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CORPORATE CONTROL AND THE SPEED OF STRATEGIC BUSINESS UNIT DECISION MAKING

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Decision speed has long been recognized as a critical determinant of firm performance, particularly in dynamic environments. Extending prior studies, which have largely focused on firm-level decision speed in small- and medium-sized organizations, this study explores how control mechanisms set by corporate headquarters in multibusiness firms influence decision speed at the strategic business unit (SBU) level. Using a multimethod approach, we first inductively derive six types of corporate control, before deductively examining their effects on SBU-level decision speed in five international multibusiness organizations. Our results suggest that three corporate control types enhance decision speed (goal setting, extrinsic incentives, and decision process control); two have no effect (negative incentives and conflict resolution); and one has a negative effect (strategy imposition). By integrating results from our qualitative and quantitative analyses, we are also able to identify transparency/alignment, outcome orientation, participation, trust, and timely feedback as the key mechanisms accounting for these effects.

Decision speed has long been recognized as a critical factor explaining firm performance, especially in dynamic environments (Baum & Wally, 2003; Eisenhardt, 1989b). In their sample of new biotechnology firms, for instance, Judge and Miller (1991) found that decision speed explained nearly 38 percent of the variance in sales growth and over 42 percent of the variance in profitability. Progressively competitive environments, shortened life cycles, and increasingly global markets are likely to further enhance the importance of decision speed for firm adaptation and performance (Nadler & Tushman, 1999). As Bower and Hout so aptly illustrate, organizations with fast decision processes are "like World War II fighter pilots—they win by preempting the opposition's moves" (1988: 110). Conversely, if firms fail to align their businesses with environmental changes in a timely manner, they risk being outpaced by more agile competitors (D'Aveni, Dagnino, & Smith, 2010; Nadkarni & Barr, 2008). Eisenhardt's (1989b) study of computer firms further refuted the idea of an inevitable trade-off between decision speed and decision quality, at least in dynamic environments, by finding that fast decision makers use more, not less, information than do slow decision makers and develop more, not fewer, alternatives, thereby increasing decision quality.

Beyond these important findings, however, unresolved questions remain. Most insights on decision

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speed have been generated from studying new ventures (Forbes, 2005; Perlow, Okhuysen, & Repenning, 2002) and small or medium-sized companies (Baum & Wally, 2003; Eisenhardt, 1989b; Wally & Baum, 1994). Their relatively small and simple organizational structures likely put these firms in an advantageous position when it comes to making fast strategic decisions, particularly as compared to large, complex, and multilayered organizations (Judge & Miller, 1991; March & Olsen, 1976). However, even in dynamic industries, where decision speed is imperative, many corporations have adopted multibusiness organizational structures (Galunic & Eisenhardt, 2001; Martin & Eisenhardt, 2010). In these organizations, decision processes at lower levels, such as strategic business units (SBUs), are constrained by structural and control requirements at the corporate level (Baum & Wally, 2003; Papadakis, Lioukas, & Chambers, 1998; Sutcliffe & McNamara, 2001). How these constraints affect SBU-level decision speed remains an unanswered question. On the one hand, corporate headquarters might put additional burdens on SBUs, slowing down their decision processes. For instance, SBUs may need corporate approval for major investments, and they may be obliged to participate in strategic planning and control exercises, which consumes time and energy. On the other hand, the corporate level may accelerate SBUs' decision making by giving advice and/or direction and by initiating and sustaining momentum for difficult strategic decisions, such as reorganizations or layoffs.

Moreover, while prior studies have analyzed the effects of macro- (or firm-) level, structural characteristics, such as centralization and formalization (Baum & Wally, 2003; Gupta, 1987; Wally & Baum, 1994), scholars do not yet sufficiently understand the microlevel mechanisms connecting organizational context and decision speed. This is problematic for multibusiness organizations, as they may face trade-offs in their choices between macrolevel characteristics. It is known, for instance, that centralization generally allows for faster decisions (Baum & Wally, 2003; Wally & Baum, 1994), but some studies have argued that decentralized decision making allows a multibusiness firm to respond more quickly to changing local conditions (Mintzberg, 1979) and is therefore more appropriate in dynamic environments (Mintzberg, 1981).

More broadly, there is no empirically grounded taxonomy of the most important means through which corporate headquarters attempt to control SBUs' decision processes. While the role of corporate headquarters in multibusiness firms has been examined from a variety of theoretical perspectives, little cross-fertilization has occurred. As a result, existing conceptualizations of corporate control and its relationship to SBU decision making remain partial and fragmented (Hart, 1992; Hart & Banbury, 1994), and scholars have stressed the need for a more integrated framework (e.g., Collis, Young, & Goold, 2007).

We address these open issues with the following research question: How and why do different types of corporate control—defined as corporate headquarters' attempts to manage or influence the process, content, and/or outcome of strategy making in their SBUs—impact the speed of SBU-level decision processes? Our results suggest that there are at least six corporate control types relevant to the context of SBU-level decision processes. Three of these—*goal setting*, *extrinsic incentives*, and *decision process control*—positively influence SBU-level decision speed; two—*negative incentives* and *conflict resolution*—have no effect; and one—*strategy imposition*—slows down SBU decision making. Importantly, the positive effects on decision speed are explained by the extent to which corporate controls contribute to transparency/alignment, outcome orientation, participation, trust, and timely feedback in a corporate headquarters-SBU relationship. These mechanisms temper the need for coherence in corporate strategy making with a desire to preserve SBU autonomy and responsiveness to fast-paced competitive environments.

Our study contributes to previous research in three ways. First, we distill the main dimensions of corporate control from a comprehensive review of the literature on multibusiness firms. Then, drawing on qualitative data from five multibusiness firms, we use these dimensions as a lens to inductively derive six types of corporate control over SBU decision processes. While resonating with prior studies, the empirically grounded corporate control types identified here serve to consolidate an otherwise fragmented literature around the question of how corporate controls influence SBU decision processes.

Second, by conducting a quantitative analysis of the microlevel linkages between corporate control and decision speed, and by supplementing it with our qualitative data, we can show both how and why different types of corporate control influence SBU-level decision speed. After we identify *how* they influence SBU decision speed, we examine

why this influence exists by using our "qualitative data to draw deeper insights from the quantitative data" (Bansal & Corley, 2011: 235) and by identifying the mechanisms responsible for the relationships between corporate control types and SBU-level decision speed.

Third, and more broadly, our findings contribute to research on multibusiness firms by offering insight into the design of appropriate corporate controls. Prior work has concluded that related multibusiness firms often outperform those with other forms of diversification because they provide superior control over opportunism, better decision making, and enhanced value creation through cross-SBU coordination (Martin & Eisenhardt, 2010). But research has also established that these benefits come at substantial bureaucratic costs (Collis & Montgomery, 1998; Jones & Hill, 1988). Our study suggests how and to what degree corporate headquarters can design corporate controls that realize the benefits of related diversification while maintaining fast decision processes.

THEORETICAL BACKGROUND

Decision Speed

The *speed of strategic decision making* is generally defined in prior work as the time between the first reference to deliberate action and the time at which a commitment to act is made (Eisenhardt, 1989b). Empirical studies have provided ample support for the benefits of decision speed on firm performance or growth, particularly in dynamic environments (Baum & Wally, 2003; Eisenhardt, 1989b; Judge & Miller, 1991; Wally & Baum, 1994).[1] High decision speed allows firms to rapidly respond to competitors' actions in the marketplace (Bourgeois & Eisenhardt, 1988; Souitaris & Maestro, 2010), to exploit short-lived strategic opportunities before they disappear or are exploited by competitors (D'Aveni et al., 2010), and to reap first mover advantages by becoming early adopters of new products, technologies, and business models (Makadok, 1998).

A focus on decision speed entails the obvious pitfall of comprehensive information gathering and analysis being sacrificed to gain speed, resulting in bad decisions and lower performance (Kahneman, Slovic, & Tversky, 1982). However, prior studies have stressed the fact that "often, a late decision, whether or not it is correct, is a useless decision and may have severe consequences for the organization. This is particularly true in volatile and rapidly changing environments" (Lin & Carley, 1997: 220). Eisenhardt (1989b) further found that fast decision processes do not necessarily indicate superficial analysis and processing. Instead, the most successful decision processes she examined were fast and comprehensive, with decision makers relying on real-time information and considering multiple alternatives simultaneously, thereby accelerating their cognitive processing without jeopardizing decision speed (see also Judge & Miller, 1991).

Subsequent studies have examined a variety of factors that influence decision speed and found support for the effects of environmental factors (Baum & Wally, 2003), management factors (Forbes, 2005; Judge & Miller, 1991; Wally & Baum, 1994), and decision process factors (Eisenhardt, 1989b; Judge & Miller, 1991). In addition, two studies report negative effects for firm size on the speed of strategic decisions (Baum & Wally, 2003; Wally & Baum, 1994). More importantly for the focus of our study, decision speed, like any other aspect of the decision process, is influenced by the organizational context in which decision processes are embedded (Baum & Wally, 2003; Papadakis et al., 1998; Sutcliffe & McNamara, 2001). Several studies have examined the effects of this context but largely concentrated on macrolevel, structural dimensions, such as centralization and formalization. Results indicate that a high degree of *centralization*—defined as concentration of authority or decision-making power in a firm (Eisenhardt, 1989b)—is associated with faster decision processes (Wally & Baum, 1994), particularly for nonroutine, strategic decisions (Baum & Wally, 2003). That is, more autocratic decision makers rely less on consultation (Eisenhardt, 1989b) and involve fewer people in a decision process, thereby reducing the potential for conflict and the need for information sharing and consensus formation (Pfeffer, 1980). Results from Siggelkow and Rivkin's (2005) agent-based simulation, however, suggest that in turbulent but simple

[1] Two notable exceptions are Forbes (2005), who found that decision speed was positively related to subsequent new venture closure, and Perlow et al. (2002), who identified a potential pathology for start-up organizations engaged in fast decision making, which eventually led to the bankruptcy of the company they studied. Both studies, however, focused on fledgling firms, which represent a different type of organization than the multibusiness firms that are the focus of our study.

environments, in which sophisticated coordination mechanisms are unnecessary, centralization actually slows down decision making, whereas in turbulent and complex environments, which require a balance of fast decision making and diverse search, centralization is more beneficial.

With regard to *formalization*—defined as the extent to which firm policies, job descriptions, organization charts, plans and objective setting systems are explicitly articulated (Fredrickson & Iaquinto, 1989)—it has been shown that greater formalization slows down decision making (Wally & Baum, 1994), particularly for nonroutine, strategic decisions (Baum & Wally, 2003). Typically, more formal processes mandate the collection of larger amounts of data and more thorough analyses than less formal ones (Fredrickson & Mitchell, 1984), and all else being equal, consume more time.

Taken together, these studies have demonstrated the significance of decision speed for firm performance and identified a number of variables that influence it. Research has focused on firms as a whole and analyzed decision processes at the top following the "upper echelons" tradition (Hambrick & Mason, 1984). While this may be appropriate for small or midsized firms that operate in a single industry—such as those in Eisenhardt's (1989b) landmark study on decision speed where the sample was comprised of single business firms with an average of 229 employees—such a focus is out of step with organizational realities in large, multibusiness corporations. In these large firms, decision processes are more complex and dispersed over several levels. At a minimum, the process of strategic decision making operates across two interdependent managerial levels: corporate headquarters and business units. Although each may have authority over certain aspects of strategic decisions, control mechanisms at the corporate level are part of the context of SBU-level decision processes. It is this influence on SBU decision speed that comprises the focus of this study.

The Role of Corporate Headquarters

Following Chandler's (1962) landmark study of the multibusiness (M-form) structure, a rich and diverse literature has developed on the management of multibusiness firms. Such firms delegate operating responsibilities to SBUs that function as organizational entities under the financial control and ownership of corporate management (Baysinger & Hoskisson, 1990). Typically, SBUs have predefined product-market boundaries, are equipped with substantial resources for conducting their business operations, have the ability to devise and execute their strategies within the constraints imposed by corporate management, and are responsible for financial measures such as profit and loss or return on invested capital (Goold, Campbell, & Alexander, 1994).

The corporate level, on the other hand, "acts as an intermediary, influencing the decisions and strategies pursued by the businesses and standing between the businesses and those who provide capital for their use" (Goold et al., 1994: 12). Corporate management is vital for providing goals, directions, guidelines, structures, and control systems to SBU managers (Burgelman, 1983) that facilitate the performance of their assigned tasks and responsibilities (Collis & Montgomery, 1998; Goold et al., 1994). Conceptually, the corporate level moderates the relationship between SBUs and outcome variables, by directly or indirectly facilitating or inhibiting the evolution and performance of SBUs (Golden, 1992).

A review of the large and diverse body of work on multibusiness firms suggests three dimensions along which the corporate level attempts to exert control over SBU-level decision processes. The first two dimensions originate from control theory (e.g., Ouchi & Maguire, 1975), which has distinguished outcome control (focused on the measurement of the outcomes of behavior) from behavior control (based on direct, personal surveillance of behavior). In multibusiness firms, *outcome control*[2] is characterized by corporate headquarters establishing short-term, objective, and predominantly financial goals for each SBU, such as return on invested capital, and monitoring SBU performance against those goals (Collis & Montgomery, 1998; Goold et al., 1994; Hill & Hoskisson, 1987). Headquarters using outcome control tend to not formally review long-term plans, and responsibility for strategy formulation is usually delegated to SBU management (Chung et al., 2000; Goold & Campbell, 1987a, 1987b). Outcome control is relatively easy to implement and places fewer demands on corporate headquarters (Collis & Montgomery, 1998). It also

[2] Outcome control is sometimes also referred to as financial control (Chung, Gibbons, & Schoch, 2000; Goold & Campbell, 1987a, 1987b) or budgetary control (Goold & Quinn, 1990), and resonates with Mintzberg's (1979) standardization of work outcomes.

motivates SBUs to focus on improving their financial performance and abandoning ineffective strategies. The disadvantages are limited flexibility and a potential bias against long-term strategies and risk taking (Goold & Campbell, 1987a). Outcome control is most effective for highly diversified firms consisting of discrete SBUs that share few common resources (Goold & Campbell, 1987b; Hill & Hoskisson, 1987; Jones & Hill, 1988; Vancil, 1978) but compete for resource allocations from the corporate level (Hill, Hitt, & Hoskisson, 1992). In contrast, because it does not speak to how goals are achieved, outcome control may be less effective when it comes to realizing and exploiting synergies among businesses (Hill & Hoskisson, 1987).

A headquarters using *behavior control*,[3] on the other hand, relies on subjective, strategically relevant criteria to assess SBU activity and measures performance in the context of long-term progress toward the development of a particular way of doing things (Collis & Montgomery, 1998; Goold et al., 1994; Gupta, 1987; Hoskisson & Hitt, 1988). Headquarters actively participates in and influences the process of SBU-level strategy formulation (Chung et al., 2000), but without imposing a specific strategy. Behavior control not only provides checks and balances for SBU strategy development, but also provides a common vocabulary that facilitates dialogue among SBU managers and fosters the creation of ambitious strategies. Moreover, if behavior rather than outcome is the focus, controls may provide a buffer for SBUs from external capital market pressures, at least in the short term (Goold & Campbell, 1987b). On the downside, however, behavior control places more demands on an organization and generally leads to somewhat larger corporate infrastructures (Collis & Montgomery, 1998). More importantly, while behavior or "strategic" control (Baysinger & Hoskisson, 1990) constitutes attempts to steer SBU strategies by filtering them through corporate-level understandings of what is appropriate ex ante, thereby allowing SBUs some degree of flexibility in proposing a strategy, it involves vetting strategies with corporate headquarters prior to acting on them, leading to diminished SBU flexibility that may inhibit SBUs' abilities to respond quickly to changing market or environmental conditions. Behavior control can also lead to motivation problems at the SBU level, as the involvement of different hierarchical levels can make the process cumbersome, overly bureaucratic, frustrating and costly, and therefore less encouraging for taking ownership of decisions (Goold & Campbell, 1987b). Behavior control is most effective for firms with relatively low degrees of diversification (Goold & Campbell, 1987a), in which SBU success requires extensive coordination, cooperation, and resource sharing (Hill et al., 1992; Hill & Hoskisson, 1987; Lorsch & Allen, 1973; Vancil, 1978).

The unique characteristics of multibusiness firms suggest a third dimension, *content control*, or the degree to which corporate headquarters exerts influence on the actual substance of strategy at the SBU level (Muralidharan, 1997). On the one hand, most prior studies have emphasized the advantages of retaining content autonomy at the SBU level, reasoning that this level is most likely to have access to the pertinent information (Campbell, 1999; Eisenmann, 2005). On the other hand, when coordination, cooperation, and resource sharing are needed among SBUs in more related forms of diversification, the situation likely requires at least some degree of headquarters influence over the substance of SBU-level strategies (Gupta & Govindarajan, 1986; Hill et al., 1992; Hill & Hoskisson, 1987).

Outcome, behavior, and content forms of control together represent recurring themes in the literature on multibusiness firms and also incorporate centralization, in the form of content control, as well as formalization, in the form of behavior control. The extent of outcome, behavior, and content control therefore provides a comprehensive way to conceptualize the corporate control context within which SBU strategic decision making occurs.

Distilling the existing literature into three dimensions, however, does not necessarily make it easy to empirically examine the actual type and degree of control that headquarters asserts over SBU decision making. Our brief examination of each of the dimensions makes it apparent that there are multiple approaches to implementing one or the other dimension of corporate control. There are even important variants within each dimension. Outcome controls may focus on a wider or narrower range of financial and operational metrics, for example, and may or may not be tied to performance incentives. In addition to the grainy character of control as an empirical reality for each of the three dimensions, a

[3] Behavior control (Ouchi & Maguire, 1975) is sometimes also referred to as "strategic planning" (Chung et al., 2000; Goold & Campbell, 1987a, 1987b; Goold & Quinn, 1990), and resonates with Mintzberg's (1979) "standardization of work processes" and Child's (1984) "bureaucratic control."

further empirical likelihood is that organizations tend to mix control dimensions—often drawing on all three, at least to some extent (Goold & Campbell, 1987b; Goold et al., 1994). This situation presents a challenge for researchers seeking valid and parsimonious ways to identify and measure corporate control as it relates to SBU decision making.

Although our framework suggests a large number of possible combinations of outcome, behavior, and content control, it is likely that a much smaller number of empirical types have evolved within multibusiness firms. By *types* we mean the set of real-world means of corporate control over SBU decision processes that multibusiness firms actually use. Underlying such an approach is the assumption "that elements of strategy, structure and environment often coalesce or configure into a manageable number of common, predictively useful types" (Miller, 1986: 235). This assumption is supported by theory and evidence in population ecology (Aldrich, 1979) showing that, over time, an environment tends to select out many organizational forms, leaving relatively few well-adapted ones to survive over the longer term (Tushman & Romanelli, 1983). Typologies have also been widely used in the strategic management literature to characterize strategies (Porter, 1980), strategic orientations (Miles & Snow, 1978), strategic decision making (Fredrickson & Mitchell, 1984), strategy-making processes (Hart, 1992), and strategic roles (Floyd & Lane, 2000). Once we identify these corporate control types, we can then use them in the second stage of our research to examine the effects of corporate control on SBU-level decision speed.

RESEARCH DESIGN

To develop a well-grounded set of corporate control types and then examine how these influence SBU decision speed, we employed a mixed-method design (Yauch & Steudel, 2003) with two stages of data collection and analysis. In the first study, we chose an inductive approach, since our research question addresses a little-explored process phenomenon for which existing theory does not provide sufficient grounds for hypothesis development (Eisenhardt & Graebner, 2007; Langley, 1999; Pratt, 2009). As Fredrickson (1986) has outlined, any nonsimplistic understanding of decision processes requires interviews and qualitative analyses to develop a rich understanding of variables and their manifestations in actual decision processes. In particular, while we could have used survey-based measures to parse the influence of individual control dimensions, this would leave unanswered questions about how organizations actually combine control dimensions, and how such combinations influence SBU decision speed. For these reasons, our first study was a qualitative, comparative case analysis (Eisenhardt & Graebner, 2007). We interpret our data through the lens of the three dimensions outlined above to empirically derive a taxonomy of corporate control types. We approached the data knowing what dimensions to look for but without a clear picture of which particular types would emerge.

In the second study, we used a quantitative, repertory grid analysis (Kelly, 1955; Reger, 1990; Wright, 2006) to establish *how* these corporate control types affect SBU-level decision speed. The findings from our repertory grid analysis were then passed back into the comparative case analysis (Wright, 2006) for confirmation and elaboration of the grid results. Integrating the results from both studies, we further develop insight into *why* selected types affect decision speed—that is, into the microlevel mechanisms behind their influence. This serves as the basis for an intermediate theoretical model (Edmondson & McManus, 2007) wherein we develop a set of propositions about the impact of corporate control types on SBU-level decision speed and the mechanisms that account for these relationships.

STUDY 1: IDENTIFYING TYPES OF CORPORATE CONTROL

Sample Selection

In line with prior work, we relied on theoretical sampling and chose sample companies on the basis of their suitability for illuminating and extending relationships among variables, and not for statistical reasons (Eisenhardt & Graebner, 2007; Glaser & Strauss, 1967). As the effects of decision speed are stronger in industries characterized by higher degrees of environmental dynamism (Eisenhardt, 1989b; Judge & Miller, 1991), all of our sample firms were operating in dynamic industries characterized by deregulation, liberalization, "e-commerce," globalization, new market entrants, and intense rivalry (Dess & Beard, 1984). Having such a broad sample of companies from multiple countries and multiple industries with different degrees and sources of industry dynamism, and companies with a wide range of sizes substantially enhances

the generalizability of our findings. Table 1 presents an overview of our five sample companies.

Each sample company was structured as a multibusiness organizational form according to Hill's (1988) categorization scheme (see also Markides & Williamson, 1996). From interviews and secondary data, we concluded that each business unit that was part of one of our five sample companies was a distinct and semiautonomous organizational entity[4] comprising two or more individual units equipped with the necessary resources, responsibilities, and discretion to conduct their business operations. While all of the business units in our sample thus met the existential criteria for SBUs (Baysinger & Hoskisson, 1990; Goold et al., 1994), the firms themselves used different language to describe their units (e.g., segments, strategic business areas, etc.; see Table 1 for details). All companies further derived 70 percent or less of their revenues from their dominant SBU and internally shared a common set of core resources or skills; put differently, all the sampled firms fall into the related-constrained or related-linked category of diversification strategy (Rumelt, 1982).[5]

Similarities in multilevel organizational structure allow for meaningful comparisons across corporate control contexts—and therefore provide a stronger base for theory building—while the differences between industries and organizations allow for higher generalizability (Eisenhardt & Graebner, 2007; Yin, 2003). It is important to recognize, however, that our analysis focuses on similarities rather than differences among the five companies. Thus, although our design allowed us to use each additional case to replicate or extend the emergent theory (Eisenhardt, 1989a; Yin, 2003), it is less sensitive to detecting situational contingencies in relationships, which represents a limitation of this approach.

Interview and Coding Procedures

We conducted 14 semistructured, face-to-face interviews with an average duration of two and a half hours. These interviews established informant and firm background before focusing on the organizations' strategy processes, corporate control, and its relationship to decision processes and decision speed. The Appendix outlines our interview questions. To ensure the decisions we examined were representative of the process by which major decisions were made at a given SBU, we followed prior studies (e.g., Eisenhardt, 1989b; Forbes, 2005; Judge & Miller, 1991) and asked our informants to focus on *strategic* decisions, defined as decisions that are nonprogrammable, involve strategic positioning of an SBU, and have high stakes in terms of the commitment of substantial resources (Hickson, Wilson, Cray, Mallory, & Butler, 1986; Mintzberg, 1979; Mintzberg, Raisinghani, & Théorêt, 1976).

To ensure the high diversity and abundant sources of data required for theoretical saturation (Eisenhardt, 1989a), we interviewed executives at corporate and SBU levels at each of the five sample companies and kept the number and diversity of interviewed SBUs as high as possible. We thus not only ensured that both hierarchical levels with their specific perceptions of corporate control and its impact on SBUs were included, but also that it was "unlikely that these varied informants will engage in convergent retrospective sensemaking and/or impression management" (Eisenhardt & Graebner, 2007: 28). All informants held senior positions at the SBUs and at headquarters, such as head of the SBU, country manager, chief operating officer, managing director, etc., and were therefore well qualified to provide an in-depth and reliable assessment of the corporate control context and its effects on SBUs.

Each interview was carried out by at least two researchers and followed the methodological guidelines established by Strauss and colleagues (Strauss, 1987; Strauss & Corbin, 1998) and refined in recent comparative case analyses (Graebner, 2009; Martin & Eisenhardt, 2010). In particular, we used interview techniques that prior research has shown to yield accurate informant responses, such as producing a step-by-step chronology of events (i.e., event tracking) as well as emphasizing facts and avoiding broad speculation (i.e., courtroom questioning), and we assured confidentiality to encourage candor. Questions were raised in the open rather than the closed mode, and as informants made their observations, we asked follow-up questions to elicit richer and more detailed descriptions (Strauss, 1987; Strauss & Corbin, 1998). We also prepared personal notes and memos subsequent to each interview and kept an interview diary to note

[4] In particular, the SBUs within the two consulting companies in our sample were organized as profit centers.

[5] The one exception to this is Aviation Co., which exhibits elements of both related diversification and vertical integration (see Table 1).

TABLE 1
Sample Description[a]

Company	Business Description	Location	Approximate Revenues[b]	Approximate Number of Employees	Organizational Structure		Industry Environment (Sources of Dynamism)
					Corporate Level	SBU Level	
Manufacturing Co.	Serves consumer industries, utilities, and the oil and gas market sectors	Headquarters in Switzerland; operating in more than 100 countries	23,000	160,000	Executive committee: 11 senior managers (CEO, CFO, executive vice presidents)	Six segments: (1) Automation (2) Power transmission (3) Power distribution (4) Building technologies (5) Oil/gas and petrochemicals (6) Financial services	• Deregulation, liberalization, globalization • New market entrants • High rivalry within industry
Advertising Inc.	Planning, creation, supervision, and placing of advertising	Headquarters in the US; operating in 90 countries	9,000	10,000	Global headquarters, regional headquarters	Six business units/agencies: (1) Advertising (2) Public relations (3) Public affairs (4) Direct marketing (5) Internet (6) Media services	• Globalization, changing customer demands • New market entrants • High rivalry within industry
IT Consulting Inc.	Consulting company specialized in e-business: Global IT management, customer relationship management, supply chain management, e-commerce, and enterprise management	Headquarters in Switzerland; operating in Europe, Asia, and the US	75	600	Executive committee of 40 members: Heads of business units, CEO, CFO, CTO, chief of corporate service center (CCC)	Four business units (industry practice groups): (1) Financial institutions (2) Consumer products, trade and service (3) Chemicals and life science (4) Manufacturing	• Liberalization • New market entrants • E-commerce: changing markets and demands

Continued

TABLE 1
(Continued)

Company	Business Description	Location	Approximate Revenues[b]	Approximate Number of Employees	Organizational Structure		Industry Environment (Sources of Dynamism)
					Corporate Level	SBU Level	
Aviation Co.	Core business: Flying passengers and cargo; other aviation-related services such as in-flight catering, aircraft maintenance and overhaul, and travel-related information technology	Headquarters in Germany; operating in 94 countries	14,000	70,000	Executive board: CEO, CFO, chief executive HR, chief executive passenger business, chief executive of corporate strategic development. Circle of 50": Direct-reporting, senior-level executives.	Seven strategic business areas: (1) Passenger business (2) Logistics (3) Maintenance, repair and overhaul (4) Catering (5) Leisure travel (6) IT services (7) Ground services	• Deregulation, liberalization, globalization • Rapidly changing markets and customer demands
Management Consulting Inc.	Consulting company specialized in information technology and restructuring of business processes	Headquarters in Germany; operating in Europe and the US	175	1,300	Eight executive board members: Heads of business units, CEO, CFO	Six strategic business units: (1) Business structures (2) Customer management (3) Transaction management (4) Enterprise applications (5) Business intelligence (6) Technology management	• Globalization • E-commerce: changing markets and demands • High rivalry within industry

[a] Sources are company reports, company websites, and internal documents. For confidentiality reasons, company names are disguised.
[b] In US$ millions.

specific circumstances of interview situations (Strauss, 1987). All interviews were tape-recorded and transcribed verbatim.

To further mitigate any biases associated with retrospective recall and thereby maximize the reliability and validity of our results, we also gathered secondary data—both publicly available information from several sources, such as annual reports, investors' reports, internet sites, and online databases, and internal company documents regarding strategy processes and corporate architecture, such as organizational charts, process overviews, quality handbooks, financial goals, "balanced scorecards," skill requirements lists, and internal teaching cases—which we used to triangulate our findings (Yin, 2003). These kinds of archival records and general documents are especially relevant in qualitative research, since they integrate firm-specific contexts into a research area (Strauss, 1987).

Drawing on 312 pages of interview transcripts and numerous secondary sources, we assigned initial concepts to the interview data, which we subsequently aggregated into more abstract categories, using the conceptual space defined by the three corporate control dimensions as a guide. An iterative process led to our six corporate control types (Strauss & Corbin, 1998). Whereas the initial concepts represent "concepts-in-use" (Gephart, 2004) in the language of our informants, deriving the corporate control types allowed us to lift the data to a conceptual level (Suddaby, 2006). For each identified corporate control type, we also recorded associated attributes that provided a more detailed description. As we gathered and analyzed more interview data, some types suggested by prior theorizing in a subset of cases could be grounded in the data and were retained or revised, while others could not and were discarded (Strauss & Corbin, 1998). We continuously iterated between our data and the evolving corporate control types until we had a clear grasp of the emerging taxonomy and additional interviews failed to reveal new data insights (Glaser & Strauss, 1967; Suddaby, 2006). Lastly, to gain an outsider's perspective and thereby vet our ideas, we engaged other researchers not involved in this study, such as fellow department members, doctoral students, and a researcher at another school, and discussed emerging patterns in our data as well as any evolving corporate control types, and solicited critical questions about our data collection and analysis procedures (Corley & Gioia, 2004).

Results

Our interview data suggest that our respondents understood decision speed to be the amount of time utilized to evaluate and select—on the basis of reasoning, negotiations, power positions, and other forms of impetus and momentum—from alternative strategic options, including the time it takes to receive approval or disapproval from corporate-level decision makers. This understanding is consistent with prior work. Also in line with prior work (Eisenhardt, 1989b; Judge & Miller, 1991; Lin & Carley, 1997), our informants emphasized the outsized role decision speed plays in determining firm success:

> Successful . . . unsuccessful . . . it [the decision process] has to be fast. That is the key criterion for success. You have to be fast. It must not be a never-ending story. You have to come up with solutions and results. If you have long discussions, you won't be successful. This, employees have to understand and be aware of. (Aviation Co.)

The primary outcomes of the first study, however, are the following, inductively generated types of corporate control. Some of these types could be captured well by already existing labels (e.g., goal setting), while others required new labels (e.g., strategy imposition). However, all six corporate control types were broadly recognized in all the firms we analyzed. The types and their positions within our conceptual framework outlined above are illustrated in Table 2.

Goal setting. *Goal setting* emerged from our data as referring to the establishment of financial, operative, and strategic goals as well as budgets for SBUs, developed interactively between corporate and SBU levels. Goals are typically developed on the basis of strategic plans, analyses of anticipated internal and external developments, negotiation, and other forms of individual or group interactions to stimulate and motivate SBUs within a predefined period of time, and they serve as a benchmark for subsequent performance evaluation of SBU managers. The following quotes illustrate this corporate control type:

> Targets, actions, resources, economic outcome—that's the cycle. The key thing is to have targets. These targets have to be agreed upon and coordinated and negotiated with all employees who can contribute. There is no point in defining a target by and for myself. You constantly have to inform and talk about it with others. You have to say: "Where are we today?" "What actions do we have to take?"

TABLE 2
Types of Corporate Control

Corporate Control Type	Description	Behavior Control	Outcome Control	Content Control
Goal setting	Establishment of financial, operative, and strategic goals as well as budgets for SBUs, developed interactively between corporate and SBU levels.	Low	High	Low-high[a]
Extrinsic incentives	Remuneration and career-related recognition and reward systems designed by corporate headquarters for SBUs. Examples include financial bonuses, profit-participation schemes, fringe benefits, and career prospects.	Low	High	Low
Negative incentives	Any form of implicit or explicit penalty for undesired outcomes at the SBU level by corporate headquarters. Examples range from exerting verbal pressure or reassigning responsibilities to demoting, relocating, or firing underperforming SBU executives.	Low	High	Low
Decision process control	All procedural norms and guidelines established by corporate headquarters for monitoring SBUs' decision processes. Examples include scheduled as well as ad hoc meetings, deadlines, and written guidelines.	High	Low	Low
Conflict resolution	Any formal and informal attempt by corporate headquarters to mediate or decide on disputed issues at the SBU level.	High	Low	Low-high[a]
Strategy imposition	Top-down interventions in SBUs' decision processes by corporate headquarters imposing a substantive set of priorities and/or strategy on SBUs, and thereby deliberately limiting SBUs' strategic flexibility and decision autonomy.	Low	Low	High

[a] The extent of content control for these control types varies depending on the extent to which the corporate level specifies the substance of strategy or allows SBUs to have input.

> . . . And then the realization of targets has to be measured, and with this evaluation, you go back into the target definition dialogue; and you communicate which of the targets have been met and which have not. (Advertising Inc.)

> We have ambitious targets. I mean, it's like telling myself: "next year, you could reach this and that financial target." And then I have to think: "if I go on with my operations the way I have so far, I probably won't make it. So, I need to do something differently." This is how you install and push forward a creative process that makes people think about what they want to accomplish. (Manufacturing Co.)

This corporate control type clearly resonates with prior research on goal setting (Ethiraj & Levinthal, 2009; Galbraith, 1973), which emphasizes the motivational effects of goals on task performance, provided that these goals are not in conflict with each other, are sufficiently specific, and are within realistic reach (Locke & Latham, 1990). Moreover, in our sample companies, SBU managers were actively involved in setting these goals, which has important implications, as complex tasks are accomplished better when goals are decided in an interactive process (Campbell & Gingrich, 1986). This control type represents an outcome control and ranges from low content control, in the case of purely financial goals, to high content control, in the case of operational and strategic goals (see Table 2).

Extrinsic incentives. *Extrinsic incentives* emerged as referring to remuneration as well as career-related recognition and reward systems designed by corporate headquarters for SBUs. This corporate control type comprised a variety of financial bonuses, profit-participation schemes, fringe benefits, and career prospects, which—on the basis of measurable goals—are aimed at enhancing individual and firm performance in a self-regulatory manner. Compared to financial incentives, career incentives can be materialistic, such as formal promotions, as well as symbolic, such as informal recognition. The following quotes provide an illustration:

> That is very simple: you will be rewarded. That is the way it works around here. Everybody knows that you get rewarded if you perform well. You wouldn't

> believe how much of an incentive that is for people here. . . . It is about knowing whether you have career opportunities within the company. If you know you are 25 [years old] now and you don't have to wait for another 3 years to get your next responsibility, but you can be promoted within the next year, that's an incentive. People work harder and end up performing better in a shorter period of time. You really don't need more than that. (Manufacturing Co.)

> Well, you have the executive managers who steer the company—and everybody in the company has high respect for these top managers. And, of course, their main tool for steering the company is by means of financial incentives. (Aviation Co.)

This corporate control type has also been identified in prior research on strategy implementation (e.g., Daft & Macintosh, 1984; Gupta, 1987) and broadly reflects agency theory arguments that emphasize the alignment of individual and corporate objectives through incentive mechanisms (Jensen & Meckling, 1976; Williamson, 1975). Extrinsic incentives also resonate with the literature on transactional leadership and, in particular, contingent reward leadership, which focuses on rewarding and recognizing employees for the accomplishment of agreed-upon objectives (Hater & Bass, 1988; Howell & Avolio, 1993). Similar to goal setting, extrinsic incentives represent outcome control, but the amount of content control headquarters exerts is limited (see Table 2).

Negative incentives. *Negative incentives* emerged as referring to any form of implicit or explicit penalty for undesired outcomes at the SBU level imposed by corporate headquarters. Headquarters generally applied these after negative performance outcomes but also used them to prevent undesired behavior by merely threatening sanctions instead of actually imposing them. More subtle means are exerting verbal pressure or reassigning responsibilities to "send a message," while more extreme cases include demoting, relocating, or firing underperforming SBU executives:

> Generally, the holding company as a 100 percent shareholder gives out specific financial targets to the subsidiary companies, which they have to achieve. . . . This includes hurdle rates, etc., all defined by the corporate management. They say, "These are the figures you have to achieve. If you don't, you destroy corporate value and we will consider immediate measures." (Aviation Co.)

> If you are successful and outcome-oriented, you will move up [hierarchically], and you will automatically be given more responsibility and further tasks. If you are not successful, you won't be able to keep your position for long. Basically, a business area manager who is not successful won't stay very long in his job. (Manufacturing Co.)

Negative incentives resonate with classic organizational design theory based on authority/hierarchy (Simon, 1957). They have also been discussed in the literature on transactional leadership (Hater & Bass, 1988). In contrast to recognition, reward, and career advancement for achieving objectives, however, negative incentives focus on disciplining mistakes, often in the form of management-by-exception. Similar to the previous two types, negative incentives represent outcome control, with only limited content control by headquarters (see Table 2).

Decision process control. *Decision process control* emerged in our data as referring to all procedural norms and guidelines established by corporate headquarters for monitoring SBUs' decision processes. This corporate control type represents binding, mostly transparent, and well-documented corporate involvement in procedural aspects of SBU decision processes, which provides SBU executives with a high degree of content- and outcome-related flexibility and autonomy (see Table 2). It is characterized by repeated exchanges, which are mostly institutionalized and rely on scheduled meetings, deadlines, and written guidelines, but can sometimes also occur ad hoc. The following quotes illustrate this control type:

> We have a centralized mission/vision booklet, which we really stick to—strictly top-down. And we also have guidelines in our [quality handbook], in which a lot of procedures are documented. . . . In the first two hours when [new people] enter the company, they receive a package with the corresponding documents. In these first two hours they are taught the three fundamental building blocks that determine our success: products, processes, and relationships, which correspond to expertise, quality, and social competence. These are the general guidelines, and we have our quality handbook, in which all processes are included in detail. (Advertising Inc.)

> We have a lot of sophisticated procedures in place such as weekly conference calls or daily reporting. With these tools you really have a grip on what's going on. (Manufacturing Co.)

Conflict resolution. *Conflict resolution* emerged as referring to any attempt by corporate headquarters to mediate or decide on disputed issues at the SBU level. Because of "coopetition" between SBUs, wherein they often compete for the allocation of

resources from corporate headquarters while, at the same time, collaborating in the pursuit of common interests (Tsai, 2002), conflicts of interest between SBUs are natural and common. Corporate executives act as mediators (and ultimate decision authorities) in situations of dispute between SBUs by overcoming resistance, resolving conflicts, and generating solutions. Sometimes, the corporate level has established official arenas for dealing with conflicts; at other times, they are handled on a more informal, ad hoc basis. The following quotes provide an illustration:

> If there is any kind of conflict, for example, managers saying: "but I want to have this client"—so, for example, a conflict over a customer—then the managers at the holding level are the ones who ultimately make the decision. In our case, this would be the CEO or the COO, or another strategic function within corporate headquarters. (Advertising Inc.)

> The head of the segment [i.e., corporate management] has overlaying responsibilities with regard to the business areas, the segment, but also the whole company. It's his responsibility that the coordination between the business areas is generally working. He has to make sure that there is not too much friction and that managers are not fighting with each other. He facilitates and coordinates the whole thing and he holds the ultimate decision power. (Manufacturing Co.)

This corporate control type has roots in behavioral theory, which starts from the premise that organizational conflicts are not exceptional, but a result of diverging interests of organizational subunits, particularly when these units are competing for resources (Hill et al., 1992). Prior research has maintained, however, that while constructive cognitive conflict between SBUs can raise decision quality by preventing "groupthink" (Jehn, 1995), it can also trigger more destructive emotional conflict with detrimental effects on decision outcomes (Amason, 1996). Conflict resolution therefore represents a balancing act for headquarters in which it needs to encourage cognitive conflict and constructive confrontation to enhance decision quality yet keep conflict from becoming emotional. Conflict resolution also constitutes behavior control based on headquarters' surveillance of and influence in SBU-level decision processes, with different degrees of corporate-level involvement in the actual content of decisions (see Table 2).

Strategy imposition. *Strategy imposition* emerged as referring to top-down interventions in SBUs' decision processes by corporate headquarters imposing a substantive set of priorities and/or strategy on SBUs, and thereby deliberately limiting SBUs' strategic flexibility and decision autonomy. This approach is often based on overarching corporate priorities and is applied when the corporate level is convinced that certain decisions have to be made, regardless of SBUs' perceptions. It is illustrated by the following quotes:

> If somebody doesn't have the upper hand in a situation—we [i.e., the corporate level] immediately get involved. [The corporate executive] analyzes the situation, and if he feels that the local manager doesn't have things under control, he immediately goes in and gets involved. (Manufacturing Co.)

> Especially in the beginning, when we had to turn the company around, we couldn't sit down and talk with each individual department to ask them, Could you do this and do that? It simply had to be done. We carried it out by decree—dictatorial. Period. The "lawn mower" method. And afterwards, of course, the questions came up, Was it fair? Was it right? But in a situation like that it proved successful, even though unfair situations occurred here and there. But to steer such a huge tanker like us in a situation like that while asking your department, Can you do this or do that? is simply impossible. (Aviation Co.)

As with negative incentives, it is not only the actual intervention that may influence SBUs, but equally important, their perceived likelihood and subsequent impact. Strategy imposition resonates with several previously identified strategy implementation modes, such as the commander model (Bourgeois & Brodwin, 1984), or command mode (Hart, 1992; Hart & Banbury, 1994), all of which have in common that corporate headquarters formulates SBU-level strategy in a largely unilateral, top-down way. Unlike the other types—and in contrast to our expectations based on prior studies' arguments (e.g., Collis & Montgomery, 1998; Hill et al., 1992)—strategy imposition represents a corporate control type that entails neither outcome nor behavior control but focuses exclusively on content control (see Table 2).

> Our company is steered and coordinated through financial targets and directives. And for some time now, our salary consists of a fixed and a variable portion. And within the budgeting process these figures are broken down for each department and each department head. And if you don't achieve these targets, there will be a deduction in your salary. (Aviation Co.)

Summary. Despite being conceptually distinct, the above corporate control types are not mutually

exclusive. In fact, they were frequently used in conjunction with one another, as illustrated by the following example of corporate headquarters combining goal setting with extrinsic incentives:

> Well, for the year 2000 there are, as a test-run, unbinding, financial, quantifiable target agreements, which will be binding as of January 1, 2001. These can also be noneconomic targets, such as employee turnover or the number of trained and promoted employees. All of these are quantifiable target agreements, which, at the end of the year, are measured and then form the underlying basis for calculating the variable incentive portion of the salary. (Management Consulting Inc.)

After empirically deriving these corporate control types, we had additional, ex post discussions with several executives in our sample companies, who confirmed that the six types represent the main corporate-level types of influence on strategic decision processes at the SBU level. Deployed either individually or in conjunction with one another, these control types therefore represent the most important means of corporate control over SBUs' strategic decision making.

STUDY 2: ANALYZING RELATIONSHIPS BETWEEN CORPORATE CONTROL TYPES AND DECISION SPEED

Building on and extending these results, in our second study, we examined how and why these six corporate control types influence the speed of SBU-level decision processes. Traditional questionnaires or open-ended interviews proved unsuitable for eliciting these relationships, however, for several reasons. To design a structured questionnaire would mandate having a relatively complete understanding of the phenomena as a basis for asking the right questions. In particular, even though we could use a structured questionnaire to examine whether or not the six corporate control types were associated with SBU-level decision speed, we would not be able to gain a comprehensive understanding of the underlying mechanisms explaining these relationships. By choosing questions on certain mechanisms, we would have had to make ex ante judgments about what are and what are not potential mechanisms. In short, we would likely have imposed our own cognitive frames on the phenomena (Reger, 1990), frames that may or may not be representative of the actual relationships. Open-ended and unstructured interviews, on the other hand, though less susceptible to imposing cognitive frames on informants, often fail to elicit valid and reliable perceptions from them (Reger, 1990). Particularly problematic for our inquiry was that decision makers tend to be unable to detect discrepancies between their "espoused theories" (i.e., those they would report as the basis for their actions) and their "theories-in-use" (which actually explain why they behave the way they do [Argyris & Schön, 1974]). Many executives thus "respond with answers about what they think they *should* know rather than what they *actually* think" (Easterby-Smith, Thorpe, & Holman, 1996: 4; emphasis in original).

For these reasons, we relied on repertory grid analysis (Kelly, 1955; Reger, 1990; Wright, 2006) to elicit executives' implicit understanding of the relationships between corporate control types and SBU-level decision speed. Repertory grid analysis is a tool that uncovers and formally represents how individuals construct their world. In particular, a repertory grid comprises *elements* (i.e., the main concepts to be investigated, which in our study are the corporate control types and decision speed), *attributes* (i.e., adjectives used to describe and differentiate between elements), and linking mechanisms between elements and attributes (Easterby-Smith et al., 1996).

Repertory grid analysis has several advantages.[6] First, it is a rigorous and systematic cognitive mapping technique that requires only minimal intervention or interpretation by a researcher (Fransella, Bell, & Bannister, 2004; Reger, 1990; Wright, 2006). As a result, this technique provides reliable and valid representations of actual understandings of phenomena without researchers imposing their cognitive frames (Easterby-Smith et al., 1996; Wright, 2006). Second, repertory grid analysis allows researchers to delve deeper than other survey and interview techniques to uncover managers' theories-in-use (Argyris & Schön, 1974). In particular, by verbalizing attributes that would otherwise

[6] Although repertory grid analysis originated in clinical psychology (Kelly, 1955), these advantages make it an appropriate method with which to generate insights on a broad variety of phenomena in strategic management, and it has been successfully applied to examine phenomena such as strategic issue diagnosis (Dutton, Walton, & Abrahamson, 1989), strategic groups (Reger & Huff, 1993), competitive strategy (Marcel, Barr, & Duhaime, 2010; Reger & Palmer, 1996), and strategy-making processes (Wright, 2004).

remain hidden, researchers are able to probe into areas about which informants may not be aware (Easterby-Smith et al., 1996), thereby opening up the black box of their cognitive maps. Repertory grid analysis also provides finer-grained, more microlevel insights into executives' understanding of complex processes than other techniques, and it thereby allows for better explanation of these processes (Wright, 2006). This is particularly important in the context of our study, as we were interested not only in whether certain corporate control types are related to SBU-level decision speed, but also in the mechanisms underlying these relationships. Third, although repertory grid analysis as an interview technique has qualitative roots, it permits quantitative analyses, such as principal component and correlation analyses (Easterby-Smith et al., 1996; Fransella et al., 2004), which here enabled us to empirically derive perceived associations between corporate control types and SBU-level decision speed. This hybrid character of the method mitigates the usual trade-off between accuracy, or a close fit between theory and data, and generalizability, or the potential range of situations to which a theory is applicable (Langley, 1999).

While repertory grid analysis is designed to elicit executives' cognitive maps about a phenomenon, and not the actual relationships, these maps are of consequence, and numerous prior studies have shown them to be the basis for strategic action (e.g., Barr, Stimpert, & Huff, 1992; Nadkarni & Barr, 2008; Reger & Huff, 1993). In fact, the method's theoretical underpinning is predicated on the belief that executives act on their perceptions of the objective world filtered through their cognitive system (Kelly, 1955; Reger & Huff, 1993). With managers' actions being determined largely by how they understand their situation (Porac & Thomas, 2002), repertory grid analysis provides an excellent means of uncovering and presenting that understanding (Easterby-Smith et al., 1996).

Interview and Analysis Procedures

We conducted 30 computer-assisted, structured interviews with executives at corporate as well as SBU levels (i.e., two interviews at the corporate level and four interviews at the SBU level of each of our sample companies).[7] While these informants were different executives from those interviewed in the first study, they were drawn from the same pool of key informants; they held senior positions at the SBUs and corporate headquarters and were thus qualified to provide in-depth and reliable assessments of their corporate control context and its effects on SBU-level decision processes.

The face-to-face interview process was facilitated by t.o.p.GRID,[8] a three-step software program using a variant of principal component analysis to retrieve informants' perceptions of similarities and differences between elements. In the first step, our computer randomly selected two elements from the six corporate control types generated in Study 1 plus the two elements, high decision speed and low decision speed.[9] Informants then compared these two elements—for instance, "goal setting" and "conflict resolution"—and indicated whether they perceived them as similar or different. In the second step, informants were asked to assign a descriptive attribute of their choosing to each element: if they perceived two elements as similar, they were asked to assign the same attribute; if they perceived them as different, they were asked to assign one attribute to the first element and to assign another attribute of their choosing, which they perceived as the opposite of the first attribute, to the second element. An informant could, for instance, associate "goal setting" with attributes such as "motivating" and "future-oriented," and "conflict resolution" with attributes such as "frustrating" and "past-oriented." In the third step, informants evaluated the remaining elements (from the

[7] As Dunn and Ginsberg (1986) and Wright (2006) have remarked, a reasonably small number of respondents (15–25) will frequently generate enough constructs to approximate the "universe of meaning" surrounding a given organizational context or situation.

[8] For more information on the t.o.p.GRID program (and the updated version of the program, *nextexpertiser*), please refer to http://www.nextpractice.de/en/services/nextexpertizer.

[9] Because of t.o.p.GRID's interview technique's roots in Kelly's (1955) dichotomous psychology of personal constructs, we divided the concept of decision speed into two opposing elements: high and low decision speed. With only one, neutral decision speed element, t.o.p.GRID would be able to provide only information on whether a corporate control type (e.g., goal setting) was perceived to be associated with decision speed or not, and no information on whether this association was positive or negative. Having two opposing decision speed elements, however, made it possible to establish whether a specific corporate control type was perceived to speed up or slow down SBU-level decision processes.

pool of the six corporate control types plus high and low decision speed) in terms of the attributes they had assigned to the first two elements. For example, having begun with "goal setting" and "conflict resolution," informants assessed other elements such as "extrinsic incentives" in terms of a series of alternatives: Whether they are "motivating" and/or "future-oriented," "frustrating" and/or "past-oriented," in between each of these attributes, comprise both, or comprise neither; "no answer is possible" was also an alternative. As this example illustrates, attributes are always bipolar and are thereby comparable to questionnaire scales. Unlike with questionnaires, however, the substance of the scales emerging from a repertory grid analysis is generated by the informants themselves and is therefore a more meaningful representation of the examined phenomenon (Wright, 2004).

Using the aggregated data from all informants' assessments, we first developed a joint representation of all elements and their associated attributes, known as a singular-value decomposition (Slater, 1977), which is a variant of a principal component analysis. On the basis of that analysis, we then extracted those attributes (called *typical attributes*) that had a correlation of at least .70 with an element. The element "goal setting," for example, was associated with 365 attributes, of which 56 were typical attributes—for instance, "aligning," "motivating," and "transparent." This procedure allowed us to distill a relatively small number of attributes that represent the main characteristics of each corporate control type—which, in turn, illustrate its effects on SBU-level decision processes—as well as the main characteristics of the elements high decision speed and low decision speed.

Second, we established the perceived associations between corporate control types and decision speed by identifying the overlaps between the typical attributes of the six corporate control types with the typical attributes of high and low decision speed. To continue our example from above, the attributes "aligning," "motivating," and "transparent" were typical attributes for both goal setting and high decision speed, suggesting an association between these two elements. To attain a fully statistically significant association in our analysis, two elements had to fall within a 51 percent cross-section dimension (Raeithel, 1991). The outcome of the second study was therefore the retrieval of associations between different corporate control types and decision speed, aggregated across informants.

The typical attributes emerging in our repertory grid analysis were then passed back into the comparative case analysis process (Wright, 2006) so we could examine *why* certain corporate control types affect decision speed. Goal setting's typical attribute "motivating," for instance, was substantiated by the following interview quote:

> That is why the corporate level introduced financial performance figures as a means of control. . . . This forced us to move faster—just by the outcome orientation being in place. (Aviation Co.)

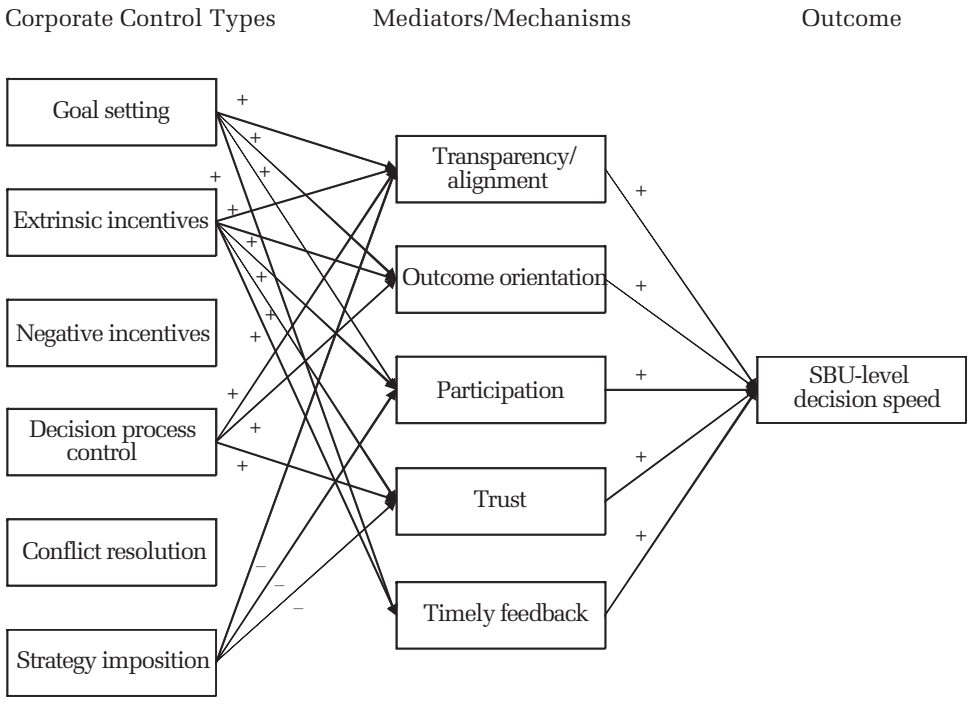
By examining their respective overlapping typical attributes, substantiating those with evidence from our interviews, and further drawing on the interview data to develop an understanding of relationships, we were able to detect and explain the mechanisms linking corporate control types and decision speed and thereby develop an intermediate theoretical model (Edmondson & McManus, 2007). Lastly, we used prior research to refine the theoretical logic of the emerging relationships and to develop propositions (Martin & Eisenhardt, 2010).

Figure 1 illustrates the relationships we observed between corporate control types, intervening mechanisms, and the speed of SBU-level decision making. Table 3 provides representative quotes from our data that further substantiate these links. Although the data provide many more, to save space, we offer only a single quote for each relationship. In the following section, we develop arguments and offer propositions for the theoretical model identified in Figure 1 and Table 3.

Emergent Theoretical Framework Linking Corporate Control Types and SBU-Level Decision Speed

Decision speed. Our informants associated high decision speed with 26 typical attributes, concentrated around five main attribute areas: (1) *transparency* in the decision process and a subsequent *alignment* between corporate and SBU interests, (2) an *outcome-oriented* and therefore largely proactive approach to decision making, (3) *participation* of SBU managers in SBU-level decision processes, (4) *trust* between SBUs and corporate headquarters, and (5) *timely feedback*. In contrast, low decision speed was associated with 32 typical attributes, concentrated around five main attribute areas: (1) *lack of transparency* in the decision process and a subsequent *misalignment* between corporate and SBU-level interests, (2) a *problem-ori-*

FIGURE 1
Corporate Control Types and SBU-Level Decision Speed



ented and therefore largely reactive or passive approach to decision making, (3) a *lack of participation* of SBU-level management in SBU-level decision processes, (4) *distrust* between SBUs and corporate headquarters, and (5) *stagnation and lethargy*, emphasizing the paralyzing effects of procrastination that are typical for low decision speed.

Goal setting. Goal setting was associated with 56 typical attributes. To examine the association between goal setting and decision speed, we analyzed the typical attributes that overlapped goal setting and decision speed. In the case of goal setting, the overlap with high decision speed consisted of seven typical attributes, which can be grouped into four main attribute areas (see Table 3 for details on these attribute areas, as well as representative quotes that illustrate and substantiate each association). We further found no typical attributes overlapping low decision speed.[10] These results support a positive association between goal setting and SBU-level decision speed and make goal setting the corporate control type that is the second most closely associated with high decision speed.

The overlapping typical attributes—in conjunction with our qualitative interview data from Study 1—further allowed us to draw conclusions with regards to the question of *why* goal setting affects SBU-level decision speed. First, *transparency* helps reduce the ambiguity surrounding corporate intentions and goals for SBUs (cf. Locke & Latham, 1990), which enables faster SBU-level decision processes because SBU managers avoid time-intensive "sense-making" processes associated with interpreting vague corporate guidelines (Baum & Wally, 2003). As a by-product of this transparency, goal setting also allows for better *alignment* between corporate and SBU interests, which makes it easier for the two levels to reach an agreement on SBU strategies, and which, in turn, speeds up SBU-level decision processes (Eisenhardt, 1989b). Second, goal setting induces decision makers to actively *focus on outcomes*, versus having a more open-ended, problem-solving orientation, which perpetuates the decision process (Goold & Quinn, 1990). Third, we found that in our sample firms, some

[10] While a few of the interviewed executives also mentioned attributes of goal setting that overlapped with attributes of low decision speed, these attributes did not attain the status of typical attributes; thus, we did not find any significant evidence for an association between goal setting and low decision speed.

TABLE 3
Corporate Control Types and Their Effects on SBU-Level Decision Speed

Corporate Control Type	Overlapping Areas	Representative Quotes
1. Goal setting	1.1. Transparency/ alignment	"And then we receive the targets, which are broken down to our level. And the business development people, they also get their targets, which force them to come up with their contribution and to push it forward. As I said, if [the corporate managers] want to broadly push something through, across all business units, it is relatively difficult. Mostly you have to try and help the pioneering business unit and then transfer this back to the overall targets." (IT Consulting Inc.)
	1.2. Outcome orientation	"In this case you have to look at our history. In '91 and '92, the situation was more serious than we had expected, and we almost went out of business. Back then, we didn't have the time to think about our long-term strategy—our focus was on survival. This experience, of course, influenced our corporate managers, who wanted to make sure that something like that would never happen to us again. That is why the corporate level introduced financial performance figures as a means of control. . . . This forced us to move faster—just by the outcome orientation being in place." (Aviation Co.)
	1.3. Participation	"As an employee I have access; I can have an influence on the [Manufacturing Co.] strategy. That is, any employee with enough interest and power can do that. I do not feel like I'm in a small box and I can't do anything here. . . . It really comes down to the commitment of your employees. If they feel they can change and influence something, they will make sure their processes and their performance will be superior." (Manufacturing Co.)
	1.4. Timely feedback	"We have weekly conference calls within the business areas and between all business unit heads. Once a week they discuss their markets and their treasury center and why things work well or why they don't. There is a lot of general information exchanged between all sorts of people. These meetings are pretty strong input factors, defining very short time periods and ensuring that things don't get out of hand. . . . In our department, we are really used to things happening fast and also to having to react fast." (Manufacturing Co.)
2. Extrinsic incentives	2.1. Transparency/ alignment	"We get a set of parameters. These are financial numbers we are expected to achieve, and these are assumptions which apply to all of us in the same way. Then we go back to our work . . . in medias res . . . and return with a strategy which has to be aligned with these financial figures." (Aviation Co.)
	2.2. Outcome orientation	"I think that speed requires a certain degree of impatience. And I think the driving force behind this impatience is that it is actually good for us. . . . I mean, we actually get something out of it, because 50 percent of the profits go to us. So, on the financial side, there are a lot of incentives. In addition, there is also the incentive to prove to someone that I manage my job and perform well." (Advertising Inc.)
	2.3. Participation	"The mathematical model allows me to freely define the variable portion of my salary. . . . For example, I can determine that the variable portion of my salary should be 25 to 40 percent. This, of course, bears the risk that I might underperform, but also the opportunity that I overperform." (Management Consulting Inc.)
	2.4. Trust	"The greatest encouragement for them is to get promoted, to move ahead, to get more demanding tasks—generally, to have more responsibility. For them, it's not about financial incentives, but about knowing that I trust them to cope with more difficult tasks. . . . By trusting them, I show them that I am content with their performance and that is what spurs them most." (Manufacturing Co.)
	2.5. Timely feedback	"In this company, you can get ahead and make a career much faster than in any other company I know—at least if I compare it to my friends in other companies. That's a whole lot of an incentive system. With this, you don't really need an additional financial stimulus. If you are good—you'll be promoted. That's it." (Manufacturing Co.)
3. Negative incentives	n.a.	"Well, normally employees do not appreciate reprimands or sanctions, even though they can also be advantageous, for example, by enforcing and keeping fairness. But I think generally, sanctions are perceived as punishments, which publicly display and embarrass the wrongdoers including their mistakes and failures in front of the other employees. Of course, they don't feel necessarily motivated by that. Sometimes, this might even lead to general frustrations and increased barriers, which in turn leads to further impediments." (Manufacturing Co.)

Continued

TABLE 3
(Continued)

Corporate Control Type	Overlapping Areas	Representative Quotes
4. Decision process control	4.1. Transparency/ alignment	"Clearly standardization. Standardized and efficiency-driven tools you can adapt worldwide. Let me give you an example. Our brand character tool is a one-page piece of paper. Whoever works on a global brand of one of our customers, be it in South Africa or in Finland, everyone has the brand character tool in front of them on their desks—and that tool looks the same all over the world. If the employee is not willing to accept that, he will not be allowed to work on that brand. This consistency to structure and apply these common standards worldwide really symbolizes our strength and made our company so successful." (Advertising Inc.)
	4.2. Outcome orientation	"It is always important to make them, and sometimes even force them, to think into the future. . . . It is the same in every business. For example, if you have a new product—it might have a huge market potential, but to start the whole thing can be difficult. You have to force yourself . . . and a lot of times, this effort is contradictory to the short-term performance. That's why you need a driving force behind it, which makes you look ahead, even though it might not make sense in the present situation." (IT Consulting Inc.)
	4.3. Trust	"It takes diplomatic skills to interact and deal with these people in a trusting manner. For example, if the corporate level wants something from the passenger side [i.e., the business unit]. If they haven't built up trust—they won't get a foot in the door. In this case, you really have to build up trust. That's our job." (Aviation Co.)
5. Conflict resolution	n.a.	"Generally, if a conflict starts damaging the ongoing business, then corporate managers intervene, which is done comparatively fast. Most of the times they just decree a specific resolution to the conflict—one that best suits their needs and the needs of the whole company. This way people don't get a chance to keep babbling that much and less time is wasted. In addition, the corporate level mostly has a good overview of what is strategically important for the whole company." (Manufacturing Co.)
6. Strategy imposition	6.1. Lack of transparency/ misalignment	"Which [SBU head] was in charge of this [SBU], how much discretion they had, and how strong their influence was, was unclear. It was clear to the board, but not to the employees." (Management Consulting Inc.)
	6.2. Lack of participation	"Sometimes, they are told exactly what to do. That means they are told not only what is generally expected from them, but they receive specific orders on how to run their business. This can even affect the color of their presentation or the unit price of a specific product to be sold. A lot of people don't appreciate this type of corporate control because they feel shut out and held back. You have to be really careful not to discourage your employees, otherwise resistance builds up and processes become inefficient." (Manufacturing Co.)
	6.3. Distrust	"We are patronized—on a leash. . . . Sometimes we are forced to agree to campaigns we don't even consider high-quality or even suitable under the given circumstances . . . . You can only accomplish something and gain credibility, acceptance, and trust when you are not constantly under pressure to deliver [reports] that you've already sent three times." (Advertising Inc.)

form of participative discussion and negotiation took place prior to the actual definition of goals. In other words, goal setting in our sample entailed the active *participation* of SBU managers early on. While prior research has identified such involvement and its positive effects on strategy implementation (Bourgeois & Brodwin, 1984; Goold & Campbell, 1987a, 1987b; Goold et al., 1994; Gupta, 1987), it has been assumed that it comes at the expense of a fast decision process (Mintzberg, 1978). After all, involving more people increases the time consumed in goal-setting exercises. It is therefore somewhat counterintuitive to find that more participation increases decision speed. However, greater involvement of SBU managers in corporate-level goal-setting processes enhances their understanding of and collective appreciation for the chosen goals (Amason, 1996). This, in turn, improves coordination and cooperation in downstream SBU-level decision processes, such as the generation of alternatives (Bourgeois & Brodwin, 1984; Wooldridge & Floyd, 1990), which allows for a faster decision process. Fourth, goal setting emphasizes *timely feedback* to detect deviations and adjust goals if necessary. Such use of real-time information in decision processes has been shown to have beneficial effects on decision speed (Eisenhardt, 1989b). Given these results, we propose:

Proposition 1. The corporate control type "goal setting" is positively related to SBU decision speed. The mechanisms mediating this relationship include (a) increased transparency and alignment between corporate and SBU-level interests; (b) a stronger outcome orientation; (c) increased participation by SBU-level managers; and (d) more timely feedback in SBU-level decision processes.

Extrinsic incentives. For this type, the area overlapping high decision speed consisted of 15 typical attributes, grouped into five main attribute areas (see Table 3 for details and representative quotes). These results support a positive association between extrinsic incentives and SBU-level decision speed. Extrinsic incentives is the corporate control type that was most closely associated with high decision speed.

Overall, the mediation effects of extrinsic incentives show substantial overlap with those of goal setting. First, extrinsic incentives result in *transparency and alignment* in the interactions between corporate headquarters and its SBUs. In that capacity, they represent a self-regulatory system, where managers and employees of SBUs respond to incentives by adjusting their behavior to maximize possible benefits (Jensen & Meckling, 1976; Williamson, 1975). Thus, this corporate control type induces ongoing self-corrections, which creates faster alignment of SBU-level decision processes. Second, extrinsic incentives increase SBU-level decision makers' *outcome orientation*, driven by their interest in being rewarded. Third, as an outcome control mechanism (Ouchi & Maguire, 1975), extrinsic incentives allow for managerial autonomy, flexibility, and active *participation* by SBU managers in decision processes, which encourages proactive decision making. Extrinsic incentives thereby motivate SBU managers (Black & Gregersen, 1997) by offering rewards for corporate-preferred outcomes, while allowing SBU managers broad latitude in their strategic behaviors, thereby increasing decision speed. Fourth, extrinsic incentives provide *timely feedback*, quickening the pace of SBU-level decision processes. As outlined in our discussion of the previous corporate control type, and as illustrated by the quotes in Table 3, these effects, in turn, have a beneficial impact on decision speed.

While these effects of extrinsic incentives resemble the effects of goal setting, there is one major difference between the two corporate control types, and this difference is related to *trust.* In particular, when corporate headquarters establish clearly articulated and consistently applied extrinsic incentives for SBUs the ambiguity SBUs experience with respect to the fulfillment of corporate expectations is reduced, which increases trust (Mayer, Davis, & Schoorman, 1995). Extrinsic incentives also signal corporate headquarters' sympathy for SBU managers' needs by rewarding these managers for their performance. This further increases trust in corporate headquarters, eliminates second-guessing, and facilitates faster decisions (cf. Mayer et al., 1995). We therefore propose:

Proposition 2. The corporate control type "extrinsic incentives" is positively related to SBU decision speed. The mechanisms mediating this relationship include (a) increased transparency and alignment between corporate and SBU-level interests; (b) a stronger outcome orientation; (c) increased participation by SBU-level managers; (d) more timely feedback in SBU-level decision processes; and (e) increased trust between SBU- and corporate-level managers.

Negative incentives. The lack of overlapping typical attributes between negative incentives and both high and low decision speed indicates a lack of association between these elements. In spite of this nonfinding, the 12 typical attributes associated with this corporate control type and assessments of our informants expressed in interviews from Study 1 shed some light on the effects of negative incentives on SBU-level decision processes (see Table 3 for a representative quote). On the one hand, negative incentives are associated with *distant control*, implying that corporate executives define tasks to be achieved by SBU managers and take action only if outcomes fail to meet expectations. The effect on decision speed is likely marginal, since this form of corporate-level intervention is relatively rare. On the other hand, when this intervention does happen, its impact is significant. Our respondents perceived such negative incentives as *overpowering, stifling creativity*, and *removing autonomy* from SBU-level management. This resonates with findings from leadership research suggesting that such a management-by-exception approach has negative effects on SBU performance (Howell & Avolio, 1993). Again, however, these intrusions and their effects appear to be relatively rare, and consequently, our repertory grid results do not indicate a significant association between

negative incentives and SBU decision speed. Accordingly, we propose:

Proposition 3. The corporate control type "negative incentives" is not significantly related to SBU decision speed.

Decision process control. Decision process control represented the corporate control type the third most closely associated with high decision speed. The overlapping area consisted of five typical attributes, concentrated around three attribute areas (see Table 3 for details and representative quotes). Overall, decision process control provides an interesting balance between trust and control. First, and similarly to goal setting and extrinsic incentives, decision process control enhances the *transparency and alignment* of SBU-level decision processes through the creation of procedural norms, guidelines, and ongoing monitoring. Such clarity, then, allows for faster decisions at the SBU level (Baum & Wally, 2003). Second, consistent monitoring not only helps clarify and align decision processes, it also ensures that steady progress is being made, which, in turn, *orients* SBU managers *toward outcomes*, with positive effects on decision speed. Third, although repeated exchanges and scheduled meetings as part of process control keep the corporate level informed about and thereby in control of SBU decision processes, it does not directly interfere with SBUs' activities, leaving decision-making authority at the level at which the most relevant information and expertise reside (Campbell, 1999; Eisenmann, 2005). This, in turn, enhances decision speed at the SBU level. As a by-product of such content-related autonomy for SBU managers, decision process control also fosters *trust* among SBU managers, who are confident enough to make fast decisions instead of second-guessing corporate-level reactions (cf. Mayer et al., 1995). Given these arguments, we propose:

Proposition 4. The corporate control type "decision process control" is positively related to SBU decision speed. The mechanisms mediating this relationship include (a) increased transparency and alignment between corporate and SBU-level interests; (b) a stronger outcome orientation; and (c) increased trust between SBU- and corporate-level managers.

Conflict resolution. Our informants did not associate conflict resolution with decision speed, as indicated by the lack of overlapping typical attributes. Analyzing the effects of conflict resolution by examining its typical attributes provides further insight into its ambiguous effects on decision speed. In particular, the ten typical attributes focused on two potentially off-setting attribute areas (see Table 3 for an illustrative quote from Study 1). On the one hand, conflict resolution attempts may mean that corporate headquarters imposes *centralized control* over the definition of solutions, aimed at reducing frictions and interruptions in the decision process. This would be expected to enhance decision speed (Baum & Wally, 2003; Wally & Baum, 1994). On the other hand, conflict resolution attempts by corporate headquarters may involve the creation of arenas for negotiating divergent SBU interests, thereby enhancing *reciprocal communication* and mutual adjustment among the parties. While this approach may lead to a jointly developed solution that likely enjoys broad support, such negotiations can also be time consuming (Eisenhardt, 1989b). Based on these ambiguous effects, we propose:

Proposition 5. The corporate control type "conflict resolution" is not significantly related to SBU decision speed.

Strategy imposition. Although the overlap between strategy imposition and low decision speed did not attain full statistical significance,[11] our results suggest an at least marginally significant, negative influence of strategy imposition on decision speed. This negative relationship is corroborated by our interview data from Study 1 (see Table 3). In particular, the 42 overlapping typical attributes that characterize both strategy imposition and low decision speed are concentrated around three main attribute areas. First, strategy imposition is perceived as opaque and sometimes random interference by the corporate level, a *nontransparent* intrusion on SBU managers. This corporate control type increases uncertainty about headquarters' potential role in SBU decision processes and likely leads to a *misalignment* between SBU and corporate-level interests and which, in turn, slows decision making (Eisenhardt, 1989b). Second, this type is seen as an

[11] A statistically significant overlap requires a 51 percent cross-section dimension or less (Raeithel, 1991); the overlap between strategy imposition and low decision speed was represented in a 53 percent cross-section dimension, thus suggesting an at least moderate association between the two elements. This result is further corroborated by the fact that strategy imposition did not have any overlap with high decision speed.

autocratic and patronizing form of corporate managerial control over the SBU level. Not only does it *undermine* SBU managers' *participation* in decisions related to SBU strategy, it is seen as interfering with the substance of SBU strategy by centrally controlling or even overriding the decisions of SBU managers, effectively disempowering them. This results in an atmosphere of frustration at the SBU level (Black & Gregersen, 1997), which is particularly acute in cases when SBU managers perceive corporate headquarters as not sufficiently informed about the specifics of their businesses (Campbell, 1999; Eisenmann, 2005). The constraints on autonomy resulting from strategy imposition also lead to a reduced sense of responsibility at the SBU level, sometimes even putting pending decisions on hold, since SBU managers subject to strategy imposition often come to expect that corporate executives will intervene and take control of the decisions anyway. Third, strategy imposition increases *distrust* between SBU managers and corporate headquarters (Lorsch & Allen, 1973), which arises from SBU managers' uncertainty about headquarters' intentions (cf. Mayer et al., 1995). Such distrust likely leads to second-guessing of corporate intentions, further slowing down the decision process. Drawing on this evidence, we propose:

Proposition 6. The corporate control type "strategy imposition" is negatively related to decision speed at the SBU level. The mechanisms mediating this relationship include (a) decreased transparency and alignment between corporate and SBU-level interests; (b) decreased participation by SBU-level managers; and (c) decreased trust between SBU- and corporate-level managers.

DISCUSSION

Using a two-stage data collection and analysis process, we developed a midrange theoretical model explaining the relationship between corporate control and SBU-level decision speed. Integrating insights from our qualitative and quantitative analyses, the results suggest that certain types of corporate controls positively influence SBU decision speed, while other types negatively influence it, and still others have little or no effect. The principal finding of this study, however, is that these relationships are a function of five mediating mechanisms. When controls positively influence transparency/alignment, outcome orientation, participation, trust, and timely feedback in headquarters' relations with SBUs, they exert a positive influence on decision speed. Understanding these mediators helps explain why managers adopt different types of controls and provides a new appreciation for how such controls affect SBU-level decision making. These findings have implications for the literatures on strategic decision making, corporate strategy and structure, and organizational control, which we discuss in turn.

First, our study complements work on decision speed in young, small, and undiversified firms (Baum & Wally, 2003; Eisenhardt, 1989b; Forbes, 2005; Perlow et al., 2002; Wally & Baum, 1994) by examining the determinants of decision speed in established, large, and diversified companies. This represents an important extension because prior work has found larger companies to be at an inherent disadvantage when it comes to fast decision processes (Baum & Wally, 2003; Wally & Baum, 1994). Addressing this challenge, our findings suggest a number of ways in which large, multibusiness corporations can mitigate their size-related liabilities and accelerate the speed of their SBUs' decision processes. Whereas some of our findings confirm previously identified determinants of decision speed, others qualify the effects of prior determinants. The known positive effects for the use of real-time information and for integration among decisions (Eisenhardt, 1989b), for instance, are reflected in the effects of the timely feedback and alignment that certain corporate control types entail (see Figure 1). The null effect of conflict resolution in our sample of multibusiness firms, however, suggests a potential contingency on the positive effect found in other settings (Eisenhardt, 1989b).

More importantly, our findings also suggest a number of previously unidentified, corporate-level determinants of decision speed. In particular, our approach allows us to explain some of the conflicting results in prior work with respect to the effects of centralization and formalization on decision speed (Baum & Wally, 2003; Mintzberg, 1979, 1981; Siggelkow & Rivkin, 2005; Wally & Baum, 1994) by disentangling what exactly remains centralized at headquarters: control over decision content, control over decision outcomes, and/or control over the decision process. Goal setting, for instance, allows headquarters to exert influence over SBUs' strategic priorities, thereby capitalizing on some of the benefits of centralization on decision speed (Baum & Wally, 2003; Wally & Baum, 1994), while

autonomous control over how to achieve those priorities remains at the SBU level, allowing the businesses to respond more quickly to any changes in their local environments (Mintzberg, 1979). In sum, our taxonomy of corporate control types, in conjunction with our analysis of the microlevel mechanisms operating between control types and SBU decision speed, allows us to take a more nuanced view than prior work and to disentangle the multifaceted impact of corporate control on SBU decision speed.

Second, our study also contributes to the literature on corporate strategy and structure. The majority of studies on multibusiness firms have argued that, given the unique advantages of different types of diversification strategies, corporate management should make a choice between outcome and behavior control (e.g., Collis & Montgomery, 1998; Hill et al., 1992; Hill & Hoskisson, 1987; Jones & Hill, 1988; Pitts, 1980; Vancil, 1978). In line with this argument, our results illustrate that with the exception of strategy imposition, all corporate control types fall into one or the other dimension, with varying degrees of content control exercised by corporate headquarters (see Table 3). However, our results also suggest the possibility of companies using different control types simultaneously, such as the combination of goal setting and extrinsic incentives discussed in the summary of Study 1, and even combining corporate control types *across* control dimensions, such as using goal setting/extrinsic rewards in conjunction with decision process control. Such hybrid control approaches may allow multibusiness firms to alleviate at least some of the trade-offs between types. The literature has long maintained, for instance, that the highest performers among multi-business firms tend to be the ones with related businesses (Rumelt, 1982), which require some degree of corporate-level control over SBUs' strategy formation to manage integration and coordination among SBUs (Hill et al., 1992; Hill & Hoskisson, 1987). On the downside, however, prior research has also found the complexity of integrative mechanisms to be negatively related to decision speed (Lorsch & Allen, 1973) and headquarters' interference may lead to poor decision quality (Campbell, 1999; Eisenmann, 2005). In contrast to forcing a choice between controls, our sample companies found ways to combine the advantages of outcome controls (such as goal setting and extrinsic incentives) for motivating SBU-level management with the advantages of decision process control for allowing headquarters some influence over how strategic decisions are formed. One such solution is illustrated in this quote:

> Of course, everybody in this partnership is influenced by the total profits made throughout the year. This is extremely important with regard to self-regulating the internal processes; for example if a strategic initiative doesn't succeed or if its performance is bad. . . . Standardized and quantifiable planning in this respect is an important issue. There is a rule-based mechanism, which coordinates every manager in the company by means of financial participation. Therefore, of course, everybody wants profits to increase and everybody feels influenced by that. (IT Consulting Inc.)

Third, our findings also contribute to the control literature (e.g., Eisenhardt, 1985; Ouchi, 1979; Ouchi & Maguire, 1975). In introducing his theory, Ouchi observed: "The problem of organization is the problem of obtaining cooperation among a collection of individuals or units who share only partially congruent objectives" (1979: 833). The diversity of goals and strategies in multibusiness firms makes this challenge particularly acute. In this context, when strategic decision making is the focus, we have seen that organizations largely rely on controls that are outcome- and process-oriented, and that transparency/alignment, outcome orientation, participation, trust, and timeliness are needed to gain cooperation while preserving SBU autonomy. What does not appear to enhance decision speed are strategy imposition, negative incentives, and corporate attempts to resolve conflicts between SBUs. None of these produce any of the positive mechanisms attributed to other corporate control types. Moreover, the latter two seem rather reactive ways for corporate headquarters to exert control over SBUs in that they either reprimand or punish unwanted outcomes or attempt to resolve conflicts once they occur—whereas the other corporate control types more proactively establish control over SBU goals, incentives, and decision processes—which may provide another explanation for why negative incentives and conflict resolution were not associated with enhanced decision speed. In contrast, strategy imposition is seen as undermining trust and limiting SBU autonomy:

> [The corporate manager] simply provides orders we have to follow . . . we don't have another choice but to carry it out. (Advertising Inc.)

Thus, uncovering the mechanisms responsible for the relationships between control types and SBU decision speed constitutes another important

contribution; they shift the focus away from what the controls are and instead focus on how they work. For the present context, the negative finding with respect to strategy imposition is especially salient in this regard. Related diversifiers face the need for some degree of control over SBU strategy (Hill et al., 1992; Hill & Hoskisson, 1987), and the most direct approach to gaining such control is what we call strategy imposition. Our data show, however, that doing so—even with good intentions—not only reduces SBU autonomy but also undermines essential mechanisms in the form of transparency/alignment, participation, and trust, thereby slowing down the decision process, as illustrated by the following quote:

> Sometimes, we at the holding level think that we can make our organization faster by simply telling [SBU managers] what they must or must not do. What we often forget while doing that is that we upset our managers by taking away their chances to influence the company. This results in frustration and sometimes even political resistance, which blocks the implementation of the initial idea altogether, or at least makes it incredibly tedious. (Manufacturing Co.)

How can a related diversifier's need for synergies be achieved without negatively impacting decision speed and sacrificing SBU trust and autonomy? Prior work by Martin and Eisenhardt (2010) has found that an SBU-centric process led by SBU managers leads to better collaboration and more synergies among SBUs than a process driven by corporate headquarters. Complementing and extending this finding, theory developed here shows that the use of goal setting, extrinsic incentives, and decision process control trigger transparency and alignment between corporate and SBU intentions with respect to strategy, and thereby provide the needed strategic consistency, but without compromising the SBU's sense of autonomy. The following quote provides an illustration:

> Providing autonomy to SBUs is the key mechanism applied by corporate management. But you can't have too much autonomy. You also need a process in place that controls the business unit and absorbs frictions. . . . Corporate managers have a double role—they have to ensure that things are balanced. Of course, some people don't like the corporate double role of autonomy and control and complain about it. But I think, gradually, people are accepting it. . . . We really work very, very closely with systems and structures to better achieve this balance. And we will think more about formal processes to secure the balance we currently have despite the high autonomy we are providing. (Advertising Inc.)

Moreover, the implementation of these three corporate control types involves a high degree of participation (at least for goal setting and extrinsic incentives) and trust—both of which increase communication and information sharing across levels and thereby facilitate a common mindset with respect to strategy (Amason, 1996; Wooldridge & Floyd, 1990). Thus, the identification of the mechanisms through which corporate controls influence SBU decision making offers a way to avoid the "trap" of strategy imposition without sacrificing influence over SBU strategy. More generally, identifying these mechanisms provides the basis for understanding such trade-offs in the design of corporate controls.

Prior research on organizational control also outlines an interesting dilemma: whereas outcome control best serves the needs of an organization as a whole, behavior control best serves the needs of the individual SBUs. As a result, "in the absence of an omniscient executive or an all-encompassing set of output measures, organizations must have two complementary means of control, one to serve organizational needs and one to serve subunit needs" (Ouchi & Maguire, 1975: 569). In our sample, however, both goal setting and extrinsic incentives (both outcome controls) enhanced decision speed by increasing participation and trust. By involving SBU managers and sharing information in the definition of goals and incentives, the corporate level seems to be able to develop outcome measures that are sensitive to the specialized needs of each SBU and that could serve both SBUs' and organizational needs (Ouchi & Maguire, 1975):

> Each SBU head is, at the same time, a member of the executive board. So he will not get any objectives dictated from above, but he himself has been involved in creating these objectives. . . . As an SBU head, he will also be involved in the discussion of next year's target definition and he can say: "I can achieve the following objectives; and my unit has assured me that we can actually do that." (Management Consulting Inc.)

Again, an understanding of the mechanisms helps to surface a more detailed appreciation for why corporate controls influence decision making, and in this case, also helps avoid a potentially unnecessary layer of control systems.

Our study is also subject to limitations. First, the findings are derived from perceptual assessments

of the corporate control context and its impact on SBU-level decision processes. While we attempted to mitigate any method effects by relying on multiple informants—both at different companies and at different levels within each company—and while we conducted our mixed-method study in two separate stages, an analysis based on more objective measures for decision speed, for example, is important to corroborate our results. Second, all sample companies are located in dynamic industries. Since the moderating influence of industry dynamism has been well documented (e.g., Eisenhardt, 1989b; Judge & Miller, 1991), caution should be exercised when generalizing our results to more stable industry environments. Third, our analyses focused on similarities rather than differences among companies and hierarchical levels in order to replicate and extend the emerging theory (Eisenhardt, 1989a; Yin, 2003). We thus largely neglected the potential for perceptual differences between corporate levels and SBUs, which may provide a fruitful avenue for future research (see, e.g., Ireland, Hitt, Bettis, and de Porras [1987] for a study of perceptual differences on strategic issues between organizational levels). It may be interesting, for instance, to contrast corporate-level intentions when employing certain corporate control types with SBU-level perceptions about their effects on transparency/alignment, participation, trust, and other factors that characterize SBU-level decision processes. Our analysis also minimized differences between the sampled firms and SBUs, such as size, geographic distribution, etc., which may enhance or diminish the effects of the corporate control types on SBU decision processes.

A fruitful extension of this research would therefore be to control for contingencies such as environmental context, industry, or firm-specific influencing factors. Moderating effects of external contingencies could be examined with variables such as dynamism, complexity, and munificence (Dess & Beard, 1984), competitive environment (Miller & Friesen, 1983), or industry membership (Amurgey & Miner, 1992). Moderating effects of internal contingencies could include variables such as firm size (Fredrickson & Mitchell, 1984; Miller, 1991), degree of diversification (Hill et al., 1992), decision importance (Judge & Miller, 1991), and top management team characteristics such as nationality, average tenure, or international work experience (Wiersema & Bantel, 1992).

In conclusion, this study enhances understanding of the impact of the organizational control context on SBU-level decision speed. As corporate headquarters have a significant impact on their SBUs, and as a substantial percentage of firms operate as multibusiness organizations, we need to know more about positive and negative influences of the corporate level on SBU-level decision processes. This study represents a first step in that direction.

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APPENDIX

Outline of Semistructured Interview Questions

Introduction

Introduction of interviewer background
Short presentation of research project and research team
Questions about informant background: career, position, function
Questions about research site: structure, SBUs, stakeholders, markets

Strategy Process

What are the steps and sequence of the strategy process at the firm?
What milestones, deadlines, meetings, task forces are there?
How are decisions made within the strategy process?
Where do strategic initiatives occur in the organization (location)?
Context (rigid vs. open); responsibility (centralized vs. decentralized); direction of influence (top-down vs. bottom-up)
Who participates in the strategy process and who develops strategic initiatives (participants)?
Participation (low vs. high); perspectives (homogeneous vs. heterogeneous); capabilities (mono- vs. interdisciplinary)
At what point in the process are strategic initiatives developed and how long does it take (timing)?
Duration (short vs. long); activation (scheduled vs. event-oriented); time-frame (short-term vs. long-term)
How do people involved in the strategy process behave (behavior)?
Conflict behavior (averting vs. exposed); decision making (patriarchal vs. democratic); transparency (low vs. high)

Corporate Control Context

What is the corporate- and SBU-level management in this firm?
How do corporate managers in this firm seek to influence the SBU?
What mechanisms of corporate influence are there with regard to finance, strategy, HR, structure, control, and standards? Others?

Which of the mechanisms are primarily applied by corporate managers? Why?
How do interactions between corporate and SBU managers take place?
What are potentials for improvement? Why?

Impact of the Corporate Control Context/Decision Speed/Strategy Outcome

What do corporate/SBU managers perceive as a successful corporate control context?
How is success defined at varying levels of the organization?
What is the impact of the corporate control context on quality, time, decision making, competition, group processes?
What do corporate/SBU managers perceive as decision speed?
What do managers perceive as influence factors on decision speed?
What role does speed play in strategic decision making? (Relevance?)
How are different characteristics of decision speed perceived/measured?

Link between the Corporate Control Context and Decision Speed

How does the corporate control context influence decision speed?
What can corporate managers do to increase the SBU-level decision speed?
What are the five means of the corporate control context that influence decision speed most? Why?
What are the five means of the corporate control context that influence decision speed least? Why?

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