

Influence of Managerial Controls on Human Needs, Expectations, Attitudes, and Abilities

- Extended Abstract -

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Even though managerial controls are present almost everywhere in today's organizations and even though "control has been the problem of the world since its population grew from one to two" (Rathe 1960-28), the behavioral implications of controls are still under-researched. The majority of literature still follows a technocratic or technological perspective on control. However, since organizations consist of human beings, not the technological, but the behavioral aspects are of primary importance. Hence, identifying these behavioral effects should be a top priority for business research (Holmes et al. 1991).

As individual human beings are the center of behavior within organizations, a micro-perspective of organizational research is best suited to arrive at reliable conclusions about the impact of managerial actions and systems on behavior (Felin and Foss 2006). Social-cognitive psychology takes such a micro-perspective and seems due to its largely empirical and experimental philosophy a promising avenue for arriving at testable hypotheses about controls on the level of individuals (and finally a theory of control) which are likely to mirror reality closely.

Due to competing definitions and theories in psychology, a couple of clarifications of the psychological constructs determining behavior are necessary. The ongoing discussion in psychology notwithstanding, the characteristics determining individual human behavior can roughly be grouped under four headings: needs, attitudes, expectations, and cognitive and physical abilities. Needs are a person's latent preparedness to react to specific incentives in a

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particular way and are considered to comprise physiological ones and needs for safety, affiliation and friendship, social esteem and power, and for achievement and self-fulfillment by the majority of psychological researchers. In contrast, attitudes are evaluations of certain objects with respect to the satisfaction/frustration of a person's needs (Crawford et al. 2002). Together with the expectations, which are an individual's assumptions about future events and their consequences for her level of need satisfaction and the consonance of these consequences to her attitudes, needs and attitudes determine an individual's motivation to act/not to act in a particular way. Finally, abilities, are a person's physical and/or cognitive potential to act and are typically limited.

Based on a common understanding of these four determinants of human behavior, it is possible to derive a set of propositions about the influence of managerial controls on human beings. Such an analysis checking for an influence of these determinants, shows that the influence of managerial controls on these four factors and in turn on the individual's behavior is much more manifold than earlier research has recognized.

Besides the often mentioned effects on human expectations *ex ante* – game theoretic or principal agent effects of an expected control (see e.g. Holmström and Milgrom 1991) – and on the abilities of the person subjected to a control *ex post* – learning/knowledge generation from feedback (see for example Bolger and Önköl-Atay 2004), controls have several other effects on the needs, attitudes, expectancies and abilities of the individuals involved. For example, conducting a control may help to satisfy a person's needs for power while at the same time frustrating her needs for affiliation and friendship. Similarly, being subjected to a control may endanger one's feelings of security and trustedness, implying frustrations of the needs for safety and for friendship and affiliation. Furthermore, both conducting a control as well as being subjected to it will lead to learning effects with respect to the individuals' attitudes towards each other as well as towards controls in general. Additionally, a control leads to similar learning effects on expectations. In total, some thirty effects of a control on

the individuals involved can be derived based on the determinants of human behavior mentioned-above.

The magnitude of these effects (hence, the significance of changes in behavior) will, however, depend on the circumstances under which the control takes place. These circumstances firstly comprise the current level of need satisfaction/frustration, the existing attitudes and expectancies, and the abilities of the individuals involved (among others: Elganovan and Xie 1999; Bourguignon 2004). Besides these conditions, the degree of participation of the person subjected to a control in conducting the review, the amount of an individual's tasks analyzed in a control, the depth of review, their degree of formalization, the compatibility of the measured results with the reference, and the amount of extrinsic rewards and/or punishments tied to the results achieved significantly influence the effect magnitude (see among others: Cawley et al. 1998; Bonner and Sprinkle 2002; Chenhall 2003). In fact, the results conclude that the effects of controls largely depend on the respective design of controls and that there is no *panacea* available. Controls need to be designed specifically according to the respective firm's goals and the existing circumstances impacting on the magnitude of a control's effects.

However, due to the complexity of the factors influencing the magnitude of the effects and our currently low state of knowledge of some of these factors, many open questions on how an optimal design might look like for each of the typical targets of controls remain.

Keywords:

Management control, human behavior, needs, attitudes, expectations, abilities

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