Decades of research on organizational change show that top managers vary considerably in their inclination to launch reorganizations, that is, intentional changes in organizational structures and internal policies. Whereas many top executives launch some kind of reorganization within their first two years on the job (more than 50% according to Blenko, Mankins and Rogers 2010; also see Boeker 1997), others often actively resist change (Agócs 1997; Mabey and Mayon-White 1993; Muurlink, Wilkinson, Peetz and Townsend 2012; Palmer, Dunford and Akin 2009; Pfeffer 1992). *Why do some top managers eagerly initiate reorganizations, whereas others actively avoid or resist them?* Answering this question is not only relevant for understanding the role of top managers in enabling reorganizations. It is also relevant for understanding why some organizations fail to implement necessary changes in dysfunctional structures and processes (Staw, Sandelands and Dutton 1981), whereas others spend valuable resources in risky reorganizations that often bring about more problems than solutions (Palmer, Dunford and Akin 2009).

1 This chapter is based on F. Nieto Morales, R. Wittek, P. Hindriks and L. Heyse. 2014, “Managerial gattopardism: Why managerial control inhibits reorganizations”. A revised version is under review for publication at time of writing. Funding for data collection to R. Wittek (The Netherlands’ Organization for Scientific Research: 016-005-052, 400-05-704).
A central proposition of strategic management research, particularly upper echelons theory (Finkelstein and Hambrick 1990; Finkelstein, Hambrick and Canella 2009; Hambrick 2007; Hambrick and Mason 1984) is that top managers play a crucial role in bringing about strategic change (see also, Westphal and Friedrickson 2001). A considerable body of empirical research seems to support this. Strategic management studies, for example, show that CEO’s professional experience predicts the likelihood and orientation of changes (Finkelstein and Hambrick 1996). Others show that top executive tenure is a predictor of commitment to uphold the status quo and a deterrent to strategic change (Hambrick, Geletkanycz and Fredrickson 1993). More recently, Waldman, Javidan and Varella (2004) found that managers’ charismatic leadership is associated with objective and subjective indicators of strategic change, and Vera and Crossan (2004) make a case for the influence of corporate leadership on broader processes of organizational development.

However, as pointed out already by Hambrick (2007, 335), an issue in the upper echelons literature is that many observed associations are interpreted solely on the basis of managerial profile proxies, rather than theory-based mechanisms. Previous work has addressed some concrete causal pathways (e.g., for tenure or executives’ functional role; cf. Finkelstein, Hambrick and Canella 2009). Yet, a “black box problem” remains in that managerial experiences are often disconnected from intra-organizational processes. This study seeks to contribute in this regard. Elaborating on the idea of gattopardism (cf. Andrews 2003), we specify a social mechanism linking managers’ experiences of control to the likelihood of reorganizations. In doing this, our study contributes to the upper echelons literature by moving beyond mere association of variables toward an intelligible answer to the question “why do executives do what they do?”

In Il Gattopardo (The Leopard, 1958), Giuseppe Tomasi di Lampedusa tells the story of Don Fabrizio, Prince of Salina, a
19th century Sicilian nobleman who struggles to preserve his position in the midst of social and political revolution. As the novel progresses, it becomes clear that in order to secure the continuity of his family’s influence, Don Fabrizio must break with tradition and embrace change: “Everything needs to change, so that everything remains the same.” Gattopardism thus refers to the notion that individuals in power positions are likely to avoid risky change, unless change is useful to preserve or improve their position. Although the connection between managerial power and control, and corporate change is by no means a novelty (cf. Westphal and Fredrickson 2001), many arguments in the literature assume, often implicitly, a positive association between managerial motivation and change. It is assumed, for instance, that corporate executives are “in control” when kick-starting reorganizations (see, e.g., Kotter 2012). Further, to the best of our knowledge, there is limited work in this literature that connects (micro) experiences of control to (macro) organizational outcomes such as reorganizations. We pose the thesis that reorganizations are costly and risky undertakings and managers who are “in control” will readily avoid them, unless they are useful to improve their position. Specifically, we develop and empirically explore the mechanism by which the weaker an executive’s managerial control position (MCP) is, the higher the likelihood that he or she embarks on reorganization.

This chapter makes three contributions to the literature on corporate change and upper echelons. First, by investigating the inverse relation between managerial experiences of control and reorganizations, we identify an endogenous mechanism linking managerial power motivation to the likelihood of corporate change (see Wittek and Van Witteloostuijn 2013, 576) that complements (exogenous) contingency arguments on organizational change. Second, we develop a construct to measure managerial control that, in line with central tenets of upper echelons theory, permits capturing and comparing managerial construals of control (cf. Hambrick 2007). This consists of a latent measurement
inferred from dimensions of managers’ (varying) experiences in attaining organizational and managerial goals (legitimacy, compliance, coordination and cooperation). Third, we empirically explore our ideas, facilitated by longitudinal data from 365 top managers in the Netherlands, collected in 2003 and 2006.

**Gattopardism**

As originally formulated by Hambrick and Mason (1984), the central idea of upper echelons theory is two-folded. On one hand, top executives act on the basis of their interpretations of the strategic situations they face; and on the other, interpretations are influenced by the executives’ experiences. As such, the theory builds on a bounded rationality framework and postulates that managerial decisions are necessarily situational. In order to understand (macro) organizational events, researchers “must consider the biases and dispositions of their most powerful actors—their top executives” (Hambrick 2007, 334). From this perspective, organizational phenomena such as the incidence of reorganizations are a reflection of the experiences and biases of powerful actors in the organization. Before we elaborate on this relation, this theoretical section introduces the key construct, *managerial control position* (*MCP*). The section subsequently elaborates on the potential effects of reorganization on *MCP*, and on the mechanism by which *MCP* may decrease the incidence of reorganizations.

**Managerial control position (MCP)**

Managerial control is “the one way managers can align employees’ capabilities with the organization’s goals” (Raelin 2011, 135-6; also see Cyert and March 1963; and Perrow 1970). It is the most fundamental aspect of managers’ power base (Hales 1999; Mintzberg 1989; 1973; Otley, Broadbent and Berry 1995;
Thompson and Van den Broek 2010; Wittek and Van Witteloostuijn 2013). Our construct of MCP builds on a sociological framework for the study of organizational governance (Etzioni 1961; Wittek 2007, 82-84). In particular, this framework is informed by the basic idea that control is wielded in order to align goals “among a collection of individuals or units who share only partially congruent objectives” (Ouchi 1979, 833; Mintzberg 1989; 1973), and that managers’ experiences of control may exhibit comparable characteristics across individual cases. Further, this connects with the upper echelons assumption that the experiences of executives—in this case, experiences of control—are related to organizational strategy; specifically, in that experience provides the basis for strategic choice (Finkelstein, Hambrick and Canella 2009).

A core assumption behind our conceptualization is that control is a multifaceted phenomenon, and that it is fruitful to embrace such multidimensionality. However, we risk crafting an overly complex concept and measurement. Our solution is to devise an overarching construct based on a theory of governance that emphasizes both structural (vertical vs. horizontal), as well as temporal aspects of control outcomes. The latter covers the distinction between ex ante vs. ex post outcomes. Ex ante elements of control refer to those control components that precede actual alignment of individual to organizational/managerial goals. They relate to the degree to which employees endorse formal rules, expectations and norms. Ex post elements are those control components that indicate actual alignment or the lack thereof. They refer to the degree to which managers observe that employees’ behaviors comply to or violate rules, expectations and norms. The structural distinction relates to the difference between vertical vs. horizontal control. Vertical control captures the degree to which desired outcomes are realized within formal authority or principal-agent relations. Horizontal control reflects the degree to which management succeeds in bringing about the desired lateral or peer-to-peer processes and outcomes.
We suggest that managerial experiences of control are strong to the degree that desired outcomes occur across all four facets of control that result from cross-classifying the two distinctions (see Table 1.1). In general, MCP allows for reducing the gap between employees’ capacity to labor and what employees (or subunits) actually end up doing (cf. Sewell 2005). That is, MCP allows for aligning employees’ capabilities with organizational and managerial goals. As a set, the four facets included in the MCP construct offer a general overview of managers’ experience of control, which covers (ex ante) expectations and (ex post) confirmations of control, as well as control within agency relations and peer-to-peer processes.

Substantive gaps between employees’ labor potential and their actions and output across MCP dimensions may affect performance, endangering top managers’ ability to comply with performance targets. Maintaining and improving MCP, thus, enables top managers to draw direct (e.g., increased compliance with managerial demands) and indirect benefits (e.g., better organizational performance). We briefly elaborate on each of the four facets of managerial control positions.

<table>
<thead>
<tr>
<th>Table 1.1 Manifestations of control</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vertical</td>
</tr>
<tr>
<td>Ex ante</td>
</tr>
<tr>
<td>Ex post</td>
</tr>
</tbody>
</table>

a) Legitimacy

Legitimacy reflects the degree to which vertical ex ante control is effective, and is a key element of organizational control (Etzioni 1961). Legitimacy can have different sources. Traditionally, authority is exercised through formal command. Acceptance of such authority is based on the formal position of the manager
(Downs 1964; Weber 1978/1922). Managers exercise control because they can demand obedience based on their higher position in the hierarchy. Contemporary organizations increasingly rely on functional legitimation of assignments (Lindenberg and Foss 2011; Wittek and Van de Bunt 2004). This means that managerial control is legitimate to the extent that managers’ demands are referred to tasks, rather than to the abstract right to exercise control (Clegg, Courpasson and Phillips 2006; Hales 1999). Managerial control positions are strong in settings where subordinates accept responsibilities, rights and obligations as they follow either from formal authority, or from their task assignments.

b) Compliance

Compliance to formal rules and requirements denotes the successful ex post outcome of vertical control. Accepting that managers have a legitimate claim or position to control is in itself not enough to produce alignment of employees’ capabilities and organizational goals. Managerial control also implies that employees actually observe managerial instructions, rules and standards. That is, legitimate managerial control is effective when employees comply with managerial demands (Cyert and March 1963; March and Simon 1958; Pfeffer 1992). Lack of compliance in vertical relations can disrupt work and authority relations (Cyert and March 1963). Compliance may be achieved by numerous control systems and strategies leading to an appropriate, desired response (Etzioni 1961). This has been the core topic of much managerial and organizational literature: from economic approaches (e.g., agency theory) that stress crafting optimal contracts and reward systems to reduce employee deviance, to sociological approaches that focus on systems and technologies of social control enforced by management (Eisenhardt 1985). For example, if behavior cannot be observed directly and employees’ work is tied to discretion, a contract could set rewards based on
measurable outcomes (e.g., revenue). Managerial control positions are strong where employee behavior complies with managerial instructions and organizational rules.

c) Coordination

A third facet of MCP is the degree to which it achieves ex ante horizontal control. A crucial aspect is the ability to set up or prompt smooth coordination systems and procedures among interdependent employees and organizational subunits (Malone and Crowston 1994). Even if employees comply with managerial instructions, they may fail to adequately meet organizational goals, due to poor coordination. For instance, in a context of pooled interdependence, although each individual department or employee may in fact comply with managerial instructions, lack of coordination in the way instructions are obeyed will to lead to disagreements (Thompson 2007/1967). Disagreements in turn could endanger organizational performance and threaten managerial goals; that is, coordination is often necessary to prompt compliance. In this case, standardization—a form of coordination—could assist by improving consistency. Managers achieve coordination in diverse ways that strongly depend on the nature of organizational interdependence; however, the point remains that if MCP is strong, managers should be in a position to elicit coordination.

d) Cooperation

The fourth element of a strong control position consists of a manager’s ability to elicit cooperation between employees and subunits of the organization (horizontal ex post control). Conflict—defined as disagreement and confrontation among organizational members (Person, Ensley and Amason 2002)—is a pervasive feature of organizations (Kolb and Putnam 1992; Rahim 2002). Since cooperation fosters the realization of organizational
and managerial goals, and conflicts tend to jeopardize goal achievement (Rahim 2002), managers have an interest to contain conflict and stimulate cooperation. Hence, MCP is strong where managers succeed in eliciting cooperation, particularly by preventing or effectively mitigating conflicts.

In sum, a manager’s MCP is robust if he or she is able to elicit (a) perceptions of legitimacy, (b) compliance to organizational rules and managerial instructions, (c) coordination among interdependent organizational subunits, and (d) cooperation by successfully preventing and mitigating conflicts.

**MCP and reorganization**

Reorganizations have potential costs and expected benefits in relation to MCP. From the point of view of the underlying mechanism, it is consistent—and important—to distinguish them. First, reorganizations often bring benefits such as improved organizational capacity or increased economic value of companies (Beer and Nohria 2000). Reorganizations may also improve MCP. This is because reorganizations allow redefining elementary rules, structures and processes in the organization, and they make it easier for managers to re-assign employees to different tasks and organizational units, or simply to fire them. Reorganizations can therefore be an effective instrument for top managers to build coalitions by selectively promising rewards to potential allies, to tighten the lines of command, and enhance the overall experience of control (Pfeffer 1992). For example, reorganizing departments or implementing standardization policies (e.g., ISO certification) may lead to increased managerial capacity to elicit coordination. Downsizing a company’s structure is a particular example of how change directly reduces the span of control of managers, potentially improving their capacity to elicit employee compliance and manage conflicts (cf. Beer and Nohria 2000; Williamson 1967).
Reorganizations, however, may also bear a cost in terms of managerial control. For one thing, reorganizations take away resources and time from current activities, risking organizational and managerial goals not being met. For another, they may bring about a number of negative effects and potential costs for both managers and employees (Sorge and Van Witteloostuijn 2004). Potential negative effects of organizational change include increased uncertainty, insecurity and stress for employees and managers (Tvedt, Saksvik and Nytrø 2009), employees’ resistance and conflict (Mintzberg 1989; Palmer, Dunford and Akin 2009; Worrall, Cooper and Campbell 2000), discredit and politicking (Buchanan and Badham 2004), as well as unforeseen overheads and increased hazard of organizational failure (Amburgey, Kelly and Barnett 1990; Hannan and Freeman 1977; Zucker and Darby 1999).

Whether potential reorganizational costs outweigh benefits and have a likely negative effect on MCP—or vice versa, if benefits surpass costs—is an empirical issue that depends on a number of organizational and managerial characteristics. For example, organizational size and structural complexity are likely to affect the ability of managers to contain potential costs, because size and complexity affect managers’ span of control (Williamson 1967). Similarly, managers’ level of discretion could potentially influence the balance between potential benefits and prospective costs (Mintzberg 1989).

**MCP’s effect on the incidence of reorganizations**

The mix of potential benefits, costs and risk implies there is an opportunity cost associated with the decision of forgoing the status quo in order to pursue reorganization. This is not to imply that managerial control solely accounts for the incidence of reorganizations (cf. Amburgey, Kelly and Barnett 1990; Hambrick 2007; Hannah and Freeman 1977; Kraatz and Zajac 1996; Thompson 2007/1967). Our point is that the opportunity cost of
reorganizations, as experienced by managers, is likely affected by the quality of managerial control positions. In this restricted sense, there may be a causal mechanism connecting managerial control to reorganizations.

From a gattopardistic perspective, negative effects of change represent an important risk for top managers. Those who particularly enjoy a robust MCP can jeopardize their position by starting a reorganization. For example, reorganizations often trigger conflict between employees and management (Palmer, Dunford and Akin 2009), which is a case in point of change potentially weakening managers’ control position. In addition, introducing new procedures may create confusion and lack of coordination among previously harmonized subunits. Thus, the better MCP, the higher the opportunity cost of initiating reorganization because prospective costs of change offset and perhaps outweigh potential benefits against current MCP. Therefore, to the extent to which MCP is robust, top managers have incentives to resist change and instead consolidate the status quo (Staw, Sandelands and Dutton 1981). Upholding the status quo may translate into conservative behavior, such as denial of the need of change, refusal to accept responsibility, refusal to implement change, or even active repression and intimidation against advocates of change (Agócs 1997; Hambrick, Geletkanycz and Fredrickson 1993).

In contrast, if MCP is weak, top managers have an incentive to embark on change trajectories. Weak MCP may mean, for instance, that employees or organizational subunits dispute the legitimacy of managers’ demands or that management experiences problems in coordinating departments, or perhaps that management is incapable of arbitrating and settling organizational conflicts, or a combination thereof. In such situations, top managers have incentives to reconstitute or improve their position. To the extent that MCP weakens, the probability of change should increase because its opportunity cost decreases (i.e., purely in terms of control, potential benefits of reorganization
become more salient as MCP weakens). The arguments above suggest that an inverse relation—negative, in the statistical sense—exists between MCP and reorganizations:

_Hypothesis 1—MCP will have a negative effect on the incidence of reorganizations._

**Research design**

**Data**

To explore empirically the validity of the above claims, we used two-wave panel data from Dutch top managers from a Single Response Organizational Survey (SROS) carried out in 2003 and 2006. The SROS protocol collects data from different individuals and organizations using relatively efficient means, while maximizing comparability (Knoke 2001). The protocol included structured telephone interviews with top managers (37 min., average duration). With a response rate of about 25%, the protocol used for this study proved very successful compared with very low response rates of similar designs.

Establishments from a randomized list of companies from the central registry of the Chamber of Commerce were targeted (registration is largely mandatory in the Netherlands). Only establishments created before 2000 and still existing in 2003 were surveyed. These were first contacted by telephone to ask whether they would cooperate with the study, and if so, to identify the manager who would be best informed and was authorized to share information. In more than 80% of cases, this was the chief executive officer or owner. Remaining respondents were senior managers involved in organizational development policies (e.g., human resources officials).

For this study, we restrict our analysis to a subsample of 365 surveyed top managers of industrial/manufacturing and
service, privately owned establishments who answered the survey in both waves of data collection. From these, 12.7% managers are women; 64.3% are CEOs or equivalent (35.7% occupy another top management position); and 81.7% have a university degree. In 2003, an introductory letter was sent to respondents and an appointment for an interview was arranged. In 2006, managers were asked to participate in a second wave of data collection (no dropouts in the subsample). In both waves, respondents were questioned on organizational characteristics and processes, including experiences of planned organizational change. The resulting dataset allows us to statistically model the effect of MCP on reorganizations as reported by top managers in 2003—as reportedly took place in 2003 and 2004-6—as well as the effect of MCP in 2003 and reorganizations on MCP in 2006.

**Measurements**

Managerial control position in 2003 (MCP-2003) was measured by four items: legitimacy, compliance, coordination, and cooperation; all were measured over 2003. Responses to all of the following items were coded in four-item scales ranging from 0: severe problems to 3: no problems. Hence, higher values indicate robust MCP. We opted for direct questions on legitimacy, compliance, coordination and cooperation to keep an accurate and comparable measurement of different MCP dimensions. Although reputational bias is possible (Podsakoff and Organ 1986), the composite nature of the MCP construct as well as the confirmatory factor analysis (reported below) shows remarkable consistency with our theoretical expectations. Hence, we deem our measurements effective.

To capture the level of legitimacy of managerial authority by 2003 we asked respondents: “Are there problems regarding acceptance of managerial authority?” Compliance was measured with: “Are there problems regarding compliance with managerial instructions in your organization?” Coordination was measured
by: “Are there problems regarding coordination between organizational subunits/departments?” We asked two questions to measure cooperation: “Are there problems regarding conflicts between subunits/departments?” and “Are there problems related to conflict between management and employees?” The measurement of cooperation is the sum score of both items.

Table 1.2 provides descriptive statistics for all items. As we used structural equation modeling (SEM) to estimate latent variables for this scale, traditional reliability analyses (e.g., Cronbach’s alpha) are not informative.

<table>
<thead>
<tr>
<th>Table 1.2 MCP, reorganization and controls</th>
<th>Min.</th>
<th>Max.</th>
<th>M</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>MCP-2003</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Legitimacy</td>
<td>0</td>
<td>3</td>
<td>2.68</td>
<td>0.59</td>
</tr>
<tr>
<td>Compliance</td>
<td>0</td>
<td>3</td>
<td>2.46</td>
<td>0.74</td>
</tr>
<tr>
<td>Coordination</td>
<td>0</td>
<td>3</td>
<td>2.42</td>
<td>0.81</td>
</tr>
<tr>
<td>Cooperation</td>
<td>2</td>
<td>6</td>
<td>5.18</td>
<td>1.09</td>
</tr>
<tr>
<td>MCP-2006</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Legitimacy</td>
<td>0</td>
<td>3</td>
<td>2.53</td>
<td>0.66</td>
</tr>
<tr>
<td>Compliance</td>
<td>0</td>
<td>3</td>
<td>2.25</td>
<td>0.80</td>
</tr>
<tr>
<td>Coordination</td>
<td>0</td>
<td>3</td>
<td>2.11</td>
<td>0.80</td>
</tr>
<tr>
<td>Cooperation</td>
<td>2</td>
<td>6</td>
<td>4.86</td>
<td>1.17</td>
</tr>
<tr>
<td>Reorganization 2003</td>
<td>0</td>
<td>1</td>
<td>0.24</td>
<td>—</td>
</tr>
<tr>
<td>Reorganization 2004-6</td>
<td>0</td>
<td>1</td>
<td>0.39</td>
<td>—</td>
</tr>
<tr>
<td>Sector&lt;sup&gt;a&lt;/sup&gt;</td>
<td>0</td>
<td>1</td>
<td>0.67</td>
<td>—</td>
</tr>
<tr>
<td>Org. age</td>
<td>5</td>
<td>135</td>
<td>33.4</td>
<td>26.0</td>
</tr>
<tr>
<td>Complexity</td>
<td>0</td>
<td>30</td>
<td>5.96</td>
<td>5.21</td>
</tr>
<tr>
<td>Size&lt;sup&gt;b&lt;/sup&gt;</td>
<td>3</td>
<td>1900</td>
<td>50.0</td>
<td>282.7</td>
</tr>
<tr>
<td>Hierarchy</td>
<td>0</td>
<td>10</td>
<td>2.12</td>
<td>1.59</td>
</tr>
<tr>
<td>Competition</td>
<td>0</td>
<td>4</td>
<td>2.41</td>
<td>1.23</td>
</tr>
<tr>
<td>Regulation</td>
<td>0</td>
<td>4</td>
<td>2.49</td>
<td>1.22</td>
</tr>
<tr>
<td>Technology</td>
<td>0</td>
<td>4</td>
<td>2.04</td>
<td>1.25</td>
</tr>
</tbody>
</table>

Notes:
<sup>a</sup> 0 = secondary sector; 1 = tertiary sector
<sup>b</sup> Only employees with full-time contract. Median reported
Managerial control position in 2006 \((MCP-2006)\) was measured by four items: legitimacy, compliance, coordination, and cooperation; all were measured over 2006. For all items, we asked respondents the same questions as in 2003. As before, scales were coded so that higher values indicate robust MCP (see Table 1.2). Also for this variable, SEM was used to estimate a latent variable. Following the modification indices in Mplus software, the error terms of two items (coordination 2006 and legitimacy 2006) were allowed to co-vary to increase model fit (on the relation between lower/higher coordination and lower/higher legitimacy of managerial demands, particularly in contemporary organizations, see Lindenberg and Foss 2011; Wittek and Van de Bunt 2004).

Reorganization was measured with two dichotomous variables. As with MCP, measurements of reorganization are based on self-reports and are intended to capture discontinuous changes intended and planned by the management within the period 2003-2006. In wave 1 (2003), we asked respondents whether they intended to implement changes in the structure or in the internal policies of the organization by the time of the interview. Of the sample, 24% reported planned reorganizations in this period \((Reorganization\ 2003)\); see Table 1.2). In wave 2 (2006), we asked managers whether intended changes in structure or internal policies had occurred in the three-year period prior to the interview. About 40% of sampled managers reported reorganizations in the second wave \((Reorganization\ 2004-6)\). These measurements are not intended to distinguish nuances in the type or extent of change—a limitation discussed below. They

\(^2\) Note that the measurement of reorganizations in wave 1 is related to managerial intention to implement change. In wave 2 it relates to actual incidence of change, as reported by managers. Given the temporal and proportional differences between measurements (16%), we deemed it relevant to keep both measurements as joint indicators of incidence of reorganizations.

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are used to measure change as an organizational reconfiguration intended by the manager.

Further, to ensure that our results are not confounded by other factors we included several control variables, all measured in 2003: sector, organizational age, complexity, size, hierarchy, competition, regulation and technological change. **Sector** is measured as a dichotomous variable indicating (0) secondary sector (industry and manufacturing) and (1) tertiary sector (services). We coded each sector according to the Standard Company Classification code (Standaard Bedrijfsindeling code, SBI '93; www.cbs.nl). **Organizational age** is a continuous vector representing the age of the organization in years (up to 2003). The number of organizational subunits/departments is captured in the **complexity** vector. **Size** is the number of employees with full-time contracts on the payroll. **Hierarchy** is the number of hierarchical layers between the highest and lowest official. **Competition** is measured with: “To what extent do you agree that the market is characterized by strong competition?”; **Technology** with: “To what extent do you agree that technology necessary in this organization has change in recent years?”; and **Regulation** with: “To what extent do you agree that the market is influenced by government regulations and policies”. Responses to these three items were coded on a five-point scale ranging from 0: strongly disagree to 4: strongly agree.

**Analytical strategy**

We employed SEM with Mplus software (v.7.11) to analyze our data and test our expectations. Model fit was assessed with criteria outlined by Hu and Bentler (1999): a cutoff value close to 0.06 for the Root Mean Square Error of Approximation (RMSEA), a cutoff value close to 0.95 for both the Comparative Fit Index (CFI) and the Tucker-Lewis Index (TLI), and a cutoff value close to 0.08 for the Standardized Root Mean Residual (SRMR). Differences were labeled “significant” when p-values were 0.05 or lower.
Using confirmatory factor analyses (CFA), we first tested if MCP in 2003 and 2006 could be measured reliably. The CFA employed the Maximum Likelihood estimation method. Next, we specified the mediation model of interest, in which structural relations between the variables were tested. As two dependent variables were categorical, all structural models were estimated using a Weighted Least Squares estimator (WLSMV) and Theta parameterization. Finally, to rule out indirect effects we used bootstrapping with 95% bias corrected confidence intervals.

Results

Confirmatory factor analysis (CFA)

We conducted a CFA that combined the two MCP variables in a single factor predicted by the items: compliance (2003), coordination (2003), cooperation (2003), legitimacy (2003), compliance (2006), coordination (2006), cooperation (2006), and legitimacy (2006). This yielded a poor model fit $[\chi^2 (19, N=365)=142.90, \text{RMSEA}=0.13, \text{CFI}=0.75, \text{TLI}=0.64, \text{SRMR}=0.08]$. In a second CFA, two latent variables were estimated: MCP-2003 was predicted by compliance (2003), coordination (2003), cooperation (2003), legitimacy (2003); MCP-2006 was predicted by compliance (2006), coordination (2006), cooperation (2006), legitimacy (2006). This model yielded a good fit of data, with $\chi^2(18, N=365)=26.84, \text{RMSEA}=0.04, \text{CFI}=0.98, \text{TLI}=0.97, \text{SRMR}=0.03$ (cf. Hu and Bentler 1999). The difference in Chi-square between the two CFAs was statistically significant ($\Delta\chi^2=116.06, \Delta df=1, p<0.01$), indicating that our data supports the distinction between MCP-2003 and MCP-2006. The second measurement model was used for the structural analyses. For the factor loadings, see the graphical representation of the measurement model in Figure 1.1:
**Figure 1.1 — MCP measurement model**

**Structural model**

In the structural model, MCP-2006 was predicted by MCP-2003 (see Figure 1.2). We modeled reorganization in 2003 and reorganization in 2004-6 to partially mediate the relation between MCP-2003 and MCP-2006. That is, we assumed a reinforcing effect of MCP (managers who are in control, *ceteris paribus*, are likely to retain control), that MCP affects the incidence of reorganizations (Hypothesis 1), and that reorganizations in turn could affect quality of future MCP. Reorganization in 2004-6 was predicted by reorganization in 2003 (on potential cumulative effects of change, see Amburgey, Kelly, and Barnett 1993). To control for their statistical influence, the model included all structural variables: sector, organizational age, complexity, hierarchy and size.
(i.e., these structural variables predicted all four variables of interest). Additionally, reorganization in 2003 and reorganization in 2004-6 were predicted by technology, regulation and competition.\(^3\)

![Diagram showing direct effects of MCP and reorganization](image)

**NOTES:**
Model fit: \(\chi^2 (84, \text{N=346})=94.28, \text{RMSEA}=0.02, \text{CFI}=0.97, \text{TLI}=0.96, \text{WRMR}=0.67\)
Controls: Sector, Org. age, Complexity, Size, and Hierarchy for all variables; Technology, Regulation, Competition for Reorganization in 2003 and Reorganization in 2004/6.
Sig. codes: ** p<0.05; *** p<0.01
\(^a\) p=0.54
\(^b\) p=0.95

**FIGURE 1.2 — Direct effects of MCP and reorganization**

The results showed that the model fit the data well \([\chi^2 (84, \text{N=346})=94.28, \text{RMSEA}=0.02, \text{CFI}=0.97, \text{TLI}=0.96, \text{WRMR}=0.67]\) and explained 29.8% of the variance in MCP-2006. Nineteen cases

\(^3\) To control for the influence of managers’ individual characteristics, our model also included gender, educational level, stock-buying options for managers and functional stand (CEO vs. non-CEO). However, including these variables did not improve model fit \([\chi^2 (108, \text{N=277})=123.49, \text{RMSEA}=0.02, \text{CFI}=0.95, \text{TLI}=0.92, \text{WRMR}=0.69]\) and lead to the loss of nearly 20% of cases because of missing values. Moreover, none of the effects of these additional variables reached statistical significance (only a negative effect of education on MCP-2003).
were dropped due to missing data. The results (unstandardized) further showed that MCP-2006 was positively predicted by MCP-2003 \( (b=0.57, \ p<0.01) \). MCP-2006 was not associated with reorganization in 2003 or reorganization in 2004-6, or with control variables.

Hypothesis 1 predicted a negative (inverse) relation between reorganizations and MCP. In the structural model, reorganization in 2004-6 was negatively associated with MCP-2003 \( (b=-0.71, \ p=0.01) \), as predicted, and positively with reorganization in 2003 \( (b=0.26, \ p=0.02) \). It was unrelated to control variables except for a positive association with competition \( (b=0.15, \ p=0.03) \). Also in support of our hypothesis, reorganization in 2003 was negatively associated with MCP-2003 \( (b=-1.02, \ p<0.01) \). Although effect sizes were negligible, there were significant positive relations between MCP-2003 and organizational age \( (b=0.01, \ p=0.01) \), and between MCP-2003 and size \( (b=0.00, \ p=0.01) \).

We used a bootstrapping procedure (1000 draws) to test the significance of indirect effects. As the 95% bias corrected confidence intervals included zero for each indirect path, none of the effects turned out to be significant (cf. Preacher and Hayes 2008). We conclude that in our data the relation between MCP-2003 and MCP-2006 was not mediated by reorganizations in 2003 or 2004-6.

**Discussion**

This chapter began by asking why some managers readily embark on reorganizations, whereas others avoid them. To answer this, we sketched a managerial gattopardism mechanism. We claimed that managers in an advantageous control position are likely to avoid risky change, unless it is useful to improve a weakened position. In particular, we hypothesized that MCP has an inverse relation to the occurrence of reorganizations, even if
reorganization could potentially improve MCP. We found evidence supporting these ideas in an empirical study involving two waves of survey data from a sample of Dutch managers (for the period between 2003 and 2006). We found a robust negative effect of MCP on reorganization, as well as a reinforcing effect of MCP at $t_0$ on MCP at $t_1$. Including variables on the organizational environment (competition, regulation and technological change) into our model did not cancel out the negative effect of MCP on reorganizations.

Before discussing the implications of our results, it is appropriate to acknowledge some limitations. First, data used in this study come from a sample of Dutch-only top managers. This begs the empirical question whether the observed effects are generalizable beyond this sample. Second, our operationalization of reorganizations is quite broad and does not account for arguably relevant nuances. Ideally, for instance, we would have liked to use a multifaceted measurement of change that included information on the type and extent of reorganizations. Strictly speaking, the measurement of change used in this study cannot discriminate minor reorganizations from major overhauls. Instead, the measurement of change used here captures change as a general event that, crucially, was intended by the manager. In addition, since we wanted to account for managers’ experiences and construals, we decided to rely on self-reports. Although this is a commonly used method in management and organizational research and has important advantages (including efficiency in data collection and comparability), self-reports may have disadvantages such as social desirability bias (Podsakoff and Organ 1986; also see Gerhart, Wright, McMahan and Snell 2000; Huselid and Becker 2000). While interpreting our findings, these limitations should be borne in mind.

From our results, we conclude firstly that the notion of managerial gattopardism has both the potential to enrich our understanding of the incidence of corporate reorganizations and in particular, the advantage of providing an upper echelons ex-
planation to the question why some managers decide to embark on reorganizations, whereas others resist them. We focused on intended changes to organizational structures and internal policies. The central idea is that the decision to embark on reorganization is sensitive to differences in managerial control positions, as experienced by the manager.

Also, the notion of gattopardism helps us understand patterns of maladaptive managerial responses to changes in the organizational environment. According to traditional contingency approaches on organizational change (e.g., Salancik and Pfeffer 1977), managers rationally adapt to changes in the environment to regain fit; thus, contingencies should result in reorganizations. However, there is evidence suggesting that managers sometimes fail to implement changes and instead react rigidly to perceived threats (Staw, Sandelands and Dutton 1981). There is also evidence suggesting that managers often compromise resources in dysfunctional trajectories of change (Palmer, Dunford and Akin 2009). These patterns are clearly beyond traditional functional-contingency frameworks.

From a gattopardistic perspective, however, these patterns are comprehensible as the consequence of managers reacting to threats to their positions (also see Wittek and Van Witteloostuijn 2012). Reorganizations may not only result from contingent responses to environmental cues; they do not need to be functional for the organization. The specific upper echelons approach developed here acknowledges that power motives and mobilization of critical resources—reflected in the managerial control construct—are important for understanding the occurrence of corporate reorganizations. However, it places special emphasis on understanding changes in the manager’s control position and how these affect managerial resistance or proclivity to change (also, see Agócs 1997). Academically, this is relevant because most studies on corporate change mainly address why and how workers and employees resist efforts to change. The role played by managers, especially those on upper levels, has
been somewhat neglected. In practical terms, it is relevant because gattopardistic executives can form a formidable barrier to change and innovation. That managers have much to lose in terms of control not only means that they will not be the ones introducing change and innovations, but also that they may resist and try to stop such challenges to the status quo.

The gattopardism framework offers further interesting possibilities. For instance, one could wonder whether managers with low MCP, who are more likely to embark on reorganizations, are at the same time the most at risk to fail. Conversely, high-MCP managers, who decide not to embark on change (or to resist change), might in fact be more likely to be successful. In other words, from the perspective of the organization, the notion of gattopardism may help us understand why every so often the “wrong” managers embark on trajectories of reorganization.

Second, we conclude that empirical data supports our conceptualization of managerial control position. An advantage of the MCP construct is that it reflects the complexity of managers’ experience of control. Another benefit is that it allows for measuring overall control. In this sense, we can comprehend and compare how managers perceive their grip over their organizations across time points, without relying on information about specific control systems, policies, or types of managerial power.

Still, it remains very interesting to explore detailed connections between different managerial control strategies, MCP, and managers’ proclivity to embark on reorganizations. For example, one could ask how different forms of control (coercion, rewards, etc.; see Barker 1993; Shetty 1978) affect MCP, or which additional organizational factors influence the relation between types of control, MCP, and reorganizations. For instance, how does managerial autonomy affect the relation between MCP and reorganizations? Future studies could explore this.

Third, in our study we found no clear evidence for a positive or negative effect of reorganizations on MCP. The argument was that reorganizations offer managers an opportunity to reen-
engineer problematic structures and policies and thereby improve their position, but that reorganizations also could bring a number of problems and potential costs for managers. The absence of observable effects in our structural model can be due to several reasons. The obvious first possibility is that MCP is simply unaffected by reorganizations. Although we cannot rule out this possibility in our data, it seems unlikely that significant changes to organizational structures and policies do not affect managerial experiences of control at all. Anecdotic and ethnographic evidence suggests otherwise. For example, Barker (1993) found that changing a labor system to one based on self-managing teams significantly increased employee compliance in a company, and improved the position of the manager (vice-president) in charge of the reorganization.

Another possibility already anticipated in the theory section above is that negative effects (costs) of reorganizations on MCP cancel out positive effects (expected benefits). For instance, analyzing reorganizations in manufacturing plants, Vallas (2003) found that while changes sometimes increase workers’ compliance, they also tend to raise suspicion and distrust of management. Yet another possibility is that the effects of reorganization on MCP depend on the characteristics of change and its implementation process and outcome. For example, complex implementation processes with abundant veto points may not have the same outcome (in terms of MCP) than relatively easy, “painless” trajectories. Also, some efforts of change may be more or less successful. Successful reorganizations may have a positive effect on MCP, whereas unsuccessful ones could affect MCP negatively. Although our data does not allow us to explore these alternatives, possibly some of these elements are at play. On these issues, further research is needed.

All things considered, this study sketched an alternative way to understand the role played by top managers in the incidence of reorganizations. Based on the tenets of the upper echelons literature and the idea of gattopardism, as well as on statis-
tical evidence, this study suggests that some managers may indeed act gattopardistically. In doing so, we furthered our understanding of the relation between managerial experience of control and organizational change, and opened up some interesting avenues for future research.