprised of industriousness and orderliness that is critical for self-regulation (Lanaj et al., 2012), also exposes people to different cognitive processing styles. Industriousness emphasizes high achievement strivings and planfulness, whereas orderliness emphasizes dependability, self-discipline, and fulfilling present obligations (DeYoung, Quilty, & Peterson, 2007). Notably, conscientiousness orients people to regulate their behavior around both desirable outcomes and temporally distant horizons reflective of a high-level construal, and

concerns with feasibility and the present situation reflective of a low-level construal. Thus, executives high in conscientiousness are naturally comfortable with both high- and low-level construals, giving them greater recognition of the different cognitive processing styles available to them. Conscientiousness also facilitates the motivation to self-regulate because conscientious individuals are more attentive and disciplined regarding their internal states (Ahadi & Rothbart, 1994; Jensen-Campbell, Knack, Waldrip, & Campbell, 2007). Thus, similar to openness, conscientiousness increases executives' recognition of their current construal and the construals available to them, thereby bolstering their construal flexibility.

Proposition 2: Executives' a) openness to experience and b) conscientiousness develops the recognition dimension underlying construal flexibility.

For the skill dimension, dispositional influences related to executives' attention to external cues signal the need for a particular construal. This is embodied by epistemic motivation (Kruglanski, 1989), which is a disposition closely tied to self-regulation, as those with high epistemic motivation seek to resolve discrepancies with the environment so as to achieve closure and structure (Förster, Higgins, & Werth, 2004; Kruglanski, 1990). As a result, they search more for diagnostic information and engage in more systematic processing of their environment (e.g., Van Kleef, Homan, Beersma, van Knippenberg, van Knippenberg, & Damen, 2009). In contrast, those with low epistemic motivation adopt a heuristic processing style that is more heavily influenced by internal states (e.g., stereotypes and emotions) than environmental cues (Johnson & Steinman, 2009). Given the detailed attention they pay to their surroundings, executives with high epistemic motivation are better positioned to correctly detect changes in their environment and regulate discrepancies between internal states and external demands. This adeptness at identifying internal–external discrepancies enhances their focus on resolving those discrepancies

(i.e., make construal shifts) and, thus, contributes to the skill needed for construal flexibility.

Proposition 3: Executives' epistemic motivation develops the skill dimension underlying construal flexibility.

SECTION II – EXECUTIVE CONSTRUAL LEVEL SHIFTS THROUGHOUT THE ACQUISITION PROCESS

Construal level shifts are necessary for executives managing complex strategic processes, such as those pertaining to acquisitions. Much like that of many other strategic actions, the acquisition process involves a range of distinct activities that vary in terms of the information processing demands placed on acquiring executives. We apply our theory of executive construal level to describe how these demands change throughout the acquisition process and demonstrate how and why executives must align their construal level to the demands of the current activities of their acquisition. By shifting their construal level, executives can avoid becoming entrenched in only considering a limited set of information (e.g., information about feasibility and operation in the case of a low-level construal) and instead exhibit more balanced and comprehensive information processing (cf. Dane, 2010). We illustrate our theory of executive construal changes throughout the acquisition process in Figure 1, with Panel 1 specifically depicting the *ideal construal level* and how it shifts over time and Panel 2 depicting the *ideal frequency* with which executives must shift back-and-forth between high- and low-construal levels. The tenets of our theory are summarized in Table 1.

Executives' construal flexibility plays a crucial role in meeting the changing information processing demands of acquisitions. Acquiring executives face many potential pitfalls during the acquisition process such as underweighting the challenges involved with a target (Jemison & Sitkin, 1986) or being oversensitive to potential losses (Gamache et al., 2015) before an

acquisition agreement and managing employee resistance and cultural differences (Buono, Bowditch, & Lewis, 1985; Nahavandi & Malekzadeh, 1988) or encountering learning difficulties (Haleblian & Finkelstein, 1999) afterwards. Construal flexibility enables executives to meet this dynamic set of cognitive demands and challenges by facilitating the construal level shifts needed to align with situational demands. Executives with low construal flexibility are less likely to detect the changes in their environment that demand construal shifts, instead relying on their primary construal level, which at times will match the information processing demands facing them but will inevitably cause mismatches when demands change. Further, construal flexibility plays an important role in modulating the frequency with which executives shift their construal level throughout the acquisition process, as without it, executives will quickly fall behind the changing information processing needs. As such, we consider construal flexibility to be at the heart of our theoretical model of the acquisition process, such that executives with greater flexibility will consistently and accurately meet these challenges as the process ensues.

Importantly, acquisitions involve a wide range of individuals at varying points throughout the process. While all of these individuals must process information, not all of them are involved with incorporating that information into strategic decisions affecting the entire firm. Instead, a small handful of executives are responsible for consolidating that information and making strategic decisions about the direction of the acquisition process (Hitt, Hoskisson, & Ireland, 1990).[2] Because our focus is on information processing in the upper echelons, we restrict our theory to the strategic responsibilities typically associated with executives, including information

[2] This is consistent with the conceptualization of the top management team in the upper echelons literature but more focused on the "dominant coalition" of executives responsible for the acquisition process, which may be more exclusive than the entire top management team (Carpenter, Geletkanycz, & Sanders, 2004; Cyert & March, 1963).

monitoring and organizational resource allocation (e.g., Mintzberg, 1973). Indeed, executives are responsible for collecting, filtering, and interpreting information from a wide variety of sources in order to develop firm policies (Hambrick et al., 2005). During the acquisition process, this includes information about their firm's own internal needs and capabilities, the target firm, and the industry and general environment (Schildt & Laamanen, 2006). Thus, in our theorizing, we use the term "executives" to refer to the group of executives responsible for consolidating information and making decisions related to the acquisition and its implementation.

Information Processing Demands During the Pre-Acquisition Stage

The pre-acquisition stage begins with the decision to explore acquisition opportunities and ends with the completed negotiation of an acquisition agreement or the decision to terminate the pursuit of a specific acquisition (Howson, 2003). During the pre-acquisition stage, executives are responsible for recognizing a wide range of opportunities and conducting due diligence on a subset of promising targets (Haspeslagh & Jemison, 1991). The ability of executives to effectively work through these activities ultimately determines whether their chosen target(s) achieves their underlying goals and whether their purchase comes at a price that reflects the value the target brings to their firm (Epstein, 2005).[3]

[3] We use 'effectiveness' as the outcome construct for the acquiring firm in our theorizing, which we define as including performance factors such as profitability, growth, and shareholder returns as well as outcomes more specific to the focal organization, such as gains in efficiency and effectiveness, and its context, including external stakeholder evaluations (e.g., Richard, Devinney, Yip, & Johnson, 2009). In doing so, we acknowledge that acquisition effectiveness is likely to mean different things for different acquiring firms and be influenced by the specific industry and environmental context in which firms operate (Kim & Finkelstein, 2009; Meglio & Risberg, 2011). Further, the focus of acquisition effectiveness will vary substantially during the acquisition process. Early in

Early in the pre-acquisition stage, executives must determine the strategic rationale for a potential acquisition and scan the environment to identify and preliminarily assess potential targets that might achieve that goal (Howson, 2003; Walter & Barney, 1990). The primary aim of these activities is to develop a broad range of possible targets in order to maximize the number of opportunities to consider rather than hone in on an overly narrow set of familiar targets. Next, executives focus on information-gathering in order to conduct an initial high-level assessment of the potential strategic fit of the targets (Howson, 2003) and begin to narrow the target list to avoid wasting resources in pursuit of acquisitions that do not meet their strategic needs (Haunschild, Davis-Blake, & Fichman, 1994). Following these steps, executives then turn to more thorough due diligence on their narrowed set of targets which they have deemed potential strategic fits (Cullinan & Holland, 2002). To effectively transition from search and initial information-gathering into more intense due diligence, executives must increasingly devote time and resources to more thorough audit and inspection, evaluation of organizational fit, and their valuation of the remaining targets. The goal of these activities is to determine whether a particular target is a feasible match and how much they should be willing to pay to make the deal (Bing, 1996). Executives who fail to adequately perform these activities may acquire suboptimal targets or overpay for an otherwise valuable target (Puranam, Powell, & Singh, 2006).

These activities place cognitive demands on executives that change as they progress through the pre-acquisition stage. Specifically, executives must exhibit construal flexibility and modulate their construal level in order to meet the shifting cognitive demands. As illustrated in Figure 1, initial activities in the pre-acquisition stage geared towards search and assembly of a

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the process, effectiveness will involve opportunity exploration and thorough gathering and consideration of information, whereas later in the process it will involve implementation and achieving synergies.

broad range of potential targets will primarily require a high-level construal. However, as the pre-acquisition stage progresses from a broader search and assessment to a focused examination of a narrowed set of targets, the cognitive demands of these activities increasingly require a low-level construal until executives must predominantly adopt a low-level construal late in the stage.

Construal Shift Requirements During the Pre-Acquisition Stage

The broad strategic thinking necessary to establish a sufficient range of possible targets early in the pre-acquisition stage is best served by utilizing a high-level construal because of three important qualities: 1) pursuit of 'why' questions regarding future and psychologically-distant events (Liberman & Trope, 2008; Vallacher & Wegner, 1987), 2) abstract thinking with detail-poor information (Trope & Liberman, 2010), and 3) a focus on desirability and gain frame (Liberman & Trope, 1998). First, executives that contemplate 'why' questions about future and psychologically distant events are able to develop a strategic rationale for a potential acquisition by projecting why an acquisition could benefit their organization in the future (Angwin, 2007). Indeed, "the ability to anticipate long-term consequences may be essential to understanding whether a combination will ultimately create value" (McDonald, Westphal, & Graebner, 2008: 1159). Further, the ability to bridge psychological distance (Wiesenfeld et al., 2017) can enable executives to identify more distal and less well-known targets, thus providing informational advantages and revealing optimal targets that other firms may not notice (Capron & Shen, 2007).

Second, abstract information processing at this stage is paramount, as acquisition decisions can involve a great amount of ambiguous data, which induces the risk of information overload for executives (McDonald et al., 2008; Steinbach, Holcomb, Holmes, Devers, & Cannella, 2017). Indeed, abstract thinking is required to make sense of and develop the strategic rationale underlying uncertain strategic decisions (Gioia & Chittipeddi, 1991; Schwenk, 1984).

Further, acquiring executives must make projections of the future prospects for a potential acquisition, including for potential targets for which they have less-detailed information (Chakrabarti & Mitchell, 2013). A high-level construal can facilitate this by allowing them to construct "hypothetical alternative scenarios of future events" (Liberman & Trope, 2008: 1201).

Third, with an inclination for desirability and gain (Liberman & Trope, 1998), executives will focus on the potential value from acquiring a given target and give genuine consideration to a broader set of possible targets. Their focus on what is desirable about each possible target leads executives to consider the potential gains that could result from an acquisition (cf. Liberman, Trope, & Wakslak, 2007), and helps them avoid prematurely ruling out plausible but risky or unfamiliar options that more loss-sensitive executives would reject (cf. Dunegan, 1993). Executives considering a broad range of options, and thus more potential targets, will have a greater likelihood of finding optimal acquisition matches (Kahneman & Lovallo, 1993).

Importantly, executives still need to maintain a certain level of flexibility and make construal shifts within this early portion of the pre-acquisition stage, as there are likely to be occasional information processing demands that require a low-level construal. For example, executives must engage in some information-gathering and assessment early in the pre-acquisition stage that requires a low-level construal and, thus, occasionally necessitates downward construal shifts (e.g., to identify a specific target asset or capability that might be valuable; Seth, 1990; Shelton, 1988). That said, overly relying on a low-level construal early in the pre-acquisition stage tends to be problematic for acquiring executives. In doing so, executives would focus on what is happening now (Liberman & Trope, 2008), causing them to overlook the future needs of their organization and may bias executives to preserve the status quo and actively block major strategic changes (such as those brought on by acquisitions;

Packer, Fujita, & Herman, 2013). Further, executives relying on a low-level construal would be prone to acquisitions based on psychologically close opportunities that they perceive to be less risky, such as those stemming from social or geographic similarities or outside pressures rather than sound strategic justification (Kim & Finkelstein, 2009; McNamara, Haleblian, & Dykes, 2008). Executives operating with a low-level construal, therefore, may fail to move beyond what they believe are high probability targets, causing them to limit their target search and increasing the likelihood that they miss targets with the desirable strategic fit.

Proposition 4: To effectively manage the early parts of the pre-acquisition stage, executives must a) primarily adopt a high-level construal, and b) occasionally shift to a low-level construal.

As executives progress through the pre-acquisition stage, their focus narrows to a deeper consideration of individual targets. During this transition, construal flexibility becomes paramount, as there is a need for more frequent shifts between high- and low-level construals (see Figure 1, Panel 2). Executives must consider the future potential of each target from a strategic level, thus calling for a high-level construal in order to focus on long-term factors (Liberman & Trope, 2008). At the same time, the transition to investigating specific targets requires executives to increasingly seek and consider more concrete and detailed information, a need best fulfilled by adopting a low-level construal. Executives who use this opportunity to carefully gather and review detailed information about the target are more likely to reduce asymmetries between their firm and the target (Graebner, 2009) and make better acquisition evaluations as a result (Akerlof, 1970; Capron & Shen, 2007; Coff, 1999; Laamanen, 2007; Reuer, 2005). As such, executives who have the construal flexibility to make frequent construal shifts at this point are able to gather more concrete information on each target (via their shifts to

a low-level construal) while still ensuring its long-term strategic potential (via their shifts to a high-level construal) and are ultimately better positioned to make effective acquisition decisions.

Proposition 5: To effectively manage the middle parts of the pre-acquisition stage, executives must a) regularly adopt both high- and low-level construals, and b) make frequent shifts between high- and low-level construals.

During the later parts of the pre-acquisition stage, a low-level construal becomes increasingly important because of three qualities: 1) pursuit of 'how' questions regarding psychologically-close events (Trope & Liberman, 2010; Vallacher & Wegner, 1987), 2) concrete thinking around detail-rich information (Trope & Liberman, 2010), and 3) an emphasis on feasibility (Wiesenfeld et al., 2017). First, at this point, executives must focus more intently on whether and 'how' the two firms can work together (Jemison & Sitkin, 1986), in particular how the two firms can effectively be integrated to create sought-after synergies (Howson, 2003). Additionally, by focusing more intently on the "here and now" (Liberman & Trope, 2008), executives are more likely to emphasize immediate conditions and constraints that may threaten the value of the merger, which becomes especially important as the final decision to acquire a company approaches (Epstein, 2005; Rosenbloom, 2002).

Second, and relatedly, executives must take a detail-oriented approach in order to understand the target's assets, processes, and performance uncovered during information gathering as well as to assess the potential synergies (Haunschild, 1994; Laamanen, 2007). Doing so allows executives to determine what they are willing to pay for the acquisition and the threshold at which they should walk away from a deal (McNamara et al., 2008). Executives who prioritize concrete, detail-rich information are likely to be more comprehensive in their decision-making, which better equips them to develop realistic valuations of target firms (Haspeslagh &

Jemison, 1991) and avoid poor deals (Cullinan, Le Roux, & Weddigen, 2004).

Finally, the feasibility of integrating the target and completing the deal becomes more urgent at this part of the pre-acquisition stage (Cartwright & McCarthy, 2005). By emphasizing feasibility, executives are more apt to consider process-related issues that could affect the strategic and synergistic value of the target, such as those pertaining to operational and cultural differences (Larsson & Finkelstein, 1999). For example, an assessment of how compatible the technological systems employed by the target are with those used by the acquirer can have dramatic consequences on the ability of the two firms to integrate, making it imperative that executives uncover this type of information during this stage (Marks & Mirvis, 2001).

In contrast, executives overly relying on a high-level construal as the final acquisition decision approaches will face significant difficulties. Construal flexibility remains important as, much like a low-level construal early in the pre-acquisition stage, there is still a need to occasionally shift to a high-level construal late in the stage in order to remain attuned to the 'why,' or the overall strategic objectives underlying the acquisition. However, overreliance on a high-level construal this late in the stage is problematic in that it leads executives to pay less attention to a detailed search for concrete information and, as such, prone to omitting important factors from their decision-making criteria (Liberman & Trope, 2008). Instead, these executives will seek out broad, detail-poor information that limits their ability to fully understand the inner-workings of the target. Further, in their emphasis on desirability, executives using a high-level construal may ignore the risk factors and warning signs associated with a target (Baird & Thomas, 1985; Jemison & Sitkin, 1986) and overpay to complete a deal (i.e., the "winner's curse"; Giliberto & Varaiya, 1989; Varaiya & Ferris, 1987).

Proposition 6: To effectively manage the later parts of the pre-acquisition stage leading

up to the acquisition decisions, executives must a) primarily adopt a low-level construal, and b) occasionally shift to a high-level construal.

Information Processing Demands During the Post-Acquisition Stage

The post-acquisition stage requires sustained efforts to integrate the acquired firm and learn from the acquisition in order to develop the firm's capabilities and overall strategy (Haspeslagh & Jemison, 1991). Early in the post-acquisition stage, acquiring executives begin the process of integrating the target firm and managing preliminary structural integration by defining the roles of individuals throughout the organization and initiating sociocultural integration that builds employee trust and satisfaction (Birkinshaw, Bresman, & Hakanson, 2000; Teerikangas & Laamanen, 2014). In this process, executives must initiate a process to maximize each unit's performance and capabilities and determine how each unit best contributes to a more integrated organization (Ghoshal & Bartlett, 1996). Executives who fail to clarify roles for individual units and employees or otherwise rush them into markedly different responsibilities in order to meet higher-level, long-term goals, risk miscasting and alienating employees and undermining the acquisition before it has a chance to succeed (Marks & Mirvis, 1992). Later in the stage, executives must increasingly work towards creating long-term synergies between units and fostering a shared identity and purpose (Stahl & Voigt, 2008). Further, executives must learn from their experience in order to internalize acquisition-related knowledge and regenerate best practices and strategies within the firm (Ghoshal & Bartlett, 1996). Failure to conduct these late-stage post-acquisition activities can lead to missing out on both value-creating synergies with the acquired units and opportunities to further develop their acquisition capabilities.

Similar to the pre-acquisition stage, the post-acquisition stage requires construal flexibility in order to meet its changing cognitive demands and effectively complete the activities

as they progress through the stage (see Figure 1, Panel 1). The initial post-acquisition activities pertaining to integration and learning primarily require a low-level construal as executives' focus must remain at the unit- and employee-level. Later in the post-acquisition stage, however, as executives progress from initial subordinate concerns to more superordinate ones centered around achieving longer-term synergies and competencies, the cognitive demands placed on executives increasingly – and eventually predominantly – require a high-level construal.

Construal Shift Requirements During the Post-Acquisition Stage

Early in the post-acquisition stage, executives need to provide clarity to resolve employee uncertainty (Graebner, 2004) and maximize the capabilities and performance of each individual business unit (Birkinshaw et al., 2000). The focus on specific and immediate concerns is best accomplished with a low-level construal because of two important qualities: 1) concrete thinking around subordinate features (Trope & Liberman, 2003), and 2) pursuit of 'how' questions regarding psychologically-close events (Trope & Liberman, 2010). First, a detailed conceptualization at the subordinate level is crucial given the specificity of decision-making and learning that is required at this stage (Haspeslagh & Jemison, 1991). Business units throughout the company require tailor-made decisions to facilitate "quick wins" (Kennedy, Boddy, & Paton, 2006) even at the expense of working towards higher-level organizational goals (Graebner et al., 2017; Vaara, 2003). With a detailed focus on maximizing unit performance, executives are better able to identify the knowledge and capabilities that each unit can contribute to the organization (Graebner, 2004). Thus, the subordinate details associated with each specific unit must be considered, even independent of more abstract or global details at this stage (Förster et al., 2008).

Second, the central question for executives during early integration is how to clearly define each individual's role within the integrated organization in order to maximize their unit's

performance and, perhaps more importantly, to resolve their uncertainty and anxiety surrounding the acquisition (Seo & Hill, 2005). Failure to resolve uncertainties throughout the organization quickly following an acquisition can foster resistance, reduce morale, and increase turnover (Larsson & Finkelstein, 1999), making it incumbent upon executives to immediately attend to this challenge in the here and now. Relatedly, executives' concern with the here and now will help them remain focused on understanding their business units in the present rather than hastily make changes that may undermine the entire acquisition (Ghoshal & Bartlett, 1996).

Although occasional shifts to high-level construals are necessary at this stage (e.g., to plan big picture structural changes that properly capitalize on individual capabilities; Mirvis & Marks, 1992), predominantly adopting a high-level construal would lead executives to focus too heavily on global solutions for the overall organization rather than idiosyncratic ones required at the unit-level for effective early integration. This is likely to lead to hasty changes that fail to consider each unit's needs in isolation and alienate employees (Birkinshaw et al., 2000; Larsson & Lubatkin, 2001) and lead to a misunderstanding of the capabilities and value of each business unit (Ghoshal & Bartlett, 1996). Executives overly relying on a high-level construal early in the post-acquisition stage are "putting the cart before the horse," so to speak, as swift actions tailored towards higher-level, long-term firm goals fail to resolve employee uncertainty and foster sufficient understanding of units and employees at the micro-level.

Proposition 7: To effectively manage the early parts of the post-acquisition stage, executives must a) primarily adopt a low-level construal, and b) occasionally shift to a high-level construal.

As executives progress through the post-acquisition stage, their focus must broaden to give greater consideration to the longer-term goals underlying the acquisition. During this

transition, executives' construal flexibility takes on greater importance in order to meet the need for more frequent shifts between a low-level and a high-level construal and facilitate this broader organizational thinking (see Figure 1, Panel 2). Doing so allows executives to both consider the desired long-term prospects of the acquisition as well as understand the specific, short-term needs of individual units and employees in order to maximize their capabilities (Schweizer, 2005). This is necessary, in particular, during the middle of the post-acquisition stage, because many early concerns associated with individual units and employees persist and still require executive attention (Birkinshaw et al., 2000). As such, executives who have the flexibility to make frequent construal shifts are able to make decisions tailored towards individual business units (via shifts to a low-level construal) while still contextualizing those decisions within the overall, long-term goals of the organization (via shifts to a high-level construal) and are ultimately better-suited to effectively manage the mid-post-acquisition stage.

Proposition 8: To effectively manage the middle parts of the post-acquisition stage, executives must a) regularly adopt both high- and low-level construals, and b) make frequent shifts between high- and low-level construals.

Later in the post-acquisition stage, executives must increasingly focus on achieving the long-term goals underlying the acquisition through structural changes that precipitate synergistic integration (Barkema & Schijven, 2008), communicating a shared identity and vision (Clark, Gioia, Ketchen, & Thomas, 2010; Sarala & Vaara, 2010), and regenerating best practices and strategies around new competencies (Haspeslagh & Jemison, 1991; Karim & Mitchell, 2000). These objectives are best achieved by adopting a high-level construal because of two important qualities: 1) abstract thinking about superordinate features (Liberman & Trope, 2008), and 2) pursuit of 'why' questions regarding psychologically-distant events (Liberman & Trope, 1998).

First, a focus on the superordinate features of their merged organization (vs. more specific, subordinate ones) is crucial for learning, as superordinate features can be better leveraged for generalizable insights for future strategies and situations rather than ones that are overly specific to their present situation (Zollo & Singh, 2004). Further, considering superordinate features and goals of the firm instead of day-to-day operational concerns allows executives to tailor their decisions towards capabilities and synergies that achieve big-picture goals for the long-term (Ghoshal & Bartlett, 1996). In seeking out such synergies, executives are also more attuned to and effective in integrating business units in order to facilitate valuable re-combinations of employees, knowledge, and resources (e.g., Capron & Mitchell, 1998; Karim & Kaul, 2015).

Second, executives that emphasize desirable future states and 'why' things should happen are able to traverse social differences and distances for better collective outcomes (Stillman, Fujita, Sheldon, & Trope, 2018; Whitford & Moss, 2009). As a result, they can more effectively communicate their vision in ways that resonate with employees throughout the organization (Venus et al., 2018). This, in turn, inspires more buy-in to the changes taking place (Fortunato & Furey, 2009; 2011) and greater trust and organizational identification (Berson et al., 2015; Larsson & Lubatkin, 2001). Such communication also aids knowledge transfer and retention of employees throughout the post-acquisition stage (Bresman, Birkinshaw, & Nobel, 1999; Ranft & Lord, 2002; Sarala, Junni, Cooper, & Tarba, 2016).

In contrast, although executives in the later post-acquisition stage do need to be occasionally mindful of detail-oriented aspects of these activities and shift to a low-level construal (e.g., adjusting roles and objectives in response to emergent problems; Kennedy et al., 2006), they will be less effective if they primarily adopt a low-level construal. Instead of seeking more abstract commonalities between employees, the attention of executives with a low-level

construal will be consumed by specific, short-term objectives that fail to motivate employees towards a common cause (Berson et al., 2015) and, thus, increase both the employees' psychological distance from the firm and their likelihood of attrition (Birkinshaw et al., 2000). Further, a low-level construal focuses executives on executing concrete details pertaining to the present rather than devoting attention and resources towards big picture issues that can facilitate synergies (Floyd & Lane, 2000; Reyt & Wiesenfeld, 2015) or meaningful knowledge for the future (e.g., Haleblian & Finkelstein, 1999; Zollo, 2009). Altogether, executives adopting a low-level construal will be less adept at leading employees and leveraging new knowledge towards synergy-creating opportunities available to them late in the post-acquisition stage.

Proposition 9: To effectively manage the later parts of the post-acquisition stage leading up to the acquisition decisions, executives must a) primarily adopt a high-level construal, and b) occasionally shift to a low-level construal.

DISCUSSION

In this paper, we introduce construal level to the upper echelons to develop theory explaining how construal shifts enable executives to effectively respond to changing demands. Although much of the upper echelons literature focuses on executives' background characteristics and traits to explain their strategic choices, we explore the less-studied information filtering process that underlies executives' strategic decision-making (Hambrick, 2007). Our theorizing highlights the malleable nature of construals and how executives must make construal shifts to effectively manage and implement decisions. Using acquisitions as an example, we detail how the optimal construal level varies throughout the acquisition process, thus requiring timely construal shifts. Doing so, however, can be challenging because executives differ in their capacity to make construal shifts—which we label construal flexibility. The

insights made by our theory point to new directions for upper echelons, construal level, and acquisitions research, and they have practical implications for decision-makers at all levels of organizations whose cognitive demands evolve over time.

Future Upper Echelons Research Using Executive Construal Levels

A key theoretical contribution is our use of construal level theory to shed light on the information filtering process that is central to upper echelons theory (Finkelstein et al., 2009). Most work in upper echelons theory has focused on the link between executives' attributes (e.g., personality, values) and their strategic choices (Hambrick, 2007), in effect bypassing the filtering process that serves as the causal mechanism between them. Our theory thus provides a starting point for future research that explores construal level as a mediating mechanism for traditional upper echelons relationships. For example, as we noted earlier, extraverts primarily utilize a high-level construal, which may help explain research linking executive extraversion to strategic change (Herrmann & Nadkarni, 2014), strategic flexibility (Nadkarni & Herrmann, 2010), and the propensity to acquire (Malhotra, Reus, Zhu, & Roelofsen, 2017). Similarly, executives with a narrow temporal orientation (e.g., a strong present focus and low temporal depth) are likely to have a low-level primary construal, which then can shape their new product development (Nadkarni & Chen, 2014). As such, future research should explore whether and how executives' primary construal level acts as a mediator to better understand the nature of these and other established relations in the upper echelons literature.

Further, our research also can serve to increase the emphasis on proximal attributes of executives. Distal-proximal theories argue that many dispositions and traits have an indirect effect on behavior while motivational and information processing mechanisms have a more proximal influence (e.g., Hoyle, 2010; Lanaj et al., 2012). Whereas upper echelons scholars have

identified an extensive array of distal characteristics and traits that influence executives' strategic choices (see Wowak et al., 2017), few attempts have been made to consider more proximal forces (e.g., Gamache et al., 2015). This is an important oversight, as different distal characteristics may influence strategic choices through the same mediating mechanisms and, thus, are less informative for understanding executive decisions. By focusing on the more proximal effects of executives' information processing on their decisions, future research may pinpoint more directly what actually impacts executives' strategic decision-making.

Finally, when executives lack sufficient construal flexibility, companies need to take active steps to trigger appropriate construal shifts. Research is needed to identify how this can be accomplished. For example, in the acquisition context, decision-makers may benefit from the use of checklists or integration manuals (Stahl & Zimmerer, 1984; Zollo & Singh, 2004), which have proven valuable to decision-makers in other highly complex areas (Gawande, 2009). The use of external advisors to gather large amounts of concrete information for acquiring firms may also prove valuable, especially to executives with a high-level primary construal, in effect complementing their thinking or even prompting them to adopt a low-level construal. Although many acquiring firms employ advisors, their presence is far from ubiquitous and often fraught with misaligned decision-making interests (Russo & Perrini, 2006; Schijven & Hitt, 2012), but hiring advisors to specifically aid information processing could prove beneficial. Boards may also encourage executives to shift construal levels through more conventional governance mechanisms, such as compensation changes. For example, boards could motivate executives to shift to a high-level construal through compensation that encourages opportunity-seeking and risk-taking (e.g., stock options, Sanders & Hambrick, 2007; pay adjustments relative to peers, Seo, Gamache, Devers, & Carpenter, 2015), or encourage multiple construals throughout the

executive team by varying compensation packages between executives (Steinbach et al., 2017).

Future Construal Level Research Using Construal Shifts and Flexibility

Our theorizing contributes to the construal level literature by focusing on the dynamic nature of construals. To date, researchers have primarily explored between-person differences (Wiesenfeld et al., 2017), yet our self-regulation framework suggests that within-person changes in construal are also important. Indeed, Venus and colleagues (2018) observed meaningful daily fluctuations in managers' construal, which predicted their leadership behavior. This nascent research can be extended by exploring how and when within-person changes in executive construals occur, and how they manifest in construal flexibility. Extant research largely leverages survey items to measure construal levels (e.g., Vallacher & Wagner, 1987), including items specifically adapted for work contexts (e.g., Venus et al., 2018). These items can be utilized by researchers who are able to directly survey executives. Our theory, however, requires a longitudinal study design, and executives are notoriously difficult to directly access, especially in repeated intervals over time (Chatterjee & Hambrick, 2007). Researchers may instead be able to develop indirect or implicit measures (see Uhlmann et al., 2012) by, for example, adapting construal items and employing a content analysis of executives' letters to shareholders or quarterly earnings calls to capture construal (cf. Gamache et al., 2015; Nadkarni & Chen, 2014). Because these types of communications occur at regular intervals, within-executive fluctuations of construal level can be studied longitudinally, thus enabling construal shifts and variability in such shifts—a reasonable proxy for construal flexibility—to be measured.

Future research can also extend our theorizing by examining how construal shifts eventually become automatic, including for lower-level managers and other employees. Some research has demonstrated that how middle-managers construe information has important

implications for how they process environmental signals (Barreto & Patient, 2013). Building on this, we believe the sociocognitive implications of construal shifts and flexibility are also relevant for non-executives. For example, we argued in this paper that in order for construal shifts to become automatic, 'practice makes perfect' as individuals must expose themselves to cognitively distinct experiences that build their adaptive expertise. We believe this premise offers promise for the development of construal flexibility of any employee, and future research can benefit from more closely examining the exact nature of 'practice' needed for employees in different organizational contexts and at different hierarchical levels. Further, mid-level managers often switch between innovative and exploratory tasks (e.g., goal setting for the future, incorporating new technologies into existing processes) and maintenance and efficiency ones (e.g., structuring and delegating existing assignments, monitoring and providing feedback), which may be facilitated by adopting high- and low-level construals, respectively (Berson et al., 2015). Research suggests, for example, that performance feedback is more effective when it targets specific, contextualized behaviors rather than abstract, decontextualized personal qualities (e.g., Kluger & DeNisi, 1996). Managers would therefore do well to adopt a low-level construal when conducting performance appraisals. Although our theorizing was specific to executives, we encourage research that extends construal shifts and flexibility to other organizational levels, constituents, and outcomes (cf. Berson & Halevy, 2014; Venus et al., 2018).

Lastly, we have highlighted the benefits of high construal flexibility when navigating complex strategic decisions, yet such flexibility may be problematic in some instances. For example, information processing may become too automatic at very high levels of construal flexibility, thus prompting excessive heuristic processing that overgeneralizes to external cues even though they differ in subtle, yet meaningful, ways from mental schemas. High construal

flexibility may also over-sensitize individuals to the presence of external cues, thereby causing construal 'overshifts' that occur prematurely or too frequently. In both cases, misalignment is created between individuals' information processing style and the task at hand. Another potential drawback is that construal flexibility may engender negative reactions from others. Leaders are perceived as less effective when they are inconsistent in how they think and act (Johnson, Venus, Lanaj, Mao, & Chang, 2012), which creates stress for the people they interact with (Matta, Scott, Colquitt, Koopman, & Passantino, 2017). Given that low and high construals give rise to different behaviors, someone who regularly makes construal shifts may therefore cultivate an impression of being unpredictable and disingenuous. Future research that considers both the benefits and pitfalls of high construal flexibility would be enlightening.

Future Acquisitions Research Using Executive Construal Levels

We chose to build theory in a prevalent and highly-complex decision setting to explore how executives' construal level influences the decisions they make throughout the acquisition process. By doing so, we advance executive construal level as an important factor contributing to the variance in acquisition performance and construal flexibility as a means by which acquiring executives can manage acquisitions more effectively. Future research, therefore, should build on this to examine the relationship of executive construal level with more specific acquisition-related outcomes. For example, because executives with a high-level primary construal are likely to consider more distal targets, firms led by such executives may be more likely to engage in unrelated acquisitions, whereas firms led by executives with a low-level primary construal may engage in more related acquisitions. Other research could explore market reactions to acquisitions. Markets look for cues from acquiring executives in making their evaluations (Schijven & Hitt, 2012), and it is possible that investors will perceive acquisitions differently

based on executives' primary construal level. Investors may, for example, react negatively to acquisitions undertaken by executives with a high-level construal because they are perceived to be rushed and lacking due diligence, as opposed to executives with a low-level construal who are perceived to be more thorough. Investors' perceptions of acquisition effectiveness may therefore be indirectly influenced by executive construal level.

Another avenue for future research is to explore how the construal levels and flexibility of acquired-firm managers shape the integration process. The attitudes and actions of such managers play an important role in integration success (Graebner, 2004; Teerikangas & Laamanen, 2014), and it is possible that the construal level of acquired managers impacts the ease with which the integration process unfolds. Presumably, this process will unfold smoothly when acquired managers' construal level matches the optimal construal level of each stage in which they are most heavily involved. Additionally, acquired managers with high construal flexibility may be able to adapt their construal level throughout the integration process, thus serving as more effective allies for acquiring managers longer into the post-acquisition stage. These possible effects of acquired manager construal may also be amplified in particularly challenging acquisition contexts (e.g., cross-border acquisitions, Stahl & Voight, 2008).

Although we chose to focus on the acquisition process as the decision context, our theory has relevance for other types of strategic decisions. For example, executives seeking to develop and introduce a new product may initially require a high-level construal given its emphasis on abstract features and desirable outcomes and by high-level construal's link to innovation and exploration (Reyt & Wiesenfeld, 2015). However, as the new product approaches market readiness, executives may be required to shift to a low-level construal in order to emphasize concrete details and feasibility. It is likely that many strategic decisions would require executives

to transition from a high-level construal in the early stages of a given strategic process when establishing desirable goals is paramount to a low-level construal in later stages as the process becomes less abstract and more about execution. That said, major changes in response to negative performance feedback, such as a restructuring and consolidation of company divisions, may require a low-level construal early on in order to focus on the concrete details that are responsible for the company's struggles and how they can feasibly be redressed.

Boundary Conditions of our Theorizing

One assumption of our theory is that the construal level requirements for executives is constant across different types of acquisitions despite their inherent heterogeneity. Acquisitions vary on any of a number of factors (e.g., size, relatedness, payment type; Haleblian et al., 2009). Despite these differences, we believe the overall acquisition process is relatively consistent and thus entails foreseeable information processing demands. However, these factors may affect the pace or timing with which executives must engage in construal shifts. For example, larger acquisitions require executives to consider more expansive sets of interrelated decisions (Ellis, Reus, Lamont, & Ranft, 2011), which may require a protracted period at a low-level construal in order to consider the many details pertaining to those decisions. Conversely, executives facing external pressures may need to accelerate certain acquisition activities (e.g., Ranft & Lord, 2002) and thus spend less time at a particular construal level. The initial degree of structural and cultural fit between the acquiring company and the target and how much integration is ultimately desired also have important implications for how quickly firms move through the post-acquisition phase (e.g., when targets are highly similar or need to remain relatively autonomous, movement through the post-acquisition stage may be accelerated; Puranam, Singh, & Zollo, 2006; Teerikangas & Laamanen, 2014). Future research that explores how the pace and timing of

construal shifts are bounded by acquisition-related factors is therefore needed.

Another boundary condition of our theorizing is that our example context focuses only on the acquisition-related responsibilities of executives. Naturally, a major acquisition is likely to take up much of executives' time and energy; however, they invariably have other concurrent responsibilities and demands for running the firm (Hambrick et al., 2005). It is possible, then, that some of the other activities for which executives are responsible will require a different construal level than the one needed for the current stage of the acquisition process. As such, these executives may need to engage in frequent construal level shifts as they transition between the acquisition and other firm-level activities. Executives whose firms are conducting multiple acquisitions over a relatively short period of time may face a similar challenge. In this case, the construal level required for one acquisition (e.g., late in the pre-acquisition stage) may not coincide with the construal level required for an acquisition at a different stage (e.g., late in the post-acquisition stage). Future scholarly attention to this challenge may explain why some executives are successful in some parts of their job yet fail in others, and how construal flexibility can help executives effectively switch between their many activities.

A final boundary condition concerns the multidimensional nature of construal flexibility, in that our theorizing pertains to executives who have both *recognition* of their own construal and *skill* for identifying relevant external cues and making shifts when necessary. However, because these dimensions are orthogonal, executives could have one (e.g., recognition) yet lack the other (e.g., skill). Our conceptualization implies a 2 x 2 framework that crosses high and low levels of recognition and skill, with construal flexibility existing in the high-high quadrant and its converse in the low-low quadrant. Our theory does not specify how executives in the high-low or low-high quadrants would fare as they navigate the acquisition process, and these different

configurations represent additional needed avenues for future research.

Conclusion

In his update to upper echelons theory, Hambrick (2007) decried the persistent "black box problem" regarding the lack of understanding of the proximal sociocognitive mechanisms by which executives make strategic decisions. We open up this black box by incorporating construal level theory as a way to unpack the role of cognitive processing in executive decision-making. Construal level is particularly relevant because it influences what information people pay attention to, how they interpret it, and how it informs their decisions and actions (Trope & Liberman, 2010). Our work contributes unique insights to the upper echelons and construal level literatures by developing two crucial constructs—construal shifts and construal flexibility—and to acquisitions research by providing a framework by which executives can effectively manage the acquisition process. We believe that scholars from each of these literatures can leverage our theory to help them uncover and address questions and problems in these research streams.

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FIGURE 1 – DIRECTION AND FREQUENCY OF EXECUTIVE CONSTRUAL SHIFTS THROUGHOUT THE ACQUISITION PROCESS

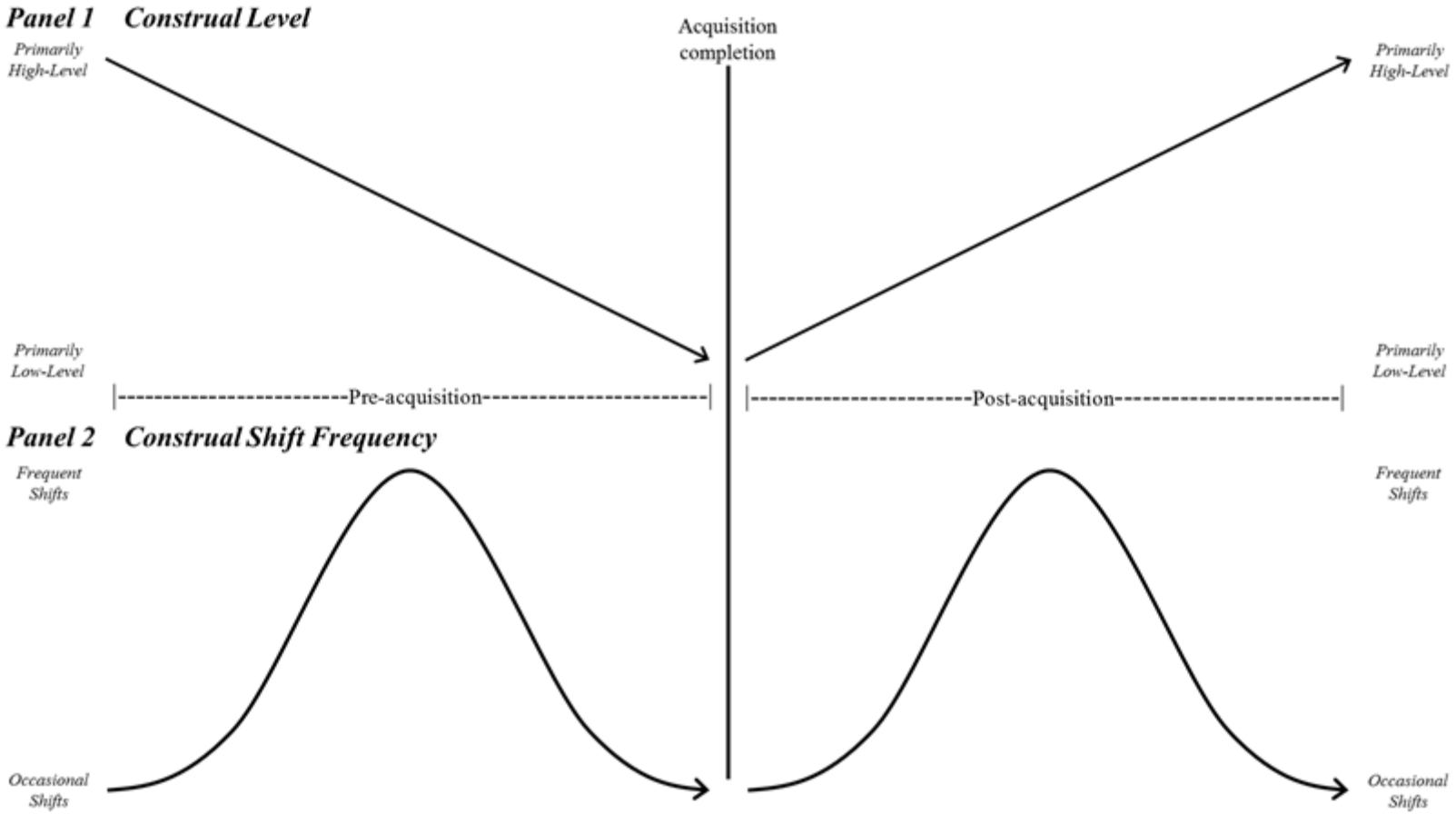

TABLE 1 – EXECUTIVE CONSTRUAL SHIFTS THROUGHOUT THE ACQUISITION PROCESS

Acquisition stage	Timing within stage	What effective management looks like	Relevant construal level	Construal shift frequency	Relevant construal characteristics
Pre-acquisition	Early	• Determine strong, clear strategic rationale for an acquisition • Compile broad set of potential targets • Preliminarily assess targets' fit with strategic goals	High	Infrequent	• Forward-looking pursuit of 'why' questions • Consider abstract, detail-poor information • Seek desirability
	Middle	• Consider individual targets more intently • Narrow firm's focus to few targets that fit strategic goals	Both High and Low	Frequent	• Seek desirability through forward-looking • Seek feasibility through concrete, detail-rich information
	Late	• Conduct due diligence of remaining targets to close information asymmetries • Evaluate integration feasibility • Determine fair and accurate valuation	Low	Infrequent	• Present-focused pursuit of 'how' questions • Consider concrete, detail-rich information • Seek feasibility
Post-acquisition	Early	• Define individual roles and resolve employee uncertainty • Facilitate unit autonomy to maximize unit performance • Learn how unit capabilities can contribute to long-term success	Low	Infrequent	• Consider concrete, subordinate features • Present-focused pursuit of 'how' questions
	Middle	• Maximize short-term unit performance while planning for long-term synergies	Both Low & High	Frequent	• Present-focused on subordinate features • Future-focused on superordinate features
	Late	• Communicate shared vision and identity to strengthen culture • Integrate units to create long-term synergies • Regenerate firm practices and strategies around new competencies	High	Infrequent	• Consider abstract, superordinate features • Forward-looking pursuit of 'why' questions

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