GROUP INFLUENCE ACTIVITIES AND THE PERFORMANCE OF STRATEGIC INITIATIVES

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This study examines relationships between group influence activities and the performance of strategic initiatives. Theory suggests that the strength of these relationships is contingent upon the degree of exploration inherent in an initiative's goals. An analysis of 96 initiatives in three large firms supports the moderating role of exploration for the use of formal authority and coalition building, demonstrating that these group influence activities are more important to performance in more exploratory initiatives. Although the direct relationship between rational justification and initiative performance is significant, there is no evidence of the moderating effect for this form of influence. The results show how groups associated with strategic initiatives use different forms of influence to reduce the investment and political uncertainties that limit initiative performance. Copyright © 2011 John Wiley & Sons, Ltd.

INTRODUCTION

Many scholars have come to see the twin challenges of exploring new and exploiting existing capabilities as the central issue facing organizations seeking to adapt to environmental change (e.g., Helfat and Peteraf, 2003; Jansen, van den Bosch, and Volberda, 2005; Maritan, 2001; Teece, Pisano, and Shuen, 1997; Zahra, 1996). Theory describes this adaptive process as one where strategic initiatives compete for scarce resources in an internal selection environment (Burgelman, 1983; Noda and Bower, 1996). Strategic initiatives, defined as proactive, temporary group undertakings intended to create economic value for the firm (Burgelman, 1991; Lovas and Ghoshal,

2000; Lechner, Frankenberger, and Floyd, 2010), have therefore become an important focal point in the study of strategic renewal. They take on numerous forms, including process improvement projects, new product development, corporate new ventures, acquisition and integration task forces, and other kinds of developmental efforts (Katila and Ahuja, 2002; Zollo and Winter, 2002; Lechner and Kreutzer, 2010).

Most prior research focuses on the organizational context surrounding strategic initiatives, including more specifically: the resource allocation process (e.g., Bower, 1970; Burgelman, 1991; Maritan, 2001), organizational architecture (Noda and Bower, 1996) and supervisory arrangements (McGrath, 2001). Burgelman's (1994) analysis of Intel's decision to exit memory markets is an exception. Using rich case data, he describes middle manager champions whose influence in the resource allocation process leads to renewal of core capabilities. Building on the idea that the individuals and groups associated with initiatives seek

to influence resource allocation, in this paper we investigate three forms of group influence activity across a sample of initiatives that vary in terms of whether they explore new or exploit existing organizational capabilities. Our purpose is to explain how and why the degree of exploration impacts the relationship between different forms of group influence activities and initiative performance.

The central argument is that group influence activities—including *rational justification, use of formal authority,* and *coalition building*—are more important when an initiative is focused on developing novel routines and other forms of unfamiliar know-how. In general, these more exploratory initiatives—defined as innovative undertakings whose goals and methods are incompatible with the organization's existing knowledge base and capability—are less likely to be successful in the resource allocation process. There are two main reasons for this. First, their unfamiliarity relative to what is known in the organization makes potential relationships to performance more uncertain and ambiguous, thereby discouraging the resource investments needed to accomplish the group's objectives. Second, because their goals diverge from established strategy, more exploratory initiatives are less likely to attract a base of support among powerful groups like top management, who are more committed to the strategic *status quo* (Burgelman, 1983; 1988; Hambrick, Geletkanycz, and Fredrickson, 1993).

In different and complementary ways, the group influence behaviors proposed here address the performance ambiguities and political uncertainties associated with more exploratory strategic initiatives. First, influence attempts based on rational justification use data and analysis to reduce the uncertainties surrounding an initiative's consequences for organizational performance. This increases decision makers' confidence and heightens the chances they will make investments to develop an exploratory initiative. The causal ambiguities typically associated with such investments, however, are likely to leave a residual degree of uncertainty that creates reluctance to invest, even in the face of vigorous justifications. Under these circumstances, the use of formal authority and/or informal influence tactics is needed to close the gap between perceived risks and the decision to support a strategic initiative. By encouraging or even mandating support, access to formal authority serves to counteract the resistance created by ambiguities

and risk. When hierarchical power is absent or insufficient, coalition building—creating relationships with other individuals and groups—may be an effective means of gaining informal support for an initiative. In combination, we argue that group efforts to develop rational justifications, use hierarchical power, and build informal coalitions play a significant role in how and whether exploratory strategic initiatives acquire the information, support, and other resources necessary to be successful.

This paper contributes to the literature of strategic renewal by examining a broad range of group influence activities across a relatively large sample. We selected rational justification, use of formal authority, and coalition building as the focus of our study because they represent the full range of influence tactics identified in the literature and because they capture both formal and informal tactics as well as tactics that appeal to rationality and those that appeal to the self-interests of affected subgroups. Incorporating the three different types of group influence in one analysis allows us to compare their relative importance to initiative performance. Such comparisons are rare in the literature and typically occur only in case studies (e.g., Burgelman, 1991; Johnson, 1987; Pettigrew, 1973) where it is difficult to discern patterns in how different forms of influence come together to advance strategic initiatives. Here, we propose and execute a theory testing study that combines different forms of influence and considers the degree of exploration as a moderator.

The findings suggest several patterns unrecognized in existing theory. First, on average, rational justification has the biggest impact on initiative performance compared to either the use of formal authority or coalition building. Second, while the use of formal authority adds additional positive performance improvement on top of rational justification, on average, coalition building adds nothing when the other two forms of influence are considered. Indeed, the positive effects of coalition building on initiative performance appear to be limited to the subset of initiatives that are highest on the degree of exploration scale. This finding contrasts with much of the literature where the importance of building coalitions in initiative performance is emphasized (e.g., Bower, 1970; Burgelman, 1983; 1991; McGrath, 2001). Although they do not contradict this prior research, our findings provide a useful corrective

by surfacing degree of exploration as a boundary condition and context for understanding the role of coalition building in initiative performance. Third, the results demonstrate that use of formal authority *also* becomes more important to initiative performance when the degree of exploration is high. Thus, even though informal coalition building may be important in highly exploratory projects, such initiatives also need an extra 'push' from supportive senior managers to be successful. These conclusions offer an integrated perspective on the role of group influence activities in the development of strategic initiatives.

THEORETICAL BACKGROUND

In this paper, we adopt a behavioral view of strategic renewal. This means that we assume organizations comprise boundedly rational actors who decide which strategies to pursue and what capabilities are important on the basis of what 'satisfices' a set of different and sometimes conflicting goals (Bromiley, 2005; Cyert and March, 1963; Eisenhardt and Zbaracki, 1992). Conflicts among the goals of particular groups arise from a variety of sources, including differences in how they define what is best for the organization and in what they perceive to be best for their group (Hickson *et al.*, 1971; Narayanan and Fahey, 1982; Mintzberg, 1983). Based upon the existence of divergent interests, the behavioral view directs the researcher's attention to the processes by which people seek influence over decision making.

Forms of group influence activities

We use the term '*group influence activity*' to represent the concrete ways that groups seek to win organizational support for an initiative. In some cases, such activity may involve the use of power, for example, drawing on the formal status of a group member to compel cooperation. In other cases, however, power is not the principle persuader, for example, developing a compelling business case. Influence activity may also be a means of accumulating power, for example, offering future support for the others' goals in exchange for their current support of the initiative. In general, what distinguishes this form of group influence activity is the goal: winning organizational support for a group's initiative.

The literature on group influence activity in this context suggests that it takes three different forms. First, large organizations typically require formal justification for an initiative based on detailed data and analysis (Bower, 1970; Burgelman, 1991; Maritan, 2001). Initiative groups are, therefore, likely to pursue the development of a rational and compelling business case to support their request for resources. Second, many initiatives will either emanate from and/or be officially endorsed by the management hierarchy (Burgelman, 1983; Lovas and Ghoshal, 2000), and groups will seek to use this formal authority to lend credibility to their rational justifications and, when necessary, to compel cooperation from other individuals and groups. Third, beyond these two 'straightforward influence tactics' (Eisenhardt and Bourgeois, 1988: 738), some groups will pursue more informal influence activity (Bower, 1970; Burgelman, 1983). Such informal coalition building is usually conducted discretely, if not covertly, because it may appear to place group interests over those of the organization as a whole. Both these more informal tactics and the straightforward influence attempts have been described within groups who face a competitive resource allocation process (e.g., Burgelman, 1988; 1991; Hickson *et al.*, 1971; Maritan, 2001; Narayanan and Fahey, 1982).

Broadly, the success of a group's influence activities corresponds to its ability to accumulate the resources needed to accomplish the group's task. This requires the approval of internal stakeholders, including top management, who are responsible for guiding and evaluating initiatives (Lovas and Ghoshal, 2000). As the proximate outcomes of group influence activity, therefore, the approval of internal stakeholders and the resources that result from such approval are appropriate indicators of initiative performance. Moreover, to the extent group influence leads to such internal success for more exploratory initiatives, influence activity increases the level of variation in the set of routines, processes, products, and technologies that are available within the organization (McGrath, 2001). This is important because organizational adaptation to the external environment depends on a 'requisite' level of internal variety (Ashby, 1956). That is, an organization's level of internal variety should match the level of variation in the external environment. Kim and Rhees's (2009) simulation study supports this assertion and

suggests that the relationship between internal variety and external performance strengthens as the level of dynamism in the external environment increases. Thus, we would argue that the development of exploratory strategic initiatives increases internal variation. To the extent that it leads to approval by internal stakeholders and promotes internal variety, therefore, group influence activity contributes to the external success of the organization as a whole, especially when the level of dynamism is high.[1]

For the reasons noted earlier, initiatives that explore new capabilities face greater hurdles to achieving success than those that exploit existing capabilities. The degree of exploration inherent in an initiative group's task thereby becomes a logical contingency in any attempt to explain its performance. In accord with Gupta, Smith, and Shalley (2006), we define the degree of exploration along a continuum rather than treating exploration and exploitation as orthogonal constructs. There are two related arguments for this approach. First, research on strategic renewal posits that initiatives are organized around a specific goal (Burgelman, 1983; 1991; Lovas and Ghoshal, 2000; Lechner and Kreutzer, 2010). Thus, while organizations may pursue more than one initiative at a given point in time and mix exploratory and exploitive initiatives within a portfolio, at the initiative level of analysis, goals are expected to be relatively homogenous so that decision makers can allocate resources based on an initiative's expected strategic impact (Bower, 1970; Burgelman, 2002; Noda and Bower, 1996). Second, because strategic initiatives focus on a single domain (e.g., the development of a new product, improvements in an existing system, launch of a new venture, etc.), the partitioning and loose coupling necessary to pursue both exploration and exploitation in larger organizations is not viable within strategic initiatives. Indeed, in most cases multiple domains and loose coupling within an initiative group would be inconsistent with achieving the initiative's strategic purpose.

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[1] We thank an anonymous reviewer for pointing out the correspondence between exploratory initiatives satisfying internal stakeholders and the adaptation of the organization to dynamic environments.

HYPOTHESES

We argue that the degree of exploration moderates the relationship between three group influence activities—rational justification, use of formal authority, and coalition building—and initiative performance. As initiatives become more exploratory, the strength of the relationship between each form of influence activity and initiative performance increases. In contrast, group influence behaviors are likely to be less important in the performance of exploitive initiatives, that is, those that contribute to improving an organization's existing capabilities.

Rational justification can be defined as the use of rational appeals, data, analysis, and/or arguments to demonstrate the benefits of an initiative. Research suggests that rational appeals are pervasive as a means to gain influence over superiors and peers alike (Kipnis, Schmidt, and Wilkinson, 1980). This is not surprising given that in most organizations justification is a formal part of the administrative process necessary to obtain funding. Dutton *et al.* (2001), for example, reported that 'business plan logic' was used as an issue-selling strategy by 75 percent of the managers in their study. Financial resources are typically allocated in stages, and rational justification is likely to be required at several different points in an initiative's life cycle (Noda and Bower, 1996).

Rational justification is effective because it reduces the level of perceived uncertainty in the minds of decision makers. Key uncertainties surround whether and to what extent the future performance of the organization can be linked to the success of the initiative. For initiatives that exploit an organization's existing knowledge base and are therefore compatible with existing capabilities, the degree of such uncertainty is relatively low. Decision makers have experience with the content of the initiative task and, therefore, have considerable information about how its success may impact organizational performance. In contrast, exploratory initiatives draw on know-how that is unfamiliar to the organization. This means that decision makers lack experience with the initiative task and face a greater information gap about how the success of an initiative will relate to future organizational performance. Since the benefits of rational justification result from reducing uncertainty as the degree of exploration and uncertainty

increases, the importance of rational justification to initiative performance will also increase. Formally:

Hypothesis 1: The positive relationship between rational justification and initiative performance will be stronger for initiatives where the degree of exploration is high and weaker for initiatives where the degree of exploration is low.

Some groups may be in a position to accumulate hierarchical power either because they are launched on top management authority or because they manage to recruit powerful project sponsors, initiative leaders, or members of the team (Bryson and Bromiley, 1993). Involvement and support by individuals with formal authority endows an initiative with hierarchical power. The use of this authority provides groups with a relatively quick and efficient means of acquiring cooperation and other important resources (Noda and Bower, 1996). In addition, the exercise of formal authority signals organizational legitimacy (Pettigrew, 1973; Johnson, 1987), and groups that operate within a more legitimate framework are more likely to obtain both formal endorsement from the dominant coalition and greater acceptance for their goals by peer and subordinate groups.

When a strategic initiative seeks to improve or build on existing capabilities when the degree of exploration is low, its goals are more likely to align with those of established interests. The changes contemplated in such initiatives are likely to be seen as reinforcing past decisions and strengthening existing power bases. Established interests, both in the official hierarchy and the informal network, are therefore less likely to resist and more likely to support the initiative. Since even less exploratory initiatives may need to compete for scarce resources, some amount of formal authority may be necessary to be successful, but obtaining resources and support in this context is likely to be relatively undemanding compared to more exploratory initiatives, requiring relatively less use of formal authority to acquire resources and be successful.

When an initiative focuses on building new capabilities, however, when the degree of exploration is high, its goals are less likely to align with the existing priorities and the goals of established interests. Instead, the changes contemplated in exploratory initiatives are more likely to draw resources toward new priorities and imply significant changes in how resources are allocated, thereby negatively impacting the perceived self-interests of those associated with established capacities (Maritan, 2001). Offsetting the effects of perceived self-interest, countering the objections and resistance of powerful others, and obtaining resources in such a context is more likely to require the use of formal authority than in less exploratory contexts. As a result, support from superiors is more important to initiative performance in an exploratory context. Thus:

Hypothesis 2: The positive relationship between using formal authority and initiative performance will be stronger for initiatives where the degree of exploration is high and weaker for initiatives where the degree of exploration is low.

Among the range of tactics that may be employed to accumulate informal power (Mintzberg, 1983; Porter, Allen, and Angle, 1980), theory suggests coalition building becomes more important as an initiative becomes more exploratory. Clinical research shows that coalition building develops when groups lack formal endorsement for their activities (Bower, 1970; Burgelman, 1988; 1991; Kidder, 1982). Attempts of people to promote and gain support for an exploratory initiative are often covert, at least in the beginning, sheltered by middle managers who surreptitiously support group efforts and champion the goals of the initiative to others (Mintzberg and Westley, 1992; Lechner *et al.*, 2010). Coalition building, therefore, represents behind-the-scenes efforts to develop relationships and secure cooperation from a wide variety of organizational actors (Cobb, 1980; Stevenson, Pearce, and Porter 1985; Quinn, 1980).

Since they are guided or directed by top management, more exploitive initiatives are likely to officially recruit and formally appoint their members. At least in the initial stages, there is less need for informal coalition building behavior on the part of those involved. In exploratory initiatives, however, sponsors, champions, and others are less likely to be officially appointed, and the need for informal coalition building to bring in necessary supporters therefore becomes paramount. In the early stages of an initiative, coalition building is likely focused on gaining active participation, that is, recruiting organization members into the initiative team or

seeking sponsorship from higher level management. Later, however, as an initiative reaches the implementation stage, coalition building focuses on gaining expressions of encouragement or backing from those who are in a position to influence resource allocation decisions. Since the need for coalition building increases when the degree of exploration is high, the relationship between coalition building and initiative performance will be stronger. Thus:

> *Hypothesis 3: The positive relationship between coalition building and initiative performance will be stronger for initiatives where the degree of exploration is high and weaker for initiatives where the degree of exploration is low.*

METHODOLOGY

Sample and data collection

The data analyzed here comes from 96 initiatives (with 246 informants) from three corporations operating in the life and property/casualty segments of the insurance industry. These corporations employed an average of 8,200 people and generated average premium income (comparable to sales) of 9.24 billion dollars. We chose this sample for three reasons. First, by selecting data from a single industry, we were able to limit potentially confounding industry effects. Second, the insurance industry is considered to be conservative and risk averse. During the period of our study, however, most industry observers agree that insurance was in a relatively dynamic period, driven both by higher claims and lower investment performance (Oliva, 2002). Circumstances in this industry match what Eisenhardt and Martin (2000: 1118) describe as a moderately dynamic environment where a 'blend of strategic logics makes sense.' Rather than stable or high velocity environments where exploitation and exploration, respectively, would tend to dominate, a moderate level of industry dynamism provides an appropriate context for examining how variation in the degree of exploration influences the effects of influence activity on the performance of strategic initiatives.

Comprehensive lists of all strategic initiatives that had been completed in the last 18 months were provided by the executive offices of each corporation. In discussions with the top management, we verified the lists for completeness and accuracy and confirmed each initiative's relevance to strategy. This led to the identification of 96 strategic initiatives across the three organizations. Initiatives focused on key parts of an insurance company's value chain: new product development, marketing and sales, operations, underwriting, and asset management. Table 1 provides examples on both ends of the exploration/exploitation continuum.

Typically, initiatives are launched when someone recognizes an opportunity and seeks resources to pursue it. Managers and others may volunteer or be assigned to such groups, usually on a temporary basis. Prior research has shown that even such transient groups quickly develop a 'collective mind' (Weick and Roberts, 1993; McGrath, 2001). To tap the collective memory with respect to the group's influence activities for a particular project, personally addressed surveys were distributed by e-mail to: (1) the individual supervising the initiative, (2) the initiative leader, and (3) several members of the initiative team.

The involvement of the chief executive served to increase the motivation to provide accurate responses. This, together with guaranteed anonymity, helped us to achieve 100 percent response rate at the initiative level of analysis. In contrast to some other studies that rely on mailed surveys for data on organizations, the respondents in this study represented an expert reference group and were in a good position to observe the constructs of interest. In addition, the sampling strategy captured the groups' perceptions, which are likely good indicators of the actual activity within the initiatives (Weick and Roberts, 1993).

Measures

We received at least three respondents for 75 and single responses for an additional 21 initiatives. We used the Kolmogorov-Smirnov Z test to compare multiple and single respondent data. All measures scored below the commonly used threshold value of 0.4, suggesting that there was no reason to believe that responses came from different populations (Wonnacott and Wonnacott, 1990). The single respondent data was therefore incorporated to improve the power of our statistical tests.

For the multiple respondent cases, we calculated item means across three respondents (the initiative supervisor, initiative leader, and initiative member) and summed items to form scales, thus obtaining

Table 1. Initiative descriptions

Initiative type	Examples:	% in sample
	(1) = low degree of exploration and (2) = high degree of exploration	
Product development	(1) Add captives to property insurance in the corporate business	18
	(2) Develop a new product line for client segment '50+'	
Marketing and sales	(1) Increase penetration in the Italian market for retail clients	26
	(2) Create a virtual online insurer business called 'Car World'	
Underwriting	(1) Increase rating precision with regards to floods	14
	(2) Develop underwriting expertise in new director's and officer's business (DandO insurance)	
Operations	(1) Improve claims handling rate in the logistics business	29
	(2) Build up of integrated 24-hour service centers	
Asset management	(1) Bundle group reinsurance and pooling activities	13
	(2) Enter the Belgian market for index funds	

an aggregate value for each variable. (When more than one member of the initiative team responded, we randomly chose one to include with that of the sponsor and initiative leader in the measures.) This aggregation approach has been used in similar studies (e.g., McGrath, 2001). As Gresov, Drazin, and Van de Ven (1989) observe, an advantage is that aggregation tends to average out the bias in individual responses and to compress the overall amount of variance in the measures—leading to more conservative statistical inferences. Normality assumptions are more easily justified for such data, enhancing confidence in results that are based on statistical analysis (McGrath, 2001).

Data from pretests in a sample of 40 Executive MBAs was used to examine the factor structures of the survey items for their consistency with theory. Items were dropped to improve the internal consistency of the scales when it was necessary. Despite some trimming, no scale contains fewer than four items and all scales exhibit acceptable reliability.

We relied on established measures whenever possible, but also found it necessary to develop several new items that measure group influence activity. In doing so, we followed the guidelines set out by a joint effort of the American Educational Research Association, the American Psychological Association, and the National Council on Measurement in Education (AERA, APA, and NCME, 1995). Based on an intensive literature review and interviews with eight executives that focused on the role of influence activity in the development of strategic initiatives, we developed definitions of

the constructs of interest. Then, to ensure content validity, we deductively and inductively generated items that represented the content of these constructs in a comprehensive way. Next, we conducted principal components analysis to examine the consistency of the factor loadings with theory. In the case of each of the independent variables, respondents were asked to respond on a 1 to 5 scale to the following question: 'To what extent did you observe the following activities of the group pursuing the initiative?' (1 = not at all; 5 = to a great extent). Items for each scale are listed in the Appendix.

Independent and moderating variables

Rational justification: The items for this construct were based on descriptions in Bower (1970) and Burgelman (1991) as well as the executive interviews (alpha = 0.89). *Formal authority:* The content for items measuring this construct are based on discussions in Mintzberg (1983) and Pfeffer (1992) and wording suggested by our interviews with executives (alpha = 0.81). *Coalition building:* This scale was developed to assess the extent to which groups tried to gain informal support from other organizational actors. Item content is based on Stevenson *et al.* (1985) and our executive interviews (alpha = 0.88).

Degree of exploration: Consistent with our theoretical argument, we measured the degree of exploration at the level of strategic initiatives along a continuum. More specifically, we asked:

'When the initiative was launched, how compatible was the initiative in comparison to the following characteristics of the organization?' (1 = not at all compatible, 5 = very compatible) This question was followed by 12 items derived from Leonard-Barton's (1992) definition of capabilities: management skills, employee skills, information technologies, business process systems (research and development, logistics, production, sales, etc.), long-term strategic plan, operational budget, investment guidelines, financial control systems, beliefs about what makes the organization successful, assumptions in the organization about how things are done, organizational values, and informal norms in the organization about how to do things. Consistent with the proposition that capabilities arise from the intersection of skills and technical systems, administrative systems, and values and beliefs (Leonard-Barton, 1992), principal component analysis resulted in a single factor that was reverse scored to measure degree of exploration (alpha = 0.91)

Initiative performance: Respondents were asked to assess the performance of the initiative using 11 items on a five-point scale (McGrath, 2001; Lechner *et al.*, 2010) (1 = not at all; 5 = to a large extent). Five of the items referred to meeting objectives with respect to time, cost, efficiency, and so forth. In addition, respondents were asked to assess performance in terms of achieving the initiative's overall purpose and intended outcome and from different managerial perspectives (Bryson and Bromiley, 1993), that is, the respondent, top management and other members of the organization. Principal component analysis resulted in a single factor with 11 items and an alpha of 0.87.

Controls: We were concerned about the need to control for the effects of several variables that are not part of the hypotheses. In particular, we worried that the type of initiative (i.e., product or process focused), its size, and its duration could influence the relationship between group influence activities and initiative performance. We therefore measured each of these. Objective data on initiative size (amount of people involved) and duration (number of months) were obtained from the initiative leaders. To develop a measure of product or process focus, initiatives were classified independently by one of the authors and a Ph.D. student based on the descriptions provided by the leader. Initially, they agreed in approximately 95 percent

of the cases, and with discussion they were able to resolve the few cases of disagreement. We created a dummy variable based on this classification.

We also sought to control for the effects of industry and organizational context. The former was accomplished through the sampling design in that we collected data from organizations in a single industry (insurance). The latter, however, remained a concern. To measure organizational context, we therefore created two dummy variables to identify which of the three organizations in our sample was the parent of each initiative. Separately, we conducted an analysis of variance across firms on all of the scales in the study and found no significant differences.

Adequacy of the measures

In addition to the internal consistency of the scales, we examined their convergent and discriminant validities (Campbell and Fiske, 1959). We calculated the average inter-item correlation among items within each of the independent variables and compared this with the average inter-item correlation across all independent variables. We found that within variable average correlations exceeded the all item average correlation for all three variables. In particular, the average correlation among all items across the three variables was 0.50, while the average correlation for items within the variables was 0.69 (for rational justification), 0.71 (for formal authority), and 0.61 (for coalition building). Thus, although the correlations reflect the fact that the three activities are part of the same class of behaviors, the analysis suggests that the measures of the variables are not redundant and they capture distinctive features of group influence. As further confirmation that item covariance was consistent with theory, we subjected the independent variables and the moderator to a principal component analysis and examined the factor loadings. The solution resulted in four factors and loadings that were consistent with theory. Loadings for degree of exploration, rational justification, and use of formal authority were unambiguous (above 0.70 and no cross-loadings above 0.30). Two of the items (that loaded 0.60 or above on coalition building) also loaded to a lesser degree on rational justification and formal authority. Theory suggested including both in coalition building and doing so created a scale with acceptable internal consistency (alpha = 0.88).

In order to validate our use of aggregated individual responses on the initiative level of analysis, we examined interrater agreement for each of the scales measured in the survey. Based on Burke and Dunlap (2002), we calculated the intraclass correlation index for each scale and found high correlation among respondents (all above 0.82). Following the suggestions of Jones *et al.* (1983), we also compared responses across individuals at the item and scale level, including t-tests of mean differences and correlations across scales. These tests confirmed that interrater agreement was well above 0.60, suggested by Glick (1985: 609) as the cutoff for acceptable values.

We were especially concerned about the validity of our measure of initiative performance since it was the dependent variable in the study. Consistent with Carmines and Zeller's (1979) recommendation, therefore, we employed the concept of criterion related validity in its assessment. Criterion validity is normally estimated by the correlation between the 'test' and the criterion. In this case, the questionnaire measure of effectiveness may be considered the 'test.' To validate this measure against an objective criterion, we obtained independent assessments from contacts within corporate headquarters as to the success or failure of each initiative. In each company, headquarters and business units had agreed on objectives (such as risk adjusted internal rate of return, etc.), and our contacts' job responsibilities made them privy to this information. Since all the initiatives had been

completed recently, our respondents were able to assess their performance objectively on the basis of whether it had met expected objectives. Correlations between this categorical assessment and the questionnaire measure indicated acceptable validity (Spearman's rho = 0.81, p < 0.001). A similar test of the measure of degree of exploration also provided evidence of its validity (Spearman's rho = 0.82, p < 0.001).

We also examined mono-method and single-source bias. Harmon's single factor test showed that no single factor explained more than 25 percent of the variance—a value that is commonly used as an indication of common method bias (Podsakoff and Organ, 1986). In addition, following Kumar, Stern, and Anderson (1993), we computed each of the regression models using ratings from the individual who had supervisory responsibility for the initiative for observations of the dependent variable and aggregated ratings from the leader and group member for observations of the moderator and independent variables. The results were entirely consistent with those reported here, except that the statistical significance for some of the regression coefficients was somewhat higher.

RESULTS

Table 2 shows the means, standard deviations, and correlations among the variables. We used a natural log transformation of size to correct

Table 2. Means, standard deviations, and correlations

Variable	Mean	S.D.	1	2	3	4	5	6	7	8	9
1. Duration	2.55	1.03	1								
2. Size	577	551	0.29**	1							
3. Type	—	—	0.20	0.05	1						
4. Org. 1 (dummy)	—	—	0.04	−0.16	0.02	1					
5. Org. 2 (dummy)	—	—	−0.06	−0.10	0.11	−0.66**	1				
6. Degree of exploration	3.43	0.99	0.07	0.10	−0.03	−0.01	−0.13	1			
7. Rational justification	3.50	1.10	−0.05	−0.08	0.03	−0.12	0.24*	−0.27**	1		
8. Formal authority	2.96	1.03	−0.01	0.10	−0.04	0.01	0.07	−0.03	0.23*	1	
9. Coalition building	2.63	1.08	0.11	−0.04	0.08	−0.22*	0.28**	0.11	−0.05	−0.13	1
10. Performance	3.27	0.91	0.09	−0.01	0.06	−0.00	0.11	−0.25**	0.66**	0.35**	−0.16

N = 96. ** p < 0.01; * p < 0.05.

for the skewness and kurtosis observed for this variable. For the remaining variables, inspection of the histograms and analysis of the intervals defined by twice the standard error of the skewness and kurtosis statistics led us to conclude that there were no significant departures from normality (Hair *et al*., 1998). Correlations among the independent variables are below the threshold value of 0.50. With the exception of one of the interaction terms (where the value was 2.09), values for the condition index for the controls, moderator, independent, and interaction variables are all below 2.00, which is considered acceptable as another signal that multicolinearity does not influence the results (Neter, Wassermann, and Kutner, 1983). Results from Levene's test (F = 1.35, p = 0.21) suggests the error variance of the dependent variable is homogenous across groupings created by the independent variables and moderator.

The hypotheses were tested using multiple regression analysis. We centered all variables (with the exception of the two dummies) and proceeded in a hierarchical approach, following the recommendations of Hair *et al*. (1998). In Table 3, for each model we present the standardized β-coefficient estimates, adjusted coefficient of determination, F-value, as well as changes in R-squared and F statistics. Model 1 includes the five controls (duration, size, type, and two dummies for the three corporations). None of these controls is significant. Model 2 adds degree of exploration.

Consistent with the theory that exploratory initiatives face greater challenges in achieving success (March, 1991), the result is significant and shows a negative sign. In Model 3, we introduce the three forms of group influence activity. Formal authority and rational justification are significantly and positively related to performance. However, coalition building is not significantly associated with the dependent variable and shows a negative sign. Both the adjusted R-squared and F values increase significantly in Model 3 compared to the previous models.

The moderating effects of the degree of exploration on the relationships between influence activity and initiative performance are examined in Models 4–6. In Model 4, we test the interaction effect of degree of exploration and rational justification. Results show a significant positive coefficient for the direct effect but not the interaction term. Model 5 examines the interaction effect for degree of exploration and formal authority. Results show positive and significant coefficients for both the direct effect and interaction term. In Model 6 the direct effect of coalition building remains negative and not significant; the interaction term, however, is positive and significant.

Finally, the full model is reported in M7. These results are consistent with those in previous models. Although the direct effect is significant, there is no significant interaction effect for rational justification, contrary to Hypothesis 1. The interaction

Table 3. Results of regression analysis for initiative performance

| Variable	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7
Duration	−0.12	−0.10	−0.08	−0.08	−0.08	−0.06	−0.06
Size	0.06	0.07	0.05	0.05	0.03	0.05	0.03
Type	0.06	0.06	0.07	0.07	0.09	0.06	0.08
Org. 1 (dummy)	0.13	0.10	0.05	0.04	0.02	0.03	−0.02
Org. 2 (dummy)	0.19	0.14	−0.01	−0.02	−0.04	−0.04	−0.09
Exploration		−0.23*	−0.07	−0.08	−0.11	−0.07	−0.12
Rational justification			0.60***	0.58***	0.56***	0.64***	0.60***
Formal authority			0.20*	0.19*	0.17*	0.20*	0.16*
Coalition building			−0.08	−0.06	−0.08	−0.07	−0.06
Rational justification × exploration				0.10			0.04
Formal authority × exploration					0.19*		0.23*
Coalition building × exploration						0.16*	0.20*
Adjusted R²	−0.02	0.02	0.46	0.46	0.49	0.48	0.52
F	0.62	1.39	1.00***	9.22***	10.14***	10.02***	9.63***
Change R²	0.03	0.05	0.43	0.01	0.03	0.02	0.07
Change F	0.62	5.06*	24.98***	1.60	6.08*	4.28*	4.67*

N = 96. *** p < 0.001; ** p < 0.01; * p < 0.05.
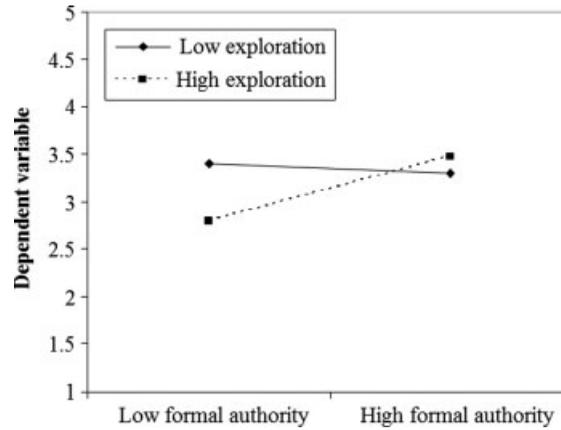
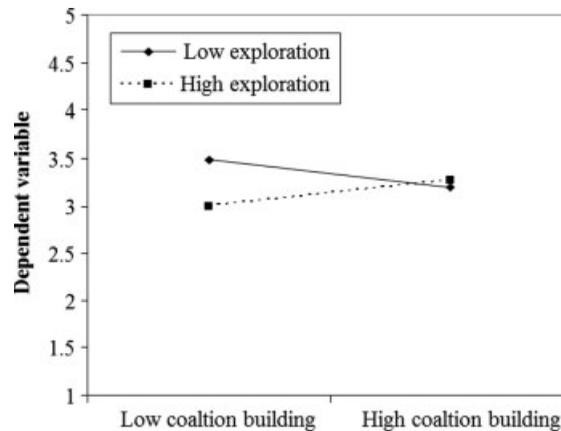Figure 1a. Plot of interaction between use of formal authority and degree of exploration

Figure 1b. Plot of interaction between coalition building and degree of exploration

effect of formal authority is significant, indicating that as the degree of exploration increases, the impact of formal authority on the performance of initiatives increases. This provides support for Hypothesis 2. A significant interaction effect for coalition building also provides support for Hypothesis 3, which predicted a moderating effect for the degree of exploration on the coalition building-initiative performance relationship. Because there is no significant direct effect for coalition building, however, the significant interaction term suggests that the relationship between coalition building and initiative performance is limited to those initiatives where the degree of exploration is high. Changes in the adjusted R-squared and F-value for the full model are significant.

In order to further explore the moderating relationships, we plotted the interactions between formal authority and initiative performance and between coalition building and performance for cases one standard deviation above and one below the mean of degree of exploration (Aiken and West, 1991). The plots are shown in Figures 1a and 1b. In Figure 1a, the slope of the curve shows performance improves with increases in formal authority at high but not at low levels of exploration. At low levels, the line is flat or decreasing slightly. This means that the use of formal authority is more important to performance in highly exploratory initiatives and that it is relatively unimportant in less exploratory contexts. Figure 1b shows a positive slope between coalition building and initiative performance only for high levels of exploration. At low levels of exploration, the slope is negative. This suggests that coalition building plays a positive role in the success of only the most exploratory initiatives; for

initiatives where the goals are not exploratory, that is, where the degree of exploration is low or moderate, coalition building makes no difference and may even detract from initiative performance.

DISCUSSION

The degree of exploration appears to provide a useful way to conceptualize when certain but not all group influence activities matter to the performance of strategic initiatives. The use of formal authority is generally a positive influence on the performance of strategic initiatives, and its importance strengthens when the degree of exploration is high. Coalition building appears relatively unimportant except when the degree of exploration is high. Rational justification, on the other hand, appears central to initiative performance, regardless of the degree of exploration.

Implications for theory

The results confirm the importance of formal power in accomplishing the objectives of exploratory undertakings. This is in line with arguments by March (1991) and Pfeffer (1981) that formal authority is an effective way to integrate new ideas into organizational action. This finding also supports recent theory on organizational learning that the use of formal authority facilitates the integration of new ideas into group activity (Lawrence *et al.*, 2005). Moreover, the fact that the use of formal authority becomes more important as the degree of exploration increases suggests that this form of influence activity becomes more important as the learning challenges become more significant. At first, this inference may seem inconsistent with prior research wherein more innovative initiatives are said to emerge autonomously from middle and operating levels without the awareness of, much less endorsement from, senior managers (Burgelman, 1991; 1994). Two things may explain the apparent conflict. First, our study was conducted in large insurance firms, what Mintzberg (1983: 656) would describe as 'Machine Bureaucracies.' In such settings, formal authority may be more important in advancing initiatives than in technology intensive contexts such as those in Burgelman (1991; 1994). Second, in the Bower-Burgelman formulation (Noda and Bower, 1996) even autonomous initiatives require top

management ratification at later stages—as pilot projects being implemented on a widespread basis, for example. Indeed, reaching the implementation stage may be considered an indication of initiative success; by our definition, initiatives that reach this stage have achieved a higher level of performance than those that are abandoned at earlier stages. Thus, the relationship observed between formal authority and initiative performance may be attributed at least in part to its utility in implementation phases of initiative development.

The relatively strong positive effects of rational justification on initiative performance are in line with prior empirical research (Dean and Sharfman, 1996) and with the pervasiveness of rational appeals as a means of influence seeking in organizations (Kipnis *et al.*, 1980). Indeed, the mean level of rational justification is notably greater than the means for the other forms of influence activity. Moreover, since the level of environmental dynamism in the industry was relatively high at the time data was collected (Oliva, 2002), this finding supports the proposition that rationality can be particularly important in dynamic situations (Eisenhardt, 1989; Miller and Friesen, 1983; Priem, Rasheed, and Kotulic, 1995). The result is also consistent with Dutton *et al.*'s (2001: 721–722) observation that 'business plan logic' is used frequently as a part of issue selling. It does not comport, however, with their speculation that rationality may breed conservatism and become unhealthy for more innovative initiatives (Dutton *et al.*, 2001).

Moreover, the relationship between rational justification and initiative performance does not appear to depend on the degree of exploration. This is interesting because exploration is a correlate of uncertainty (March, 1991), and research on uncertainty and rationality in decision making has produced two opposing arguments. Some maintain that when uncertainty is high, lack of information leads managers to give up on analysis and rationality as a decision-making approach (Dean and Sharfman, 1996). Others maintain that a lack of information motivates managers even more to search for and analyze whatever information is available (Eisenhardt, 1989). In the context of decision making about investment projects, Maritan's (2001) detailed examination of this issue led her to support the first argument—that decision-making rationality decreases with the level of uncertainty.

This study may provide a way to reconcile these two positions. On one hand, the uncertainty surrounding more exploratory initiatives may make rational analysis less useful to those outside an initiative group who are deciding whether to invest in such projects (Maritan, 2001). Those evaluating initiatives look for objective data and analysis that compare a given initiative with others competing for the same pool of resources. As an initiative becomes more exploratory, it is logical to assume that such data is likely to become more scarce and rational analysis more impractical. On the other hand, groups responsible for implementing an initiative are not objective evaluators. They are proponents. Their goal is, thus, to construct a convincing business case even in the absence of objective data, and high exploration and uncertainty provide little deterrent to this effort. Indeed, knowing that its project's outcomes may be viewed as uncertain by outsiders may increase the group's motivation to construct a solid justification (Eisenhardt, 1989).

Maritan (2001) examined capital investment decisions as part of the capability building process in a multidivisional paper and pulp products company. Her inductive study led her to propose that a higher level of politicality is more likely to be associated with investment projects that focus on new capabilities than for projects that maintain or improve existing capabilities (Maritan, 2001: 524–525). If one reads 'politicality' to mean the use of influence tactics by the group proposing such investments, results from the present study support this theoretical proposition. Moreover, by elaborating the construct of politicality into three specific forms of group influence and linking these activities to initiative performance, the results extend and qualify Maritan's (2001) theory. In particular, the results show that some forms of influence improve the performance of all initiatives and that, in more exploratory cases, the use of formal authority and coalition building become even more important.

Implications for a coevolutionary view of strategic renewal

In much of the literature, strategic renewal is defined as an evolutionary process (e.g., Burgelman, 1991; Floyd and Lane, 2000; Huff, Huff and Thomas, 1992), and for the most part, therefore, research has focused on the internal organizational context surrounding strategic initiatives. This research has advanced substantially our understanding of the mechanics of internal selection, but says less about adaptive responses by the unit of selection—strategic initiatives. Explaining these responses and understanding how such undertakings struggle for resources is important because evidence suggests that the intraorganizational context and the resource allocation process are often sources of inertia (Burgelman, 2002; Carroll and Teo, 1996; Hannan and Freeman, 1984; Lechner and Kreutzer, 2010; Leonard-Barton, 1992; Tushman and Romanelli, 1985).

The present study demonstrates the relevance of influence activity as an adaptive response to such inertia by groups of top- and middle-level managers who sponsor, lead and support initiatives. In addition, we speculate that successful influence activity by an initiative group may also change the context within which subsequent projects compete. For example, if a group is successful in influencing top managers to invest in a more exploratory project and the project proves successful in the external environment, it may encourage a revision of resource allocation criteria in favor of more risk taking, thereby paving the way for future exploratory projects and, to this extent, reducing inertia in the resource allocation process. Thus, group influence activities may not only have an effect on a particular initiative's success but may also help to reshape the context for subsequent initiatives and achieve coevolutionary development.

Such an internal dynamic provides a counterpoint to coevolutionary lock-in as described at Intel Corporation (Burgelman, 2002). At Intel, the success of a particular strategic direction and the influence of the chief executive created a tightly constrained induced strategy process that decreased 'Intel's capacity to activate strategic context determination processes' (Burgelman, 2002: 355), that is, undermined middle-level managers' pursuit of exploratory strategic initiatives. The results in this study suggest that influence activity may help middle managers forestall the natural tendency of organizations to reinforce successful strategies from the past by changing resource allocation priorities. To the extent influence activity defeats lock-in and reduces inertia, it may increase an organization's long-term adaptive capacity.

Implications for management

Although most experienced managers will be well aware of influence activity as an important factor in the success of strategic initiatives, the potential positive impact on organizational inertia represents a second order benefit that may be less apparent. The lesson is that executives should view the success of exploratory initiatives not only as an opportunity to innovate around particular products or processes but also as an opportunity for reconsidering resource allocation priorities more broadly. Doing so may help weaken inertial forces, ramp up the pace of innovation in the organization, and lead to more dynamic strategic positioning.

The other finding in this study that may be counterintuitive for managers is the need for both informal coalition building and formal authority in the success of highly exploratory initiatives. Since the former relies on autonomous, bottom-up politicking and the latter on official sanction, many executives may see these two forms of influence as incompatible and associate them with two different process architectures. While results here do not preclude the need for parallel structures to accommodate induced and autonomous initiatives (Burgelman, 1983), they do suggest that more exploratory efforts benefit from nurturing and support by senior executives, irrespective of the locus of their impetus in the management hierarchy. Put differently, the process design for fostering exploratory initiatives is not governed by a forced choice between processes that accommodate bottom-up and top-down influence. Instead, when the degree of exploration is high, initiative success depends on a process that encourages active involvement from both ends of the management hierarchy.

The results are important for managers because the organization's ability to renew its capabilities is closely associated with its capacity to successfully develop and manage a portfolio of strategic initiatives (Maritan, 2001; McGrath, 1997; Lechner and Kreutzer, 2010). If members lack the motivation or skill to successfully influence the decision-making environment surrounding an exploratory initiative, it may fail to attract resources despite merit. As a result, the organization's portfolio of strategic initiatives may be tilted away from the balance of exploration/exploitation needed to adapt to conditions in the external environment. Put differently, effective group influence activity within strategic initiatives is likely to play a key role in whether an organization achieves ambidexterity in capability learning (Gupta *et al.*, 2006).

Limitations, future research, and conclusion

Our hypotheses predict conditional relationships between the three forms of influence activity and initiative performance, treating the degree of exploration as a characteristic of the task that moderates the strength of these relationships. This approach is consistent with prior research wherein the relationship between goal and supervisory autonomy and the performance of initiatives was seen to be moderated by the degree of exploration (McGrath, 2001). However, both the degree of autonomy surrounding an initiative and the influence activity within an initiative may not be entirely independent of the degree of exploration in the task environment. Actors outside and within the initiative group may perceive the initiative task to be more or less exploratory and design organizational arrangements or engage in influence activity accordingly. There is no evidence of this in our data for the use of formal power and coalition building (where the bivariate correlations with degree of exploration are nonsignificant), but the significant and negative correlation between rational justification and degree of exploration suggest that the groups in our study facing an exploratory task environment are either less willing or less able to produce rational justifications. Though this is consistent with the hypothesized effect, it may also suggest the degree of exploration is an antecedent of this form of group influence activity. To alleviate concerns that this effect may also be an indication of a broader endogeneity issue, we examined differences in the three forms of group influence behavior for subsamples created by splitting the sample at the midpoint on the degree of exploration scale. None of the differences were significant.[2]

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[2] We also performed a two-stage instrumental variable analysis to further examine this possibility. The corrected model produced regression coefficients that were consistent with the magnitude and significance levels reported in Model 7 of Table 3, except that the coefficient for the main effect of use of formal authority was smaller and no longer statistically significant (0.10, p < 0.15 versus 0.16, p < 0.05). While this may raise questions about the main effect of this variable on initiative performance, the corrected results continue to provide support for our hypotheses. Moreover, the significant Pearson coefficient between use of formal authority and initiative performance reported in Table 2 suggests that reporting a significant main effect in Model 7 may

At least three other limitations of the study should be considered. The first of these concerns the external validity and boundary conditions of our findings. Drawing initiatives from a single industry allows us to control for a host of external factors, and the conditions faced by insurance firms at the time seem ideal for producing a sample of initiatives that varies in the degree of exploration. It can be argued, however, that both of these considerations are likely to produce data that is consistent with our hypotheses. Moreover, the fact that we drew the sample from insurance firms may limit generalizability in other ways. For example, although we find informal influence activities (coalition building) to be important to initiative performance only in the most exploratory initiatives, this may in part reflect the relatively high degree of formality and reliance on hierarchy that characterizes large insurance firms. In more organic organizations where decentralization and autonomy play a greater role (Burns and Stalker, 1961; Cardinal, Sitkin, and Long, 2004), coalition building and other forms of informal influence activity may be important to the success of virtually all initiatives. Indeed, the fact that we find informal influence in mechanistic firms to be more important to the success of innovative initiatives where the degree of exploration is high is theoretically consistent with its greater importance in organic contexts.

A second limitation may be related to the process of identifying initiatives in our study. Although the headquarters and business units identified all initiatives that had taken place over the last years, we cannot exclude the possibility that other, less official initiatives, also emerged in the organization. Coalition building may be more important in such unofficial initiatives. A final limitation is related to the cross-sectional research design. It is likely that the effects of the three types of activity vary over time, with coalition building, for example, possibly being more important at the early stages. We took all of the precautions recommended in Huber and Power (1985) to reduce retrospective response bias, however, including the use of multiple respondents, all of whom were knowledgeable about the initiative and who varied in terms of their perspective and emotional involvement in the initiative. These methods

together with the fact that all of the initiatives in the sample had been completed in the 18 months just prior to data collection, help to mitigate the potential for retrospective response bias.

Future research should be designed with the limitations of this study in mind. In addition, a coevolutionary logic points to interactions between context and initiative as a central focus, and future research might usefully address the dynamics of this interaction. A number of questions suggest themselves. What are the best ways to conceptualize interfaces between structural, relational, and cultural features of the organization vis-á-vis initiatives? What are the dynamics of these interfaces over the phases of an initiative's life cycle, and how are such dynamics influenced by the degree of exploration? What other managerial practices are important to the performance of an initiative, and what are the antecedents of managerial competence with respect to these practices? How can an organization cultivate a cadre of managers capable of navigating the process? Do we find parallel effects of these influencing activities for the pursuit of corporate programs (coordinated portfolios of strategic initiatives) in multibusiness firms?

Power and influence have figured prominently in the literature of strategic decision making, but few prior studies have coupled a comprehensive analysis of group influence activities with strategic initiatives as a unit of analysis. In taking such a focus, this research moves the study of influence into the realm of strategic renewal and capability development. The results suggest that group influence activity is a significant factor in an exploratory initiative's ability to acquire resources and impact an organization's core capabilities. We hope this study will prompt future research that examines the role of influence in strategic renewal.

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be a more accurate description of this variable's role in the influence dynamics within our sample.

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APPENDIX: QUESTIONNAIRE ITEMS AND ALPHAS

Rational justification (0.89)

To what extent did you observe the following activities of the group pursuing the initiative?

1. Explaining the objectives of the initiative
2. Arguing for the initiative with logical arguments
3. Using data to justify the initiative
4. Demonstrating that desired resource commitments were supported by top management
5. Underlining the positive effects of the initiative

Formal authority (0.81)

To what extent did you observe the following activities of the group pursuing the initiative?

1. Using formal authority
2. Pointing out the rules requiring that he or she comply
3. Exercising official sources of power
4. Drawing on the formal status of group members
5. Ordering someone to do what was asked

Coalition building (0.88)

To what extent did you observe the following activities of the group pursuing the initiative?

1. Offering an exchange (if you do this for me, I will do something for you)
2. Reminding others of past favors
3. Showing how support for the initiative will benefit other parties
4. Making concessions to gain support for the initiative
5. Obtaining informal support from higher levels

Degree of exploration (alpha = 0.91)

When the initiative was launched, how compatible was the initiative with regard to the following characteristics of the organization? (1 = low compatibility; 5 = high compatibility):

1. Management skills
2. Employee skills
3. Information technologies
4. Business process systems
5. Long-term strategic plan
6. Operational technologies
7. Investment guidelines
8. Financial control systems
9. Beliefs about what makes the organization successful
10. Assumptions in the organization about how things are done
11. Organizational values
12. Informal norms in the organization about how to do things

Initiative performance (alpha = 0.91)

In assessing the general success or failure of the initiative, please answer the following questions (1 = not at all; 5 = to a large extent):

1. Did the initiative achieve its overall purpose?
2. Do *you* consider the initiative successful?
3. Was the initiative considered successful by *top management*?
4. Was the initiative considered successful by most members of the organization?
5. Did the initiative achieve its intended outcome?

Please assess the performance of the initiative over the last three months, on each of the following dimensions (1 = very unsuccessful; 5 = very successful):

1. Meeting time expectation
2. Meeting quality parameters
3. Meeting cost parameters
4. Meeting efficiency parameters
5. Meeting user/client satisfaction expectations
6. Meeting service expectations