Innovation and management control

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This special issue of the Journal of Management Control focuses on management control in the field of innovation and innovation management. On the one hand, this subject is motivated by the high relevance of innovations for long-term company success or failure calling for an effective application of management control systems on innovation processes—or: innovation control. On the other hand, there is still a lack of substantiated knowledge about the theory, concepts and methods of innovation control. Similarly, little is known about the application of innovation control concepts and methods in company practice.

Concerning the papers submitted for this special issue on innovation and management control, two points are remarkable. First, among the submissions we achieved were fifty percent literature reviews. Depending on their purpose, literature reviews

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can be, for instance, of evaluative, exploratory or of instrumental nature (Adams et al. 2007). The submitted reviews were mainly of exploratory nature. Thus, the authors were keen to find out which direction the research on innovation and control should take to remain focused and to develop well-defined research questions. Their aim was to provide clearer ideas about what is especially relevant, interesting but also problematic about management control in the context of innovation. The number of submitted literature reviews was on the one hand certainly a surprise. On the other hand, this was not astonishing. Since the area of innovation and management control touches the core question of what control is and can achieve in constantly changing working environments, the research community needs to rethink the role of management control. The number of submissions concerned solely with this objective shows that the community is aware that innovation management and control is strongly challenged by the inherent characteristics of innovation. Distinct novelty and uncertainty, partly immaterial and long-term results, high complexity and involvement of different processes, institutions, methods, competencies and technical, market-oriented and economic objectives and perspectives lead to a situation that implicates the obsolescence of an exclusive diagnostic control (Simons 1995). By accomplishing reviews of current literature on management control and innovation pointing out current theoretical, empirical and methodological issues, authors acknowledge this by redefining of what is management control all about nowadays.

The second remarkable point is that one third of the submitted manuscripts came from Nordic universities and the articles that are finally published in this special issue have their origin entirely there. Nordic researchers and practitioners have already been pushing the search for solutions to balance flexibility and stability, centralization and decentralization and the measurement of intangible as well as tangible assets in the context of innovation since the 1970s. For instance, Svenska Handelsbanken started the Beyond Budgeting initiative (Kroner 2009) in the 1970s to abandon the command-and-control way of doing management and to release people from overwhelming bureaucracy increasing their opportunities to reflect, learn, innovate and share. In the 1990s intellectual capital statements were introduced first in companies in Scandinavia covering the measurement of important resources for innovation beyond financial aspects: human, relational and structural capital. First published as part of Skandia's business report, the Skandia Navigator (Edvinsson 1997) encompassed innovation-related aspects ensuring that companies start to think about their current position and future development. These initiatives were among the forerunners of management control and innovation and prepared the ground for contemporary research on the link between management control and innovation. Against this background, the four papers included in this special issue contribute to management control and innovation in different ways. Two articles are concerned with reviewing the current publications on management control for innovative contexts whereas the other two articles deliver empirical studies from the field of management control and innovation.

The literature review by *Andrea Fried* addresses terminological distinctions of control which are widely used in empirical studies. Terminological distinctions can be, for instance, formal control and informal control or input control, process control and output control. She analyses 25 empirical studies concerned with management control in the field of innovation and shows that terminological distinctions matter regarding

the ontological streams these studies follow, the research questions they address and the approach to contingency they take. Fried concludes that empirical studies with a determinist approach of control to innovation and an ‘ideal fit’ understanding of contingency hardly contribute to the stock of knowledge about management control and innovation. To serve innovation as a phenomenon of high complexity, uncertainty and unknown paths, the article suggests therefore to develop further the ‘quasi fit’ understanding of contingency. This includes to follow terminological distinctions that cover the use mode of management control systems like, for example, diagnostic and interactive use of management control systems. The article strongly recommends to learn lessons from comparable discourses in innovation research, accounting and technology research to redefine management control for non-routine task environments, to understand management control instruments as dependent as well as independent variable and to uncover the economic aspects of innovation processes.

The paper by *Eva Löfstål and Anne-Marie Jontoft* focuses on the tensions at the interface between innovation (management) and management control. The article contributes to research on tensions relevant for innovation-related management control by providing an overview of existing literature as well as a framework for structuring the field and systematizing past and future research activities and results. In a literature review, 47 peer-reviewed papers are identified systematically and analysed to disclose the state of research and to elaborate the tensions between innovation and management control discussed in current literature. The results show increasing research activities for exploring these tensions between 1990 and 2015. The theoretical bases of all 45 papers are identified. The results reveal—consistently with the literature review by Fried in this special issue—that the contingency approach is the most popular one used in describing the tensions between innovation and management control. The findings show furthermore that a variety of tension-related concepts is differently applied alone or in combination forming an ambiguous picture. This motivates Löfstål and Jontoft to suggest a “tension-based framework” as a “unifying platform” for inspiring and guiding future theoretical and empirical research. This framework comprises three types of tensions perceived by researchers: inherent innovation-control tensions, inherent management control tensions, and created management control tensions. A fourth type encompasses decision-making tensions practitioners are usually faced with.

Similar to Löfstål and Jontoft, *Emmi Tervala, Teemu Laine, Tuomas Korhonen and Petri Suomala* uncover tensions between management control and innovation. They are concerned with tensions that are inherent in the role of new product development (NPD) managers. NPD project managers are usually entrusted to control NPD projects in many respects but are held themselves accountable for the financial performance of the project. The research questions Tervala et al. pose are related to this tension and are about the usefulness of financial control instruments and performance objectives critically reflected by NPD project managers. Realized as a qualitative explorative study based on in-depth interviews with NPD project managers, the findings show that the accountability for a project is perceived as higher compared to the chance to control a NPD project. Moreover, NPD project managers seem to have an interest in more elaborated financial control for their projects to fulfill the expectations of the related stakeholders regarding financial information. The article finishes with six

propositions summarizing under which circumstances financial control is perceived as supportive by NPD project managers.

Ossi Pesämaa provides an empirical analysis on the relationship between innovativeness, personnel control, action control and current as well as future growth in high-growth, so-called “gazelle” companies. The methodology comprises an exploratory factor analysis for construct validation and a structural equation modelling. The resulting model is tested on a sample of “gazelle” companies in Sweden. The hypotheses formulated suggest a positive relationship between innovativeness and personnel control as well as innovativeness and action control. The hypotheses indicate furthermore that personnel control and action control are positively related to current and future growth as well as to the perceived current and future growth. The findings indicate that all hypotheses are confirmed except those which state a positive relationship between innovativeness and action controls as well as action control and current company growth. The study sheds light on the complex interdependencies between different types of control, innovation and company performance. Concluding, *Pesämaa* recommends further research on “controlled innovative processes” especially in “gazelle” companies.

The guest editors of the special issue

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