

## ORGANIZATIONAL CONTROL AS ANTIDOTE TO POLITICS IN THE PURSUIT OF STRATEGIC INITIATIVES

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*In contrast to the contingency approach advanced by most prior work, we suggest a complementary perspective on organizational control and its relationship with performance. We argue that the simultaneous use of behavior and outcome control capitalizes on their respective advantages, and is therefore more effective than a sole reliance on either control type. Moreover, with organizational control seeking alignment between individual and organizational goals, the benefits of such a complementary approach may be more pronounced in a context characterized by high levels of organizational politics, or the pursuit of individual at the expense of organizational goals. Our analysis of strategic initiatives pursued by 184 European corporations provides support for both a complementary approach to organizational control and a contingency effect of organizational politics.* Copyright © 2014 John Wiley & Sons, Ltd.

## INTRODUCTION

Organizational control addresses the fundamental managerial problem of managers seeking “to align employee capabilities, activities, and performance with organizational goals and aspirations” (Sitkin, Cardinal, and Bijlsma-Frankema, 2010: 3). Accordingly, prior studies have attested to the crucial role of organizational control in the management of a wide variety of managerial challenges, from functional efforts, such as human resource management (e.g., Arthur, 1994) and research and development (e.g., Cardinal, 2001; Turner and Makhija, 2006),

to the management of entire multinational corporations (e.g., Ambos and Schlegelmilch, 2007; Brenner and Ambos, 2012; Kownatzki *et al.*, 2013) and strategic alliances between firms (e.g., Chen, Park, and Newbury, 2009; Makhija and Ganesh, 1997).

Historically, research on organizational control has distinguished between *behavior control* based on direct, personal surveillance of behavior, and *outcome control* focused on the measurement of the outcomes (e.g., Eisenhardt, 1985; Ouchi, 1979; Ouchi and Maguire, 1975). A key premise put forth by classic control scholars is that the basis of control depends upon the accuracy with which behavior or outcomes can be measured (Eisenhardt, 1985; Ouchi, 1977). As means-ends relationships become less clear, behavior control is expected to be less effective, and as the reliability and validity of outcome measures decrease, outcome control is deemed infeasible. Thus, scholars have generally advocated one type of control over the other.

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Keywords: control theory; organizational control; organizational politics; strategic initiatives; strategy process

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Going beyond this contingency view, more recent work has suggested the complementary use of different control types (Cardinal, Sitkin, and Long, 2004, 2010; De Jong, Bijlsma-Frankema, and Cardinal, in press; Flaherty and Pappas, 2012; Long, Burton, and Cardinal, 2002; Turner and Makhija, 2006). Notwithstanding its intuitive appeal, however, little theory exists on how exactly different control types interact, and empirical studies remain rare, which is surprising as the advantages and disadvantages of each control type would suggest the efficacy of their combined use, especially in ambiguous and novel situations.

Strategic initiatives pose a special challenge for organizational control. Defined as temporary, coordinated undertakings for renewing or expanding the capabilities of an organization that have the potential to substantially impact its evolution and performance (Lechner and Kreutzer, 2011), strategic initiatives are "fundamentally changing the *status quo* or significantly expanding the scope of the organization" (Kreutzer and Lechner, 2010: 466). Hence, strategic initiatives likely leave employees wondering what behaviors are expected from them or are deemed acceptable, and they may therefore develop their own, possibly self-serving rules (Kacmar and Carlson, 1997). Their inherent uncertainty and novelty thus increase the likelihood that strategic initiatives will face political influence attempts by managers and employees (Ferris *et al.*, 1989).

With organizational politics being defined as the pursuit of self-interest at the expense of organizational interests (Dean and Sharfman, 1996; Ferris and Kacmar, 1992), and with organizational controls, by definition, being designed to align the goals of individuals with organizational goals (Ouchi, 1979; Sitkin *et al.*, 2010), it may be insightful to examine the match between the choice of organizational controls and the micro-political context these controls are embedded in. To account for such a contingency, we incorporate organizational politics into our theorizing on the relationship between organizational control and performance outcomes.

The current study examines the interactive influence of different types of organizational control on the performance of strategic initiatives, or the extent to which goals and objectives of initiatives are being achieved (McGrath, 2001), in a large, multi-industry sample of European firms. By definition, strategic initiatives explore new territory with substantial amounts of uncertainty (Lechner, Frankenberger, and Floyd, 2010; Walter, Lechner,

and Kellermanns, in press), and thus represent an ideal context to study the effects of organizational control. As strategic initiatives are also inherently political (Lechner and Floyd, 2012), this context allows us to examine the efficacy of different control mechanisms in different political environments.

With this study, we intend to make three main contributions. First, we go beyond the main effects of individual control types and examine how they interactively influence performance outcomes. We thereby depart from the traditional focus on one or more individual control mechanisms which "may not provide a complete understanding of control in complex, dynamic, and uncertain organizational environments" (Kirsch and Choudhury, 2010: 320). Our findings extend the organizational control literature by theorizing, and providing empirical support for our argument, that the joint use of behavior and outcome control helps mitigate the negative effects associated with the use of each control type alone and thus enhances initiative performance. Second, we establish and provide empirical evidence for a contingency effect of the micro-political context, with respect to both managerial politics (i.e., initiated by managers) and group politics (i.e., laterally among employees), answering a call in prior organizational control studies to examine "the effects and boundary conditions of organizational politics [that] should be of interest to management scholars and practitioners alike" (Bozeman *et al.*, 2001: 487). Our findings contribute to our understanding of how different types and combinations of organizational control can mitigate the detrimental effects of political influence attempts. Third, while strategic initiatives have become a focal point in strategic management (Lechner and Floyd, 2012; Lechner and Kreutzer, 2011; Nag, Hambrick, and Chen, 2007; Walter *et al.*, in press), their outcomes are often less than satisfactory, with studies reporting success rates between 30 and 50 percent (Miller, 2002; Saunders, Mann, and Smith, 2008). Our study addresses this discrepancy between importance and success rates by providing insights into the role of organizational control in the successful management of strategic initiatives.

## THEORY AND HYPOTHESES

### Organizational control in strategic initiatives

While organizational control represents managers' attempts to align employees' with organizational

interests (Sitkin *et al.*, 2010), managers do not solely chart an organization's course. In fact, in their recent analysis of the control systems of multibusiness corporations, Kownatzki *et al.* (2013) found that the most effective control mechanisms they identified relied extensively on the participation of employees in the development of goals and objectives that served as the foundation for control. In a sense, then, organizational control represents the mechanisms developed jointly between management and employees that managers have at their disposal to increase the alignment between individual and organizational goals and interests.

Prior research has distinguished two types of organizational controls (e.g., Eisenhardt, 1985; Kownatzki *et al.*, 2013; Ouchi, 1979; Ouchi and Maguire, 1975; Turner and Makhija, 2006). Behavior control, or control over activities that transform inputs into outputs (Cardinal *et al.*, 2004), can be achieved by explicitly setting operating procedures and rules and by managers closely monitoring and evaluating employees' compliance with these rules and procedures (Cardinal, 2001; Turner and Makhija, 2006). Outcome control, or control over product and service outcomes (Cardinal *et al.*, 2004), can be achieved by setting targets, such as financial results, for employees to pursue and by providing rewards and punishment for, respectively, success and failure in the achievement of these targets, for example, with the help of performance-related contracts, bonuses, or profit-sharing plans (Cardinal, 2001; Turner and Makhija, 2006).

#### *Behavior control*

The main advantages of behavior control are that it can foster dialogue between employees and managers (Auh and Mengue, 2007), supplying the latter with up-to-date information to permit timely, corrective interventions into the monitored processes (Kirsch, 1996). Behavior control therefore provides both direction and guidance to employees throughout the entire process (Ouchi and Maguire, 1975). Moreover, it calls employees' attention to the monitored processes (Simons, 1991), sets boundary conditions for search (Siggelkow and Rivkin, 2006), and creates a frame for the interpretation of new information (McGrath, 2001), which enhances the efficiency of the monitored processes (Turner and Makhija, 2006). Behavior control is further responsive to the unique needs of employee

tasks, managerial ability, and the long-term goals of the organization (Ouchi and Maguire, 1975).

The main disadvantages of behavior control are that it requires managers to have a comprehensive understanding of the means-ends relationships comprising the monitored processes (Ouchi, 1977; Ouchi and Maguire, 1975). Developing such an understanding, as well as the ongoing personal surveillance required for effective behavior control, entails substantial costs for managers (Eisenhardt, 1985). Moreover, even with an adequate understanding of employees' behaviors, the complexity and subjectivity inherent in behavior control may introduce biases, ignorance, halo effects, and a lack of credibility of the control system (Anderson and Oliver, 1987). Lastly, to the extent behavior control standardizes employees' behaviors, and thereby reduces the discretion afforded to them, this type of control may also lead to disenfranchised and de-motivated employees (Anderson and Oliver, 1987; Evans *et al.*, 2007) as well as rigid, cautious behavior, thereby stifling creativity and innovation (Sitkin, Sutcliffe, and Schroeder, 1994).

#### *Outcome control*

The main advantages of outcome control are that it does not require an understanding of means-ends relationships, nor does it require any ongoing behavioral surveillance, which makes it a very efficient form of control, allowing managers to conserve time and other resources (Anderson and Oliver, 1987; Ouchi, 1977). Instead, its reliance on quantifiable, simple outcomes of behavior not only provides legitimacy for the control system (Ouchi and Maguire, 1975), it also allows for employees' discretion with respect to their behavior (Anderson and Oliver, 1987). In line with the main premise of goal-setting theory (Locke and Latham, 1990), outcome control can further foster motivation, engagement, and commitment. As a result, outcome control incentivizes and holds employees accountable for their performance, but allows them to make their own choices with regards to their methods, thereby providing both flexibility as well as compelling motivation for employees (Evans *et al.*, 2007).

Outcome control also has a number of disadvantages. In particular, it requires reliable and valid outcome measures to be available (Ouchi, 1977), which is not always the case. Moreover, its "hands-off"

approach may lead to a disconnect between management and employees, and the resulting lack of strategic direction may result in employees becoming overly focused on activities with immediate payoffs to the detriment of long-term results, and can thus harm an organization in the long run (Anderson and Oliver, 1987; Cardinal, 2001). Outcome control is also less flexible and adaptable to particular control needs and provides few insights into how to improve performance (Anderson and Oliver, 1987). The worst-case scenario of this lack of direction and feedback for improvement is that employees may conclude that the required targets are not achievable with conventional and legitimate actions and take matters into their own hands, e.g., by manipulating financial data to enhance their reported performance. The possibility of such detrimental consequences for the organization led Simons (1995: 81) to caution against the “built-in dangers when empowered employees are held accountable for performance goals—especially for difficult ones—and then left to their own devices to achieve them.”

#### *Interactive effects of behavior and outcome control*

Because of these distinct advantages and disadvantages, most of the early research on organizational control has treated behavior and outcome control as substitutes (e.g., Eisenhardt, 1985; Kirsch, 1996; Ouchi, 1979; Ouchi and Maguire, 1975) and has maintained that the choice between the two control types is dependent upon the accuracy with which behavior or outcomes can be measured (Eisenhardt, 1985; Ouchi, 1977). Contrary to classic control theory, however, a few studies have found both behavior *and* outcome control to be positively associated with strategic initiative performance (Cardinal, 2001; Kirsch, 1997; McGrath, 2001). Extending this early work, we explicitly acknowledge the interdependencies (Cardinal, 2001) and the need for balance between different control types (Cardinal *et al.*, 2004). We argue that the simultaneous use of behavior and outcome control mitigates their respective disadvantages and, thus, enhances initiative performance.

Given the strategic ambiguity—and, hence, the uncertainty regarding means-ends relationships—associated with strategic initiatives that tend to deviate from previous organizational goals and strategies (Lechner *et al.*, 2010), an exclusive reliance on outcome control is problematic. It

may not only lead to the unintended consequences outlined above (i.e., where lack of strategic direction leads to confused, demotivated, and myopic employees who may take matters into their own hands), but it may result in detrimental consequences for the initiative (Anderson and Oliver, 1987; Simons, 1995). Complementing outcome with behavior control, however, should mitigate these unintended consequences. In particular, behavior control allows initiative managers to set boundary conditions for what constitutes legitimate behavior for achieving the outcome targets in this novel context (Simons, 1995) while still leaving initiative members with relatively high levels of discretion over *how* they achieve the outcomes, as long as they stay within these boundaries. Moreover, the knowledge managers gain by being actively involved in initiatives can bridge what would otherwise be a disconnect between managers and employees (Anderson and Oliver, 1987). This may allow for timely adjustments of targets as needed due to changes in the initiative’s environment. These arguments resonate with Simons’s (2000) suggestion to create a “dynamic tension” between setting targets and monitoring outcome-related milestones on the one hand, and managers’ personal interactions with the teams they supervise on the other hand.

The joint use of both control types may also reduce the negative effects of an exclusive reliance on behavior control. In particular, managers overseeing a strategic initiative may lack a comprehensive understanding of the means-ends relationships for all the initiatives they supervise, and may not have the time and other resources to develop such an understanding. They may then engage in continuous personal surveillance, which would be required for an exclusive reliance on behavior control (Eisenhardt, 1985; Ouchi, 1977; Ouchi and Maguire, 1975). Supplementing behavior with outcome control may thus allow managers to conserve at least some of their time and other resources (Anderson and Oliver, 1987; Ouchi, 1977). Moreover, the complexity and subjectivity inherent in behavior control make it difficult to compare performance across different initiatives (cf. Ouchi and Maguire, 1975) and, hence, may introduce systematic biases (Anderson and Oliver, 1987) into the oversight of strategic initiatives. Supplementing behavior with outcome control, and its reliance on quantifiable outcomes of behavior,

may help reinstate the credibility of the control system by being more responsive to the inequities that might be created by behavior controls (Anderson and Oliver, 1987). Lastly, the risk of rigid and cautious behavior as a result of standardization and lack of discretion inherent in an exclusive reliance on behavior control (Sitkin *et al.*, 1994) can be mitigated by complementing the provision of boundaries to employees' behavior with outcome control's advantages of providing focus to and motivating employees' initiative-related efforts. Building on these arguments, we expect a positive, interactive effect of behavior and outcome control on initiative performance. Formally:

*Hypothesis 1: The positive relationship between behavior control and the performance of strategic initiatives will be stronger for higher levels of outcome control and vice versa.*

### Organizational politics in strategic initiatives

With the primary purpose of organizational control being the alignment between individual and organizational goals (Ouchi, 1979; Sitkin *et al.*, 2010), it seems important for an investigation of its effects to account for the flip side of control in the form of organizational politics, or the pursuit of individual interests at the expense of organizational goals (Dean and Sharfman, 1996; Ferris and Kacmar, 1992). The consideration of organizational politics is particularly appropriate for our study context because prior work has found political behavior more likely to occur when high degrees of uncertainty or ambiguity exist in the work environment (Fandt and Ferris, 1990). This is a common feature of strategic initiatives (Kreutzer and Lechner, 2010) and may lead employees to develop their own, possibly self-serving rules (Kacmar and Carlson, 1997). To account for such a contingency, we incorporate organizational politics into our theorizing on the relationship between organizational control and initiative performance.

Following the Carnegie School tradition, which conceptualizes firms as political coalitions of members with distinct, and often divergent, goals and interests (Cyert and March, 1963; Simon, 1997), a broad range of studies have attested to both the ubiquity of organizational politics as well as to their widespread effects on organizational processes and outcomes (see Kacmar and Baron, 1999, for a review). A number of studies have argued

for a positive effect of organizational politics on performance outcomes, particularly in two types of situations. First, political action may be an important adaptation mechanism for organizations in rapidly changing environments where managers might be unintentionally pursuing the wrong strategies and actions. In this situation, individuals and coalitions within the firm who have preferential access to information might be in a position to more adequately assess the implications of strategic decisions in a given environment (Simon, 1997). However, they have to resort to political influence tactics to make their views known (e.g., Kaplan, 2008; Quinn, 1980). Second, managers may intentionally act *not* in the interest of their organizations but in their own interests, for instance, to maintain control over an organization, to build their own legacy, and so forth (Pfeffer, 1992). In this case, organizational politics may help counterbalance such detrimental pursuits. In both of these situations, organizational politics may help "correct certain deficiencies and dysfunctions in other, legitimate, systems of influence" (Mintzberg, 1985: 148), and hence "may be useful and necessary to align the organization with its environmental contingencies" (Pfeffer, 1992: 336).<sup>1</sup>

While organizational politics are therefore not inherently or inevitably negative, our study follows the majority view in the management literature (e.g., Hardy and Clegg, 1996; Kacmar and Baron, 1999) and defines organizational politics as the pursuit of self-interest at the expense of organizational interests (Dean and Sharfman, 1996; Ferris and Kacmar, 1992). According to this view, politics are "the observable, but often covert, actions by which executives enhance their power to influence a decision. These actions include behind-the-scenes coalition formation, offline lobbying and cooptation attempts, withholding information, and controlling agendas ... Politics contrast with the straightforward influence tactics of open and forthright discussion, with full sharing of information, in settings open to all decision makers" (Eisenhardt and Bourgeois, 1988: 737–738). These types of organizational politics therefore have overwhelmingly negative outcomes both at the individual as well as the group and organizational levels. For individuals involved in such processes, the existence of

<sup>1</sup> It is notable, however, that Pfeffer (1992: 336) also hastens to add that "there are no guarantees that the process will inevitably work out well."

organizational politics has been found to positively affect stress and turnover intentions and negatively affect job satisfaction, organizational commitment, and organizational citizenship behavior (see Chang, Rosen, and Levy, 2009, for a recent meta-analysis). At the group and organizational levels, politics are considered a waste of time and resources, divert decision makers' attention, and restrict and distort the information flow among decision makers (Dean and Sharfman, 1996; Eisenhardt and Bourgeois, 1988). Whereas effective decision processes rely on the recognition and understanding of external environmental conditions, organizational politics tend to limit managerial attention to the internal affairs of their firms (Dean and Sharfman, 1996). Not surprisingly, then, organizational politics have been found to exert a negative effect on task performance (Chang *et al.*, 2009), decision effectiveness (Dean and Sharfman, 1996), and firm performance (Eisenhardt and Bourgeois, 1988).

It is important to note, however, that the organizational politics literature builds on the premise that it is not the actual political behavior that matters most for organizational consequences. Rather, it is the subjective perception of organizational politics, whether real or not, that results in the adverse reactions and behaviors described above (Ferris and Kacmar, 1992). Organizational politics can further come from different sources and operate at different levels. Building on prior work (Ferris and Kacmar, 1992; Ferris *et al.*, 1989), we differentiate between two types of politics relevant for the context of our study: *managerial* (i.e., vertical politics) and *group* (i.e., horizontal politics). Whereas the former represent ways managers can contribute to the political environment, for example, by suppressing employees' views if they are critical of well-established ideas or if they challenge the strategic views of management, the latter represent cliques, informal networks, and favoritism replacing merit in determining who gets ahead in an organization. With their obvious focus on advancing individual at the expense of organizational interests, neither of these two conceptualizations of organizational politics is likely to have the (self-)corrective effects on managerial power ascribed to other forms of politics.

In the following, we argue that the benefits of a complementary use of behavior and outcome controls will be even more pronounced when a strategic initiative is characterized by high levels of managerial or group politics. Specifically, while we expect to always have a certain degree of

organizational politics—particularly in the context of strategic initiatives and irrespective of whether organizational controls are strong or weak—a complementary approach to organizational control can prevent politics from unleashing its detrimental performance effects.

## **Interactive effects of organizational control and politics**

### *Managerial politics*

In the context of strategic initiatives, politically motivated managerial monitoring and evaluating of initiative processes likely diminishes the positive and aggravates the negative effects of behavior control, thereby increasing the need for augmentation by outcome control. In particular, there are three reasons we expect high managerial politics to enhance the interactive effect of behavior and outcome control on initiative performance. First, to be effective, behavior control requires at least a rudimentary understanding of the monitored processes (Ouchi, 1977; Ouchi and Maguire, 1975). Such an understanding, however, will be hard to come by if politically motivated managers show little interest in and respect for the ideas and concerns of team members (Ferris and Kacmar, 1992; Ramaswami, 1996) who, in turn, are likely more embedded in the daily initiative business and therefore have a better understanding of initiative-related issues as well as cause-and-effect relationships. As a result, managerial politics compound the information asymmetry problem inherent in behavior control, making the complementary effects of outcome control we discussed even more pronounced in this context.

Second, politically motivated managers who are dismissive of any attempts by team members to participate in the initiative's decision processes will exacerbate the perceived subjectivity inherent in behavior control (Ouchi and Maguire, 1975), which will further contribute to a lack of credibility of the control system (Anderson and Oliver, 1987). This makes the use of behavior control less viable without complementary outcome controls. In line with this argument, scholars in the politics literature have found that team members who perceive that they have no control over their situations feel more threatened by politics and may experience more negative work attitudes and strain (Bozeman *et al.*, 2001; Ferris *et al.*, 1996). This argument also resonates with procedural justice literature scholars who have maintained that "authorities can

use controls to secure sustained commitments from their subordinates only so long as subordinates believe those controls are fairly applied" (Long, Bendersky, and Morrill, 2011: 1045). Perceptions of procedural fairness, however, largely depend on the opportunity to express one's view and opinions, even without any effect on the actual decision (Lind, Kanfer, and Earley, 1990), referred to as the "process control" (Thibaut and Walker, 1975) or "voice effect" (Folger, 1977).

Third, team members' frustration due to politically motivated managers' ignorance towards their opinions and interests, coupled with their fear of speaking up and challenging the status quo, likely causes behavior control to result in even more rigid and cautious behavior than it would in less politically charged environments (cf. Detert and Burris, 2007). As strategic initiatives, by definition, are designed to explore new territory (Lechner and Kreutzer, 2011), such rigid and cautious behavior would have particularly detrimental effects on initiative performance. This, again, highlights the need for complementing behavior control with more flexible and empowering outcome controls.

In sum, then, augmenting behavior with outcome control has the potential to mitigate these disadvantages by diminishing the need for an in-depth understanding of the monitored processes, introducing more objectivity and thus credibility in organizational control (Ouchi and Maguire, 1975), and granting team members more influence and autonomy, thereby providing higher motivation (Anderson and Oliver, 1987; Evans *et al.*, 2007). This mitigating effect, in turn, makes the complementary approach to organizational control proposed in our first hypothesis even more beneficial in a context of high managerial politics. Conversely, we would expect the interaction between behavior and outcome control on initiative performance to be weaker when there is less managerial politics, especially because team members have more opportunities to voice their views, even if they are critical of or challenge the strategic views of management. This, in turn, keeps the manager informed and makes behavior control more viable, even without complementary outcome control. In line with these arguments, we propose:

*Hypothesis 2: There will be a three-way interaction between behavior control, outcome control, and managerial politics on the performance of strategic initiatives. Specifically, the relationship*

*between the interaction of behavior and outcome control and strategic initiative performance will be stronger for higher levels of managerial politics.*

### *Group politics*

Similar to the contingency effect of managerial politics, we expect group politics to enhance the interactive effect of behavior and outcome control on initiative performance. In particular, there are three reasons we expect the negative effects of outcome control to be even more pronounced in highly political initiative teams and the mitigating effect of a complementary control approach to be even stronger in this situation. First, to realize its positive effects, outcome control depends on reliable and valid outcome measures (Ouchi, 1977). Such outcome measures are likely compromised in a situation of high group politics, where informal networks and favoritism replace the achievement of stated objectives in determining rewards (Ferris and Kacmar, 1992). This likely diminishes the positive effects on team members' motivation, engagement, and commitment typically associated with outcome controls (Locke and Latham, 1990) and increases the benefits of complementing outcome with behavior controls.

Second, one of the well-known downsides of outcome control is its inability to provide a clear direction (Anderson and Oliver, 1987). This shortcoming makes an exclusive reliance on outcome control even more dysfunctional for highly political initiative groups that are characterized by goal disputes triggered by members' individual interests. Indeed, this increased uncertainty regarding goals and objectives makes it increasingly difficult for team members to effectively coordinate their behavior (Ethiraj and Levinthal, 2009; Simon, 1997). Initiative progress likely slows down, undermining performance. Complementing outcome with behavior controls, however, would help reduce uncertainty among team members regarding the new strategic direction by providing them with direction and guidance (Ouchi and Maguire, 1975), as well as reinforcing appropriate behaviors throughout the initiative process (Simon, 1997).

Third, as discussed above, outcome control's inherent lack of a clear direction also contains the danger of team members focusing on activities with immediate payoffs at the expense of long-term outcomes (Anderson and Oliver, 1987). Such a

myopic focus will have even more detrimental performance effects in political initiatives with their open pursuits of partisan goals and with such payoffs being determined by loyalties to partisan agendas (Ferris and Kacmar, 1992; Ferris *et al.*, 1989). In this situation, even team members who are not pursuing their own political agenda will find it in their best interest to support a political faction, even if that would undermine the long-term objectives of a focal initiative.

In sum, in highly political initiative teams, we expect the mitigating effects of behavior control on the negative effects of outcome control to be particularly strong, and therefore a more pronounced interaction between the two control types. Conversely, for a situation with little group politics, we expect the mitigating effects of a complementary use of both control types to be less pronounced and, therefore, a weaker interaction effect of behavior and outcome control:

*Hypothesis 3: There will be a three-way interaction between behavior control, outcome control, and group politics on the performance of strategic initiatives. Specifically, the relationship between the interaction of behavior and outcome control and strategic initiative performance will be stronger for higher levels of group politics.*

## METHODS

### Data and sample

To test our hypotheses, we used a cross-sectional survey design and collected data on organizational control, political activity, and the performance of strategic growth initiatives. Growth initiatives are targeted toward increasing revenues by generating additional sales with the existing capital base (Kreutzer and Lechner, 2010) and are identified in prior research as central to organizational renewal (Penrose, 1995). Moreover, growth initiatives are characterized by a high degree of uncertainty (Lechner *et al.*, 2010), and thus represent an ideal context for studying organizational politics (cf. Fandt and Ferris, 1990; Ferris *et al.*, 1989).

As part of a larger study on strategic initiatives, the population for our study was drawn from the Schober database.<sup>2</sup> For inclusion into our current

study, we chose firms (1) located in Germany, Austria, or Switzerland; (2) operating in the utility, manufacturing, banking, insurance, consulting, and high technology industries<sup>3</sup>; and (3) passing a minimum threshold for the number of full-time employees and revenues, resulting in a population of 1,215 firms.

After pretesting with several experienced executives, the questionnaire was addressed to the senior executive of each company, who was considered the primary respondent. The senior executive was asked to complete one questionnaire and to relay a second, identical questionnaire to another senior executive who was involved in managing the firm's growth initiatives and who would serve as a secondary respondent.<sup>4</sup> We focused respondents' assessments on individual initiatives within their main segment, division, or business, such as their country division. In the few cases in which respondents were unclear about this anchoring, we advised them to focus on the most relevant initiative at that time. To encourage accurate responses, we assured respondents confidentiality and offered them a summary of the results (Miller, Cardinal, and Glick, 1997). Individuals who did not respond to the initial mailing were contacted three weeks later by personalized e-mail that included the questionnaire as an attachment and provided a link to the Web-based survey. Extensive follow-ups were also conducted via fax and phone calls. Second and third e-mail reminders were sent, respectively, five and seven weeks after the initial mailing.

Of the original population, 24 firms could not be reached (e.g., out of business, undisclosed location changes, etc.). After initial mailing and follow-up activities, of the 1,191 firms, we received responses from 284 firms, of which 200 returned the completed questionnaire and 84 responded that they were not pursuing any growth initiatives at the time of the survey, yielding a response rate of 23.8 percent. This response rate compares favorably with recent work on top executives (e.g.,

on the European market, and is frequently used for European company addresses.

<sup>3</sup> This sample of industries was selected to represent a range of environments with different degrees of industry dynamism (Dess and Beard, 1984).

<sup>4</sup> The majority of our respondents were CEOs (46.5%) or held an executive position at the first hierarchical level such as CFO (34.3%); a smaller portion (19.2%) were executives responsible for driving growth initiatives at the second hierarchical level. All respondents were actively involved in the management of growth initiatives.

<sup>2</sup> Schober (<http://www.schober.de/en/data/business-lists.html>) is the most comprehensive business-to-business marketing database

Simsek, 2007; Simsek, Heavey, and Veiga, 2010) and the commonly reported 10–12 percent response rates for such surveys (Hambrick, Geletkanycz, and Fredrickson, 1993). It may also be attributed to the fact that it was impossible to exclude up front those firms with no active or recently executed growth initiatives.<sup>5</sup> After deleting 16 firms because of missing values, we had a usable sample of 184 firms.

To investigate the potential for a nonresponse bias, we compared respondent firms to nonrespondents in terms of firm size and industry. While there was no significant industry differences, responding firms were slightly larger than nonrespondents: in the population, only 36 percent of firms had 500 or more employees; such firms represented 61 percent of our sample. Moreover, responses from questionnaires returned earlier showed no significant difference from post-follow-up responses (Armstrong and Overton, 1977).

## Measures

### *Strategic initiative performance*

To assess strategic initiative performance, we adapted a measure from prior research (Lechner *et al.*, 2010; McGrath, 2001; Walter *et al.*, in press). Items focused on the extent to which several goals and objectives are achieved on a seven-point scale ranging from *very unsuccessful* to *very successful*. (Please see APPENDIX 1 for all survey items). The 11-item scale had an alpha of 0.88. Moreover, only 57.1 percent of the strategic initiatives in our sample were rated as successful (i.e., above 4), which is in line with what prior studies have found (Miller, 2002; Saunders *et al.*, 2008), and which suggests that our sample is not overly biased towards successful initiatives.

### *Organizational control*

For each of the independent variables, respondents responded on a seven-point Likert scale (1 = *strongly disagree*; 7 = *strongly agree*). We used

the past tense in the wording of all independent variables to avoid causality problems (Miller *et al.*, 1997). For *behavior control*, we used the first three of Jaworski and Macinnis's (1989) four-item measure. Our measure had an alpha of 0.77. The first three of the four items for *outcome control* were based on LaBahn, Ali, and Krapfel (1996). To account for the degree to which evaluations are based on results, we added a fourth item based on Jaworski, Stathakopoulos, and Krishnan (1993), resulting in an alpha of 0.86.

### *Organizational politics*

Because of the symbolic and often covert nature of political behavior (Drory and Romm, 1990), we followed prior work taking a perceptual approach to measure organizational politics (e.g., Ferris and Kacmar, 1992; Ferris *et al.*, 1989, 1996), according to which “perceptions of organizational politics consist of an individual’s observations of others” self-interested behaviors, such as the suppression of competing entities and selective manipulation of organizational policies (Bozeman *et al.*, 2001: 487). A comprehensive review of the organizational politics literature revealed that there is substantial disagreement on how to measure organizational politics and on whether or not it is a unidimensional construct (Kacmar and Baron, 1999). One of the most established scales is the Perceptions of Organizational Politics Scale (POPS) (Ferris and Kacmar, 1992), which distinguished three factors: (1) “supervisor political behavior factor [measuring] ways supervisors can contribute to the political environment” (p. 107); (2) coworker and clique political behavior at the group level; and (3) organization policies and practices-related politics, mainly focusing on pay and promotion practices.

In line with our theorizing, we built on the first two factors and differentiated between two types of politics relevant for the management of strategic initiatives in organizations: managerial politics (i.e., supervisor political behavior) and group politics (i.e., coworker and clique political behavior). To avoid respondent fatigue and its negative effect on response rates, we followed prior studies and selected a subset of conceptually relevant politics items. For *managerial politics*, we retained three items measuring the extent to which employees were encouraged to speak out frankly and the extent to which they were encouraged to

<sup>5</sup> It is reasonable to assume that a proportion of the nonrespondents were also not pursuing growth initiatives within their organization and therefore did not answer at all, which would further lower our firm population and, hence, increase our response rate. For instance, if we extrapolate from the 84 firms out of the 284 that responded, 29.6 percent firms were not pursuing growth initiatives (versus 70.4% were pursuing growth initiatives). It is possible then that only 70.4 percent or 838 of the 1,191 firms were pursuing growth initiatives.

challenge or to refute managers' strategic views and ideas.<sup>6</sup> A factor analysis showed that these three reverse-coded items load onto a common factor we label managerial politics, with an alpha of 0.71. For *group politics*, we retained two items of Ferris and Kacmar's (1992) second factor. A factor analysis showed that these two items loaded on a common factor we label group politics, with an alpha of 0.70. We also conducted a principal component analysis with all five politics items to confirm the distinctiveness of our two politics dimensions. Two factors emerged and explained 38 and 31 percent, respectively, of the variance. All items loaded only onto one of the factors, and thereby corroborated our two-dimensional solution. We further conducted extensive scale validation procedures with a newly collected data set, which are described in Appendix S1.

### *Control variables*

In line with prior work, we controlled for *industry*, *country*, and *firm size* (measured as the log of the number of employees) (Lechner *et al.*, 2010). *Past performance* was measured by a two-item self-reported assessment of sales and earnings before interest and taxes (EBIT) performance three years prior to the survey and relative to competitors (alpha = 0.82). We also controlled for *growth experience*, operationalized as a dummy variable with a value of 1 if the percentage of growth initiatives in a firm's past portfolio of strategic initiatives was at least 25 percent. In addition, we controlled for the *degree of exploration*, that is, the extent to which the goals of an initiative focus on developments that are new to the organization, by using an established nine-item measure developed by McGrath (2001) with an alpha of 0.76. We also controlled for *impact duration*, or the duration until a growth initiative impacts earnings, and for *input control*. This ex ante control targets human inputs and consists of specific actions taken by managers at the earliest stages of new initiatives, such as the search for and selection of people who fit an initiative project's needs, and training

<sup>6</sup> It is noteworthy that these managerial politics items tap into the concept of employee "voice," as do measures of procedural justice. Kim and Mauborgne (1995), for example, had a similar item in their procedural justice scale measuring the extent to which subsidiary units can challenge and refute the strategic views of head office managers.

and developing the initiative team before they assume responsibility (Cardinal *et al.*, 2004).<sup>7</sup> We measure input control with three items also used by Hamilton and Kashlak (1999).<sup>8</sup>

### **Robustness tests**

A possible concern is that the independent and dependent variables in our analysis are provided by the same respondent, which raises the potential of a common method bias. Addressing this concern, we followed recommendations for both ex ante survey design choices as well as performing ex post analyses, such as Harman's single-factor test (Conway and Lance, 2010; Podsakoff *et al.*, 2003). Moreover, moderator effects, as hypothesized in our study, are less vulnerable to common methods bias (Evans, 1985). Similarly, more recent work has shown that the attenuating effects of the systematic error variance due to the method of measurement at least offset the inflationary effects of shared method variance, i.e., common method bias (Conway and Lance, 2010; Lance *et al.*, 2010). Thus, any potential bias resulting from our approach is likely to be minor and unlikely to affect our results.

We also used the second respondents in 91 of our sample firms (which represents 49.5% of our sample) to address any remaining common method concerns. First, we reran all analyses reported above after aggregating first and second respondents' data, if available, by calculating the mean score for each item between first and second respondent.<sup>9</sup> All regression results remained the

<sup>7</sup> While a few prior studies have suggested considering this third control type when studying behavior and outcome control (Cardinal, 2001; Cardinal *et al.*, 2004, 2010), other studies have argued that the establishment and maintenance of norms, values, and culture can be supported by appropriate selection and training mechanisms and thereby considered input control as part of a firm's *informal* control mechanisms (Eisenhardt, 1985). Given this theoretical ambiguity in the literature as well as our study's focus on formal controls, we therefore follow the majority of prior work (e.g., Ouchi and Maguire, 1975, Turner and Makhija, 2006) and focused on behavior and outcome controls. We did, however, consider input control as a control variable.

<sup>8</sup> In addition, we checked whether the inclusion of other potentially relevant control variables changed our results. The *number of growth initiatives* in a firm, measured as the logarithm of the absolute number of ongoing undertakings, did not change our results, was itself insignificant, and therefore excluded from the final analysis. Similarly insignificant results were obtained for initiative-level control variables such as *initiative size*, measured in terms of the log of the number of people working on a growth task, and *growth mechanism* (internal versus external).

<sup>9</sup> In order to examine whether an aggregation of individual responses to the company level was warranted, we first calculated

same, however, with and without these second respondents. Second, we reran all our regression analyses after replacing the dependent variable, if available, with the assessments provided by the second respondents. Doing that for all 91 firms for which we had multiple respondents, we found that our hypothesized results also remained unchanged. Third, we conducted paired *t*-tests comparing the means of all control, independent, and dependent variables between firms for which we had a single respondent versus firms for which we had two respondents. All *t*-tests were nonsignificant, suggesting that there was no statistically significant difference between our single- and multiple-respondent samples. Overall, all of these robustness tests suggest that common method bias is very unlikely to have an influence on our results.

Moreover, we have also addressed the potential for endogeneity in our study—or the possibility that instead of organizational control and politics affecting initiative performance, the performance of an initiative might lead organizations to select a certain form of organizational control and/or trigger organizational politics—by calculating a two-stage least-squares (2SLS) regression. Following the procedure described by Bascle (2008), we controlled for endogeneity using instrumental variables that affect our regressors (i.e., behavior and outcome control) and thus are relevant but, at the same time, exogenous, i.e., not correlated with the error term of the structural equation. The results from this analysis indicated that endogeneity was not a concern.<sup>10</sup>

within-group agreement using the  $r_{wg}$  statistic (James, Demaree, and Wolf, 1984). The lowest  $r_{wg}$  for our dependent and independent variables was 0.75 (formal outcome control), which is in line with the suggested cutoff of 0.7 (LeBreton and Senter, 2008). Moreover, we calculated interrater reliability and the reliability of the group mean using ICC(1) and ICC( $k$ ) (Bliese, 2000). While no strict cutoffs exist regarding ICC indices, LeBreton and Senter (2008) designate indices between 0.31 and 0.50 to suggest at least weak agreement among respondents, indices between 0.51 and 0.70 moderate agreement, and indices between 0.71 and 0.90 strong agreement. In our study, with one exception (ICC( $k$ ) for managerial politics was 0.42), all ICC(1) indices were 0.70 or above, and all ICC( $k$ ) indices were 0.73 or above, providing further evidence that the aggregation to the group level was justified.

<sup>10</sup> The three instrumental variables are top management resource influence, corporate center resource influence, and resource application rules (see APPENDIX 1 for items). We used Stata 11.2 and the programs *IVENDOG* and *IVREG2* in combination with the *ffirst* option (Baum, Schaffer, and Stillman, 2007) for our analyses. The first-stage *F*-statistics, in which predicted values for endogenous variables are generated, shows that the *F*-value exceeds the commonly used threshold of 9.08 with three instruments both for behavior control (*F*-value: 9.82) and for outcome control

## RESULTS

Table 1 presents descriptive statistics as well as bivariate correlations. No bivariate correlation was excessive and all variance inflation factors (VIFs) were well below the usual threshold of 10 (Hair *et al.*, 2009) with the VIF for the two three-way interaction terms in Model 5 being the highest ones at 2.60 and 2.53, respectively, suggesting that multicollinearity was not a concern.

Our regression results are reported in Table 2. Model 1 presents the results for our control variables only.<sup>11</sup> Model 2 adds behavior and outcome control. As expected, both main effects for behavior and outcome control were positively associated with initiative performance, but only behavior control was marginally significant at  $p < 0.1$ , and outcome control was nonsignificant. Model 3 adds the interaction term between behavior and outcome control, which was positive and significant ( $b = 0.091$ ;  $p < 0.05$ ), providing support for Hypothesis 1. To interpret this interaction, we plotted the results (see Figure 1) and tested simple slopes of the regression lines corresponding to all possible combinations of low (one standard deviation below the mean) and high (one standard deviation above the mean) levels of independent and moderator variables. The simple slope for behavior control with low outcome control was not significantly different from zero ( $t = 0.451$ ;  $p = 0.653$ ), while for high outcome control, it was positive and significantly different from zero ( $t = 2.644$ ;  $p < 0.01$ ), confirming our results.

(*F*-value: 12.81) (Stock and Yogo, 2004). Thus, our three instrumental variables are strong and satisfy the relevance condition. To ensure their exogeneity, we used the *overid* command and found both the Sargan/Hansen's *J*-statistic (chi-square: 1.811,  $p = 0.18$ ) and the Basman test nonsignificant (chi-square: 1.560,  $p = 0.21$ ), supporting the exogeneity of our three instrumental variables. The predicted variables from the first stage were then used as instrumental variables in the second-stage ordinary least squares (OLS) regressions to verify the hypothesized relationships. The corrected model produced regression coefficients that were consistent with those reported in Model 5 (Table 2). Following the 2SLS model, we ran the *ivendog* command in order to see if the corrected model provides better estimators than the pure OLS, i.e., if the correction is needed at all. Nonsignificant *F* and chi-square tests as part of the Durbin-Wu-Hausman test suggested that the predictor variables in question were exogenous, and their estimates unbiased (Davidson and Mackinnon, 1983).

<sup>11</sup> The reported regression results in Table 2 include the five industry and two country dummies. However, our results showed that these variables did not have a significant effect on our results, so we do not present them when reporting our results.

Table 1. Means, standard deviations, and correlations

	Mean	s.d.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
1. Germany	0.57	0.50																		
2. Switzerland	0.26	0.44	-0.38																	
3. Utility	0.11	0.31	-0.01	-0.01																
4. Manufacturing	0.11	0.31	-0.01	-0.05	-0.12															
5. Banking	0.28	0.45	0.22	-0.17	-0.22	-0.22														
6. Insurance	0.15	0.35	-0.07	0.17	-0.14	-0.14	-0.26													
7. Consulting	0.14	0.34	-0.04	0.13	-0.14	-0.14	-0.25	-0.16												
8. Technology	0.19	0.39	-0.08	-0.04	-0.17	-0.17	-0.30	-0.20	-0.19											
9. Firm size (log)	6.74	2.02	0.07	-0.22	-0.01	0.12	-0.09	0.11	-0.18	0.00										
10. Past performance	4.29	1.28	-0.14	0.09	-0.01	-0.04	-0.12	-0.05	0.06	0.12	0.08									
11. Growth experience	0.57	0.50	-0.02	-0.03	-0.05	0.06	0.08	0.02	-0.07	-0.11	0.08	0.10								
12. Exploration	3.65	1.01	0.07	-0.04	0.00	-0.07	-0.06	-0.05	-0.03	0.13	-0.03	0.06	-0.01							
13. Impact duration	4.57	1.32	0.01	-0.07	0.08	0.06	-0.07	0.00	-0.05	0.05	0.05	0.16	-0.07	0.08	0.02					
14. Input control	3.10	1.34	0.07	-0.04	0.03	0.03	-0.08	-0.07	-0.01	0.15	0.08	0.15	0.12	0.22	-0.08					
15. Behavior control	4.99	1.25	-0.06	0.07	0.04	-0.26	-0.02	0.00	0.04	0.19	-0.11	-0.04	-0.09	0.34	0.02	0.27				
16. Outcome control	5.29	1.24	-0.12	0.13	0.07	-0.16	-0.08	0.04	-0.07	0.16	0.18	-0.02	0.04	0.24	-0.01	0.29	0.45			
17. Managerial politics	3.34	1.14	0.04	0.00	-0.04	0.23	0.04	0.08	-0.18	-0.10	0.24	-0.07	-0.17	-0.23	0.02	-0.08	-0.29	-0.12		
18. Group politics	2.95	1.36	-0.04	-0.11	0.02	0.08	-0.03	-0.08	-0.04	0.10	0.04	-0.02	-0.21	0.07	0.09	-0.11	-0.01	-0.16	0.12	
19. Initiative performance	5.01	0.76	-0.01	0.02	-0.00	0.03	0.04	-0.04	-0.02	-0.05	-0.05	0.21	0.29	-0.04	-0.12	0.30	0.14	0.17	-0.31	-0.33

*N* = 184

Two-tailed tests; correlations with absolute value greater than 0.14 are significant at the 5 percent level.

Table 2. OLS regression results for the performance of strategic initiatives

	Model 1		Model 2		Model 3		Model 4		Model 5	
<i>Control variables<sup>a</sup></i>										
Firm size	-0.041	(0.028)	-0.048†	(0.029)	-0.049†	(0.029)	-0.020	(0.028)	-0.029	(0.026)
Past performance	0.117*	(0.054)	0.141**	(0.054)	0.152**	(0.054)	0.140**	(0.050)	0.109**	(0.049)
Growth experience	0.367***	(0.109)	0.380***	(0.107)	0.372***	(0.107)	0.216*	(0.104)	0.205*	(0.099)
Exploration	-0.088	(0.055)	-0.136*	(0.057)	-0.131*	(0.057)	-0.143**	(0.054)	-0.140**	(0.052)
Impact duration	-0.061	(0.054)	-0.064	(0.053)	-0.071†	(0.053)	-0.060	(0.049)	-0.062	(0.049)
Input control	0.214***	(0.057)	0.163**	(0.057)	0.147*	(0.057)	0.142**	(0.054)	0.152**	(0.053)
<i>Main effects</i>										
Behavior control (BC)			0.114†	(0.064)	0.125†	(0.064)	0.095	(0.061)	0.061	(0.060)
Outcome control (OC)			0.097	(0.064)	0.132*	(0.065)	0.092	(0.062)	0.178**	(0.064)
Managerial politics (MP)							-0.213***	(0.056)	-0.293***	(0.060)
Group politics (GP)							-0.160**	(0.052)	-0.174**	(0.057)
<i>Interaction effects</i>										
BC × OC					0.091*	(0.046)	0.081†	(0.043)	0.086†	(0.045)
BC × MP								-0.055	(0.055)	
OC × MP								0.125*	(0.056)	
BC × OC × MP								0.095**	(0.035)	
BC × GP								0.048	(0.053)	
OC × GP								-0.180***	(0.048)	
BC × OC × GP								0.025	(0.035)	
Constant	5.318***	(0.408)	5.350***	(0.403)	5.323***	(0.399)	5.164***	(0.374)	5.197***	(0.357)
ΔR <sup>2</sup>			0.038		0.017		0.102		0.083	
ΔF			4.240		3.934		13.346		3.983	
R <sup>2</sup>	0.215		0.253		0.270		0.372		0.455	
Adjusted R <sup>2</sup>	0.150		0.181		0.195		0.299		0.368	
F	3.300		3.528		3.610		5.115		5.268	

*N* = 184

Unstandardized coefficients are reported; standard errors are given in parentheses.

<sup>a</sup> Country and industry dummies are included.†*p* < 0.10; \**p* < 0.05; \*\**p* < 0.01; \*\*\**p* < 0.001

In Model 4, we added organizational politics to the analysis. Coefficients for both managerial and group politics were negative and significant ( $b = -0.213$ ;  $p < 0.001$ , and  $b = -0.160$ ;  $p < 0.01$ , respectively), supporting our expectation that organizational politics have a negative influence on initiative performance. In Model 5 we added all two-way and three-way interaction terms simultaneously for a more conservative test of Hypotheses 2 and 3.<sup>12</sup> The results for managerial politics indicate a positive and statistically significant three-way interaction ( $b = 0.095$ ;  $p < 0.01$ ), providing initial support for Hypothesis 2. To interpret these results, we plotted the simple slopes for the relationships between behavior control

and initiative performance for each of the four possible combinations of outcome control and managerial politics, using the conventional values of one standard deviation above and below the mean (Dawson and Richter, 2006) in Figure 2. We then conducted a simple slope analysis, the results of which suggest that, as predicted, there was no interaction between behavior and outcome control in a low managerial politics context: the slope difference test between slope (2) (high outcome control/low managerial politics) and slope (4) (low outcome control/low managerial politics) was not significant ( $t = -0.148$ ;  $p = 0.883$ ). However, we found a positive interaction between behavior and outcome control in a high managerial politics context: the slope difference between slope (1) (high outcome control/high managerial politics) and slope (3) (low outcome control/high managerial

<sup>12</sup> The results remain unchanged when we entered the two three-way interaction effects individually.

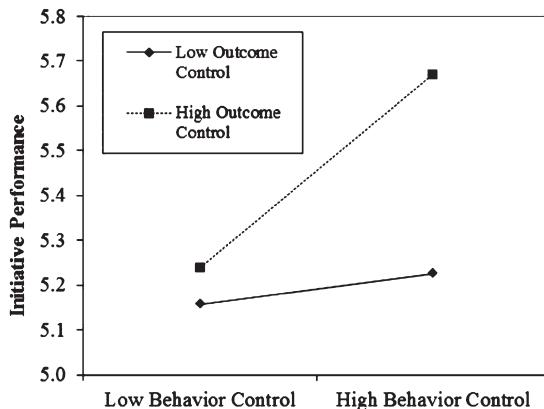


Figure 1. Two-way interaction between behavior and outcome control

politics) was significant ( $t = 3.263; p = 0.001$ ). In addition, we also found a marginally significant difference between the low outcome control/high managerial politics combination (3) and the high outcome control/low managerial politics combination (2) ( $t = 1.776; p = 0.078$ ), and a fully significant difference between the low outcome control/high managerial politics combination (3) and the low outcome control/low managerial politics combination (4) ( $t = -2.456; p = 0.015$ ). These results provide additional support for Hypothesis 2.

Model 5 also tests the three-way interaction between behavior control, outcome control, and group politics. As the three-way interaction term was not significant ( $b = 0.025; p = 0.478$ ), we found no support for Hypothesis 3. Noteworthy, however, is the significant negative two-way interaction coefficient for outcome control and group politics ( $b = -0.180; p < 0.001$ ). This result suggests that, in a context characterized by high group politics, the use of outcome control does not enhance initiative performance (the simple slope for high group politics was not significantly different from zero,  $t = -0.021; p = 0.983$ ), which contrasts sharply with a context characterized by limited group politics, in which outcome control is beneficial for initiative performance (the simple slope for low group politics was significantly different from zero,  $t = 4.224; p < 0.001$ ).

## DISCUSSION

Our theorizing and findings on how behavior and outcome controls interact and affect strategic

initiative performance have important implications for future research on organizational control, politics, and strategic initiatives. Our analysis of the strategic initiatives pursued by 184 organizations provides broad support for our argument that organizational controls are most effective when employed in a complementary manner. That is, controlling employees' behavior is most beneficial for initiative performance when used in conjunction with controlling the outcomes of this behavior and vice versa; arguably because this allows the advantages of each control type to mitigate the disadvantages of the other. Moreover, it is striking that neither of the two control types by themselves significantly affect initiative performance, further corroborating our argument that in novel and uncertain situations, such as strategic initiatives, their distinct disadvantages make it futile to rely on either one alone as the basis for organizational control.

In line with prior work, we also found both managerial and group politics to negatively affect initiative performance. This highlights the detrimental effects that suppressing critical employee voice and replacing merit with nepotism in career advancements have in this organizational context. We further found support for our hypothesis that the interactive effect of behavior and outcome control is even more pronounced when strategic initiatives are characterized by high levels of managerial politics, making them more vulnerable to the negative effects of each individual control type. Hence, strategic initiatives are even more in need of a complementary approach to control. While we were unable to find a parallel contingency effect of group politics, our results suggest that outcome control becomes increasingly ineffective for higher levels of group politics. In line with our theorizing, the integrity of an incentive and reward system based on outcome measures is likely compromised in such highly political situations. In this case, the lack of clear direction inherent in outcome control provides fertile ground for the pursuit of individual agendas, resulting in outcome control losing its positive effects on initiative performance. As a whole, these results have implications for the literatures on organizational control, politics, and strategic initiatives, which we will discuss in turn.

## Theoretical implications

Whereas most prior work on the effectiveness of organizational controls has taken an either-or

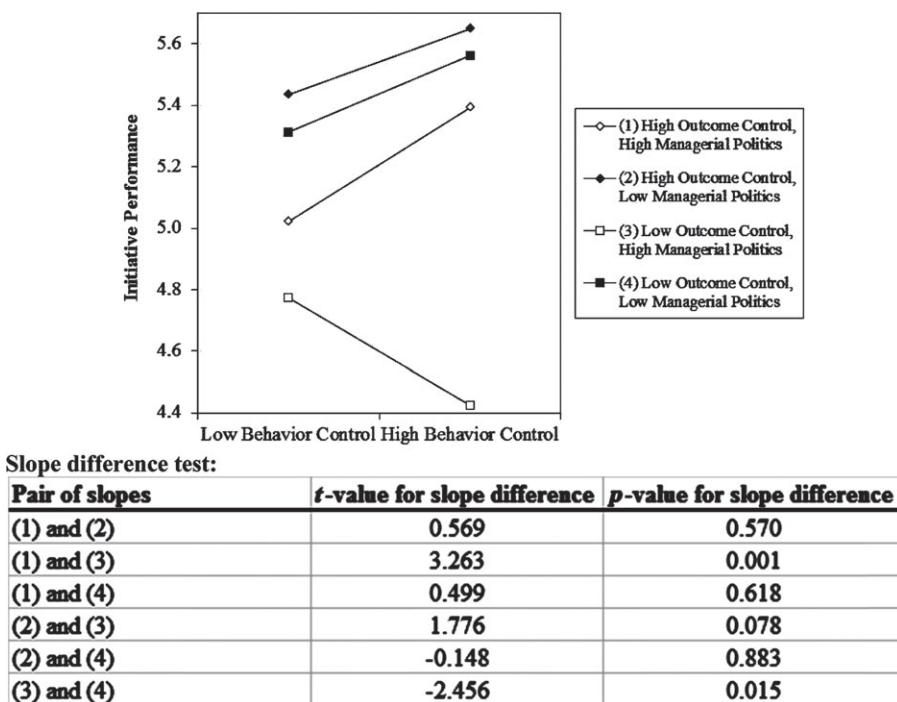


Figure 2. Three-way interaction between organizational controls and managerial politics

approach rooted in contingency theory that predicts the usefulness of behavior or outcome control in specific situations, our study extends recent notions of balance and synergy (Cardinal *et al.*, 2004; De Jong *et al.*, in press; Flaherty and Pappas, 2012; Turner and Makhija, 2006) and explicitly theorizes on the complementarity between behavior and outcome control and the benefits of such a complementary approach. Traditional control theory foundations based in agency and organization theory have relied upon assumptions that limit both their ability to explain how controls combine and complement each other and their applicability to nonroutine and uncertain contexts where both means and ends may be difficult to specify. Our theorizing helps overcome both of these limitations. We loosen the constraint of “singularity” and “substitutability” and do not treat the application of control as a singular mechanism (Cardinal *et al.*, 2010). We do not presume that controls can only be substitutes for one another (Choudhury and Sabherwal, 2003) and instead explicitly assume that multiple controls coexist and consider their interrelations.

Our study not only provides insights into complementarities among different forms of control, which remain theoretically underdeveloped in prior work, but also constitutes, to our knowledge, the first

large-scale empirical test of such complementarities and their effects on performance outcomes. Our findings on the combined effectiveness of the use of behavior and output control can serve as an important step towards advancing theorizing about more complex organizational control configurations (e.g., Cardinal *et al.*, 2004, 2010).

Our results also have implications for the organizational politics literature. First, we provided empirical support that organizational politics is a multidimensional construct (Kacmar and Baron, 1999). Our item validation processes—using both our primary and secondary datasets—showed that managerial and group politics are two distinct types of organizational politics, corroborating a prior distinction proposed by Ferris and Kacmar (1992). Extending prior work, we found that the negative effects of managerial politics can be mitigated with a combination of behavior and outcome controls. With organizational politics being a ubiquitous feature of strategic decision processes in general (e.g., Chakravarthy and White, 2002; Papadakis, Lioukas, and Chambers, 1998), and strategic initiatives in particular (Guth and Macmillan, 1986; Lechner and Floyd, 2012), our study provides an important illustration of how the negative effects of politics can be prevented from

affecting strategic processes and outcomes. That is, our study corroborates and extends Pfeffer's (1992: 334) conclusion that "[p]roblems emanating from the dynamics of power interfere with effectiveness, and to the extent that steps are taken to alleviate them, performance will be enhanced." When managers have a tendency to suppress or be dismissive of team members' views regardless of their merit, the combined use of behavior and outcome control can prevent the negative effects of managerial politics from affecting initiative performance.

Our study also has implications for research on strategic initiatives, which has emphasized the guiding and monitoring of strategic initiatives as one of top managers' main roles (Kreutzer and Lechner, 2010; Lovas and Ghoshal, 2000), but has not yet provided empirical support for the effective combination of control mechanisms. With firms increasingly relying on strategic initiatives to explore their future strategic options in an uncertain environment, our study provides theoretical insights on how to increase the efficacy of organizational control while accounting for the political environment an initiative is embedded in. These findings should provide managers with the tools to avoid common pitfalls in the management of strategic initiatives in organizations and thus reduce the high failure rates of these strategic endeavors.

Future research can take several steps to building on our research. First, while we theorized about the intermediate positive and negative effects of behavior and outcome control, research should directly measure these effects to learn more about how complementarity processes work. This may help to further refine our theories of organizational control and to understand when controls act as complements or as substitutes. Second, the conceptualization of organizational politics offers yet another avenue for future research. Recent reviews of the field (e.g., Gavetti *et al.*, 2012) have suggested a reconsideration of organizational politics to bring it back to its roots in the Carnegie School tradition. In this view, politics are not necessarily emerging from the pursuit of self-interest at the expense of organizational interests, but more broadly from the genuine efforts of organizational coalitions to make sense of and react to uncertainty and strategic ambiguity.<sup>13</sup>

According to this view, then, the effective management of organizational politics goes beyond formal, hierarchical organizational controls and entails negotiating different, and sometimes conflicting goals and interests to arrive at a new political coalition through a joint sensemaking process (Kaplan, 2008; Ocasio, 1994). Our theorizing and empirical results seem to suggest that particularly behavior control, with its ongoing interactions between managers and team members (Kownatzki *et al.*, 2013; Simons, 1995, 2000), might serve as a catalyst for the emergence of new political coalitions as it allows for mutual "sensemaking processes to achieve an alignment of interpretation" (Balogun and Johnson, 2005: 1596). Beyond that, an intriguing avenue for future inquiry would be to examine, e.g., whether complementary organizational controls (i.e., setting boundary conditions for acceptable behavior as well as targets and incentives, but including interactions between management and employees to allow for adjustments) are a more effective channel for employee "voice" than political influence attempts. Or if there are other, equally or even more effective means for employee voice outside the framework of organizational control. A final opportunity for future research would be to test the generalizability of our findings for business units or divisions within multibusiness organizations or even for entire organizations. While we see no reason why the proposed complementary effect of organizational controls and its interaction with organizational politics should not be generalizable to other contexts, particularly those characterized by uncertainty and strategic ambiguities, only future research will be able to provide a definitive answer on this issue. In line with such an approach, our theories and empirical research on organizational control combinations should be extended to understand the corresponding effects on a range of organization and unit performance outcomes (see Miller, Washburn, and Glick (2013) for a discussion of firm performance).

In conclusion, this study has advanced a complementary perspective on organizational control. Not only do the empirical results provide support for the interactive influence of behavior and outcome control on the performance of firms' strategic initiatives, these findings demonstrate that such a complementary control approach is a powerful antidote for the negative effects of managerial politics on strategic initiatives.

<sup>13</sup> We thank an anonymous reviewer for suggesting this line of inquiry.

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## APPENDIX 1: SURVEY ITEMS

### Past performance

Please compare the performance of your organization relative to your competitors three years ago in terms of (1) sales, (2) EBIT. (Cronbach's alpha = 0.82)

### Growth experience

Please specify the past behavior of your firm by selecting your main focus in the last three years. Please split 100% on the different foci: growth, cost, quality, customer/clients, other (coded as 1 if percentage of growth focus in the past was  $\geq 25\%$ ; 0 = otherwise).

### Exploration

To what extent were the following characteristics or factors of your growth initiatives new to the company? (1) the products and/or services offered, (2) the markets served, (3) the clients served, (4) the competition faced, (5) the systems used, (6) the people who are working on our growth initiatives, (7) the know-how and skills of our project teams, (8) the technology used, (9) the distribution channels. (1 = to no extent; 7 = to a very great extent) (Cronbach's alpha = 0.76)

### Duration impact

Please assess the duration until the growth initiative has impact on earnings (1 = very low; 7 = very high).

### Input control

(1) Managers had to undergo a series of formal evaluations before they were selected to work on growth initiatives. (2) We had explicit criteria for selecting people for our growth initiatives. (3) Managers received substantial formal training (task-related knowledge, e.g., market knowledge) before they assumed responsibility in growth initiatives. (1 = strongly disagree; 7 = strongly agree) (Cronbach's alpha = 0.74)

### Behavior control

(1) Top management monitored the extent to which growth initiatives followed established procedures. (2) Top management evaluated the procedures growth initiatives used to accomplish a given task. (3) Top management modified the growth initiatives' procedures when desired results were not obtained. (1 = strongly disagree; 7 = strongly agree) (Cronbach's alpha = 0.77)

### Outcome control

(1) Specific dates were established and monitored for growth initiative milestones. (2) Specific

performance goals were established and monitored for the growth initiatives. (3) Critical growth initiatives cost budgets were established and monitored. (4) Performance evaluations placed primary weight on results. (1 = strongly disagree; 7 = strongly agree) (Cronbach's alpha = 0.86)

### Managerial politics

(1) Growth managers were encouraged to speak out frankly even when they are critical of well-established ideas (1 = strongly disagree; 7 = strongly agree). (2) Growth managers were able to challenge the strategic views of top management team members (1 = not at all; 7 = to a very great extent). (3) Growth managers were able to refute the strategic views of top management team members (1 = not at all; 7 = to a very great extent). (all items reverse coded; Cronbach's alpha = 0.71)

### Group politics

(1) There were cliques or "in groups" that hinder the effectiveness of our growth initiatives. (2) Informal networks rather than merit determined who got ahead. (1 = strongly disagree; 7 = strongly agree) (Cronbach's alpha = 0.70)

### Initiative performance

Please assess the performance of your growth initiatives (up to now) on each of the following criteria: (1) meeting budget objectives, (2) meeting staffing objectives, (3) meeting major deadlines, (4) meeting quality objectives, (5) meeting reliability objectives, (6) meeting cost objectives, (7) meeting efficiency objectives, (8) meeting user/client satisfaction objectives, (9) meeting service objectives, (10) meeting revenue parameters, (11) meeting objective overall. (1 = very unsuccessful; 7 = very successful) (Cronbach's alpha = 0.88)

### Top management resource influence (for endogeneity tests)

(1) Top management decided on the amount of resources allocated to growth initiatives. (2) Top management decided on the type and quality of resources allocated to growth initiatives. (1 = strongly disagree; 7 = strongly agree) (Cronbach's alpha = 0.71)

**Corporate center resource influence (for endogeneity tests)**

Please assess the extent to which the corporate center funded your growth initiatives (1 = *not at all*; 7 = *entirely*).

**Resource application rules (for endogeneity tests)**

There existed clear procedures and rules to apply for resources (1 = *strongly disagree*; 7 = *strongly agree*).

**SUPPORTING INFORMATION**

**Additional supporting information may be found in the online version of this article:**

Appendix S1. Organizational politics: Scale validation procedure.