



The cost of creativity: A control perspective[☆]



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ABSTRACT

Organizations that rely heavily on employee creativity face a dilemma: the particular nature of creative production calls for a substantial use of formal control, yet such control can undermine employee creativity. We examine this dilemma by analyzing how an organization's reliance on creativity influences its choice of control practices. More specifically, we argue that an organization's high reliance on employee creativity generates two types of cost, which will be reflected in the control choices made by its top management. First, a high reliance on employee creativity brings with it particular risks of dysfunctional employee behavior such as an overly narrow focus on the individual task or the opportunistic use of task-specific expertise. Second, it generates costs when it induces organizations to abstain from the use of (otherwise effective) controls because such controls increase the risk of undermining employee creativity. We identify two characteristics of the work setting – the importance of employees' intrinsic task motivation and the lack of task-specific cause–effect knowledge on part of managers – which help us to better understand the sources of the cost of creativity. Using survey data from 457 companies, we provide evidence that the importance managers attach to their employees' intrinsic task motivation is associated with a higher emphasis on assessments of non-task related performance, while a perceived lack of task-specific cause–effect knowledge on the managers' side is associated with more use of predefined targets for performance evaluation. Both work characteristics contribute to explaining higher emphasis on employee selection processes and increased delegation in work settings that heavily rely on employee creativity.

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1. Introduction

For many organizations, the creativity of their employees is a critical long-term success factor (e.g., Amabile, 1988; 1993, 1996; Nonaka, 1991; Zhou, 2003).¹ A large part of creativity research to

date has focused on how work environments can foster individual creativity. This research has highlighted factors such as autonomy, nonconformity and intrinsic motivation, suggesting that organizations whose competitive advantage relies heavily on the creativity of their core employees (i.e., creativity-dependent organizations) can benefit from establishing an environment with a low level of formal controls (e.g., Amabile, 1996; Oldham & Cummings, 1996; Shalley, Zhou, & Oldham, 2004).² However, research on the particular nature of creative work has emphasized that its high complexity and uncertainty result in a substantial risk of

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¹ Creativity in the development of novel, potentially useful ideas sense is distinct from innovation, which is commonly defined as the successful implementation of creative ideas. Individual and team creativity form the starting points for innovation, while successful innovation depends on other factors as well. Innovation can also stem from creative ideas outside the organization, i.e., the innovativeness of an organization does not necessarily presuppose a creative work environment (see e.g., Amabile et al., 1996, 1155).

² We define control as any process used by managers to direct employee attention and influence employee behavior in ways that increase the probability of achieving organizational goals (Burns & Stalker, 1961; Merchant & Van der Stede, 2012; Sitkin, Cardinal, & Bijlsma-Frankema, 2010; Thompson, 1967). When controls are purposefully designed by managers and involve the specification and evaluation (and official sanctioning) of desirable behaviors or outcomes, they are referred to as formal controls (Cardinal, Sitkin, & Long, 2004; Merchant & Van der Stede, 2012).

dysfunctional behavior such as an overly narrow focus on the individual task or the opportunistic use of task-specific expertise and knowledge advantages (e.g., [Caves, 2000](#); [Gil & Spiller, 2007](#); [Hirst, Van Knippenberg, Chen, & Sacramento, 2011](#)). This dysfunctional behavior calls for formal control to effectively coordinate and regulate employee behavior ([Adler & Chen, 2011](#); [Merchant & Van der Stede, 2012](#)). Thus, organizations that rely heavily on employee creativity face a dilemma: the particular nature of creative production calls for a substantial use of formal control, yet such control can undermine employee creativity.

We examine this dilemma through an organization-level analysis of how an organization's reliance on creativity influences the choice of organizational control practices. More specifically, we argue that an organization's high reliance on employee creativity generates two types of cost, which will be reflected in the organizational control choices made by its top management. First, a high reliance on employee creativity brings with it particular risks of dysfunctional behavior. Our analysis leads us to predict the additional use of particular controls to regulate these behavioral risks. Second, an organization's high reliance on employee creativity generates cost when it induces organizations to abstain from the use of (otherwise effective) controls because such controls increase the risk of undermining employee creativity. We identify two characteristics of the work setting – the importance of employees' intrinsic task motivation and the lack of task-specific cause–effect knowledge on part of managers – which help us to better understand the sources of the cost of creativity. More specifically, we introduce these variables as mediators in the relationship between an organization's reliance on creativity and its control choices to explain the reduced use of some formal controls and the increased use of others.

In our choice of control practices, we focus our analysis on three major types of control that have been highlighted by creativity research (e.g., [Cardinal, 2001](#); [Hirst et al., 2011](#); [Shalley et al., 2004](#)) and that have been linked with intrinsic employee motivation and/or task-specific cause–effect knowledge (e.g., [Amabile, 1996](#); [Heskett, Sasser & Schlesinger, 2003](#); [Sherman & Smith, 1984](#); [Snell, 1992](#)). These are (1) the employee selection process (2) restrictions of employee autonomy in choosing how the task is performed, and (3) performance evaluations, whereby we distinguish here between evaluations based on predefined targets and assessments of non-task-related performance. [Fig. 1](#) summarizes our research model.

With regard to our choice of the two work characteristics to explain the cost of creativity, we first point to the twofold role of employees' intrinsic task motivation. Such motivation is an important enabler of creative performance ([Amabile, 1983b, 1988, 1996](#); [Ryan & Deci, 2000](#); [Shalley et al., 2004](#); [Zhou & Shalley, 2003](#)). However, a high reliance on intrinsic task motivation does come at a considerable cost at the organizational level ([Caves, 2000](#); [Suojanen & Brooke, 1971](#)). Typically, intrinsic motivation for a specific task makes employees focus on some task-related performance dimensions at the expense of others, which they enjoy less but which may still be very important for the long-term success of the organization ([Prendergast, 2008](#)). We therefore argue that a high demand for intrinsic motivation not only prompts an organization's managers to avoid controls which deter such motivation (constraining effect) but also leads them to install additional controls to ensure more careful employee selection and to shift employee attention away from the individual task toward the broader organizational perspective. Second, we highlight the role of employees' high task-specific expertise and specialist knowledge, which gives them a task-related knowledge advantage over their managers ([Amabile, 1983b, 1996](#); [Caves, 2000](#)). When managers lack task-related expertise and knowledge, their

instructions and rules can produce distorted efforts and demotivate employees to accumulate and share expert knowledge (and invalidate their knowledge advantage). This constrains the use of such controls. At the same time, other studies have also pointed at the cost of dysfunctional behavior on the part of employees with high task-specific expertise and knowledge advantages relative to their managers ([Abernethy & Stoelwinder, 1991](#); [Cummings, 1965](#); [Gil & Spiller, 2007](#)), a situation which calls for adequate control.

More specifically, we predict the following influences of the two proposed work characteristics on managerial control choices. Both mediators contribute to explaining the reduced use of behavior controls that centralize decision rights. However, they have a contrary effect on the use of predefined targets for performance evaluation, suggesting that managers need to make trade-offs in the choice of this control practice in creative work settings. While the importance of intrinsic motivation suggests a low use of predefined targets to avoid undermining the autonomy of creative employees, the lack of cause–effect knowledge on the management side calls for increased reliance on such task-related performance targets, leaving it to the discretion of the employee to use her/his task-related knowledge advantage in finding the best way to achieve them. Further, we predict that both mediators explain the need for an increased use of input controls for bringing the “right” employees into the organization. Finally, we argue that only the importance of intrinsic employee motivation predicts the use of assessments of non-task-related performance. While [Grabner \(2014\)](#) suggests that such non-task-related assessments play a role in counterbalancing the dysfunctional effects of performance-based pay in creative work environments, their use for regulating employees' intrinsic task motivation at the organizational level (i.e., their use for managing the additional control requirements in work environments with a high emphasis on such motivation) has not been addressed by previous research. We contend in this respect that non-task-related performance assessments are used by managers to complement employees' intrinsic interest in and loyalty towards their own task(s) with an interest in and loyalty towards organizational objectives, such as the long-term development and learning of the team and the long-term success of the organization as a whole. We test our proposed hypotheses with a structural equation model using an extensive data set containing survey responses from the managing directors of 457 medium-sized single-line-of-business firms and provide evidence that is largely consistent with our expectations.

Overall, our research complements the traditional focus of creativity research on enabling factors such as playfulness and autonomy at the individual or small-team level with an organizational level perspective (e.g., [George, 2007](#)) that acknowledges the importance of practices for regulating individual behavior to improve overall organizational outcomes ([Adler & Chen, 2011](#); [Hirst et al., 2011](#)). In doing so, our study contributes to a new paradigm in management accounting research that highlights the role of control systems in enabling organizational creativity and innovation. Several studies find a positive impact of formal management control practices on creativity and innovation in settings such as new product development and knowledge-intensive firms (e.g., [Bisbe & Otley, 2004](#); [Davila, 2000](#); [Ditillo, 2004](#); see also [Adler & Chen, 2011](#)). We contribute to this line of research by identifying the intrinsic motivation and task-specific expert knowledge of creative employees (knowledge which their manager does not have) as two essential sources of the cost of creativity from a managerial control perspective. Unlike previous studies that view intrinsic motivation as entirely desirable (e.g., [Amabile, 1983a, b](#)), we provide empirical evidence that managers indeed take the cost of intrinsic motivation into account when designing a control system.

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