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Strategic alignment: A missing link in the relationship between strategic consensus and organizational performance

Jorge Walter
The George Washington University, USA

Franz W Kellermanns
The University of Tennessee, USA; WHU (Otto Beisheim School of Management), Germany

Steven W Floyd
University of Massachusetts—Amherst, USA

John F Veiga
University of Connecticut, USA

Curtis Matherne
University of Louisiana Lafayette, USA

Abstract
Despite the increasing sophistication of the literature on strategic consensus and the compelling arguments linking it to organizational performance, empirical research has produced mixed findings. To address this conundrum, we examine the contingent role of strategic alignment—that is, to what extent decision makers place importance on strategic priorities that are responsive to, or fit, the demands of the external environment faced by the organization—as a salient missing link. Our findings from a sample of 349 university faculty members in 63 academic departments suggest that the consensus–performance relationship is stronger for lower levels of strategic alignment, whereas at higher levels of alignment, consensus appears to have little effect. Our discussion traces implications of these findings for existing theory and future research.

Keywords
Organizational performance, strategic alignment, strategic consensus

Corresponding author:
Jorge Walter, Department of Strategic Management and Public Policy, School of Business, The George Washington University, 2201 G Street, NW, Funger Hall 615, Washington, DC 20052, USA.
Email: jorgew@gwu.edu

Despite four decades of research, interest in strategic consensus remains strong (for recent examples, see Bao et al., 2008; Colbert et al., 2008; González-Benito et al., 2012; Ramos-Garza, 2009; Sarmiento et al., 2008; Spencer et al., 2003). The construct has been defined as agreement on strategic priorities by decision-making groups, including those at the top, middle, and/or operating levels of the organization (Kellermanns et al., 2005). The underlying premise of research on this topic has been that a higher level of strategic consensus is associated with improved coordination and cooperation in the implementation of strategy, and hence, with organizational performance (e.g. Dooley et al., 2000; Homburg et al., 1999; Iaquinto and Fredrickson, 1997; Knight et al., 1999; Pagell and Krause, 2002; Rapert et al., 2002). Supporting this argument, a recent meta-analysis has substantiated a positive relationship between strategic consensus and organizational performance (Kellermanns et al., 2011). However, this meta-analysis also found significant variability in the correlations between consensus and performance across studies, even after attempts to parse out the effects of several contextual variables. These findings clearly suggest the need for additional research in order to more fully understand the context in which strategic consensus impacts organizational performance.

To address this need, we explore the role of strategic alignment—that is, the level of fit between an organization's strategic priorities and its environment—as a salient contingency. While there seems little doubt that the alignment of an organization's strategy with conditions in its external environment should enhance performance (e.g. Venkatraman and Prescott, 1990; Zajac et al., 2000), at issue here is whether or not strategic alignment enhances the impact of strategic consensus on performance. Consequently, we posit that both strategic alignment and consensus play supporting roles, such that when alignment is higher, greater consensus among decision makers will enhance performance by increasing the efficiency of implementation efforts.

Our primary focus is to examine the extent to which strategic consensus and strategic alignment interact to influence organizational performance. In order to develop a valid and reliable measure of what might otherwise be a highly idiosyncratic construct, that is, strategic alignment, we examine the strategy process in 63 academic departments of a large university in the Northeastern United States (cf. Kraatz and Zajac, 2001; Zajac et al., 2000). Our findings support our central thesis that the alignment between strategic priorities and the external environment needs to be taken into account to more fully explain how consensus among decision makers influences organizational performance. In particular, although performance is highest when both strategic alignment and consensus are higher, our findings suggest that when strategic alignment is lower, greater consensus among decision makers can enhance performance significantly, whereas when strategic alignment is higher, consensus only marginally enhances performance. These findings not only offer an explanation for the inconclusive results of prior consensus–performance studies but also contribute to the strategy process and strategic fit literatures by introducing strategic alignment as novel and important contingency variable.

Theory and hypotheses

Strategic consensus and organizational performance

Empirical findings regarding the relationship between strategic consensus and organizational performance remain largely inconsistent. Studies of the bivariate consensus–performance relationship, for instance, have found support (e.g. Bao et al., 2008; Colbert et al., 2008; Homburg et al., 1999; Pagell and Krause, 2002; Rapert et al., 1996, 2002), partial support (e.g. Bourgeois, 1980; Knight et al., 1999), and no support (e.g. Joshi et al., 2003; Menon and Bharadwaj, 1996; Ramos-Garza, 2009; West and Schwenk, 1996; Wooldridge and Floyd, 1990) for this relationship. Similarly,

ambiguous results have been found in multivariate research that considered contingency variables moderating the relationship between consensus and organizational performance (e.g. Bowman and Ambrosini, 1997; González-Benito et al., 2012; Homburg et al., 1999; Knight et al., 1999; Michie et al., 2006; Ramos-Garza, 2009; Roberts, 1995).

Despite these inconsistent findings across studies, the logic for a positive relationship between strategic consensus and organizational performance continues to be compelling and has been corroborated by a recent meta-analysis (Kellermanns et al., 2011). This logic stipulates that higher levels of strategic consensus are positively associated with coordination and cooperation in the implementation of strategy and, hence, with organizational performance. Underlying this logic is the assumption that the coordination needed to implement strategy requires not only an action plan but also a shared grasp of the logic behind the action plan as manifest in a higher level of agreement on specific elements of the strategy, that is, strategic consensus (Dess, 1987). As strategic decisions are typically not articulated in great detail, and unforeseen issues arise as events unfold (Mason and Mitroff, 1981; Mintzberg et al., 1976), details must be settled and issues resolved in a way that is consistent with the strategy but that is impossible to spell out in advance within an action plan (Amason, 1996). A shared understanding of strategic priorities thus allows managers to act independently, "but in a way that is consistent with the actions of others and consistent with the spirit of the decision" (Amason, 1996: 125; see also Floyd and Wooldridge, 1992; Jarzabkowski, 2004; Wooldridge and Floyd, 1989). Due to such collective appreciation of strategic priorities, consensus reduces self-interest and the incentive to engage in political behavior (Kellermanns and Floyd, 2005; Noorderhaven et al., 2007) and constrains other undesirable actions like information filtering and foot-dragging (Guth and MacMillan, 1986). In sum, strategic consensus among those responsible for strategy implementation at any level of the hierarchy improves coordination and cooperation (Floyd and Wooldridge, 1992), which, in turn, enables more efficient strategy implementation and, hence, enhanced organizational performance.

Criticism of too much consensus in decision processes dates back to Janis's (1972) study of foreign-policy decisions. This and related studies have argued that decision makers actively seeking agreement may put too much emphasis on group harmony to the detriment of constructive criticism. Such "groupthink" likely leads to tunnel vision and insulation and suppression of minority viewpoints, which reduce the information-processing capacity of the group and may lead to lower decision quality (Janis, 1972). If consensus is the outcome of such a "constrained" decision process, it may have a negative influence on organizational performance.

Decision-making groups, however, have been shown to be able to overcome this problem with techniques such as devil's advocacy and dialectic inquiry (Lyles, 1987; Schweiger et al., 1986), a focus on trust in decision processes (Olson et al., 2007), behavioral integration (Mooney et al., 2007), and other conflict-management techniques (e.g. De Dreu and Van Vianen, 2001). Moreover, consensus is likely to be problematic mainly in the early or formulation stages of strategy development (Amason, 1996; Janis, 1972), whereas it is apt to be less problematic in later stages. Because an organization's strategic priorities represent the historical pattern in its stream of decisions (Mintzberg, 1978), over time, these priorities are more likely to be clarified resulting in a relatively stable strategy (Miles and Snow, 1978; Porter, 1980), where consensus is likely to pay dividends in terms of efficient strategy implementation and enhanced organizational performance (Amason, 1996; Kellermanns and Floyd, 2005). Hence, consistent with this argument, we would expect a positive relationship between strategic consensus and organizational performance. Formally stated as the following hypothesis:

Hypothesis 1: Strategic consensus is positively associated with organizational performance.

In spite of the intuitive appeal and empirical corroboration of a positive consensus–performance relationship, Kellermanns et al.'s (2011) meta-analysis found substantial variance in the correlations between consensus and performance across studies, even after parsing out the effects of several moderator variables, such as hierarchical level of participants and environmental dynamism. Perhaps most strikingly, prior studies of strategic consensus have largely neglected to examine *what* decision makers agree upon. A notable exception is the study by Homburg et al. (1999), who distinguished the performance impact of strategic consensus for firms following a differentiation strategy from its impact for firms following a cost-leadership strategy and found that consensus had a positive effect in the former case but no effect in the latter case. Moreover, Bowman and Ambrosini (1997) have criticized inferences in consensus research that have focused exclusively on the level of strategic dispersion within a decision-making group but have failed to consider the importance of the chosen priorities. Indeed, such dispersion may be around priorities of high importance or priorities of low importance. To address this problem, Bowman and Ambrosini (1997) plotted managers' responses to items measuring priorities along Porter's (1980) dimensions of cost leadership versus differentiation strategy and found that organizational units that agreed on a strategy involving priorities that were rated as important (i.e. priorities associated with differentiation, cost leadership, or a combination strategy) performed better than those units where there was consensus on priorities, but the priorities were rated as unimportant. Extending this line of inquiry, we focus on strategic alignment, that is, the extent that decision makers' priorities are responsive to, or fit, the demands of the external environment faced by an organization.

Strategic alignment and organizational performance

Our focus on strategic alignment explicitly acknowledges the widely shared premise of strategic management research that the fit or alignment of an organization's strategy with its context is crucial to organizational performance (Andrews, 1971; Hofer and Schendel, 1978; Lawrence and Lorsch, 1967). This premise has its theoretical roots in the contingency perspective formulated in the original strategy paradigm of matching or aligning organizational resources with environmental opportunities and threats (Andrews, 1971; Chandler, 1962) and has since received substantial empirical support. Prior studies have conceptualized strategic alignment broadly as the fit between a firm's external environment and its strategic orientation (e.g. Hitt et al., 1982; Hofer, 1975; Jauch et al., 1980; Prescott, 1986; Venkatraman and Prescott, 1990; Zajac et al., 2000), organizational structure (e.g. Lawrence and Lorsch, 1967) and processes (e.g. Paine and Anderson, 1977), or a combination of the above (e.g. Naman and Slevin, 1993; Ravasi and Phillips, 2011). In this study, we follow the first conceptualization and examine the alignment between an organization's external environment and its strategic priorities. If strategic alignment is lower, decision makers focus on less effective strategic priorities given a specific organizational environment; if strategic alignment is higher, they focus on more effective strategic priorities.

We would also emphasize, however, that our conceptualization of alignment does not imply that firms always passively adapt to environmental conditions. In fact, the strategic fit literature has explicitly acknowledged that

> environment can and should influence strategy [...]. And strategy can influence environment [...]. Probably, both causal directions interact in an iterative, dynamic process: strategy defines for attention particular niches of an environment, and environment, through customer needs and competitors' challenges, induces strategic adaptation. (Miller, 1988: 282)

Despite the potential for reciprocity, we follow the literature's premise that achieving a match between an organization's environment and its strategy can influence performance (Andrews, 1971; Chandler, 1962; Hofer and Schendel, 1978). Numerous empirical studies have established such a positive effect. A first set of studies supports the performance effects of a fit between the external environment and various specific strategic choices. Hitt et al. (1982), for instance, found support for the relationship between the importance of different functional areas within a firm and its performance as moderated by the firm's industry environment. Prescott (1986) found that environmental subgroups (such as emerging, mature, or declining markets) modify the strength but not the form of the relationship between strategy variables (such as R&D and marketing expenses) and return on investment. A later study (Venkatraman and Prescott, 1990) provided further support for a positive relationship between environment–strategy coalignment and the performance of strategic business units across a wide variety of industries.

A second set of studies examined the fit between the environment and generic business strategies. Hambrick (1983a, 1983b), for instance, found that the type of environment systematically influences firms' success rates with defender and prospector strategies (Hambrick, 1983b) and that while multiple avenues exist for firms to achieve high profits within industries (such as cost leadership, differentiation, and focus strategies), these avenues differ between industries (Hambrick, 1983a). These results were further supported by Miller's (1988) finding that cost leadership and differentiation are associated with different environments and that this association is stronger for high-performing firms than for poor performers. This is consistent with Naman and Slevin's (1993) results that the alignment between firms' build, harvest, or divest strategies and their external environment was positively associated with organizational performance.

Yet another set of studies has focused on a more dynamic alignment between the environment and organizational strategy and found that firms that deviated from normative predictions of strategic fit over time experienced negative consequences for both firm performance and survival (Miller and Friesen, 1982; Zajac et al., 2000). In line with this work, we reason that to the extent decision makers place importance on strategic priorities that are well aligned with an organization's environment, organizational performance will be enhanced, formally stated as the following hypothesis:

Hypothesis 2: Strategic alignment is positively associated with organizational performance.

Interaction effect

Moving beyond the main effects of strategic consensus and strategic alignment, we posit that strategic alignment and strategic consensus will have an interactive effect on organizational performance (see Figure 1 for an illustration). In particular, when a high level of consensus exists on strategic priorities that are well aligned with the organization's environment, then strategic alignment will have an even stronger positive impact on organizational performance because these priorities are more likely to be successfully implemented (e.g. Dobni and Luffman, 2003) given the widely established coordination and cooperation benefits of strategic consensus (Dooley and Fryxell, 1999; Floyd and Wooldridge, 1992; Homburg et al., 1999; Wooldridge and Floyd, 1990). We therefore expect the highest levels of organizational performance for this situation, which we label *aligned consensus* (Cell 4, Figure 1). Conversely, Cell 1 represents a situation in which decision makers not only disagree on strategic priorities—which negatively affects their implementation—on average, they also favor strategic priorities that are inconsistent with the requirements of the organizational environment. Not surprisingly, we expect this pattern, which we label *chaotic*, to result in the lowest level of organizational performance.

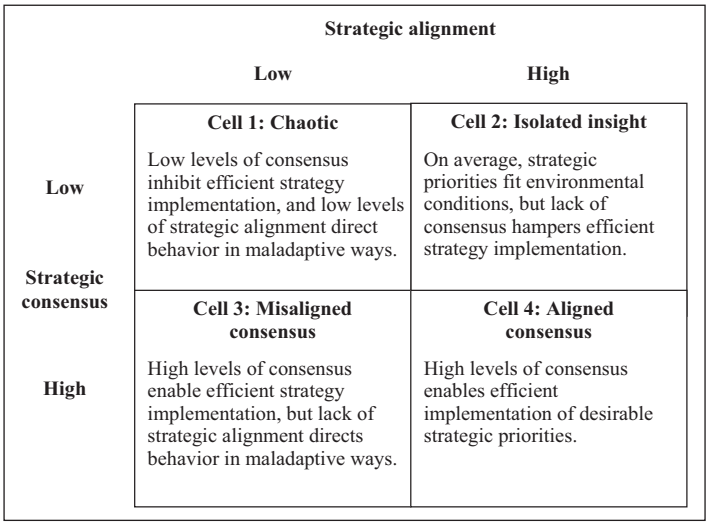

Figure 1. Theoretical interaction of strategic consensus and strategic alignment.

The diagonal in Figure 1 represents situations where low levels of consensus are combined with high levels of alignment or vice versa. In particular, when pursuing strategic priorities that are not well aligned with the organization's environment, the implementation efficiencies attributed to consensus are likely to have less of an effect on organizational performance, as the organization is pursuing priorities that are ineffective for its environment. This represents a situation we label *misaligned consensus* (Cell 3). It also resonates with the widely discussed phenomenon of groupthink (Janis, 1972), characterized by decision makers minimizing (constructive) conflict and reaching consensus without a critical evaluation of alternative strategic priorities, leading to lower decision quality—or in our case, lower levels of strategic alignment—and subsequently lower levels of performance. We do not expect to see a negative effect of consensus in this situation, however, as the implementation efficiencies and the sense of common direction—even if misguided—provides an organization with valuable opportunities for experiential (Strike, 2012) or trial-and-error learning (Dyer and Sánchez, 1998). That is, even if it is not the most well-aligned strategy, once it is being implemented, organizations start to receive feedback on its efficacy and are able to make necessary adjustments.

Finally, Cell 2 represents a situation we label *isolated insight*, in which a low level of consensus exists in conjunction with high strategic alignment. As a result of the strategic fit, we expect this situation to result in a relatively high level of performance, which could be further improved, however, as lower levels of consensus are inhibiting implementation efforts. Summarizing these arguments, we propose the following hypothesis:

Hypothesis 3: Strategic consensus will have a greater impact on organizational performance when strategic alignment is higher than when it is lower.

Methods

Research site selection

The desirability of strategic priorities in most business environments is highly idiosyncratic (Kraatz and Zajac, 2001; Zajac et al., 2000), presenting major difficulties in measuring the fit

between strategic priorities and the organizational environment across a large sample of firms. To overcome these difficulties, we chose to hold the organizational context constant by studying alignment within multiple units of one large organization. However, to do so requires identifying an organization that has a sufficient number of units that all face a similar competitive environment. In this regard, academic institutions have been identified by strategic fit researchers as organizational contexts that are particularly suitable for study (Kraatz and Zajac, 2001). Externally, the context of higher education is characterized by a very strongly institutionalized environment (DiMaggio and Powell, 1983; Meyer and Rowan, 1977–1978), which suggests that academic units within any institution face largely similar pressures, such as economic exigencies, accreditation, academic consumerism, the increasing influence of rankings, and increasing rivalry for students, faculty members, and resources (Beck et al., 2011; Gayle et al., 2003; Granata and Chirico, 2010; Ward, 2003). Internally, academic institutions typically allocate resources across departments using a set of relatively homogeneous criteria, reflecting their common mission (Kraatz and Zajac, 2001). Consequently, from a resource-dependence perspective (Pfeffer and Salancik, 1978), such criteria create a common competitive environment within large academic organizations and reflect the current and future competitive demands on academic units (Gioia et al., 1994). Academic settings thus offer the opportunity to define a set of strategic priorities that are universally desirable within a particular institution, facilitating the development of a valid measure of strategic alignment. Hence, we conducted our research in a large public university.

At first glance, the choice of such a sampling frame may be seen to pose questions of generalizability to the corporate world. While the two settings are not identical, prior research has observed that the environment of universities and colleges is becoming increasingly similar to business settings (Gayle et al., 2003; Gioia et al., 1994; Gioia and Thomas, 1996) and that departments are gradually adopting a business-like orientation (Milliken, 1990). In large part, this trend is a result of an increasingly difficult set of financial challenges, including rapidly increasing costs and declining sources of revenue (Kraatz and Zajac, 2001). In such a context, the benefits of strategic consensus in the form of efficient implementation appear especially important. Thus, an academic sample represents an ideal setting for our study. It provides a context within which one can develop valid and reliable measures of strategic alignment, and it does so in a situation where one can also expect robust relationships between strategic consensus and organizational performance.

Survey and respondents

We sent a survey to 1092 faculty members in 72 departments on the main campus of a large, public research university in the Northeastern United States. Only departments with two or more respondents were used in the analysis (with an average of 5.43 respondents per department). We excluded respondents with less than 1 year of tenure in the department regardless of rank, reasoning that these individuals would be unlikely to have significant influence in the formulation and/or implementation of strategic priorities. The final sample included 63 departments (88% response rate at the organizational level of analysis) yielding a total of 349 usable responses. We conducted a one-way analysis of variance (ANOVA) to detect response bias (Tabachnick and Fidell, 1996) but found no significant differences between early, middle, and late respondents. We also screened the data with the Kolmogorov–Smirnov test to assure that normality assumptions were met and transformed the data if necessary. Furthermore, based on an examination of Mahalanobis distance measures, no outliers were apparent (Tabachnick and Fidell, 1996).

Measures

We followed recommendations in both the strategic alignment (e.g. Ginsberg and Venkatraman, 1985) and strategic consensus literature (e.g. West and Schwenk, 1996) and developed context-specific measures for our independent and dependent variables. In line with the founding traditions of alignment theory discussed above, the basis for our measures is the assumption that the environment is characterized by certain properties to which an organization can adapt by its choice of desirable strategies. Therefore, we had to first establish which strategies are most effective given the university's environment and then estimate the extent to which a department within the university deviates from this normative fit (Zajac et al., 2000).

We designed measures of desirable strategic priorities for the university by conducting interviews with select administrators, department heads, and faculty prior to our survey study. This resulted in the seven items listed in Appendix 1, conceptualizing priorities such as improving faculty morale and satisfaction, placement of graduate students, faculty taking leadership roles in scholarly associations, and improving national rankings. To verify that these strategic priorities are indeed key success factors (Amit and Schoemaker, 1993; Oliver, 1997) for the competitive environment of higher education, we interviewed the Associate Vice Chancellor of the university, who had a key budgetary role. This high-level executive confirmed that a higher priority on each of the items was important for an effective strategy in both the current and future time frames as well as across departments and schools within the university. Administrators at the provost's office have seen both their duties and influence increase steadily over the last years, particularly amidst rising financial pressures on higher education institutions, and are increasingly taking executive responsibilities (Basinger, 2003). For this reason, we consider the Associate Vice Chancellor a key informant who is knowledgeable about both internal and external strategic priorities of the university and therefore able to provide a valid assessment of the normative priorities of its academic units.

Examining the seven items we designed to capture strategic alignment confirms that they represent strategic *ends*, that is, the strategic priorities the university is pursuing (e.g. improving faculty morale and satisfaction, placing graduate students, and improving national research rankings), and not strategic *means*, that is, how to achieve a chosen priority. Our focus on strategic priorities or ends is important in that it allows for the possibility of equifinality of different strategic means with respect to performance outcomes (Miles and Snow, 1978; Porter, 1980). That is, one would be hard-pressed to compare the level of alignment between academic departments focused on making a substantial contribution to more niche-oriented fields, such as corporate social responsibility or environmental responsibility in business schools, with those focused more broadly on mainstream contributions. These are both viable means to achieving the goal of improved research rankings, and in practice, we often see academic departments pursuing either path being successful (or unsuccessful). In contrast, the strategic priorities that we identified in collaboration with the university's administration and that are tailored for the general context of higher education are likely relevant for any department—regardless of the strategic means it uses in the pursuit of these priorities—and thus represent a valid benchmark against which we can establish a department's strategic alignment.

After developing and validating our measure of strategic alignment independent of our survey data collection, we asked survey respondents to rate each of these seven items, first, on its current importance for their department, and second, on its future importance for their department, using a 5-point scale ranging from 1 = "not at all" to 5 = "to a great extent." Strategic alignment was measured by computing the mean score of all 14 items (7 current and 7 future assessments) for each

respondent and then computing the mean of means (i.e. the grand mean) across respondents in each department.

Strategic consensus. The literature on strategic consensus has maintained that measures of consensus must refer to the substance of an organization's strategy (e.g. Dess, 1987). In line with this recommendation, we analyzed the same items we used to conceptualize strategic alignment to measure strategic consensus. While our measures of alignment and consensus are therefore not statistically independent, our approach is in line with previous studies on procedural justice, which have also used the same items to measure both justice climate level (i.e. the group mean) and consensus on the justice climate (i.e. the within-group variance) (e.g. Colquitt et al., 2002; Lindell and Brandt, 2000). As with justice, theory dictates that the item specifications for the focal variable and the consensus measure draw on the same content.

In line with our discussion above, consensus scholars have also emphasized the distinction between agreement on ends, that is, the strategic priorities an organization is pursuing, and agreement on means, that is, how to achieve a chosen outcome (for examples of this distinction, see Bourgeois, 1980; Dess, 1987; González-Benito et al., 2012; Homburg et al., 1999; Knight et al., 1999; Pappas et al., 2003; Rapert et al., 2002; West and Meyer, 1998; West and Schwenk, 1996). Although consensus on both strategic ends and means may contribute to implementation efficiency, consensus on ends is likely to be a more reliable indicator because it captures a group's agreement on higher order principles governing organizational strategy and allows for differences in tactics that frequently arise even within groups that fundamentally agree on the strategic direction of the organization (Wooldridge and Floyd, 1989). This observation further justifies our choice of strategic priorities as the measure of strategic consensus.

Some research calculates consensus as the mean of the absolute value of differences—that is, the Euclidean distance = $SQRT(\sum(x_i - y_i)^2)$—between a key decision maker (e.g. the chief executive officer (CEO)) and other respondents on the same set of items (e.g. Amason, 1996; Homburg et al., 1999). However, university department heads, unlike the typical CEO, do not have the same level of influence over the formulation and implementation of strategy, which instead tends to be dispersed among faculty members within departments (Hardy et al., 1983). Therefore, we calculated strategic consensus by computing the average Euclidean distance across all the responses in each department without using any one respondent as a benchmark. We reversed the sign of the resulting number in order to facilitate interpretation in light of the hypotheses (Dess, 1987; West and Schwenk, 1996). Higher scores therefore indicate greater consensus. To improve the normality of this variable, we performed a square-root transformation.

Organizational performance. Our measure of organizational performance was adapted from Cameron's (1978) measure, which was specifically designed and validated for university settings and which empirically identified a core group of measurement items "that are relevant to organizational members, applicable across subunits, and comparable across institutions" (p. 611). Consistent with our sampling frame, our measure focused on excellence in research and teaching, which represents the dimension most closely correlated with objective performance measures in Cameron's (1978) study. The measure included six items on organizational performance, including top-tier publications, receipt of research grants as well as teaching and research awards (see Appendix 1 for details), which respondents assessed using a 7-point scale ranging from 1 = "strongly disagree" to 7 = "strongly agree." Mean scores of the individual department members were then mean-aggregated for each department to compute the final measure of departmental performance. Averaging the responses of multiple informants in the measurement of a variable has the advantage

of averaging individual biases and compressing variance in the measure, thereby leading to a more conservative interpretation of results (Gresov et al., 1989). Assumptions about normality are also more easily justified, making the use of parametric statistical methods more appropriate (McGrath, 2001).

We also validated this measure using objective performance data. Such objective performance data (e.g. publications, editorial board memberships, research grants and awards, and teaching awards) were available for 45 out of the 63 departments in our sample from the university's office of institutional research. Unfortunately, however, such data are not readily comparable across different departments and schools within the university. For example, some departments have significantly larger publication counts in premier journals because their fields frequently publish articles with several coauthors (e.g. psychology), whereas these counts are significantly lower in other fields (e.g. arts, music). There are also major differences in the number of journal outlets between fields; hence, the number of editorial board positions available varies significantly. Opportunities for research grants also vary widely; there are vastly more opportunities in some fields (e.g. engineering) than in others (e.g. business). Hence, given these significant differences between fields, broadly measuring performance across departments using objective data would be too idiosyncratic, requiring comparative performance data from other similar departments, which are not available, in order to interpret baseline performance levels. By using a subjective measure, however, we are able to capture the perceptions of individuals as to how their departments compare to what they generally consider comparable departments in other institutions.

While we were therefore unable to use such objective performance data to replicate our regression analyses, we were able to establish criterion validity of our subjective performance measure by correlating the questionnaire items pertaining to research with the number of publications for each department 1 year prior to our data collection. The raw publication numbers were weighted by a university-wide system and were adjusted for department size. Similarly, the teaching-related items were correlated with average departmental scores on student evaluations of teaching. The correlations for teaching and research performance with questionnaire items were 0.53 ($t = 4.07$, $p < 0.001$) and 0.39 ($t = 2.79$, $p < 0.001$), respectively, which compares favorably with other published criterion validities (e.g. McGrath, 2001). These results therefore lend support to the criterion validity of our subjective performance measure.

Controls. Larger departments tend to have more slack resources and may therefore be able to provide a more fruitful environment and create synergies between teaching and research than smaller departments. Hence, we controlled for *department size* using the number of full-time faculty as our measure.

In order to control for differences between departmental disciplines, the university provided a list of departments and their *disciplinary affiliations* (most often grouped within the same school). In our sample, these affiliations included Veterinary Medicine, Business, Engineering, Social Sciences, Medical/Dental, Education, and Physical Science. Each department in these disciplines was then dummy coded by discipline.

Although our measure of consensus assessed the level of mutual agreement among department members, some definitions of consensus also stress the importance of shared commitment to an organization's performance (e.g. Wooldridge and Floyd, 1990). Therefore, we controlled for *commitment* to the set of departmental priorities indicated in the consensus items using a scale adapted from Porter et al. (1974). We averaged individual responses to compute a departmental commitment score. These items are also listed in Appendix 1.

Aggregation and post hoc tests

To examine whether aggregation of individual responses to the department level was warranted, we first calculated within-group agreement using the r_{wg} statistic (James et al., 1984). The lowest r_{wg} was 0.77 (see Appendix 1 for details), which is in line with George's (1990) suggested cutoff. Moreover, we calculated interrater reliability and the reliability of the group mean using intraclass correlation coefficient (*ICC*)—*ICC(1)* and *ICC(2)* (Bliese, 2000). While no strict cutoffs exist regarding *ICC* scores, James (1982) reported that the median observed *ICC(1)* value in the organizational literature is 0.12, and Glick (1985) suggested the use of 0.60 as the *ICC(2)* cutoff. In our study, both *ICC*s exhibited appropriate values with the lowest *ICC(1)* equaling 0.19 and the lowest *ICC(2)* equaling 0.65, providing further evidence that aggregation to the department level is justified.

To address common method bias, we followed recommendations for both ex ante survey design choices as well as for performing ex post analyses (Conway and Lance, 2010; Podsakoff et al., 2003). First, we protected respondents' anonymity and spatially separated the items for independent and dependent variables, with the items for the dependent variable following the other items, thereby mitigating social desirability and consistency biases (Podsakoff et al., 2003). Second, we tested for common method bias as suggested by Podsakoff and Organ (1986). After entering all multi-item constructs into a factor analysis, the first factor accounted for only 25.51% of the total variance of 77.53%, well below the 50% cutoff, and no single method factor emerged. Our consensus construct was further calculated by the Euclidean distance between the departmental members—and not based on the perceptions of individual department members—thus creating one of our two independent variables in a way that is unbiased by common method concerns and should mitigate potential endogeneity concerns as well. Moreover, the complex data relationship inherent in our predicted interaction makes it unlikely that respondents correctly guessed the hypothesis and then responded in a socially desirable manner, which could lead to spurious findings. Finally, prior research has shown that the attenuating effects of the systematic error variance due to the method of measurement at least offset the inflationary effects of shared method variance, that is, common method bias (Conway and Lance, 2010; Lance et al., 2010), and that the likelihood of obtaining significant interaction effects is reduced, not enhanced, to the extent that a method effect is present (Evans, 1985). For these reasons, we do not expect our results to be inflated by common method bias (see also Chan, 2009).

Finally, to assess the potential for reverse causality, we utilized instrumental variables for both our consensus and alignment constructs. Consistent with prior research (e.g. Argyres et al., 2007), we used Stata 11.0 and the program IVENDOG (Baum et al., 2002) to calculate two-stage least squares regressions (Hamilton and Nickerson, 2003). We used process conflict and decision-making procedures as instrumental variables for our consensus and alignment constructs. The nonsignificant *F*-tests and nonsignificant chi-square tests as part of the Durbin–Wu–Hausman test ($F = 0.00$, $p = 1.00$, and $\chi^2 = 0.00$; $p = 1.00$ for consensus; $F = 1.81$, $p = 0.18$, and $\chi^2 = 2.16$; $p = 0.14$ for alignment) suggest that the independent variables in question are exogenous and that their ordinary least squares (OLS) estimates are unbiased and can thus be reported (Davidson and Mackinnon, 1983). Accordingly, we do not believe that reverse causality is a problem in our article.

Results

Means, standard deviations, and zero-order correlations are shown in Table 1. The level of correlation between strategic consensus and strategic alignment ($r = 0.31$, $p < 0.05$) is below the

Table 1. Descriptive statistics and correlations.

Variables	Mean	SD	1	2	3	4	5	6	7	8	9	10
1. Veterinary	0.09	0.30										
2. Business	0.08	0.27	−0.10									
3. Engineering	0.06	0.25	−0.08	−0.08								
4. Social sciences	0.17	0.38	−0.15	−0.14	−0.12							
5. Medical/dental	0.34	0.48	0.44***	−0.22†	−0.19	−0.34**						
6. Education	0.11	0.31	−0.12	−0.10	−0.09	−0.16	−0.26*					
7. Department size	15.11	7.90	−0.07	−0.22†	−0.09	0.31*	−0.41***	−0.01				
8. Commitment	5.23	0.70	−0.08	0.21†	0.01	0.16	−0.28*	−0.01	0.20			
9. Strategic consensus	−2.18	0.18	−0.02	−0.09	−0.05	0.04	0.01	−0.01	0.10	0.22†		
10. Strategic alignment	3.59	0.36	0.17	0.24†	0.11	−0.08	−0.12	0.12	0.04	0.51***	0.31*	
11. Organizational performance	5.26	0.67	0.02	0.19	0.16	−0.10	−0.14	0.13	0.27*	0.35**	0.38**	0.51***

SD: standard deviation.
$N = 63$.
†$p < 0.10$; *$p < 0.05$; **$p < 0.01$; ***$p < 0.001$.

threshold of 0.50 typically associated with multicollinearity concerns (Hair et al., 2010). An investigation of the variance inflation factors (all below 1.59) also suggests no reason for concern with respect to multicollinearity (Hair et al., 2010). Strategic consensus ($r = 0.38$, $p < 0.05$) and strategic alignment ($r = 0.51$, $p < 0.001$) are both positively and significantly correlated with organizational performance. While the correlation between alignment and performance is high, this is not due to measurement error. In fact, the two measures are quite different conceptually, and the scales measure different things: alignment measures strategic priorities (such as improving faculty morale and satisfaction, improving national research rankings, and paying competitive salaries), while performance measures outcomes (such as publications, research grants, and teaching awards). As a result, our results reflect substantive variance, rather than method variance. Also as expected, both the control variables are positively and significantly associated with performance. We tested our hypotheses using hierarchical moderated regression analysis, entering the variables in three steps (see Table 2 for the results).

In Model 1, the controls were entered, and, as expected, each had a significant and positive association with organizational performance. To test our main-effects hypotheses, both independent variables were entered in Model 2, and a significant change in R^2 was observed ($\Delta R^2 = 0.16$, $p < 0.01$). As expected, both strategic consensus ($b = 0.16$, $p < 0.05$) and strategic alignment ($b = 0.21$, $p < 0.05$) were significantly and positively associated with organizational performance. These

Table 2. Hierarchical regression analysis.

	Model 1	Model 2	Model 3
Constant	2.73*** (0.74)	3.94*** (0.75)	3.71*** (0.74)
Step 1. Controls			
Veterinary[a]	0.07 (0.30)	−0.12 (0.29)	0.01 (0.28)
Business	0.40 (0.33)	0.28 (0.31)	0.22 (0.29)
Engineering	0.49 (0.36)	0.38 (0.33)	0.29 (0.32)
Social sciences	−0.23 (0.25)	−0.20 (0.23)	−0.24 (0.22)
Medical/dental	0.20 (0.25)	0.18 (0.23)	0.16 (0.22)
Education	0.38 (0.29)	0.25 (0.27)	0.31 (0.26)
Department size[b]	0.22* (0.10)	0.21* (0.09)	0.18 (0.09)
Commitment	0.07* (0.03)	0.02 (0.03)	0.04 (0.03)
Step 2. Main effects			
Strategic consensus		0.16* (0.08)	0.15† (0.08)
Strategic alignment		0.21* (0.09)	0.26** (0.09)
Step 4. Interaction effect			
Strategic consensus × strategic alignment			−0.15* (0.07)
ΔR^2		0.16	0.05
ΔF		6.95**	4.66*
R^2	0.26	0.42	0.47
Adjusted R^2	0.15	0.30	0.35
F	2.38**	3.71***	4.04***

$N = 63$.
Dependent variable: organizational performance.
Unstandardized coefficients shown, with robust standard errors in parentheses.
[a]Physical science is not listed here because in order to dummy code seven disciplines, one discipline has to be omitted.
[b]Square-root transformed.
†$p < 0.10$; *$p < 0.05$; **$p < 0.01$; ***$p < 0.001$.

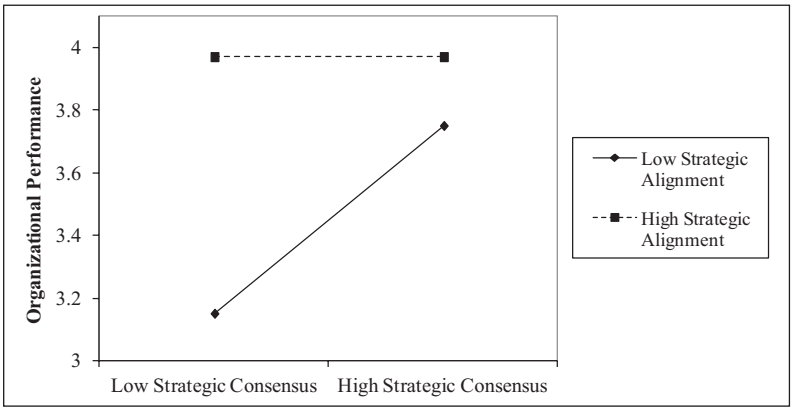

Figure 2. The moderating effect of strategic alignment.

results provide support for Hypotheses 1 and 2. Hypothesis 3 predicted that strategic alignment would have a positive moderating effect on the link between strategic consensus and organizational performance. This hypothesis was tested by entering the cross-product term of strategic consensus and strategic alignment in Model 3. A significant change in R^2 ($\Delta R^2 = 0.05$, $p < 0.05$) and a significant interaction term were observed ($b = -0.15$, $p < 0.05$), providing support for an interaction effect.

To facilitate interpretation, the interaction is plotted in Figure 2 following the procedure suggested by Cohen and Cohen (1993). As predicted by Hypothesis 3, the highest level of organizational performance occurs when strategic alignment and strategic consensus are both high (i.e. both are one standard deviation above the sample mean), and the lowest level of performance is observed when both are low (i.e. when both are one standard deviation below the sample mean). Also in line with our hypothesis, when strategic alignment is low, while higher levels of consensus improved performance (indicated by the positive slope of the solid line), the overall level of performance achieved is significantly below the level achieved when alignment is high. Contrary to our predictions, however, when strategic alignment is high, strategic consensus appears to have no significant impact on organizational performance (as indicated by the broken line).

Discussion

The evidence offered in this study in support of a positive influence of both strategic consensus and strategic alignment on organizational performance corroborates established relationships (e.g. Kellermanns et al., 2011; Zajac et al., 2000). The primary contribution of our study, however, centers on the contingent effect of strategic alignment. Consistent with what we hypothesized, the combination of a well-aligned strategy and high levels of strategic consensus is associated with high organizational performance (Cell 4 in Figure 1), while the lack of both is associated with low performance (Cell 1). Also in line with our predictions, the coordination and cooperation benefits due to consensus among decision makers allow for more efficient strategy implementation, which enhances organizational performance, in spite of misalignment between strategic priorities and the organizational environment (Cell 3). Surprisingly, however, when strategic alignment is high, consensus appears to matter relatively little to organizational performance (Cell 2). Hence, our findings suggest that the positive influence of strategic alignment on performance may help to offset

the negative influence of low consensus among decision makers. There are several implications of these findings.

First, strategic alignment emerged as a new and crucial contingency variable affecting the consensus–performance relationship. While prior research has focused on the general content of consensus (e.g. means or ends), it has not investigated whether the actual content of what decision makers agreed on and whether it aligned with the environmental demands facing the organization made a difference in the consensus–performance relationship. Our findings suggest that it may be as important—or even more important—to focus on strategic alignment or the "quality" of the decisions made as on whether there is consensus on those decisions within the group.

Second, our results also provide some insights into the inconsistent findings that have plagued prior research on strategic consensus (see Kellermanns et al., 2005, 2011 for reviews). The observed interaction results in our study may be particularly important in this regard. When decision makers, on average, emphasize well-aligned priorities but exhibit high levels of disagreement among each other, the level of organizational performance may be just as high as when strong consensus forms around these priorities. Put differently, a well-aligned strategy may actually neutralize (Howell et al., 1986) the performance effects of strategic consensus. Such a suppression effect may help explain inconsistencies across prior empirical studies. In particular, the tendency of most field samples to be subject to a "survivor bias" (Hannan and Freeman, 1989) means that a disproportionate number of the organizations sampled in prior studies are likely to have relatively well-aligned strategies. If strategic alignment suppresses the effects of consensus, it may not be surprising that a number of studies have found little or no relationship between consensus and performance (e.g. Joshi et al., 2003; Menon and Bharadwaj, 1996; Ramos-Garza, 2009; Wooldridge and Floyd, 1989, 1990).

Our findings related to the suppression effect of strategic alignment on consensus, while in conflict with the main premise of the consensus literature, resonate with the literature on micropolitics in organizations. Some of this research emphasizes the self-correcting effect of politics on deficiencies and dysfunctions in other, legitimate, systems of influence (e.g. Mintzberg, 1985; Thomas and Trevino, 1993; Walter et al., 2012). According to this view, those decision makers with preferential access to information are likely in a better position to adequately assess the implications of strategic decisions (Simon, 1957). To gain influence for their views, however, they tend to resort to political tactics like coalition-building (Lechner and Floyd, 2012; Quinn, 1980), instead of building consensus around their strategic priorities within a larger group. While such micropolitical influence attempts are a pervasive feature of most organizational decision processes (Chang et al., 2009; Cyert and March, 1963; Ferris et al., 2002; Kacmar and Baron, 1999; Quinn, 1980), our findings suggest that they might also explain why and how strategic alignment can occur without strategic consensus forming around the chosen strategic priorities. Indeed, such political maneuvering may be particularly relevant to strategic decisions in more pluralistic settings like the one studied here (Baldridge, 1971; Pusser, 2003).

Third, and more broadly, the point is not that consensus matters little for organizational performance; nor do our findings mean that strategic alignment serves as a substitute for achieving strategic consensus. As our findings suggest, consensus does improve performance when an organization's strategic priorities depart from the ideal. Despite survivor bias, the strategies of virtually all organizations at some point depart from the ideal—particularly when competitive or technological conditions change (Zajac et al., 2000). In such a changing environment, even high-performing organizations are likely to drift away from a tight strategic fit (Chorn, 1991; Johnson, 1988). When the priorities of the organization are out-of-sync with the environment, our results suggest that the implementation benefits of consensus are particularly important for organizational

performance. As outlined above, however, it is important to remain cognizant of the distinction between the process of strategy formulation, where too much agreement too early in the process likely leads to groupthink (Janis, 1972), and the process of strategy implementation, where consensus is critical as the basis of coordination and cooperation in the realization of strategic priorities. In line with our theorizing, our results must be interpreted considering consensus as an *outcome* of the decision process, not as a feature of the group process itself (Kellermanns et al., 2011).

In line with its importance to efficient implementation, many theorists have argued that consensus is more important for performance in stable environments and that it may actually impede performance under dynamic conditions, where too much agreement on a course of action might impede the ability of decision makers to consider new alternatives and to respond quickly to unforeseen events (Dess and Origer, 1987; Priem, 1990). Interestingly, empirical research on the influence of environmental dynamism as a moderator has been inconsistent. Whereas, for example, Homburg et al. (1999) found that the consensus–performance link was stronger in dynamic environments, evidence from Bourgeois (1985), West and Schwenk (1996), and Iaquinto and Fredrickson (1997) failed to support environmental dynamism as a moderator, and González-Benito et al. (2012) found that the consensus–performance relationship was positive when dynamism was low and negative when dynamism was high. Even examining the effect of environmental dynamism across studies, Kellermanns et al. (2011) found only limited empirical support for the influence of this moderator.

The findings in this study may help explain these inconsistencies. Based on our findings, it is the *fit* between the environment and an organization's strategic priorities that matters for organizational performance and not so much the level of environmental uncertainty or dynamism per se. In highly dynamic environments, it may be more difficult to establish strategic alignment, as the environment is in constant flux, requiring organizations to continuously establish new strategic priorities to keep up. And amidst constant environmental change, strong consensus among decision makers may arguably lead to more inertia, impeding future strategic change, and thereby reducing future strategic alignment. Such a dynamic strategic alignment process, the moderating influence of strategic consensus, and the implications of both for organizational performance represent an interesting avenue for future research.

In addition to the implications for research on strategic consensus, the results of our study also contribute to the literature on strategic fit (e.g. Venkatraman and Prescott, 1990; Zajac et al., 2000). Several authors in this research stream have called for studies that examine the fit between external environments and internal processes (e.g. Venkatraman and Camillus, 1984). By simultaneously analyzing the alignment of strategic priorities with the external environment, as well as the effect of strategic consensus on different levels of strategy–environment alignment, our study not only provides such an integrated view of strategic fit but also adds an important process variable to this literature. Although strategic alignment appears to be a more potent predictor of performance in our study, strategic consensus explains significant additional variance. In particular, under conditions of moderate or poor strategic fit, some level of performance may be maintained with a higher level of strategic consensus. Thus, researchers interested in strategic fit may do well to consider consensus as a factor that at least partially offsets the performance-limiting effects of a misaligned strategy.

Our study also suggests potential avenues for future research. Both strategic consensus and alignment were found to be important performance-related outcomes; however, we know very little about *how* an organization achieves them. What processes lead to well-aligned strategies? And what processes enhance consensus among decision makers but, at the same time, allow for high levels of decision quality? The process of "constructive confrontation"—that is,

challenging one another's beliefs and ideas but maintaining trust and respect (Kellermanns et al., 2005; Menon and Bharadwaj, 1996)—may be one way to create consensus around a well-aligned strategy. But there may also be other important variables in the process, such as analytical and integrative comprehensiveness (Fredrickson and Mitchell, 1984), the extent of strategic awareness (Hambrick, 1981), the level of managerial involvement (Shi et al., 2009; Wooldridge and Floyd, 1990), and leadership (Arendt et al., 2005). For too long, strategy process research has failed to make a connection with outcomes that are relevant to theories of strategy content (Chakravarthy and White, 2001; Hutzschenreuter and Kleindienst, 2006). Focusing on how the strategy process contributes to strategic fit offers a promising way to address this gap.

In interpreting the findings of this study, at least three limitations need to be acknowledged. First, as a cross-sectional study, causal inferences are based on theory, not on empirical results, and although we posit that consensus and alignment improve performance, it is also possible that higher performance outcomes make it easier for organizations to reinforce important priorities and enhance consensus. The endogeneity test reported earlier, however, gave us at least some confidence in the relationships between independent and dependent variables being as expected. Second, the academic setting may limit the generalizability of the findings. The concern that businesses and universities cannot be easily compared is somewhat diminished, however, by the trend that colleges are increasingly operated more like businesses (Gayle et al., 2003; Gioia et al., 1994; Gioia and Thomas, 1996; Milliken, 1990) and that their situation mirrors that in other knowledge creation settings (McFadyen and Cannella, 2005). Moreover, we expect our findings to have theoretical generalizability (Lee and Baskerville, 2003) across most management teams and organizational settings. Indeed, there is no reason to expect the arguments in this study not to apply to any setting where organizations seek to develop well-aligned strategies, to agree on these strategies, and thereby improve performance. And third, while our choice of strategic priorities or ends to measure consensus is deemed to be the most reliable indicator of a group's agreement (Wooldridge and Floyd, 1989), it is conceivable that an agreement on strategic means might also lead to implementation efficiencies, although this effect is likely less pronounced. Future research might therefore want to address this limitation and examine the interactive effect of consensus on means and alignment on organizational performance as well as establish the interactive effect of consensus on priorities and alignment controlling for the effect of consensus on means.

In conclusion, despite considerable progress in theory development, research on strategic consensus has struggled to establish empirically the intuitively appealing relationship between consensus and organizational performance. The results of this study suggest that part of the problem may be neglecting the question of whether the agreed-upon strategic priorities are appropriate in light of the organization's external environment. We hope that this study motivates researchers to continue examining the role of strategic alignment as well as advancing our understanding of when consensus does and does not improve organizational performance.

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Author biographies

Jorge Walter is an assistant professor at the School of Business, George Washington University. He received his doctorate in strategic management from the University of St. Gallen, Switzerland, and was a visiting researcher at the Wharton School, University of Pennsylvania, and a postdoctoral researcher at the Stern School of Business, New York University. His research interests include strategic decision making, knowledge/technology transfer, social networks, and social capital. His work has appeared in the *Academy of Management Journal, Journal of Business Research, Journal of Management, Journal of Management Studies, MIT Sloan Management Review, Organization Science*, and *R&D Management*. He currently serves on the editorial board of the *Journal of Management*.

Franz W Kellermanns is a professor of management in the College of Business at the University of Tennessee. He holds a joint appointment with the INTES Center at the WHU—Otto Beisheim School of Management (Germany). He received his PhD from the University of Connecticut. His research interests include strategy process and entrepreneurship with a focus on family business research. He is an editor of *Entrepreneurship Theory and Practice* and former associate editor of *Family Business Review*. He has published in journals such as *Organization Science, Journal of Management, Journal of Management Studies, Journal of Organizational Behavior, Journal of Business Venturing, Entrepreneurship Theory and Practice, Family Business Review, Academy of Management Learning and Education*, among others. He serves on the editorial boards of *Journal of Business Venturing, Journal of Management, Journal of Management Studies, Family Business Review, Journal of Family Business Strategy*, and *Strategic Entrepreneurship Journal*.

Steven W Floyd is the Eugene M. Isenberg Professor of Innovation and Entrepreneurship at the Isenberg School of Management, University of Massachusetts—Amherst. He received his PhD from the Leeds School of

Business at the University of Colorado. His research interests focus on strategic decision making, strategy development processes, and corporate entrepreneurship. Professor Floyd's work has been published in the *Strategic Management Journal, Academy of Management Review, Academy of Management Journal, Journal of Management, Journal of Management Studies, Journal of International Business Studies, Entrepreneurship: Theory and Practice, Organization Studies*, and *Journal of Organization Behavior*, among others. He is an Associate Editor of the *Strategic Management Journal* and serves on the editorial board of the *Academy of Management Journal.*

John F Veiga is a Board of Trustees Distinguished Professor of Management and a Senior Research Scholar in the School of Business at the University of Connecticut—Storrs. He received his doctorate from Kent State University. His research interests include strategy process, strategic entrepreneurship, founder CEOs, and organizational ambidexterity and innovation. His research has been published in numerous journals, such as *Academy of Management Journal, Academy of Management Review, Journal of Applied Psychology, Strategic Management Journal, Journal of Management, Organization Science, Journal of Organization Behavior, Journal of Management Studies, Human Relations, and Harvard Business Review*. "Jack" was inducted into the Academy of Management Journal Hall of Fame based on his numerous publications in the Academy's Journals. He has also served on the editorial board of the *Academy of Management Journal* and as editor of the *Academy of Management Executive*.

Curtis Matherne is an assistant professor of management in the B.I. Moody III College of Business Administration at the University of Louisiana at Lafayette. He received his doctorate in organizational behavior from Mississippi State University. His research interests include ethical behaviors and identity dynamics in organizational settings, focusing primarily on family-owned businesses. His work has appeared in *Entrepreneurship, Theory & Practice, Family Business Review, Journal of Behavioral and Applied Management*, and *Journal of Leadership, Accountability and Ethics*. Dr Matherne currently serves on the editorial review board of *Family Business Review*.

Appendix 1

Survey items and interrater reliabilities

Items	Individual α	Group α	r_{wg}	*ICC(1)*	*ICC(2)*
Organizational performance					
Department members publish in premier journals in the field Department members receive research grants Department members are represented on editorial boards of major journals in the field Department members receive awards for research Department members teach at the cutting edge Department members receive awards for teaching	0.81	0.75	0.89	0.19	0.65
Strategic alignment (group mean) and strategic consensus (group dispersion scores)					
Promoting departmental majors to potential students	0.79	0.75	0.94	0.61	0.90

Appendix 1. (Continued)

Items	Individual α	Group α	r_{wg}	*ICC(1)*	*ICC(2)*
Improving faculty morale and satisfaction					
Placing graduate students (e.g. doctoral student placement)					
Encouraging faculty to take leadership roles in scholarly associations (e.g. officers, journal editors)					
Improving national research rankings					
Supporting faculty with strong professional reputations					
Paying competitive salaries					
Commitment					
Department members are willing to put in a great deal of effort to successfully recruit new faculty with research skills	0.75	0.87	0.77	0.54	0.88
Department members are willing to promote recruiting decisions to coworkers as being good for the department					
Department members really care about seeing other department members publish successfully					
Department members feel there is not much to be gained by recruiting faculty with strong professional reputations[a]					

[a]Indicates reverse-coded items.