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CONCEPTUAL/THEORETICAL PAPER

A multi-system organizing framework for inter-firm control: a comprehensive perspective on control

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Abstract
Marketing inter-firm control considers how one party to an exchange manages the behaviors and/or performance outcomes of another. Despite the existence of mature, robust theories in the marketing literature such as transaction cost economics, agency theory, organizational control theory, and the theory of relational exchange, many questions of control remain. Three areas important to modern day inter-firm management and not addressed by extant channels are third-party control (control by a non-dyadic constituent), self-control (control by and of the actor), and control as a function of daily routine. To consider these and other aspects of control, this paper applies a general framework to examine issues of control and governance. This framework considers control systems (dyadic control, third-party control, and self-control), control modes (formal and informal control) the rules of control (setting standards, monitoring, and sanctioning), and the costs and welfare maximization of such rules. It also addresses control behaviors and outcomes. Introducing a single organizing control framework and demonstrating its use, this paper explains the multi-system control framework, offers research propositions, and provides a research agenda.

Keywords Governance processes · Informal control · Formal control · Inter-organizational relationships · Compliance · Opportunism

Control has emerged as a key topic of inquiry not only in marketing inter-firm research (Heide et al., 2007; Kashyap et al., 2012), but in accounting (Dekker, 2004), economics (Bouillon et al., 2006), organizational theory (Ellemers et al., 2004), leadership theory (Manz, 1986), and workforce motivation (Gagne & Deci, 2005). In governance terminology, control considers how one party to an exchange uses some type of leverage to manage the behaviors and/or performance outcomes of another (Ouchi, 1979). The controller guides, directs, and enforces the relationship with the target of control. In marketing, although inter-firm control relationships are generally thought of as buyer-seller or channels of distribution relationships, they span a significantly broader area, and subsume many forms, such as strategic partnerships, agency relationships, supply chain relationships, and network relationships.

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Robust and mature theories support marketing models of inter-firm control. These include control theory (Ouchi, 1979), transaction cost economics (TCE; Rindfleisch & Heide, 1997), agency theory (Bergen et al., 1992), power-dependence theory (Frazier et al., 1989), relational exchange (Kaufmann & Stern, 1988), contract theory (Lusch & Brown, 1996) and governance theory (Heide, 1994). Each theory has introduced one or more processes of bureaucratic or relational control. A specific tool for achieving alignment, control processes can take the form of contracts, norms of understanding, influence strategies, incentive processes, monitoring, enforcement processes, and more. Without specific control processes in place, actors, driven by self-interest, would only perform the minimal tasks to earn immediate rewards (Rubin, 1990). This results in less-than-cohesive relationships, failure to efficiently perform the functions of the job and, eventually, relationship failure. Therefore, control is necessary in an inter-firm relationship.

Although our extant control theories have created a broad picture of business control relationships (see Crosno and Brown (2015) for a complete review), we lack a single organizing framework. In fact, a review of the channels literature (Watson IV et al., 2015) suggests a need to examine "how existing theoretical approaches can be integrated into a more comprehensive framework" (p. 553). As an alternative to our extant approach, paradigmatic theories or frameworks motivate similar methodological approaches and provide higher levels of descriptive, explanatory, and predictive power (Kuhn, 1970). Another advantage to considering a single organizing framework is that it allows a theoretic domain to expand and grow in a logical, dynamic manner while more rigidly defining the field.

Interestingly, scholars in the sociological and legal control fields present a more robust picture of control by considering control by a dyadic partner, an entity outside the dyad, and the self (Black, 1998; Ellickson, 1987). This comprehensive perspective on multiple control approaches is known as social control. Social control*,* "the handling of right and wrong" (Black, 1998, p. *xxiii*), concerns the normative aspects of social interaction, and serves as a way to resolve extra-legal dispute resolution amongst members of a system with loose social ties (Ellickson, 1991). The appeal of such a framework across a variety of academic disciplines (e.g., business, law, sociology, political science, economics) gained strength on the notion that, even with widespread use of contracts, parties often do not rely on the legal system to settle contractual or regulatory disputes (Braithwaite et al., 1987; Macaulay, 1963). Instead, actors rely on social aspects of the relationship to manage specific transactions, guide everyday behavior, punish transgressors, and settle differences.

This paper introduces a comprehensive, single organizing framework for examining inter-firm control. The framework contains three major parts. First, it will address different *systems of control*, which refers to how a controller regulates the behaviors or outcomes of a controlled target firm. The first system of control is the dyadic control system, which consists of a controller and a target firm. The second system of control is the third-party control system, which consists of a controller from outside the focal dyad—such as a regulator or trade association—and how it controls a target or targets within the focal dyad. The third system of control is the self-control system, which refers to how a controller controls itself.

The second part of the framework addresses different *modes of control* within each system. The modes of control are the key bases on which control rests and are a function of either economic factors such as a calculative determination of costs, leading to formal mechanisms of control, or social factors, such as bilateral agreements and understandings, leading to informal mechanisms of control. Finally, the third part of the framework describes in detail the different *rules of control*, which refer to the various control processes including the setting of standards, monitoring, and sanctioning, which are found in formal and informal modes across the different control systems.[1] Please see Fig. 1 for a graphic depiction of control,

In developing a comprehensive control framework several contributions are made to the literature. First, the sometimes-messy notion of control is clearly explicated to identify its specific systems, modes, and rules. Organizing the separate elements allows a clearer understanding of how the various aspects of control fit together. Second, two new control systems are presented for consideration into our literature. Although firms are affected by outside-the-dyad constituents and inside-the-firm actions, third-party control and self-control have been rarely considered. Third, besides pure application of control, this paper considers how control is implemented based on the costs of building and executing control structures. In doing so, combinations of control systems, modes, and rules are described. Fourth, the behaviors that motivate control are examined. Much of everyday control is driven by ordinary behaviors. Deviant and extra-role behaviors are also described as anteceding control modes. Finally, and importantly, the consequences of control are considered. To examine various consequences, how control interacts with dependence conditions to affect important control outcomes— compliance and relationship quality—is described.

In the following sections, this paper overviews the extant literature of control, offers a summary of the multi-systems of control organizing framework and then describes the framework's control modes, systems, rules, and costs, as well as the specific behaviors and consequences associated with control.

Extant control literature

The marketing control literature's robustness is a function of its eclectic theories and their breadth of explanation. Table 1 describes illustrative studies in control, categorized by theory.

Control scholars have accessed many fields to understand how one organization exerts influence on another. Consider economic theories such as TCE and agency theory; sociological based theories such as power-dependence theory and relational norms; legal scholarship such as contract law theory; organizational control theory, which considers coordination and conformance in hierarchical structures, and governance theory, which draws from many of the above theoretical constructions. Together, these theories have provided strong theoretical conceptualizations of control supported by empirical findings.

Regarding the formal and informal dichotomy of control modes, they appear in the organizational control literature (formal and informal control; e.g., Gilliland & Manning, 2002; Jaworski, 1988; Jaworski et al., 1993), the governance

[1] Please see the Appendix for a glossary of terms used in the framework

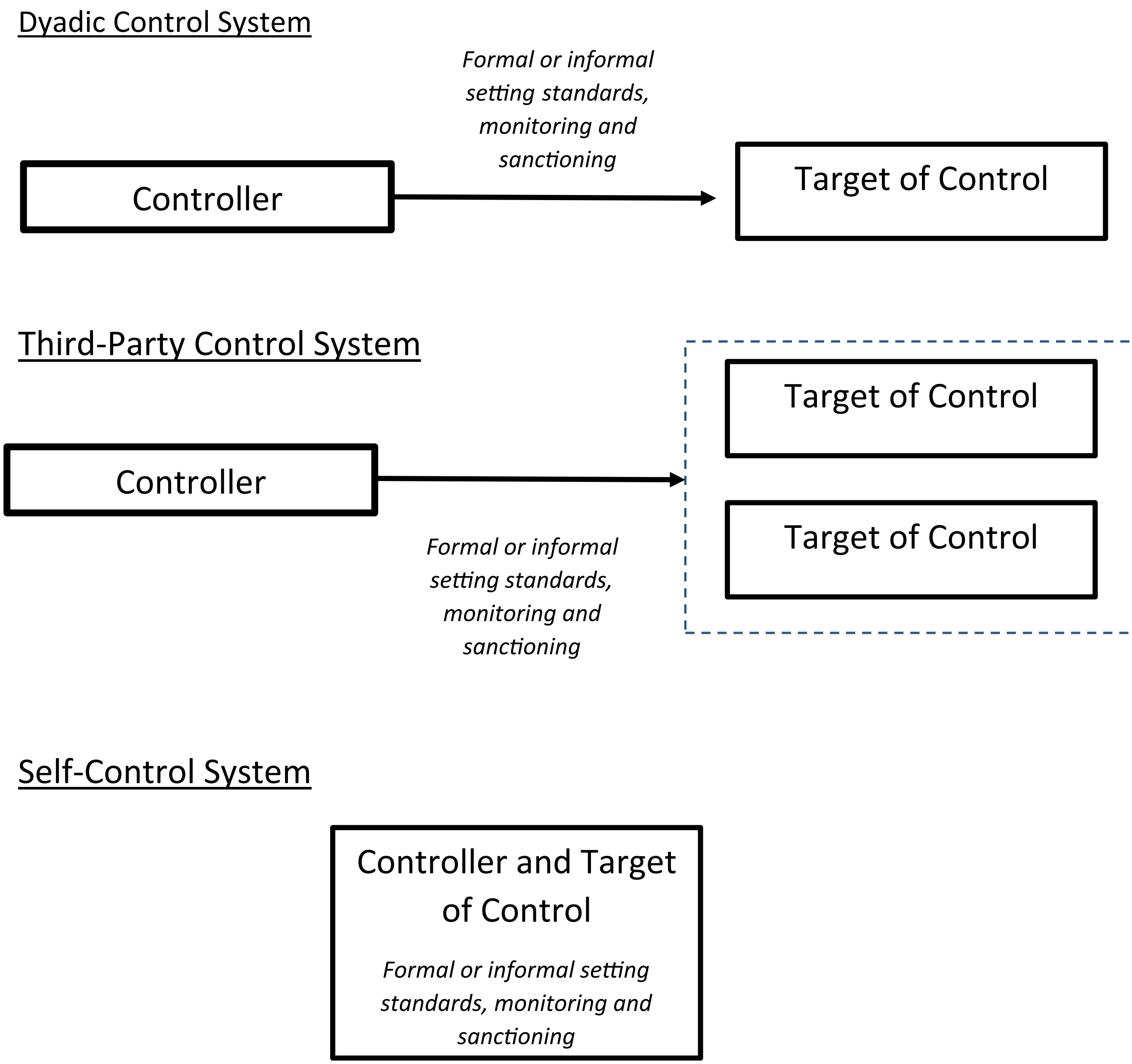

Fig. 1 Systems of control

literature (unilateral and bilateral governance; e.g., Heide, 1994; Heide & Wathne, 2006), TCE (price and hierarchical governance and bilateral governance; e.g., Ghosh & John, 1999), and studies of power and dependence (coercive and noncoercive influence strategies; e.g., Gundlach & Cadotte, 1994). Such cross-theory similarities suggest the common bases of control, by which most all previous work can be categorized.

Finally, the interorganizational literature also focuses on the processes of governance, or the "rules of control." Typically, the rules of control can be broken into three categories. First, assessing the relationship according to established standards. Depending on the theoretic basis for control these may manifest in the drafting and specifying of contract clauses (Carson & Ghosh, 2019; Mooi & Ghosh, 2010; Wuyts & Geyskens, 2005), and unilaterally and bilaterally sharing information (Frazier et al., 2009; Heide & John, 1992). Second, standards established in contracts and other sources of information are monitored (Bergen et al., 1992), typically based on production outputs or behavioral activities. The notion of outcome and process monitoring is common across the organizational behavior, agency, governance and TCE literatures (Grewal et al., 2013; Crosno & Brown, 2015; Grewal et al., 2010; Heide et al., 2007). Third, rules of control manifest as sanctions in some form—both positive and negative. These include providing incentives (Kim et al., 2011),

Table 1 Theories of control and illustrative studies in marketing

			Modes of Control		Control Systems			Rules of Control		
Organizational Control Theory	**Data**	**Control in Use**	**Formal**	**Informal**	**Dyadic**	**Third Party**	**Self**	**Setting Standards**	**Monitoring**	**Sanctioning**
Jaworski, 1988	Conceptual	Formal control (input, process, output) and informal control (self, social, cultural)	×	×			×	×	×	
Jaworski et al., 1993	Marketing executives (n=379)	Systems of control: low control, bureaucratic control (process and output), clan control, high control.	×	×			×	×	×	
Bello & Gilliland, 1997	Export managers (n=160)	Unilateral (output and process) and bilateral (flexibility) controls	×	×	×			×	×	
Krafft, 1999	Sales executives (n=270) commenting on manufacturer's reps and internal sales reps	Outcome and behavioral controls	×				×	×	×	
Gilliland & Manning, 2002	Restaurant managers commenting on the county regulatory inspectors (n=173).	Formal control (rigid enforcement and informal control (social instruction)	×	×		×		×	×	×
Grewal et al., 2013	Multinational corporations subsidiary managers (n=175)	Outcome and process control	×		×			×	×	
Crosno & Brown, 2015	Empirical papers published in major journals (n=65) studying outcome and process control	Primarily outcome and process control	×		×			×	×	
Transaction Cost Economics										
Heide & John, 1992	OEMs regarding their component suppliers (n=175)	Relational norms in terms of flexibility, information exchange and solidarity.		×	×					×
Rindfleisch & Heide, 1997	Conceptual	Monitoring, vertical integration (forward and backward; market vs. hierarchy), idiosyncratic investments, bureaucratic structure	×		×		×	×	×	
Ghosh & John, 1999	Conceptual	Market, hierarchy and relational governance	×	×	×					
Grewal et al., 2010	Business to business electronic markets (n= 478)	Monitoring market participants, building a sense of community and participation in the event	×	×	×		×	×	×	
Kim et al., 2011	Department store chain managers and apparel manufacturers' reps (n=94 matched pairs)	Monitoring, incentives, flexibility		×	×				×	
Carson & Ghosh, 2019	R&D managers (n=124)	Contractual clauses that (a) restrict property rights exclusively to the client and (b) specify inflexible prices	×		×			×		
Agency Theory										
Bergen, Dutta and Walker 1992	Conceptual	Behavioral and outcome monitoring, incentive (salary, commission, functional channel payments) compatibility between principal and agent	×		×		×	×	×	×
Celly & Frazier, 1996	Industrial products distributors (n=254)	Outcome-based and behavior-based coordination efforts	×		×			×	×	
Mishra et al., 1998	Automotive service providers (n=304)	Customer bonds (specific investments) and price premiums (compared to the market)	×	×	×					×
Lo et al., 2011	Sales managers of large manufacturing firms (n=261)	Incentive rate: (base salary + performance based pay)/sales revenue produced	×				×		×	
Kashyap et al., 2012	Automotive franchisees (n=206)		×		×				×	×

Table 1 (continued)

Organizational Control Theory	Data	Control in Use	Modes of Control		Control Systems			Rules of Control		
			Formal	**Informal**	**Dyadic**	**Third Party**	**Self**	**Setting Standards**	**Monitoring**	**Sanctioning**
		Ex ante (contracts and incentives) and ex post (output and behavioral monitoring and enforcement).								
Power-Dependence Theory										
Frazier, Gill and Kale 1989	Dealer principals commenting on manufacturer partners (n=51)	Coercive influence strategies (legalistic pleas, promises, threats)	×		×					
Gundlach & Cadotte, 1994	Manufacturer/distributor simulated relationships (n=44 MBA teams)	Coercive (punishments, threats, demands, negative normative) and noncoercive (rewards, promises, information persuasion, recommendations, requests, positive normative) influence strategies	×		×					
Kumar et al., 1995	New car dealers (n=417)	Trust and relational commitment (affective commitment, continuance commitment and willingness to invest)	×		×					
Lusch & Brown, 1996	Industrial merchant wholesalers and agents (n =454)	Hard (explicit) and soft (normative) contracts	×	×	×			×		
Payan & McFarland, 2005	Owners and managers of distribution firms (n =356)	Argument structures of coercive (threats, promises) and noncoercive (rationality, recommendations, information exchange, requests) influence strategies	×	×	×					
Frazier et al., 2009	Medical and industrial equipment and supply distributors (n=49)	The sharing of external and internal strategic information	×		×					
Relational Exchange										
Kaufmann & Stern, 1988	Commercial exchange lawsuits (n=32)	Discrete to relational solidarity, role integrity and mutuality		×	×					
Kumar et al., 2011	Supply chain for an apparel item involving the manufacturer, upstream supplier, and downstream retailer (n=81 matched responses)	Relational solidarity norms, internal and external incentives		×	×					×
Samaha et al., 2014	Meta-analysis of 170 studies across 36 countries; cultural profiles of 25 largest countries across 7 geographic regions.	Trust and relationship commitment		×	×					
Wang et al., 2013	Trade fair distributor participants (n=172)	Monitoring capability, trust, perceived fairness and severity of punishment		×	×				×	×
Contract Law										
Antia & Frazier, 2001	Top managers in franchisor organizations (n=213)	Contractual enforcement (severity of principal's disciplinary response to an agents violation of a contractual obligation)	×		×			×		
Wuyts & Geyskens, 2005	Purchasing agents at industrial and commercial machinery and computer and electronic equipment firms (n=177)	Detailed contract drafting and close partner selection	×		×			×		
Mooi & Ghosh, 2010	Information technology buyers commenting on purchasing contracts (n=788)	Observed vs. predicted levels of specificity of the contract	×		×			×		
Governance Theory										
Heide, 1994			×	×	×			×	×	

Table 1 (continued)

Organizational Control Theory	Data	Control in Use	Modes of Control		Control Systems			Rules of Control		
			Formal	Informal	Dyadic	Third Party	Self	Setting Standards	Monitoring	Sanctioning
	Electrical/technical process equipment manufacturers' reps (n=199)	Market and nonmarket (Unilateral and bilateral) governance forms								
Heide & Wathne, 2006	Conceptual	Control processes of friend role are exchange partner selection and socialization. Control process of business person role are monetary incentives and monitoring of outputs and behaviors.	×	×	×				×	×
Antia et al., 2006	Manufacturers of branded personal care products (n=104); experiment with 121 MBA students	Enforcement severity, enforcement speed	×		×	×				×
Heide et al., 2007	Manufacturers of building materials and downstream buyers (longitudinal study with n=105 matched pairs)	output and behavioral monitoring; microsocial psychological contracts representing output and behavior agreements.	×	×	×			×	×	
Gilliland et al., 2010	Industrial manufacturer executives (n=314).	Unilateral (incentives, monitoring, enforcement) and bilateral (incentives, monitoring, enforcement) governance processes.	×	×	×			×	×	×

contractual enforcements (Antia & Frazier, 2001) and other punishments (Wang et al., 2013). The pattern of gathering information and setting standards → monitoring → sanctioning, comprise the three sequential rules of control that guide our understanding of how control modes manifest as everyday rules.

The usefulness of the proposed framework is understood with a quick assessment of Table 1. First, the table identifies that the primary modes of control, formal and informal, are represented in most all studies of governance and control. Some studies focus solely on formal control, others on informal control, and a few studies address both. Regarding the systems of control, close examination of the control literature reveals how our literature is virtually silent on the third-party control system and the self-control system. It is important to consider all three control systems because they may act together to simultaneously effect business transactions. Without this inclusive perspective, we experience an incomplete understanding of the complex control phenomenon, and its corresponding decisions. Finally, Table 1 suggests that there is a strong emphasis in monitoring as control, along with setting the standards by which monitoring acts. Sanctions, which are typically thought of in terms of both motivation (incentives) and constraints (contractual enforcement) have been investigated less often.

The multi-system control framework

Systems of control

A specific controller guides each of the three systems of control (Ellickson, 1987, 1991). The *dyadic control system* describes bureaucratic and relational control, and how the controller and target of control govern one another. The *third-party control system* concerns controlling entities that are not part of the focal dyad, such as legal institutions, regulators, industry trade associations or other members of a networked group of business relationships. The *self-control system* relies on the individual firm as the controller to guide its own attitudes, behaviors, and control decisions. Each control system has a formal mode of control and an informal mode of control. Each control system and mode of control contain different types of rules that describe the necessary information to assess the system (setting standards), gathering information (monitoring), applying rewards and punishments (sanctioning), and generally running the control system. Together, the system, mode, and rules of control describe how control decisions are made in business transactions. For clarity, the framework considers ongoing and not embryonic nor terminating, relationships.

Modes of control

Early sociological scholarship provides the bases for two key modes of control: formal control and informal control. Tönnies (Tönnies, 1887/1957) suggested that human interaction could be divided into two types. Impersonal relationships are obligations based in economic calculations of gains and losses. Rights and obligations are typically contractual. The contract defines the relationship, is backed by the legal system, and is impersonal and motivated by narrow self-interest (Hechter, 1987). In such relationships, parties apply and interpret laws, regulations and guidelines formally and bureaucratically. Organic relationships, on the other hand, are "tinged with affect" and emotion, and take traditional and existing behavioral norms into account (Hechter, 1987, p. 21). Such relationships consider non-legal bonds and commitments, and parties may suppress their self-interest for the good of the collective whole.

Formal control mode Formal control is a necessity. For any control system to function it must have the capacity to make, monitor, and enforce bureaucratic rules (Hechter, 1987). The *formal control mode* considers economic- and legal-based governance processes often found in contracts or agreements (Jaworski, 1988). Formal control is based on the notion of logical and rational ways of conducting business. Control is generally codified and is designed to be followed "by the book." Although the use of formal control may yield rewards, failure to do so typically results in corrective actions including warnings and punishments. The implementation of formal control forces actors to align goals and helps ensure compliance with the controller's agenda. However, formal controls are often rejected as being coercive, intrusive, and inefficient (Heide et al., 2007; Kumar et al., 2011).[2]

Informal control mode In social exchange settings, formal controls set a broad framework for behaviors, but not every behavior is formally governed. The *informal control mode* considers the everyday exchange routines that guide transactions amongst parties including ordinary behaviors, conversations and personal interactions (Shapiro, 1987). Such norms represent both individual beliefs and shared patterns of understanding amongst employees, members of exchange transactions, firms, competitors, and industry members – including industry trade associations and government regulators. They can be considered typical, socially based ways of doing business between exchange partners (Kumar et al., 2011; Rokkan et al., 2003). Informal controls increase the social welfare and overall satisfaction of the exchange partners (Ellickson, 1987, 1991). Informal controls are juxtaposed with formal controls' pragmatic and logical way of determining outcomes. Importantly, there are different degrees of informal control relationships, from typical day-to-day norm sharing to affectively bonded partnerships that operate on the premise that the partners will take extraordinary measures to achieve horizonless relationships (Ring & Van de Ven, 1994).[3]

Rules of control

As suggested from Table 1, three primary types of rules exist in a governing system. *Setting standards* defines identifying and communicating the specific conduct that is rewarded, sanctioned or left alone. Typical standards in a marketing channel relationship, for instance, may include measures such as profitability, territory penetration, and market share. *Monitoring* directs how to gather and analyze information that leads to action. Such information, depending on the situation, emanates from the firm, its partners, and outside parties. *Sanctioning* governs rewards and punishments. Sanctions define the extent by which one applies incentives or constraints when behavior falls out of typical alignment.

The rules of control contain both formal and informal elements, with formal rules being specifically measured, applied, and sanctioned. Informal rules also apply standards, monitoring, and sanctions, but with consideration of everyday norms and relationship-specific characteristics. Changes in one set of rules invoke changes in the others. For instance, a change in acceptable standards for success may result in changes in monitoring processes along with the types and levels of sanctions applied. The rules of control vary by control system, and for each mode and system, a new set of rules and combinations of these rules exist.

Combining control systems, modes, and rules

Control systems are described in Table 2. Control processes emanate from three control systems (the partner, the third-party, and the self) within each mode of control. The *controller* applies the specific requirements of control in both formal and informal modes on a targeted partner (dyadic

[2] High levels of formal control consider the codifying of the rules of interaction and the use of such rules via monitoring and sanctioning. Merely codifying the rules of control, without active implementation, can be thought of as low formal control.

[3] For clarity, the distinction in the terms "social" and "relational" is noted. Informal control may indeed include relational norms, but they are not necessary for the presence of informal control. In fact, Ellickson (1991) points out that most control relationships are informal, whether there is a social relationship or not. Thus, there is a distinction between a relational norm (e.g., making joint decisions, sharing proprietary information) and the everyday business behaviors that drive relationships. However, routine control and relational norms are related in that they are both informal processes.

Table 2 Multi-system organizing framework for inter-firm control

	Dyadic Control System	Third-Party Control System	Self-Control System
Controller / Target of Control	*Controller* – One of the firms in the business partnership *Target*: the partner firm	*Controller:* legal, regulatory, industry organization, public (outside of the business dyad) *Target*: firm(s) within the business relationship	*Controller*: firm *Target*: firm
Formal Control Mode *Impersonal relationships* - logical and rational thinking, calculative assessment, instrumental reasoning	Transactions of a short- or medium-term horizon. Bureaucratic, unilateral control driven by the authority of carefully specified contracts and power advantages. *Setting Standards*: Simple and complex contracts and agreements *Monitoring*: Outcome and process monitoring *Sanctioning*: High-powered incentives, compensatory sanctions	The legal system is enacted in terms of regulatory bodies or courts of law. Strict legal and regulatory guidelines are delivered by the controller and imposed on the partners. *Setting Standards*: Business law, trade association rules, regulatory rules *Monitoring*: Discovery, inspection *Sanctioning*: Judicial decisions, direct regulatory sanctions	The firm follows instrumental and self-interested motivations to control its actions. A calculative assessment of its gains and losses is based on established company bylaws and codes of conduct, rules, laws, and formalized procedures. *Setting Standards*: Firm codes and guidelines, mission statements *Monitoring*: Performance reviews, reviews of financial performance *Sanctioning*: Promotions and demotions, bonuses, firings
Informal Control Mode: *Organic relationships* – norms of understanding and behavior, affect, relational assessment	Personal and relational bonds between two parties, daily interaction is a function of two-way communication, agreed-upon modifications to plans, and mutually understood strategies and tactics. The written contract is seldom used in lieu of relational norms and general understandings *Setting Standards*: Informal or bilateral understandings *Monitoring*: Goal monitoring *Sanctioning*: Low-powered incentives, therapeutic and conciliatory sanctions	Trade associations, industry groups, consultants, and others seek to return actions of the firm to those as prescribed by industry norms *Setting Standards*: Informal guidelines required by normative institutions (e.g., trade associations) and acceptable public norms and expectations *Monitoring*: Reporting by normative institutions, observance of public opinion *Sanctioning*: Discussion, cajoling, indirect regulatory sanctions	The firm is driven to make everyday decisions based on a general principle of benevolence toward others, moral principles and the welfare of the greatest good. Also, managers are driven by their own moral and ethical beliefs in determining the firm's way forward as well as the informal culture of the organization. *Setting Standards*: Psychological contract between firms and employees, moral and ethical codes *Monitoring*: Self-assessment *Sanctioning*: identification, ostracism, threats, shunning behaviors

control system), on an organization for which it has some responsibility for but is not part of the exchange (third-party control system), or itself (self-control system). The controller represents the means, or processes, for resolving a dispute, rewarding extraordinary behavior or punishing damaging behavior. The self, the dyad and the third party independently monitor, reward, punish and maintain the relationship.

Dyadic control system The *dyadic control system* has dominated conventional inter-firm thought and is typically organized by the structure of the relationship between a controller and its targets of control. Dyadic control is complex in that it considers one-on-one relationships and the extension of dyadic rules and norms to others in the same control system.

Dyadic formal control considers the direct relationship between the controller and the target as with a buyer-seller relationship. In such exchange, the transaction is often short-term in nature and controlled by price (Braddach & Eccles, 1989). In other cases, the transaction is supported by a variety of control attempts including contracts, bureaucratic governance structures, and power advantages (Eisenhardt, 1988; Heide, 1994).

Regarding dyadic system rules, at the formal level, contracts set standards for achievement, clearly define relationships, and stipulate behaviors via specific contract clauses (e.g., Mooi & Ghosh, 2010). Such clauses, also found in noncontractual agreements (e.g., distributor handbooks and manuals) identify how tasks are shared, as well as penalties, rewards, and other aspects of the day-to-day relationship between the parties. The bureaucratic structures that guide the relationship also reveal formal standards.

Frazier et al. (2009) and much of the control literature (Ouchi, 1979; Ouchi & Maguire, 1975) have focused on two forms of formal information gathering and analysis: process and outcome. Regarding formal monitoring rules, outcome monitoring involves assessing whether certain outputs or pre-established goals are achieved in terms of unit sales, revenues, share, penetration, or a host of other selected measures (Kashyap et al., 2012). Process monitoring involves investigating the behaviors of personnel as they execute important marketing, selling, and supply chain tasks including territory infringement and pricing violations (Heide et al., 2007).

Formal control sanctions may be thought of as the stipulations for compensation (Murry & Heide, 1998), margins (Kumar et al., 2011), trade discounts, and punishments (Antia, Zheng and Frazier 2013; Palmatier et al., 2007). Punishments can be applied by enforcing the contract via threats or legal action. Formal rewards are thought of as high-powered incentives (Williamson, 1991) because they motivate immediate action by the partner to earn short-term margins and discounts.

A transaction in the *dyadic informal control* mode typically has a longer-term horizon with relational norms and informal interactions that guide the parties towards a unifying goal (Macneil, 1980). Importantly, control recognizes social and nonsocial-based norms as mechanisms that plug holes in incomplete contracts. We often refer to these non-social based norms as the psychological contract (Morrison & Robinson, 1997).[4] Such norms can be thought of as habitual routines that enable the parties to execute the day-to-day work of the relationship.

Regarding the informal mode of dyadic control, psychological contracts allow firms to compare their place with their ideal perceptions to form the basis of information monitoring and actions. They are informal understandings that allow for the emergence of everyday extra-contractual expectations and relational behaviors. Such contracts include a variety of relational dimensions and focus on shared understandings and expectations of reciprocal obligations (Robinson, 1996). These informal understandings of beliefs typically identify appropriate and inappropriate standards in exchange transactions (Rubin, 1990). Expectations of fairness, social monitoring of process and output agreements and informal standards related to the expected relationship horizon also exist (Ring & Van de Ven, 1994).

When monitoring at the informal level, goal monitoring consists of actively examining the extent to which the partners intend to stay engaged with one another (Gilliland et al., 2010), and forming clans helps control attitudinal deviation (Ouchi, 1979). This includes assessing the anticipated economic and political gains into the future.

Finally, informal sanctions also consider the power of the incentive. In an informal context, as the power of the incentive decreases (i.e., low-powered incentives; Gibbons, 2005; Obadia et al., 2015) the remuneration becomes longer term in nature. For example, in a strategic alliance the expectation of long-term profit sharing becomes a central determinant of continuing the relationship (Das & Teng, 2001) and depends upon the parties maintaining the relationship. Informal punishments also exist. Independent automobile dealerships to firms such as GM and Ford that violate agreements find themselves last in line for access to next year's most popular new models.

Third-party control system The *third-party control system* operates outside the controller-target relationship (Ellickson, 1987). Third-party control is necessary to prevent corruption, law breaking, and antitrust violations. It establishes industry norms and best practices, and consumer protection requirements. Third-party controllers can vary regarding the degree and nature of the intervention (Black, 1998). Controllers in a third-party control system, which may constrain or enhance the mechanics of the dyadic relationship enforced, include three primary entities.

First, in inter-organizational terms, the dyadic or networked relationship (transactional, contractual/bureaucratic, relational) gets its structure from the legal foundations of contract law (Gundlach & Cadotte, 1994). Basic principles on how to inform and adjust controls and how to resolve contractual disputes rest in legal precedence. Morality-based doctrines, including fairness, reasonableness, moral standards and full disclosure also guide contractual relationships. Second, governmental regulators affect exchange proactively to protect businesses and consumers from unfair practices via licensing, inspecting and the law (Braithwaite et al., 1987).[5] Third, industry trade associations exert control over dyadic exchange. Trade associations, funded largely by the industries they control, can be small and virtually powerless, or very large with substantive influence inside and outside government and their own industry (Cavazos, 2007; Rajwani et al., 2015). They function generally to influence and protect the legalities, common interests, and best practices of industry members (Rajwani et al., 2015). A plethora of other third-party controllers also exist, including networked firms, the media, political parties and other movements, and even the public via social media and other methods.

Third-party formal control consists of bureaucratic controls emanating from third-party sources that tend to constrain behaviors via formalized rules, routines, and policies (Lange, 2008). Control functions in this environment generally comprise interactions with regulatory institutions to ensure stability and order (Grewal & Dharwadkar, 2002). When establishing standards, these are quite clear and are a function of legal precedent (criminal and federal laws of conduct), regulations (e.g., consumer protection, anti-trust regulations such as predatory pricing), and trade association-established industry standards (e.g., industry-specific rules, policies, and best practices). Third-party controllers conduct formal monitoring rules. For example, trade associations conduct industry research, regulators such as county health departments conduct

[4] The psychological contract is distinguished from relational constructs such as trust and commitment. A psychological contract is the expectation that one party has on its relationship with another. Such expectations may include non-relational issues such as everyday work patterns and behaviors, forthcoming incentives or punishments and sales or production goals. Although these may represent unwritten norms, they need not be relational.

[5] It should be noted that firms and dyads also influence the third-party controller via lobbying and other means (Cavazos, 2007).

inspections by proactively seeking violators and reoffenders, regulators assemble the elements of proof in anti-trust actions, and lawyers conduct the legal discovery process. The court system conducts formal sanctions such as government litigation as well as legal prosecutions such as sentencing and incarceration, direction on restraints of trade, and fines and seizure of assets (Lange, 2008). Positive incentives include tax breaks and awards for damage claims.

Regarding *third-party informal control*, normative institutions offer information to inform firms engaged in transactions. Third-party informal control is more common than formal control (Braithwaite et al., 1987). This motivation towards compliance without legal recourse is typically less expensive and more successful than taking formal measures. Different forms of informal control guide behaviors. These include stigmatization, dissention from observed corruption and maintaining legitimacy of ethical constraints (Lange, 2008). Regarding informal standards setting, regulatory bodies and trade associations generally advise constituents and their partners about the best practices customers and industry members determine. Public opinion is also important to trade associations and regultors who get information via media, public relationships, and political campaigning. Third parties also rely on public and industry watchdogs, as they often do not proactively monitor circumstances. Regarding informal sanctions, several mechanisms are in play, particularly from trade associations and regulators. The term "regulation by raised eyebrows" (Braithwaite et al., 1987, p. 336) refers to messages regulators send to industry players, suggesting needed compliance in lieu of taking more formal actions. A major role of trade associations is to compile and hold industry data that allows competing firms to understand market share, penetration, and other measures within their industry. Trade associations also engage in lobbying efforts, signaling desired behaviors. They also provide education on best practices, negotiate with firms in their industries, and provide technical advice and assistance. Finally, networked relationships such as Japanese *keiretsus*, buying co-ops and channel resellers (Achrol, 1996) informally share norms, information, and guidelines amongst themselves, setting expectations for actions and behaviors.

Self-control system The *self-control system* regulates the actions of the actor organization (Ryan & Deci, 2000) as it manages its own behaviors and provides its own constraints. It is useful because it requires no consensus with outside organizations, and can be deployed at ease. A variety of guidelines drives the actor's behaviors and prevents it from performing illicit or unsavory actions toward itself, its employees, or its business partners. Such guidelines can be classified as contributing to four objectives of self-control.

The first consideration for self-control is alignment. *Alignment* ensures the firm stays true to its strategic goals during changing conditions (O'Reilly, 1989). Formal and informal self-control ensure efficient adjustments to new challenges and, together, promote positive performance outcomes (O'Reilly & Chatman, 1996). *Motivation* regards maintaining a formal and informal reward system that supports strategic goals. When incentives motivate desired behaviors and attitudes extrinsic and intrinsic needs are met and the firm moves in the agreed upon direction (Ryan & Deci, 2000). Effective maintenance and promotion of *ethical conduct* via formal and informal means ensures compliance and consensus towards standards, reduction of corruption (Lange, 2008) and appropriate responses to deviant behaviors (Black, 1984). Finally, activities that promote *living up to expectations* allow internal and external constituents confidence in the capabilities of the organization (O'Reilly, 1989). Such confidence is manifest by ongoing contact and willingness to do business with the firm as the firm intends. Self-standards, self-evaluation, and, importantly, self-administered consequences, maintain a delicate balance in the organization's wants and outcomes (Manz, 1986). By maintaining self-control the organization is in a prime and stable condition to work with outside partners in a successful manner.

The *formal mode of self-control* is based on self-interested outcomes regarding achievements, including profit, market share, customer satisfaction and other generally measurable goals (Gibbs, 1989). Implementation of established rules of order, stated guidelines and codes of conduct, corporate standards, and other codified means provide actions and constraints (Carter, 2000; Victor & Cullen, 1988). The firm's upper management designs the formal mode of self-control to encourage compliance by employees, groups, and departments within the firm.

Decisions about rules derive from consideration for the self and the economic calculus on which decisions are based. Establishing standards is based on formal sets of information found in stated and measurable goals, firm reports, codes of conduct, mission statements, ethical training programs, job descriptions, formalized references to antitrust regulations, annual reports and other stated objectives. Monitoring of the internal workings of the firm include managerial performance appraisals, financial performance reviews, and goal-setting practices. These allow organizations to establish and communicate the firm's success in terms of intentions. Following the observance of monitoring, sanctions award or punish performers. Formal means include promotions and demotions, changes in salaries and commissions, bonuses, firings, and similar mechanisms designed to enhance compliance.

The *informal mode of self-control* considers moral principles and ethical behaviors that entail higher standards than legal requirements (Laczniak & Murphy, 2006) and provide motivations to act (Ferrell & Gresham, 1985; Gundlach & Murphy, 1993). Such principles are not always written down but are internalized. The self-control system's informal control mode operates with the same set of rules, but is based on personal ethics, principles, and beliefs. Known as the "processes of validating," (Grewal & Dharwadkar, 2002, p. 84) the rules utilize information that rests in informal, psychological contracts (Robinson & Rousseau, 1994) and outside normative institutions, to learn and act on the way forward.

Perhaps the strongest example of setting informal standards can be found in an organization's culture. Corporate culture establishes informal norms, guides and directs behaviors, and has been directly linked to performance (O'Reilly & Chatman, 1996). Regarding setting standards, culture sets the expectations to which firms perform. Culture taps into the intrinsic motivations of firms and individuals. This is important because relying solely on extrinsic (formal) rewards can reduce performance (O'Reilly & Chatman, 1996). A firm's ethic or moral principles can also set standards. Further, hallway conversations, stories, and myths frame appropriate and inappropriate behavior both internally and towards other firms. Typically, when firm-constructed norms of behavior and culture fit the individual's perception of self, constructive conformity results (Lange, 2008). The informal monitoring of standards includes self-analysis and oversight of personal relationships. Firms monitor their role in external partnerships to determine whether they wish to continue with indefinite partners. Informal sanctions tend to focus on intrinsic outcomes, such as identification (a positive outcome), ostracism or shunning behaviors. Threats and internal whistle blowing help keep the organization on track and individuals or groups can take informal actions against alleged violators of corporate culture (O'Reilly & Chatman, 1996).

In summary, the rules of control are many, and they can be applied by a variety of controllers across formal and informal modes. At question is "What drives control, and what are the consequences of control?" In the next sections we attempt to inform this important question.

Research propositions: The emergence, use and consequences of control

The costs of control and social embeddedness

Each control system has its own set of rules, which have requisite costs. Generally, the costs can be described as economic costs and social costs. Control rules and modes are applied based on an allocation of costs and the maximization of the parties' welfare, or overall satisfaction (Ellickson, 1987). It is these economic and social advantages that maximize the total welfare of relationship participants. Formal control is a function of the controller's economic costs. That is, as economic costs of the controller increase, formal control is applied by the controller to reduce such costs. Also, informal control is a function of maximizing the controller's and the controlee's welfare and satisfaction. Informal control is increased to increase the welfare and satisfaction of both parties to the exchange.

Economic costs include the controller's transaction and production costs of the exchange. Transaction costs are the resources that are used to specify, establish, maintain, and transfer control systems. More specifically, economic-related costs include those associated with contracts and written agreements used to control the relationship. Rindfleisch and Heide (1997) suggest that economic costs are derived from the presence of specific assets and environmental and behavioral uncertainties. These cause safeguarding (protecting the relationship), adaptation (responding to external changes that affect the relationships), and performance evaluation problems. Such problems create a risk of opportunism inherent in many transactions (Rubin, 1990). This risk can be remedied by sourcing the rules via drafting, modifying, haggling over, implementing, and enforcing contracts; setting standards via codes and manuals; designing, installing, and running monitoring and control systems; and reviewing and assessing sales and profit information. This also includes the costs of positive and negative sanctions. Positive sanctions consider monetary-based incentives and commissions, margin payments and bonuses, financing arrangements, the costs of floor plans and trade discounts. Negative sanctions include the costs of administering fines and punishments, taking legal action, prosecution, investigating regulatory violations, and replacing fired personnel.

Note that both the controller and the target can raise costs for the controller by their actions, suggesting that costs are variable with control changes. For instance, consider a stable monitoring system subject to a target's sudden opportunistic behaviors, which threaten the control system. The controller must then choose to ignore the behaviors or increase its monitoring and sanctioning costs to quell the opportunism.

Importantly, control rules are applied to reduce the various costs of adequately maintaining control. Despite the costs of formal control, it is a necessity to protect the day-to-day responsibilities, functionality, and economic gains of the relationship (Kanter, 1972). Because formal controls are based in authority and instrumental reasoning, they are also applied when uncertainties and unscrupulous partners threaten transactions economically (Rindfleisch & Heide, 1997). Formal controls are applied when the relationship anticipates economic loss because they can force specific action on the part of the target of control (Rubin, 1990). Such actions, if abided by, will reduce the costs of control. Although formal controls cannot ensure agreement by targets, they have been shown to motivate compliance on the part of the target of control through transmitting unilateral information, rigid interpretation, and authority (Gilliland & Manning, 2002). Formal controls uphold agreements and expectations and enforce the relationship. Thus, regarding control in dyadic, third-party and self-control systems,

P1 The greater the economic threat to the stability of the control system, the greater the use of formal control.

Social aspects of control Granovetter's (1985) notion of embeddedness suggests that all economic transactions are embedded in a social context, which alters behaviors of economic actors and re-allocates costs. These behaviors include building social networks and interpersonal relationships to minimize opportunism, which motivates compliance, increases efficiencies, and extends the relationship horizon. *Social costs* are the controller's non-economic costs associated with relational changes from engaging in the transaction. These include the costs of bonding and forming partnerships, risk-related costs of trusting the target of control, and the negative reputational effects from a broken or failed relationship. Social costs also consider the costs of protecting the trading network's social goodwill, the costs of establishing and maintaining relational norms, and the costs of ensuring the controller and target remain satisfied with the exchange (Ellickson, 1991). In general, informal control emerges to reduce the total costs of control and increase the welfare of the controller and its target.

The degree of social embeddedness in a control system reduces economic and social costs in several ways. In highly embedded relationships, firms will implement more informal solutions to maintain control of relationships and maximize the welfare and satisfaction of relationship partners. Regarding a control system based in norms and shared values, many indicators and examples of appropriate behavior exist (O'Reilly & Chatman, 1996). Shared beliefs, stories and norms guide acceptable interactions. In such a strong informal control setting, personal interactions are more efficient, and norms exist to provide a roadmap to positive adaptation. These personal interactions and norms reduce the cost of establishing standards, monitoring and sanctions. Thus, control may be based less on formal authority and more on informal and normative influence (O'Reilly & Chatman, 1996).

Because economic activity depends more on the social actions of the actors (due to collaboration or partnering), the relationship is more socially embedded. Such embeddedness gives rise to joint and non-economic-based solutions and opportunities that consider the relationship's social strain and welfare of the parties to the relationship (Granovetter, 1985).

As social networks become denser, many individual relationships form amongst partners (Granovetter, 2005). The denser the network the more cohesive the network and the greater the opportunity for social actions. Such actions reduce economic costs through a willingness to solve problems, increased production efficiencies, and increased economies of scale. Social understandings fill in the gaps in incomplete contracts and contribute to decreased uncertainties and more creative ways of conducting business. Social costs diminish because there are fewer desires to take advantage of trusting partners via opportunism and cheating.

P2 The greater the density of the control system, the greater the use of informal control.

Hybrid systems of control It is reasonable to have multiple controllers of the exchange based on the costs of applying the formal and informal rules of control. "When one controller would be the most promising source of rules, but another would be the cheapest enforcer of rules, controller-selecting rules might designate a hybrid form of … control" (Ellickson, 1991, p. 242). Examples of such hybrid forms of control may include, (1) changes to a firm's corporate culture (self-control) encourage the reworking of contractual stipulations with a partner (dyadic control), (2) a powerful trade association sanctions a firm within a business dyad (third-party control) for inappropriate behavior, forcing a change in the firm's written guidelines of best practices (self-control), and, (3) a complex situation where the controller is legally prevented from firing a target. This might simultaneously involve a third-party legal entity such as a regulator or court, and dyadic contractual enforcement attempts.

Ellickson (1987, p. 76) suggests that different control systems, modes, and rules combine efforts "in countless ways to produce hybrid systems." For example, due to a strong relationship, social norms may be in place to guide the system in an informal way, however they may gather performance data in a formal way to determine payments and sanctions. Although these efforts are not coordinated amongst controllers, they are expected to provide the most optimal solution.

Control can be thought of as applying a controller, a control system, a control mode and rules of control as a complex package. The package is a function of the costs of control and the total maximized welfare of the actors and others effected by the control efforts[6] (Ellickson, 1987). That is, control emerges in consideration of the overall costs and benefits to the controller and the controlled. Thus, "countless ways" of combining and substituting controllers, systems, modes, and rules exist.

P3 A particular combination of control systems, modes, and rules will be used to administer control based on reducing the controllers' economic costs and maximizing the welfare of the controllers and target of control.

[6] "others effected" applies primarily to regulatory situations where the public and others are effected by changing regulations.

Behavioral aspects of control

The target's behavioral aspects of control consider its day-to-day behavior and control-related activities, which can be classified as *within-role*, *deviant* or *extra-role*. *Within-role behavior* is the day-to-day interaction that maintains the status quo of the relationship. It is the routine execution of daily business. Such execution is driven by contracts, self-interest, behavioral norms, and reputation concerns. Typically, the controller and target of control perform as their jobs were designed, guided by the contract, distribution agreement, or simply industry norms, normative ties, or ways of doing business. Such ordinary behavior is typically motivated by formal incentive arrangements and compensation plans that direct both the specific tasks mentioned and also desired yet unobserved actions necessary for creating successful markets (Lo et al., 2011). Normative social ties describe how small groups of people cooperate informally without the threat of legal sanctions, even when complex contracts are available.

Within-role behavior can be identified as everyday behaviors covered in the standard agreement specifying the target, participant, or internal employees. It is understood that this behavior will define the standard tasks performed to maintain the relationship in a satisfactory manner. They can be evaluated as positive (e.g., maintaining production goals or selling product) or negative (e.g., failing to meet sales objectives, violating the agreement in some way, or shirking). Positive and negative behaviors are rewarded or punished automatically by contractual or bureaucratic claims (incentives, etc.). At the positive and negative boundaries of within-role behavior exist either deviant or extra-role behaviors as perceived by the controller. *Deviant behavior* refers to intentional actions taken to harm the relationship such as cheating, opportunism, or retaliation (see Rokkan et al., 2003). *Extra-role behavior* supports the partnership in an extra-ordinary way and extends the relationship horizon by considering long-term advantages over short-term gains and losses (Kashyap & Murtha, 2017). Within-role behaviors tend to be sanctioned by bureaucratic or contractual standards, while extra-role behaviors are sanctioned by additional rules and relational norms.

Response triggers are sanctions that activate the control system by, typically, either punishing the target of control for crossing the boundary into deviant behavior or rewarding the target for crossing the boundary into extra-role behavior.[7] Importantly, the triggers are set based on the controller's tolerance for the behaviors of individual relationships. Such sanctions are designed to establish and maintain within-role or extra-role behaviors, depending on the controller's desire. All relationships are different, and the triggers will trip at different points, if at all, depending on the behaviors desired. For instance, while some controllers may desire and reward deep partnerships others may not strive for close social interaction, thus there would be no trigger for rewarding extra-role behaviors when they occur. This may be the case in typical market exchange situations, where there is little need to seek longer-term relationships.

As the target exhibits ordinary behaviors, it is rewarded or corrected. Within-role behaviors that achieve positive results receive standard incentives automatically as stated in the contract. Such incentives are simply the rewards of doing business in a routine way. Within-role behaviors that do not achieve positive results automatically motivate examination of the formalized rules and regulations for bringing the relationship back into alignment. Workaday shortcuts and normative mutual behaviors also exist. Within-role behaviors motivate the casual use and reference of the contract or guiding agreement (Gundlach & Murphy, 1993). In general, the system runs itself with within-role behaviors framed by formal context, requiring no specific interventions. Therefore, it is suggested that,

P4 Within-role behaviors by the target of control motivate less use of formal control and less use of informal control.

Relationships often go awry. Although the normal reward system is designed to influence compliance and the performance of desired behaviors (Schmitz et al., 2004), several problems potentially send the relationship off track. Perceived unfairness and other destructive factors poison relationships, aggravating the negative effects of opportunism and conflict (Samaha et al., 2011). Self-interested targets also focus on tasks that remit short-term payment, leaving necessary but unrewarded tasks uncovered. Further, gaming the contract is a natural consequence of monetary incentives as some in a dyadic situation will, for instance, take unearned discounts or inflate expenses (Wathne & Heide, 2000). Finally, because free riding is "each rational agent's best strategy" (Hechter, 1987, p. 51), a target will honor the contract only as long as the net present value of complying with the contract exceeds the net present value of cheating, even considering the effects of a damaged reputation (Gibbons, 2005).

Such deliberate behavior can harm relationships and increase the risk of economic loss. This behavior is seen as deviant and is typically met with contractually specified punishments, termination of the relationship, or even legal action, which helps reduce the costs of economic control. With little basis for trust there is little foundation for social norms to emerge, making informal controls inefficient. From a societal perspective, when relationships break down, formal rules,

[7] This carrot and stick approach is typically referenced in the governance literature under the terms "extra-contractual incentives" (a carrot; Kashyap Antia and Frazier. 2012) and "enforcement" (a stick; Antia et al., 2013).

regulations, and punishments take over. This minimizes the risk of the behavior remaining unchecked and harmful (Gilliland & Manning, 2002).

P5 Deviant behaviors by the target of control motivate greater use of formal control and less use of informal control.

When a closer relationship is desired, extra-role behavior trips the trigger for positive reciprocity in terms of gratitude expressed for the behaviors (Palmatier et al., 2009). Such behavior can be thought of as attempts to develop relational norms, extra effort, investments of specific assets, and other indicators of social closeness. There are seldom areas in formal contracts dedicated to commitment, increased investment, or trust, but these are some of the building blocks of horizonless relationships (Gundlach & Murphy, 1993). Instead, such positive behaviors receive extra-contractual responses such as reciprocal and expanding investments (Anderson & Weitz, 1992), relational-based governance (Gilliland et al., 2010), and other positive behaviors that increase the social welfare of the participants. Finally, applying formal control rules such as tight outcome monitoring or rigid contract interpretation would likely offend the partner, increasing transaction costs.

P6 Extra-role behaviors by the target of control motivate less use of formal control and greater use of informal control.

The consequences of control

Despite the control system in place, the purpose of control is to align the behaviors and outcomes of the target of control to those desired by the controller (see Table 3). Early control studies primarily described the philosophies and mechanisms of control (Braddach & Eccles, 1989; Ouchi, 1979) and later control scholars studied the success of control-in-place. First, control may enhance a relationship via clarity of requirements, consideration for the target, information, and protection from the environment, the competition, and the market. Thus, researchers have focused efforts on the positive aspects of control. In dyadic studies, control has been found to increase coordination (Celly & Frazier, 1996), performance outcomes (Grewal et al., 2010), the sharing of information (Frazier et al., 2009), satisfaction (Geyskens et al., 1999), and relationship quality (Kumar et al., 1995). Further, in self-control situations control has been found to enhance compliance in third-party relationships (Gilliland & Manning, 2002) and decrease role ambiguity (Jaworski et al., 1993).

Second, control can be disruptive and cause confusion and conflict between controller and target. Also, control can be viewed as coercive and imposing by the target. This may invite negative retaliation and hurt performance (Kumar et al., 2011) and can potentially destroy strategic partnerships (Das & Teng, 2001). Control has been found to increase conflict (Geyskens et al., 1999) and opportunism (Wuyts & Geyskens, 2005) in dyadic systems, invite opposition to regulatory changes in third-party systems (Cavazos, 2007), and contribute to poor attitudes and incompetence in self-control systems (O'Reilly, 1989; O'Reilly & Chatman, 1996). Whether the target is controlled or not is a function of the target's willingness to accept the rules of control, and acceptance does not always occur. In fact, Murry and Heide (1998) go so far as to say that the target's default position is to reject the controller's incentives designed to garner control. Rejection may occur for a variety of reasons, including an unknowledgeable controller, inappropriate or unethical control attempts, or the anticipation of harmful or ineffective results.

Clearly, control effects are not straightforward, but are dependent on characteristics of the market, the controller, and the target of control. The outcomes are dependent on issues such as a match between the antecedents and implementation of control, the target's agreement with control regulations, type of control mechanism used, informal culture, and more. To demonstrate control outcomes and add to our knowledge of control, this paper now examines the relationship between control mode (an antecedent), the target of control's relative dependence on the controller (a moderating condition), and two important outcomes.

Formal control, relative dependence, and compliance Compliance is the target's willing adherence to the rules of control as established by the controller. It is the execution of tasks to support the will of the controller (Gilliland & Manning, 2002). Although the tasks may vary by control system, they involve appropriate behaviors, attitudes, and the accomplishment of expected outcomes. Gilliland et al. (2010) found significant effects of relative dependence on formal control processes as it changes the ability to enforce the relationship. That is, the ability to have the authority to ensure control is appropriately carried out as desired. When the relative dependence of the target on the controller is low, the controller experiences a loss of authority for control and the target gains specific formal allowances and concessions from the controller. The target is also likely to have other opportunities, causing the controller to question the controller's motivation. However, when the dependence structure changes such that the relative dependence on the controller is high, the controller has a platform of authority on which to make unilateral control demands. Even though there may be no underlying level of cooperation, and it is expected that the target will comply.

Informal control, relative dependence, and compliance A key characteristic of informal control is that the controller and target of control are willing to share rich and proprietary information, which tends to align goals. Also, the

Table 3 Outcomes of control

Positive Outcomes of Control	Negative Outcomes of Control
Coordination	*Opportunistic Behaviors*
Coordination (Celly & Frazier, 1996)	Opportunism (Heide et al., 2007; Lumineau & Oliveira, 2020; Wuyts & Geyskens, 2005)
Compliance (Kashyap et al., 2012; Payan & McFarland, 2005; Wang et al., 2013)	Grey Market Incidence (Antia et al., 2006)
Goal Clarity (Grewal et al., 2013)	Shirking (Gilliland & Kim, 2014) [a]
Decision Control (Heide & John, 1992)	Self-Interest (Victor & Cullen, 1988)
Performance Outcomes	*Negative Reactions*
Performance (Kumar et al., 2011; Mooi & Ghosh, 2010; Samaha, Beck & Palmatier, 2014)	Opposition to Rule Changes (Cavazos, 2007)
Value Creation (Ghosh & John, 1999)	Hostility (Kaufmann & Stern, 1988)
Role Performance (Obadia et al., 2015)	Conflict (Geyskens et al., 1999)
	Incompetence (Ryan & Deci, 2000)
Positive Affective	
Satisfaction (Geyskens et al., 1999; Jaworski et al., 1993)	*Negative Affective*
Loyalty (Gilliland & Bello, 2002)	Job Frustration (O'Reilly & Chatman, 1996)
Relationship Quality (Kumar et al., 1995	Poor Attitudes (O'Reilly, 1989)
Bilateral Norms	*Risk*
Information Sharing (Frazier et al., 2009)	Relational Risk (Das & Teng, 2001)
Cooperation (Harder, 1992)	Performance Risk (Das & Teng, 2001)

[a] Shirking is measured by (1-Representation Strength)

target and the controller typically expect to be treated with fairness over time (Black, 1998). Such fairness motivates cooperation amongst parties and the anticipation of a fair sharing of rewards. However, as the target's relative dependence on the controller becomes greater it is unlikely to expect an ongoing and equal distribution of incentives over time (Gibbons, 2005), thus it may seek exit from the relationship and fail to comply in order to protect its own interests.

P7a As the target of control's relative dependence on the controller increases, the positive relationship between formal control and compliance *strengthens*.

P7b As the target of control's relative dependence on the controller increases, the positive relationship between informal control and compliance *weakens*.

Formal control, relative dependence, and relationship quality Relationship quality is a state of the relationship such that both firms experience a positive assessment of the existing situation and an expectation of continuation and future success. It is the extent that the controller and target trust and commit to one another (Kumar et al., 1995). When the target of control's relative dependence on the controller is low, it can more readily share information because it does not fear opportunistic use of this information by the controller. Also, the controller is less likely to enforce the agreement because of the power structure, making the target more autonomous as it goes about its daily tasks. However, as the target's relative dependence increases, it may be forced into adhering to formal contracts, despite its preference for independence. Thus, the relationship between them may be more caustic and less fruitful.

Informal control, relative dependence, and relationship quality On the other hand, in an informal control setting of shared expectations, as the target becomes more dependent it feels fortunate that it is not taken advantage of. Setting standards, monitoring and enforcement with sanctions are more mutual in nature. The relationship becomes more desirable to the target, and it is forced to trust the controller more and have greater commitments to the relationship because it has fewer alternatives and informal control allows its behaviors to remain autonomous.

P8a As the target of control's relative dependence on the controller increases, the positive relationship between formal control and relationship quality *weakens*.

P8b As the target of control's relative dependence on the controller increases, the positive relationship between informal control and relationship quality *strengthens*.

Discussion

This paper suggests that our knowledge and understanding of control will be enhanced by considering the principles and organizing capabilities of the multi-system control framework. It adds to our knowledge of dyadic exchange relationships while allowing consideration of other relationship forms, including control of and by third-party constituents and control of and by the self. This perspective expands our notions of how specific formal and informal control processes work and broadens our thinking by describing how everyday norms of behavior contribute to control based on whether the norms are followed or violated. Finally, the framework considers the outcomes of applied control. In general, this organizing framework allows additional explanation of control behavior, and how these behaviors might reduce conflict.

Traditionally, governance focuses on contract law (Antia et al., 2013) and hierarchical control (Grewal et al., 2010). However, as Black (1998, p. 2) suggests, "the more we study law…the more we realize how little people actually use it to handle their conflicts." Common understandings, corporate culture, and psychological contracts also hold beliefs about the reciprocal nature of business transactions (Morrison & Robinson, 1997). Such instruments commonly apply in conflict resolution such as the negotiations, influence attempts and discussions surrounding everyday interactions. It is these non-formal routine interactions and control situations that the framework benefits, but which the literature virtually ignores.

Interorganizational scholars have been very successful at adopting theories derived from economic costs and social bonds to their domains. The framework encourages both areas in its determining of control structure. It illuminates similarities with many other theories in terms of a focus on formal control processes and using multiple modes of control. At times these scholars also consider the social costs of control, multiple control systems and ordinary behaviors as control.

Finally, adopting this control perspective will support the advancement of inter-firm management in three specific areas: the controller, combinations of governance processes, and cost-specific changes in control over time. First, this framework introduces a non-dyadic approach to management. As technology changes the logistics function of the channel, intermediaries such as retail stores have suffered as more firms go direct to market. Considering the self as a governance entity allows scholars and managers to explore ethical and business standpoints and the formal and informal rules of control applied internally. Second, a key aspect of the framework is the notion of combining rules and controllers to create realistic settings. Although governance theory allows for the use of multiple control processes, little work has been done to study how multiple control processes combine with one another, and the outcomes of such combinations. Relatedly, rules and controllers change as a transaction progresses over time. Depending on the relationship stage, managers may use contracts, incentive processes, monitoring processes and/or relational norms, either consecutively or in some combination over time.

A future research agenda and research questions

Inter-firm researchers should establish the domain of the multi-system organizing framework. We should employ rigorous definition, measurement and empirical testing to increase understanding about how it can contribute to control and governance knowledge. Clear antecedent and consequent conditions should be established. For instance, how, why, and under what conditions can we mitigate conflict? Further, under what conditions does this perspective invite retaliatory behaviors or other negative consequences? In what ways does it bring about cooperation and coordination in the relationship? How do the processes of formal and informal control interact, substitute for and/or enforce one another? How might this perspective differ in such characteristics from relational norms, unilateral control, monitoring, incentives and the like? We address the main issues below.

Re-examination of the extant literature Krafft (1999) compares the effect of outcome and behavioral control systems using predictors from organizational control theory, agency theory, and TCE. He describes how the different theories predicted outcomes along a variety of different criteria and, in at least one case, notes opposite predictions of two of the theories. Given the differences in predictors and outcomes it seems likely that considering existing phenomena uncovered in the interorganizational domain seen through the system/mode/rules of control framework may yield additional knowledge. For instance, a great deal of interfirm work has viewed control from a cost-only lens. What might we learn by considering the social welfare of the actors?

Patterns of control Some patterns of control exhibit single directional control attempts while others are bidirectional. In other patterns there are horizontal control attempts and vertical control attempts, multiple dyadic control and control from outside the dyad. These many patterns should be documented and verified. How, specifically, does control vary based on pattern? Relational norms emerge when firms are highly and mutually dependent on one another but what happens when control is bidirectional and control attempts occur from both sides? Do such attempts lead to more conflict or greater trust (see Das & Teng, 2001)?

Third-party and self-control The notion of third-party control and self-control is unique to the multi-system perspective, which considers influences outside of the self or dyad. How such influences wield power, legal authority, or relational characteristics to sway the actors of a control problem could be examined. Likewise, the idea that individual actors exercise self-help is a clear focus of some aspects of control (Ellickson, 1991). Self-help concerns itself with an individual that moves on other actors or on the self to solve a problem of control. How might control differ across many aspects between the dyadic system, the third-party system, and the self-control system?

Rules of control Sequentially, the rules of control (setting standards, monitoring, sanctioning) lay at the heart of the control framework as they consider how control is manifest in the model. How the rules vary by system and mode, and how they are affected by antecedents and costs warrants investigation. For example, the model in Fig. 1 treats monitoring processes as dynamic across systems and modes. However, as controls are combined (interactions of systems and modes) how would monitoring change (i.e., the combination of formal and informal monitoring; see Kumar et al., 2011 and Gilliland et al., 2010)?

Control response An important part of the control equation concerns how firms respond to control. In fact, the full picture of control is not complete without understanding whether control "works". Several papers investigate the outcomes of control attempts on target firms. For instance, Hibbard et al. (2001) investigate firms' responses to highly coercive control attempts. Other researchers study responses for formal and informal control (Gilliland & Manning, 2002) and responses to outcome and process monitoring (Ouchi & Maguire, 1975). How do control attempts affect the controlee's positive or negative responses, opportunistic behaviors, retribution, and other important responses?

Everyday behaviors The organizing framework recognizes more than overt actions of control. It also considers the daily norms that solve problems, set expectations, and hold relationships together. What are these everyday norms and behaviors that prevent parties from waving the contract in order to gain compliance, and how do such behaviors manage transactions and disputes? How do they alert the parties when intervention or punishment is needed to rectify a questionable situation? Addressing these questions and many others will contribute to the framework becoming a robust and useful tool in solving governance problems.

Control dynamic Recent work (Jap & Anderson, 2007; Palmatier et al., 2013; Zhang et al., 2016) introduces the notion of dynamic marketing relationships. This work suggests that relationships move through various relationship states (e.g., trust, dependence, commitment, relational norms) over the life of the relationship. Particular drivers motivate the dynamics of the relationship. How does control motivate changes in relationships from relationship formation through relationship management, deterioration, and firm exit (Ellickson, 2001)? For instance, an actor may qualify a potential partner in the pre-relationship, which may help determine the type of control processes applied in the early stages of the relationship. The control framework suggests that control can enhance strong outcomes and relationships. How does control differ by relationship state?

The dark side of control Inter-firm scholars suggest that even strong relationships have a "dark side" (Anderson & Jap, 2005; Kumar et al., 1995; Oliviera & Lumineau, 2019) because trust masks the motivation and appearance of opportunistic behaviors. Conflict, cheating behaviors, and unethical practices occur in committed, relational norm-based exchange. Not only would such behaviors increase the risk of social costs in the relationship, they may also cause different control processes to be applied. As opportunism increases, for example, the partner may reduce informal processes such as psychological contracts, and substitute them with more forceful formal processes, such as contract enforcement and punishment. How can control processes be used to mitigate the existence of the dark side of a relationship?

Control combinations Control combines in two primary ways. First, control systems can combine. For example, there may be ongoing pressure from a third-party controller to change the behaviors of a firm. This may result in self-control actions of the firm on the firm. As self-help actions change the firm's profile, the firm may change its control processes in terms of influence attempts on its dyadic partner. Second, control modes can combine (see Jaworski et al., 1993). High levels of control may require both informal and formal control to be applied simultaneously (e.g., a large contract at the heart of a relational norm-based relationship). How does the combination of high levels of formal and informal control manifest as actual rules in use?

In conclusion, the multi-system control perspective provides a compelling framework for organizing the broad domain of control. Considering governance within one framework organizes the extant literature, explains additional relationships, considers new managerial challenges and suggests avenues of future pursuit.

Appendix: Brief control glossary

Modes of control

Formal Control Mode – Relationship management by a controller on a target of control based on an economic calculus of logic and bureaucratic interpretation of laws, contracts, regulations and guidelines. Formal control is applied objectively and rationally and is meant to be followed by the book.

Informal Control Mode – Relationship management by a controller on a target of control based on emotion, personal interaction, established social patterns, and existing norms of behavior. Importantly, informal control may consider relational behaviors such as flexibility, the sharing of proprietary information and mutual decision making, or ordinary relationship behaviors such as traditional, learned behaviors and everyday norms.

Systems of control

Dyadic Control System – Control by the self on a dyadic partner, including extension of the rules of control from one organization to the other. Dyadic control may be formal or informal. Also known as second-party control. The interfirm governance extant literature has focused primarily on dyadic control.

Third-Party Control System – Control of an organization or a dyad by an exogenous entity, including law, regulatory agencies, trade associations, the press and the general public. Such outside powers influence the organization(s) to modify its behaviors or attitudes. Third-party control may be formal or informal.

Self-Control System – Control of the self, by the self. Even though exogenous information and influence may be considered, the decision is made by the actor to regulate its own behaviors. Such behaviors tend to be directed on moral and ethical guidelines and a belief of doing what is right. Self-control may be formal or informal. Also known as first-party control.

Rules of control

Setting Standards – governance processes applied to specific control system/control mode combinations, in terms of information sources on which control is based. Standards can be found in company reports, financial statements, company codes, legal and regulatory documents, written and psychological contracts and informal understandings.

Monitoring – governance processes that gather and analyze firm, partner and environmental information to determine the type and extent of sanctions of be applied. Procedural rules are formal or informal in nature and are specific to the system/control combination. Procedural rules include outcome and process monitoring, self-monitoring, goal monitoring of the partner, psychological contracts and institutional reporting.

Sanctioning – governance processes that determine the existence, type and extent of rewards and punishments based on substantive and procedural rules. Remedial rules maintain alignment or bring back into alignment the organization, its partner or its societal constituents. Remedial rules include high- and low-powered incentives, legal and regulatory decisions, and direct and indirect sanctions.

Costs of control

Economic Costs – the monetary costs of the exchange transaction including the costs of sourcing the rules of control, the costs of monitoring, the costs analyzing the data and the costs of executing the rules (provision of incentives and punishments).

Social Costs – noneconomic costs of the exchange associated with reputational or relational changes due to the transaction. The costs of getting caught cheating, establishing and maintaining relational norms and breaking norms and resultant conflict.

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Conflict of interest The authors declare that they have no conflict of interest.

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