FRAMING, CONTROL-RELATED BELIEFS AND OUTSOURCING OF DECISION MAKING:

A Study of

Management Consulting Interventions

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Abstract

Outsourcing of decision-making refers to the delegation of management's responsibility to make decisions to external organizational agents. These include consultants. This thesis elaborates a theoretical framework for the analysis of outsourcing of decision-making, testing empirically its adaptive value for the self-regulation system. It explores why managers outsource decision-making and what consequences follow if they do not do so in situations framed as threat.

A qualitative study suggested that two cognitive concepts, framing of the decision event and control-related beliefs, lead to outsourcing of decision-making. A quasi-experiment and an experiment using computer-simulation examined empirically their relevance to the propensity of managers to outsource strategic decision-making. Results showed that framing as opportunity led to a perception of enhanced control. Consequently, individuals were inclined to remain proactive and to shape their environment according to their wishes. This type of control has been conceived of in the literature as *primary control*. Threat, on the other hand, led to a perception of loss of control, and individuals tried to adapt internally, rather than change the environment. This cognitive strategy is called *secondary control.*

The thesis reports the development of a scale of primary and secondary control in the field of management and confirms the following model: Framing as threat reduces the perception of primary control, which in turn makes outsourcing of decision-making more likely. Outsourcing of decision-making is accompanied by a transition from primary to secondary control. A failure to shift to secondary control under conditions of threat has negative impact on personal well-being. This research found empirical evidence that secondary control is a coping mechanism rather than a type of control. It is argued that management education should create awareness of its adaptive value. Two strategies could help to avoid high degrees of outsourcing of decision-making: influencing either the framing of the situation or the perception of control.

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INTRODUCTION

1. An Overview

"I've seen cases where firms will bring in consultants and then leave the work of worry to them and … become less engaged or even less accountable."

Vice-president strategy, Fortune-500 company

This thesis is about outsourcing of decision-making as a form of executives' disengagement from the strategic decision-making process. The latter refers to the delegation of management's major responsibility, namely to make decisions, to external organisational agents such as consultants. My thesis explores why executives outsource strategic decision-making and what the consequences are if they fail to do so in situations framed as threat.

The degree of consultants' participation in the strategic decision-making process varies. In some cases, executives delegate only parts of this process to consultants. In others, consultants serve mainly as facilitators of the strategic decision-making, while sometimes, managers delegate entirely in that they outsource diagnosis and treatment of the problem. There are many different factors that can influence the degree of outsourcing of decision-making. I am going to focus on the cognitive aspect and explore the impact of framing of the decision event on the perception of control, and subsequently on the degree of outsourcing of decision-making. I will argue that under conditions of threat, managers tend to disengage from the strategic decision-making process and to 'outsource' it to outside experts. Consequently, as a coping mechanism, a shift from one type of control (often identified as primary), to another (labelled as secondary) takes place. Self-regulation

provides a framework for understanding human behaviour. Hence, I will apply it to explore the reasons for managers' outsourcing of decision-making and will argue that this behaviour is part of an adaptive self-regulation process, because a failure to shift from primary to secondary control under conditions of threat has a negative impact on the individual's well-being.

Substantial empirical evidence supports the idea that the way executives interpret a problem-situation affects subsequent information processing, decision-making and behaviour (Tversky & Kahneman, 1981; Dutton & Jackson, 1987; Dutton & Duncan, 1987). Managers simplify the environment by collapsing events into categories. Interpretation is guided by labels – the words that identify cognitive categories – because they serve as 'affective tags' (Fiske, 1982) and describe the general evaluation of the category. When managers, for example, conceive a decision event as a 'threat' or an 'opportunity', their understanding of the situation is crystallised within a mental model, which directs the subsequent action (Jackson & Dutton, 1988). The framing of the decision event has an impact on the control-related beliefs. The perception of threat, for example, involves a feeling of loss of personal control and is therefore likely to evoke self-regulatory behaviour because of anticipatory loss of control (Kanfer & Hagerman, 1981; Rosenbaum & Ben-Ari, 1985). According to some authors (Rothbaum, Weisz, & Snyder, 1982), control is a two-process construct. *Primary control* refers to the efforts of the individual to influence the event. *Secondary control* "is a very different type of control-restoring measure" (Fiske & Taylor, 1991: 202). It involves attempts by the individual to change the self to fit in with the environment. Consequently, decision framing as a threat can reduce the perception of primary control, which increases the likelihood of

delegating the decision-making to consultants. This practice of delegation could be labelled as *outsourcing of decision-making*.

In modern society, the management role is closely connected with primary control and executives are often punished for the 'luxury' of shifting from primary to secondary control. However, theories of control suggest that a shift from influencing the environment (primary control) to accommodating to the existing realities (secondary control) in the decision-making process might have a high adaptive value, while a failure to shift could have a negative impact on personal well-being (Heckhausen & Schulz, 1999). Would this imply that it is good for managers to 'outsource' under certain conditions and delegate the strategic decision-making process to consultants? To explore this question, I carried out four studies.

The first study applied a qualitative methodology to examine top executives' perception of the decision-making process when companies work with consultants. The goal was to explore executives' perception of consultants' role in the decision-making process and to look for possible explanations of the different degrees of consultants' participation in the strategic decision-making process. The results suggested that two factors might have impact on the degree of outsourcing of decision-making: executives' framing of the decision event as opportunity or threat, and the resulting control-related beliefs. There was an indication that framing as opportunity encourages executives to operate in the mode of primary control and consequently, they do not outsource. Conversely, framing as threat leads to a decrease of perceived primary control and thus to outsourcing of decision-making. These ideas had to be tested empirically.

A second study, a quasi-experiment, explored the relationship between framing of the decision event as threat or opportunity and the degree of outsourcing

of decision-making. The results confirmed the hypothesis that when managers frame the decision event as threat, they are more likely to outsource decision-making.

Now, the role of perception of control had to be brought into the equation. To this end, in the third study, a scale of primary and secondary control was developed. Further, an experiment employing a computer simulation examined the relationship between the framing of the situation, the outsourcing of decision-making, the type of control, and the impact of control shift on personal well-being.

2. Motivation for the Research

When I worked as a senior manager in a non-profit organisation, I witnessed the reluctance of decision-makers in different organisational contexts and at different hierarchical levels to do what they were supposed to do, namely to make decisions. I was interested in the question: Why do managers abdicate their responsibility to make decisions?

Many studies confirm that managers spend a large part of their time making decisions (Mintzberg, 1973; Stewart, 1983). Some researchers go even further claiming that "there is no skill more central to managerial behaviour than decision-making" (Tenbrunsel, Galvin, Neale, & Bazerman, 1996: 313). Peter Drucker, one of the favourite management gurus of our time, considered managers to be the foremost decision-makers in the firm (Guillen, 1994: 86). If decision-making is not a core management function, what remains to constitute the managerial role? And if top managers are not the decision-makers accountable for risky decisions, why should they earn, for example, 326 times the pay of their factory workers (Buckley & Butcher, 1999)?

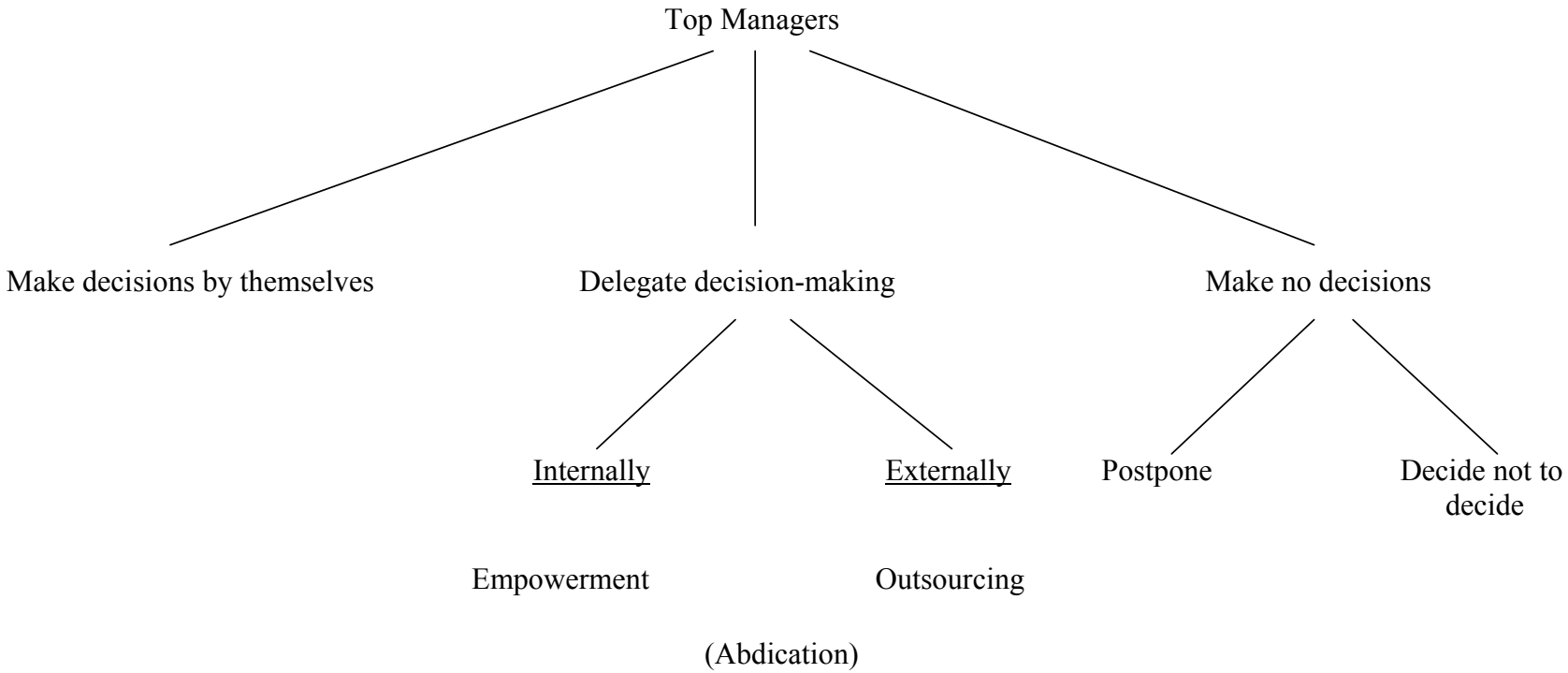
Metaphorically, we could say that if a manager is not the decision-maker, then he ‘abdicates‘ from his role. This statement is by no means a value judgement, for sometimes it might be beneficial for the organisation if a more competent person than the manager in question were to be the decision-maker. Abdication could be a conscious or unconscious process.

Theoretically, there are four possibilities for abdication, in different directions (Figure 1):

- Externally, or ‘outsourcing‘ of the decision-making process through contracting a consulting company.
- Internally, or delegating all important decisions to direct reports. This behaviour creates a state of collective (ir)responsibility and is usually rationalised by the rhetoric of empowerment and delegation.
- Upwards, or transfer of the decision-making responsibility to the higher management level.
- Horizontally, or letting peers do the job, which will be similar to free-riding or social loafing.

Exploring all these possibilities is a very demanding task, which exceeds the scope of a doctoral thesis. So I decided to start my analysis of the phenomenon of abdication by limiting the first stage of the research to outsourcing of decision-making. My goal was to apply a cognitive theoretical framework in order to explain some of the factors that might lead to external abdication. Further, I will analyse the causal links between the relevant concepts and will test their relationships against empirical data.

Figure 1: The act of deciding



3. Methodology

My research on outsourcing of decision-making is based on a programmatic series of studies. It does not try to answer the research questions in one experiment; it rather makes use of the qualitative approach and of different experimental procedures to explore partially the same conceptual relationships.

In order to conduct a valid test of the research question, the study had to be designed taking the following methodological characteristics into consideration:

First, any research question is best understood and answered with a variety of techniques. Therefore, the study can benefit from a combination of qualitative and quantitative approaches. Mixed-method studies can help sequentially, since results from the first method can inform the second one, etc. (Greene, Caracelli, & Graham, 1989).

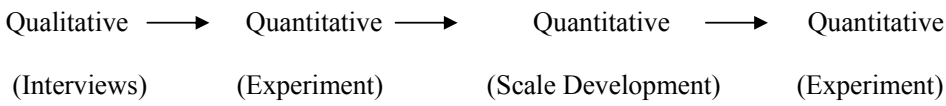
Second, in order to define the concepts, the study has to incorporate some elements of the grounded theory approach. A qualitative study can give an indication of the relevant concepts and the variables they can be translated into. It should lead to the development of an analytical model and formal propositional statements.

Third, the study has to include experimental methods, since they give the opportunity to apply a strong treatment and check its effects. The goal of the current study is not only to carry out initial investigation and to explore the nature of outsourcing of decision-making, but also to move to the next step and examine some of the underlying mechanisms. When the aim is to understand the causes of a phenomenon, "experimental, process-oriented studies are often the method of choice, usually conducted in the laboratory instead of the field" (Aronson, Wilson, & Brewer, 1998: 107). Experiments allow one to determine with much greater certainty the causal relationships between variables.

Fourth, the qualitative study has to include executives representing companies from different industries and of different size, since the phenomenon of outsourcing of decision-making may reflect industry norms.

The research started with a qualitative study. The next stage was an experiment based on scenarios. Finally, an experiment using a computer simulation examined the different relationships (see Figure 2).

Figure 2: Sequence of the qualitative and quantitative studies



4. Research Questions

4.1 Study 1

The first study had an exploratory character and involved qualitative interviews with executives of large, medium-sized and small companies. It looked at the use of consultants in the strategic decision-making process and focused on the following research questions:

- *What is the role of management consultants in the strategic decision-making process? What are the benefits and costs of their involvement?*

- *What are the stages of the strategic decision-making process? What do they look like when consultants are involved? Which type of management consulting intervention reflects the idea of outsourcing of decision-making?*
- *How do executives explain the different degrees of management consultants' involvement? What are the factors that lead to outsourcing of decision-making?*
- *What are the downsides of outsourcing decision- making?*

4.2 Study 2

This study was a scenario-based experiment, where the independent variable was framing of the situation as opportunity or threat and the dependent variable was the degree of outsourcing of decision-making. It focused on one research question:

- *Are managers more likely to outsource strategic decision-making when they frame the situation as threat, compared to framing it as opportunity?*

4.3 Study 3

In Study 3, an instrument was developed to measure control-related beliefs in the business environment. It explored the following research question:

- *What is the underlying factor-structure of the control-related beliefs?*

4.4 Study 4

An experiment using a computer simulation tested the relationships between framing, control-related beliefs and well-being. It focused on two research questions:

- *Does framing of the decision event as threat cause a shift from primary to secondary control?*
- *Is the shift from primary to secondary control related to well-being?*

5. Outline of the Thesis

The thesis explores the following concepts (see Table 1):

- Degree of outsourcing of decision-making (ODM).
- Framing of the decision event as threat or opportunity.
- Control-related beliefs: primary and secondary control.
- Well-being.

The thesis is organised in five chapters:

Chapter I gives a theoretical overview of the management consulting typologies and presents the results of Study 1. The latter applied a qualitative approach to examine executives' perceptions of the decision-making process when working with consultants.

Chapter II analyses the relationship between the framing of the decision event and the degree of outsourcing of decision-making. It presents the results of a scenario-based experiment carried out in Study 2.

Chapter III displays the results of the scale development in Study 3. The instrument aimed to measure control-related beliefs in the field of management.

Chapter IV gives an overview of the literature on control-related beliefs. In Study 4, a computer-simulation experiment examines the relationship between control-related beliefs and outsourcing of decision-making as well as the impact of the shift from primary to secondary control on well-being.

Chapter five summarises the results of the research, its implications, and discusses future research.

Table 1: Dependent and independent variables in the different studies

Study	Type	Dependent Variables	Independent Variables
Study 1	Qualitative	Degree of ODM*	Framing of the decision event
		Consulting models	Control-related beliefs
		Roles of consultants	
Study 2	Scenario-based experiment	Degree of ODM	Framing as threat or opportunity
Study 3	Scale Development	N/A	N/A
Study 4	Computer-simulated experiment	Shift of control from primary to secondary	Framing as threat or opportunity
		Well-being	Shift of control

* ODM – Outsourcing of decision-making

CHAPTER I: MANAGEMENT CONSULTING

1. Introduction

Management consulting is viewed both as a professional service and as a method providing practical advice and help (Kubr, 2002). In the process of decision-making, clients and management consultants interact to co-produce the service (Sharma, 1997). This conceptualisation of the relationship implies that the degree of participation of both agents can vary.

Schein (1999) emphasises that the deeper connotation of the concept 'consultation' is 'helping'. Consequently, he argues, the initiative for the intervention comes from the clients, who temporarily put themselves into a dependent position. Consultants are supposed to help, but not to run organisations or to make decisions on behalf of their executives (Kubr, 2002). However, there are many variations and degrees of helping and giving of advice. In practice, when clients are in the dependent position, there are cases when they transfer their inherent managerial responsibility for decisions to consultants. Outsourcing of decision-making is the case when clients disengage from the decision-making process and delegate it to consultants. The latter can easily fall into this dysfunctional relationship, because they want to meet the client's expectations and guarantee future assignments.

This chapter outlines the field of management consulting and analyses the various typologies of consulting interventions. I begin by reviewing the different perspectives in order to clarify the possible approaches in the field. Following this, I look at different typologies to find the one that best reflects the notion of different degrees of consultants' involvement. A good typology, which conceives of the consulting process as an interactive process with different levels of

participation by the actors involved, can help to operationalise the degrees of outsourcing of decision-making. Finally, I examine the trend towards outsourcing and some of the explanations of this development.

The theoretical analysis is followed by the presentation of a qualitative study, which explored executives' perceptions of the strategic decision-making process when consultants were involved. Interviews with top executives were analysed to develop propositions about the factors that might influence the degree of outsourcing of decision-making. In the discussion, the benefits and costs of outsourcing of decision-making are explored, as well as its implications for the organisational field.

2. Theoretical Background

2.1 Management Consulting as a Management Advice Industry

Some scholars conceive of management consulting as a management advice industry (see Fincham & Clark, 2002). Others, however, would disagree and would argue that "giving advice… is generally one of the quickest paths to failure as a consultant", because the goal is only to facilitate the client's decision-making process (Schein, 2002: 21).

There are two main perspectives on the work of management consultants (Fincham & Clark, 2002). The first one is the Organisation Development (OD) approach, which began in the 1950s and dominated until the mid-1980s. The second one is the critical perspective. The major concern of the OD approach was the increase of the organisation's effectiveness through a planned and participative intervention process. In this process, behavioural-science knowledge

was applied to improve the organisation's capacity to cope with change (French & Bell, 1994). One strand of the OD literature focuses on the number and sequence of stages in the consulting intervention process (French & Bell, 1994). A second one has developed around the idea of questioning and transforming managers' everyday assumptions (e.g. Argyris, 1990). A third stream of literature in the field of OD emphasises the need of fit between the consulting model and the problem that has to be solved (e.g. Schein, 1999). While OD focuses on the management consulting activity itself, the critical perspective suggests that "the real problem faced by consultants is how they demonstrate their value to clients in the first instance" (Fincham & Clark, 2002: 6). It also argues that management consulting is not a profession and that references to effectiveness and success are viewed as rhetoric used by consultants to legitimise their claimed core product, namely knowledge (see Alvesson, 1993). Since my work examines the degree of the client's participation in the consulting process, I will focus on the frameworks and typologies that are more in the domain of OD.

The quintessence of consulting is to "create, transfer, share and apply management and business knowledge" (Kubr, 2002). Management consultants have become so pervasive that we are no longer surprised by their presence in top boardrooms, government offices or international organisations (for an overview of the evolution of management consulting see Kipping, 1999)

In recent decades, the consulting sector has experienced steady growth. Compared with 1992, the world consulting market in 1999 was up 260 per cent and its total revenue amounted to $102 billion (Kubr, 2002). It is estimated that currently about 700,000 management, business and IT consultants are operating world-wide.

Organisational researchers have turned their attention to the role of consultants as knowledge brokers (Hargadon & Sutton, 1997), to their expertness (Chen, Farah, & McMillan, 1993), or to their contribution to management fads (Abrahamson, 1991, 1997). An interesting stream of studies tries to explain why management consulting exists (Drucker, 1979; McKenna, 1995; Canback, 1998) and the roles management consultants play (Bryson, 1951, 1954; Tilles, 1961; Tichy, 1975; Turner, 1982; Gattiker & Larwood, 1985; Sronce, 2000). With the proliferation of management consulting, a substantial body of literature concerned with the litany of complaints about its inefficiency has accumulated (Perkins, 1993; Shapiro, Eccles, & Soske, 1993; Kesner & Fowler, 1997; O'Shea & Madigan, 1997). Management consultants have been labelled either as 'doctors' and 'experts' or as 'charlatans', 'pop psychologists' and 'witch doctors' (Greiner & Metzger, 1983). In the last decade sociologists realised that this highly management-relevant 'modern profession' has been largely ignored compared with the traditional ones, like law and medicine (Sharma, 1997). The short institutional history of this profession is reflected in its broad and poorly defined boundaries.

The 'explosive growth' (Rowan, 1986) and 'craze for consultants' (Byrne, 1994) is for many 'a tale of mystery and imagination' (Wooldridge, 1997). There seems to be a need for outside help, which cannot be explained solely by the re-engineering and downsizing that companies have undergone in recent decades. Since 1886 when Arthur D. Little founded his practice, the profession has matured and become firmly established.

Experts agree that management consultants provide general management advice in an objective and independent manner within the strategic,

organisational and operational context (Greiner & Metzger, 1983; Canback, 1998). They analyse and identify problems, recommend solutions and if requested, help in their implementation (Greiner & Metzger, 1983). The goal is to improve the effectiveness of organisations. This statement implies that consultants add value through their rational approach. However, this view is contested. March suggests that a manager would find better advice from his associates or himself than from a consultant (March, 1998). However, consultants make their contributions on the margin and become useful less by being precisely correct than by pooling experience across organisations in order to open the door of experimentation. In other words, disseminating knowledge that they have accumulated working with other organisations, consultants stimulate managers to think creatively about their own problems. An extension of March's view is that consultants are particularly useful in their role as facilitators of sense-making and attribution, and through their capability to mobilise and to contribute to political alignment. This ambiguity of what makes management consultants efficient is reflected in the different intervention models that try to capture their role in the process.

2.2 Typologies of Management Consulting Interventions

Classification systems have four main objectives: differentiation, generalisation, identification, and information storage and retrieval (Mayr, 1981). They give stability and cognitive economy to information processing. Although the terms classification, schema, taxonomy and typology have been used interchangeably, there are important differences among them. According to Doty and Glick, the first two terms categorise phenomena into mutually exclusive and

exhaustive sets providing a number of decision rules (Doty & Glick, 1994). They are empirical tools for building complex filing systems. Typologies on the other hand, identify ideal types and do not provide decision rules for classifying.

In the field of management consulting, various dimensions and classification frameworks have been suggested. Most of them are not theoretically or empirically driven, but are based on common sense or what Warriner calls 'traditional' typologies (Warriner, 1984). They are of two main types: dichotomies/continuum and metaphors. Each one of these typologies offers something of value to help understand the considerable variability in the tasks performed by management consultants and the varying images of their work. However, both types of classifications suffer from certain weaknesses. As Weick (1999) points out, there are always trade-offs between generality, simplicity and accuracy. He argues, however, that if one of them is non-existent, then the value of theorising becomes questionable, because "accurate-simple explanations say everything about nothing, general-simple explanations say nothing about everything, and general-accurate explanations say everything about everything but are unintelligible" (Weick, 1999: 801). Dichotomies are very attractive, but they oversimplify reality and limit the number of dimensions for the classification process. Metaphors have high informational value, but are not very accurate and are far from building a more 'scientific' system.

Dichotomies and continuum. One of the earliest classifications of consultancy work was proposed by Tilles (Tilles, 1961). He distinguished three basic roles: sellers of services, suppliers of information and business doctors. Margulies and Raia took this quite undifferentiated view as a starting point and

suggested a continuum with two endpoints: task and process orientation (Margulies & Raia, 1972). The consultant's role at the one end is to be a technical expert who recommends solutions, and at the other end to facilitate client learning. A similar approach is applied by Lippitt and Lippitt who suggested a descriptive model, which locates the consultant's role along a continuum from directive (telling the client what to do) to non-directive (facilitating the client's own reflection); they start with advocate, technical expert, educator, and move to collaborator in problem-solving, alternative identifier, fact finder, process specialist, and reflector who raises questions (Lippitt & Lippitt, 1978). The problem with the last two typologies is that they do not indicate whether hybrid types of consulting intervention might exist, nor whether there are boundaries between the different roles within one consulting project. Greiner and Metzger have a simple dichotomy: a) content consultants tell their clients what is wrong and, b) advise strategic moves (Greiner & Metzger, 1983). They think of themselves as being more skilled than the client in formulating solutions and performing as specialist 'surgeons'; process consultants assume that the greatest knowledge of the problem and its solution resides within the client who must take major responsibility for it. Similar to the psychoanalytic view, the process consultant believes that only the client can help him-, herself. The consultant facilitates the process by asking questions. However, this classification does not differentiate the case when the client diagnoses the problem himself and asks for a specific service.

The tradition of viewing consultant roles in terms of a dichotomy is reflected in some of the latest classifications. Kubr discusses the resource role (expert or content role) where the consultant supplies information, makes a

diagnosis and recommends changes, and the process role where the consultant helps the client to make his own judgement and decision (Kubr, 2002). Hargadon suggests that consultants broker "knowledge from where it is known to where it is not" (Hargadon, 1998: 210). Because of the nature of their assignments, consultants are connected to many firms in different industries and they become exposed to many problems and solutions. The centrality of their position and their connectedness give them the unique opportunity to match problems and solutions through analogy connections (Hargadon & Sutton, 1997) and to provide benchmarking. Some of the consultants are generalists who make the analogy connection by themselves and then bring the solution to the customer, while others are functionalists who only facilitate the analogy connection, which is made by the client. Ganesh based his classification on the consultancy style deployed: the human versus the systematic orientations (Ganesh, 1978). The former is concerned with personal and interpersonal issues, while the latter deals with task, structure and environment. These last three classifications demonstrate a potential risk with dichotomies as typologies: they fail to reflect the multidimensional nature of phenomena in the real world. Rosch and her colleagues (Rosch, Mervis, Gray, Johnson, & Boyes-Braem, 1976) suggest that very abstract cognitive categories have too few attributes to be informative and the extremely specific ones are too overlapping, so intermediate categories are rich and distinctive enough. They permit parsimony but at the price of losing the underlying richness and diversity that exist in the field of management consulting.

Metaphors for consultant roles. Some of the problems inherent in dichotomies, like oversimplification, can be overcome by typologies based on

metaphors. The latter are not so neat, but they have more heuristic power. However, typologies based on metaphors can be problematic as well. They use concepts, like social roles for example, which are introduced from other domains where they are grounded in certain assumptions. Taken out of their semantic field and used for classification purposes, might make them questionable because this might lead us accept some invalid underlying assumptions. Steele, for example, defines nine roles that consultants perform: teacher, student, detective, barbarian, clock, monitor, talisman, advocate and ritual pig (Steele, 1975). Nees and Greiner classify the roles performed by consultants in 5 categories: the mental adventurer, the strategic navigator, the management physician, the system architect, and the friendly co-pilot (Nees & Greiner, 1985). These elaborate cognitive typologies of interventions encountered in transactions between clients and consultants are a sense-making tool. Compared to dichotomies, some of the typologies can be seen as a sequence of roles, which implies more power for the classification through the time dimension. Yet a fundamental problem exists with regard to the approach to classifications. They are not theoretically driven, but they are 'rhetorical identifications' (Fine, 1996) creating occupational meaning; shaping and making sense of who consultants are, and this information is conveyed to the public through the elicited typologies. Interestingly enough, such metaphorical classification systems flourished in the 70s and 80s, when the consultant profession struggled for status. Therefore, the metaphoric connection between management consultants and other established professions like doctors, lawyers, architects, teachers, pilots, etc. might have served to justify the identity of consultants, aligning them with an elite group (see Fine, 1996 on the occupation of cooks). Since legitimacy is socially constructed (Elsbach & Elofson, 2000),

metaphors based on professions with high prestige in society are also legitimating labels. The sophistication of the language used to name the different types of interventions reflects the institutionalisation of the management consulting field.

In order to make classifications more complete, typologies of management consulting were extended to include more dimensions. Blake and Mouton studied the different ways consultants relate to the client, for example providing clients with information about theories and principles that would be relevant to solving their problem, prescribing what they should do, confronting clients' assumptions, and applying catalytic or acceptant styles (Blake & Mouton, 1983).

Turner suggests a hierarchy of eight task categories that reflect the consultant's involvement: providing information; solving problems; making a diagnosis; making recommendations; assisting with implementations; building a consensus and commitment; facilitating client learning; improving organisational effectiveness on a permanent basis (Turner, 1982).

These typologies (see Table 2) have increased the depth of our understanding of the field, focusing for example, on the nature of the consulting problem (e.g. Ganesh, 1978), on the consulting process itself (e.g. Turner, 1982), and on the style of consultants (e.g. Lippitt & Lippitt, 1978). Yet, they fail to produce exhaustive, homogeneous and non-overlapping categories.

It seems that the existing typologies of management consulting are flawed in one or another way. However, an 'optimal' classification system can only be approached and never achieved (Chrisman, Hofer, & Boulton, 1988). The typologies discussed so far are not conceived as normative prescriptive devices. Their goal is to help us apprehend the different inputs, processes and outcomes in

the consulting interventions.

Table 2: Overview of the typologies of management consulting

Typology	Authors	Description
Dichotomy	Greiner & Metzger (1983)	Content vs. process consultants
	Kubr (2002)	Resource vs. process roles
	Hargadon (1998)	Generalists vs. functionalists
	Ganesh (1978)	Human vs. system orientations
Continuum	Margulies & Raia (1972)	Task (technical expert) – process (facilitator)
	Lippitt & Lippitt (1978)	Directive – non-directive approach
	Turner (1982)	Hierarchy of 8 task categories, which reflect consultant's involvement
Roles & Metaphors	Tilles (1961)	3 roles: sellers of services, suppliers of information, & business doctors
	Steele (1975)	9 roles: teacher, student, detective, barbarian, clock, monitor, talisman, advocate and ritual pig
	Nees & Greiner (1985)	5 roles: the mental adventurer, the strategic navigator, the management physician, the system architect, and the friendly co-pilot

The aim of this review is not to analyse the strengths and weaknesses of each one of the models, but to explore one of the most important dimensions in all of them, the degree of client involvement. In professions where abstract knowledge is applied to a particular problem, there is a great deal of interaction

between the client and the professional because they create the product jointly (Sharma, 1997). In other words, client and management consultant co-produce the service in question. However, as the typologies indicate, the degree of clients' participation can vary substantially. In some cases she delegates certain elements of the decision-making process to the consultant, which can be metaphorically labelled as outsourcing. None of the typologies discussed so far can help us operationalise the different degrees of client participation. In my analysis, I am going to use Schein's classification (1969), which has set standards and has shaped the field.

2.3 Schein's Models of Management Consulting

Schein combines the dichotomy 'process – content' with the metaphor of 'doctor – patient' and 'expert' (Schein, 1969). According to him, there are three models of consulting, each of them reflecting a different distribution of power between the client and the consultant:

The Purchase-of-Information or Expertise mode.

In this case, clients define a need and purchase information or an expert service from the management consultant because their firm lacks the time or resources to fulfil that need. The basic assumption made is that the client knows exactly what piece of information or advice he really needs. In the relationship the client gives up power and becomes dependent on the quality of information provided by the consultant. There is no extensive interaction between the client and the consultant. It is often assumed that consultants feel tempted to sell

whatever they know and in which they specialise. As a result, the client might be misled about the nature of the information or service that she would really need.

The Doctor-Patient Model

In this consulting mode, participation shifts even more to the consultant who diagnoses, recommends and administers the cure. The assignment is initiated when clients detect serious symptoms of company illness or experience crisis, but feel insufficiently skilful to establish the causal relationship. The consultant is brought in to 'check over' the organisation, to find out the 'disease', to recommend 'therapy' and to offer a 'prescription'. In some cases the client might have heard about a new cure and the consultant is expected to bring the know-how to administer it. This model is based on a close and trust-based relationship. However, there is no doubt that the consultant becomes empowered, which makes it easier for him/her to justify high fees. At the same time, the client might show a tendency to abdicate his/her managerial responsibility.

The Process Consultation Model

Here, the basic premise is that it is the client who owns both the problem and the solution, and therefore contributes to the expertise. The consultant's role is to help the client to remain proactive and to retain initiative. The model emphasises more how things are done than what is done. Both the client and the consultant remain in power. The ultimate goal of process consultation is to pass on diagnostic and intervention skills to the client, enabling her to continue on her own to fix future problems. In fact, it's a learning process for the client: how to diagnose problems and how to generate a remedy. The client remains the ultimate

decision-maker. In order to keep the client pro-active, the consultant engages him in an active inquiry process that has three levels: Pure inquiry that concentrates on the client's description of the situation, diagnostic inquiry that focuses the client's attention on certain issues, and confrontive inquiry that 'forces' the client to evaluate the problem from new perspectives.

These three models reflect different degrees of outsourcing of decision-making. We can conceive of process consultation as the non-outsourcing condition, since the client is fully in charge of the decision. The expertise model represents a low degree of outsourcing because, in this case, clients give the problem away to the expert for a period of time, which allows them to relax and to remove themselves from it (Rockwood, 1993). The doctor-patient model corresponds to the high degree of outsourcing, since diagnosis and treatment are delegated to the consultant; in other words, the client abdicates and takes a dependent role.

2.4 The Trend towards Outsourcing

Outsourcing can be defined as the use of an outside partner to perform an activity that traditionally would have been performed inside the company (Greer, Youngblood, & Gray, 1999). Although the label 'outsourcing' might be a recent invention, the practice of outsourcing itself has a long tradition, both in myth and reality. According to the Greek mythology, for example, Hercules had to perform twelve labours. The most challenging of them was to take the golden apples from the garden of the Hesperides, which was guarded by a dragon. However, he wisely decided to delegate the performance of this task to Atlas. In return,

Hercules had to hold the Earth on his shoulders for Atlas until the latter returned with the apples. Using contemporary managerial vocabulary, we could say that Hercules 'outsourced' the most strategically complex aspect of his labour.

Outsourcing is the nexus of two powerful theoretical ideas: transaction cost economics (Williamson, 1975) and core competencies (Prahalad & Hamel, 1990; Quinn, Doorley, & Paquette, 1990). Outsourcing is a management tool for shifting the boundaries of the organisation, depending on the transaction costs. There is a purchaser, a provider and a transaction process between them (Domberger, 1998). Quinn and Hilmer argue that companies should concentrate on what they do 'best in the world', or in other words on a set of 'core competencies', and strategically outsource other activities (Quinn & Hilmer, 1994). In their view, the balance of benefits has shifted from insourcing to outsourcing.

If a company does not possess all the capabilities it needs for a successful strategy formation, for example, it has three ways to cope with this problem (Barney, 1999):

1. It can use market or intermediate governance by cooperating with other firms that have the capabilities needed (a non-hierarchical governance).
2. It can develop those capabilities on its own (a hierarchical governance).
3. It can acquire another firm that has those capabilities.

Barney argues that creating capabilities is costly because they may be socially complex, they may depend on unique historical conditions, or the process of their creation may be path-dependent and causally ambiguous (Barney, 1999). However, acquiring a firm that has the needed capabilities can be costly as well. Bureaucratic

(internal) transaction costs have been continuously increasing over recent decades (Wallis & North, 1986). Thus, non-hierarchical governance might be the best way to gain access to the capabilities needed. The 'centrifugal philosophy' of outsourcing (Deal & Kennedy, 1999) has embraced not only accounting operations, but also product design functions, IT and HR services, and maintenance tasks. Meanwhile no industry or function seems to have a monopoly on outsourcing. Even intellectual or innovation outsourcing and contracting strategic planning activities are highly recommended (Quinn, 1999, 2000; Christensen, 1997; Kiely, 1997). Subcontracting has become a global phenomenon and most companies no longer ask the question whether or not to outsource, but only what can be outsourced.

Consultants are professionals who provide non-resident knowledge-intensive service (Sharma, 1997). In this case, firms temporarily redraw their boundaries in order to gain flexibility and highly diverse expertise. They adjust the volume and quality of brainpower needed for strategic decision-making and improvement of the 'gene pool' of capabilities. What is gained is organisational intellect: "(1) cognitive knowledge (or know what), advanced skills (know how), system understanding and trained intuition (know why), and self-motivated creativity (care why)" (Quinn, Anderson, & Finkelstein, 1996: 7). Since the value of a firm's intellect is greater towards the top end of this scale, executives might outsource some of the elements in order to focus on others.

This line of reasoning implies that outsourcing of decision-making could be a perfectly rational strategy, since it provides additional cognitive skills and expertise. This case would correspond to Schein's expertise model. However, there are situations when executives expect consultants to operate in the doctor-patient model. I am interested precisely in this case, when the delegation of the decision-making

process to consultants is not driven by rational arguments about the benefits of outsourcing, but by some other factors. I am going to explore the case when executives consciously or unconsciously disengage from the process of decision-making and delegate it to consultants. One explanation could be that under certain circumstances, executives might perceive the control that they are supposed to exert on the decision-making process as undesirable. For example, if the company faces a serious threat and top managers associate their control with a low probability of achieving desired outcomes, control will be perceived as aversive (Burger, 1989). If executives feel that they cannot cope with the situation and anticipate their actions being under scrutiny, they may perceive themselves as not being in control of the events and might have the propensity to disengage. Therefore, "certain circumstances evoke a desire … to give control over to others" (Fiske & Taylor, 1984: 204). Consequently, executives might decide to outsource the strategic decision-making process to management consultants.

2.5 Conclusion

The different models of management consulting suggest that client's participation in the decision-making process can vary and in some cases consultants are just facilitators, while in others the problem is entirely handed over to them. Schein's model of management consulting is a good theoretical background for the current study because it reflects the different degrees of outsourcing of decision-making and can be instrumental for the operationalisation of the latter.

Outsourcing of decision-making is beneficial if it aims at increasing the capabilities of the company and at reducing the transaction costs. However, it could be driven not only by motives of efficiency. Executives could perceive less personal

control and consequently disengage from the decision-making process, delegating it to consultants.

The first study in my research looks at executives' perception of the strategic decision-making process when consultants are involved. The goal is to develop propositions about the factors that influence the degree of outsourcing of decision-making.

3. Method

Because of the exploratory nature of the study, the qualitative approach seemed to be most appropriate. It could help with the conceptual development and prompt some ideas for quantitative instrumentation. The research had to be carried out in natural settings in order to understand issues in context. I used the basic principles of the grounded theory methodology (Glaser & Strauss, 1967), which requires that the interpretation be continually revised and revisited. The goal was to produce 'rich descriptions' and 'conceptual density' without imposing interpretation on the data (Miles & Huberman, 1994).

In the current study the following steps were followed (Glaser & Strauss, 1967; Lee, 1999):

- Generation of some tentative ideas, questions and concepts on the participation of executives and consultants in the decision-making process.
- Search for linkages between the concepts.
- Testing of the interrelationships against empirical data.
- Integration, simplification and reduction of the concepts and their interrelationships.

The study was not conceptualised as a Grounded theory research programme with several waves of data gathering. It merely applied some elements of its methodology, which lead to sound qualitative research.

3.1 Design

This study aimed to develop a conceptual framework of outsourcing of decision-making based on field research. As Berg points out, the interview is an especially effective method when "researchers are interested in understanding the perceptions of participants" (Berg, 1998: 64). Since this was a study with an explanatory intent and a focused research question, the instrument design could be well structured. The need for generalisability, and the multiple-case-format that implies comparability, were additional arguments in favour of more structure for the interviews (Miles & Huberman, 1994: 36).

3.2 Sample

In order to test whether the main pattern is valid in different settings, sampling for variability appeared to be the right strategy. Since the goal of the study was to gather data on different behavioural responses, sampling had to maximise differences among companies, and to reflect the diversity of contemporary organisations (large/medium/small organisations from different manufacturing/services industries, private/public sector, etc.). The aim was to obtain first-hand accounts from as many different kinds of organisations as possible, which would enable 'thick descriptions' (Geertz, 1973) and conceptual density on the issue.

The sample comprised 19 executives (mainly vice-presidents and directors of strategy) of Fortune 500 companies on the East Coast of the USA and 10 CEOs, general managers and presidents of small- and medium-sized firms, in the US and the UK. The interviewees worked in different industries, e.g. telecommunications, finance & insurance, manufacturing, oil & refining, IT, utilities, art & entertainment, services, and the construction industry. Twenty-six of the interviewees were males and only three were females. When interpreting the results, we have to remain aware of possible sampling biases. I interviewed, for example, top managers from the headquarters of large US companies on the East Coast, which might be different in terms of culture from those on the West Coast or throughout the remainder of the country. The executives from the medium- and small-sized companies were predominantly managers participating in the executive programmes of London Business School or its alumni, which might also be a sampling bias. Further, the sample although quite heterogeneous, does not cover the whole spectrum of industries. Table 3 gives an overview of the managers interviewed and the companies they represented.

Table 3: Participants in the interviews

Respondent	Company (Industry)
1. Senior VP Strategy and Corporate Affairs	Fortune 500 (manufacturing/pharmaceutical industry)
2. Director of Strategy	Fortune 500 (manufacturing/medical technology)
3. Director of Executive Communication	Fortune 100 (manufacturing/IT)
4. VP of Organisational Effectiveness	Fortune 100 (manufacturing/transportation equipment)
5. VP Corporate Strategy & Development	Fortune 100 (manufacturing/electronic products)
6. Director of Corporate Strategy	Fortune 100 (finance)
7. VP Strategy	Fortune 500 (manufacturing/electrical equipment)
8. VP Strategy	Fortune 100 (manufacturing/pharmaceutical industry)
9. Director of Corporate Strategy	Fortune 100 (manufacturing/machinery and transportation)
10. VP Strategy	Fortune 500 (manufacturing/transportation equipment)
11. VP International	Fortune 500 (manufacturing/transportation equipment)
12. Director of Strategic Management	Fortune 100 (mining/oil & refining)
13. VP Corporate Development	Fortune 100 (telecommunications)
14. Director of Corporate Development	Fortune 100 (insurance industry)
15. Director of Corporate Development	Fortune 500 (manufacturing/cosmetic industry)
16. VP Strategy	Fortune 500 (utilities/gas & electricity)
17. Director of Global Operations	Fortune 100 (manufacturing/ pharmaceutical industry)
18. VP of Global Development	Fortune 100 (finance)
19. VO of External Affairs	Fortune 100 (insurance industry)
20. CEO	Small-sized (services/IT)
21. CEO	Small-sized (dot.com company)
22. President	Small-sized (finances)
23. President	Medium-sized (manufacturing/beverage industry)
24. CEO	Small-sized (services/repair & maintenance)
25. General Manager	Medium-sized (construction/building industry)
26. President	Medium-sized (services/food services)
27. CEO	Small-sized (manufacturing/wood products)
28. General Manager	Medium-sized (utilities)

3.3 Procedure

The semi-structured interviews lasted between 45 and 90 minutes. In answer to the first research question about the role of consultants in the strategic decision-making process, I started the interviews by asking participants to discuss the occasions on which they worked with consultants. The next set of questions was framed around the benefits and drawbacks of the cooperation with consultants. Thereafter, I focused on the time executives spent on the different stages of the decision-making process when working with consultants. I then asked them what they thought about the phrase 'outsourcing of decision-making'. To answer the third research question regarding the factors that might lead to outsourcing of decision-making, I encouraged executives to analyse the relationship between certain characteristics of the situation and the expectations they had about the model of consulting intervention. We also discussed their preferences between short- and long-term relationships with consultants, and issues around accountability. Finally, to answer the third research question, we discussed what could be the benefits and costs of outsourcing of strategic decision-making. Table 5 gives an overview of the research questions and the structure of the interviews.

3.4 Analysis of Data

The interviews were tape-recorded and the accounts were transcribed. A systematic qualitative analysis was conducted using the NUD*IST Vivo software.

Table 4: Structure of the interviews

Research question	Interview questions
1. Role of management consultants and the benefits & costs of their engagement.	• Tell me about a strategic decision when your top management worked with consultants? • Why did you decide to involve consultants? • How would you describe the benefits from working with consultants in the strategic decision-making process? • How would you describe the costs/losses?
2. Stages of the DM process when consultants are involved. Role that consultants play in the consulting intervention. Types of management consulting that reflect the idea of ODM (Schein's models of consulting interventions).	• How would you describe the different stages of the DM process? • If we assume that your time spent on a strategic decision-making issue is 100%, how would you normally expect to distribute it among the different stages of the DM process? What about the case when consultants are involved? • What roles do consultants play? Is there any division of labour when you work with consultants? • In what way does consultants' involvement vary across different assignments? • What do you think about the label "outsourcing of decision-making?
3. Factors influencing the degree of ODM.	• When does decision-making get outsourced? Any characteristics of the situation or any expectations that might drive the process? • What is shareholders' perception of accountability when top management works with consultants? • Can you think of a decision-making event when consultants were almost taking over? • Do you prefer short- or long-term relationships with consultants?
4. Downsides of ODM	• What could be the benefits and costs of ODM?

Following the guidelines suggested by Miles and Huberman (1994), I developed a set of categories related to the research questions (see Table 4).

The following coding scheme was generated after several iterations of coding: Attitudes towards consultants, benefits of working with management consultants, drawbacks of working with management consultants, models of management consulting, stages in the decision-making process, framing of the decision event, perceptions of control, and downsides of outsourcing of decision-making.

In order to check reliability, a second person coded independently a random sample of data. In order to codify the data on the models of consulting interventions, he was given additional information on Schein's classification. The agreement between the two coders with regard to data coding and category assignment was .92.

4. Results

The results were in agreement with the three models of management consulting suggested by Schein (Schein, 1969). They also indicated that there were two factors that might influence the propensity of executives to operate in the doctor-patient model. The first one was framing of the decision event as threat. The second one reflected executive's perception of control. In the *expertise model*, consultants played roles, which enhanced the efficiency of the process. When they acted as facilitators in the *process consultation* model, executives emphasised the stimulation of creativity and learning. In the *doctor- patient model*, a significant amount of their work was perceived to be trouble-shooting and stress-reduction.

Table 5 gives an overview of the results and links the discussion sections to the research questions.

Table 5: Overview of the results

Research questions	Results
1. Role of management consultants and the benefits & costs of their engagement.	Benefits • Efficiency & benchmarking • Time saving • Creativity & objectivity • Credibility & legitimacy • Stress-reduction Drawbacks • Limited understanding • Confidentiality issues • Demotivation of own staff • Dependence • Financial costs
2. Stages of the DM process when consultants are involved.	Results are reported under the heading Time saving
Types of management consulting that reflect the idea of ODM (Schein's models of consulting interventions). Roles that consultants play in the strategic DM process.	Confirmation of the three models: • Expertise (low degree of ODM; consultants play the roles of 'arms-and-legs' and of trouble-shooters) • Process consultation (non-ODM; consultants play the role of a sounding board and of Devil's Advocate). • Doctor-patient (high degree of ODM; consultants serve as toxin handlers, confidants, safety net and messiahs).
3. Factors influencing the degree of ODM	Framing of the decision event as: • Opportunity • Threat Perception of control
4. Downsides of ODM	Isomorphic effect Erosion of knowledge

4.1 Management Consultants: Positive and Negative Attributions

Executives were quite balanced evaluating the benefits and costs of management consulting. The benefits could be summarised as increasing efficiency, creativity and legitimacy, as well as reducing stress and anxiety. Apart from the financial costs involved, the drawbacks revolved around the limited understanding consultants had about the particular problem of their clients, the creation of dependency, the possible demotivation of own staff and concerns about confidentiality.

4.1.1 Perceived benefits

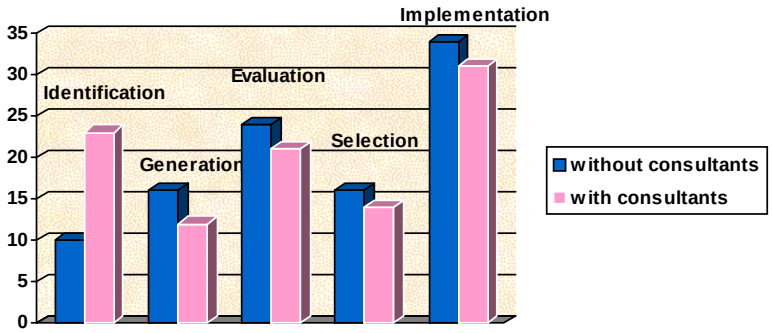
Efficiency and benchmarking. Top managers thought that consultants were "a substitute for having to hire your own staff" and considered them to be "extra hands, feet and brains". Executives reckoned that management consultants "bring some speed" and can "save time". They bring also specific "knowledge, because they specialise in that particular aspect". This is how one of my interviewees summarised the benefits:

> "Mainly that's [hiring consultants] driven from the cost-effective perspective. It's much cheaper for me to bring in a group that has already expertise. They can hit the ground running and the time frame is much shorter than if I have to build that expertise in-house".

Some respondents revealed that they would "engage consultants because they want…. to benchmark and to find the silver bullet that's going to be a differentiator".

Time saving. I asked top managers: "If your time spent on the strategic decision-making process is 100%, how would you distribute it among its different stages? Are there any differences if consultants are involved?" Some of the respondents preferred to comment on the distribution instead of giving figures. In their view, consultants shorten mainly the generation and evaluation stages of the decision-making process (see Figure 5 in section 5.2.1 in this chapter). The results presented here in Figure 3 indicate that when executives worked without consultants, they spent 10% of their time on the identification stage, compared to 16% on generation of alternatives, 24% on evaluation, 16% on selection of the best alternative and 34% on implementation. When they worked with consultants, they would distribute their time slightly differently: 23% on identification of the problem, 12% on generation of ideas, 21% on evaluation of the ideas, 14% selecting the best alternative and 31 % on implementation.

Figure 3: Time distribution among the different stages of the decision making process



Not everyone agreed that time saving is a benefit resulting from consultants. One of the respondents suggested that consultants actually "can cost you time,

because you have to bring them up to speed". And another one argued that when working with consultants, there was no time saving element, but a more efficient and effective use of time.

Creativity and objectivity. Executives believed that consultants "force us to think out-of-the-box…they push us to think more aggressively and more creatively". They were perceived as "capable of maintaining the independent view" and as providers of the "white-sheet-of-paper perspective". Four of the respondents used the phrase "fresh perspective". One of the executives reckoned: "They can look at what you are doing without being part of the process that got you there". And another one argued that consultants "bring a perspective across all the multiple players within the industry". This aspect was highly valued and one of the respondents was very open about it:

> "They [consultants] bring the knowledge of the other companies they have worked with. Whether we have confidentiality agreements or not, they still bring that knowledge. And it is good knowledge. You cannot turn off intellectual property".

Top managers were very much concerned that they "may not be keeping up with what's going on", and competitors might have found some new knowledge that they did not have. My respondents appreciated the contacts consultants had in different organisations, which gave them valuable insights:

> "A consultant can pick up the phone and say "We are now thinking about some things in terms of organisational models, how are you guys structured", so you can actually get an insider view that we wouldn't be able to get otherwise".

Credibility and legitimacy. Consultants were ascribed a protective function as a part of the diligence process. Executives agreed that sometimes they are brought in because:

> "They are going to validate and to confirm it [a strategic decision] … that's a legitimate thing to do and then to help put the stakeholders at ease, to create a sense of confidence that this has been looked at systematically".

They thought it was wrong to use consultants to rubber-stamp decisions, but some of them admitted having done it:

> "You shouldn't bring in a consultant to validate your own decisions, that's a waste of money. It's not to say that it doesn't happen, it's not to say that we don't do it sometimes".

The validation aspect was often mentioned as one of the benefits:

> "You might trust your doctor implicitly, but before you've made a surgery, you get a second opinion. The same is true in business. Before you make a major business decision, especially one that has to go to the board, sometimes they want an independent opinion."

Executives thought that as a whole, consultants "have more incentives to give the right answer instead of the political answer".

Stress-reduction. One of my respondents argued that "Stress is something you have to deal with. It is everywhere. Being at the top of the organisation, you don't have anybody else to look to. The buck stops there". Another one suggested that "The person who brings in the consulting firm is at usually high level of stress or worry. When the consultant comes in, their stress goes down ". Most of the

executives agreed that consultants "have some stress-reducing function". The targets were not only the decision-makers, but the company staff in general:

> " If you run a very intense project, it is difficult to run your own stuff, night after night, weekend after weekend. You tend to be a little bit more human. Because you know that you have to continue to work with them after the project finishes. It can be a relief in a tight timetable, if you in the evening can say [to the consultants] that you expect results by the morning. And that could take stress out of the company".

Consultants made it also possible for top-managers to keep an analysis secret, so that there was no unnecessary anxiety in the company until a certain decision was made:

> "Sometimes, you don't want your management team to know the focus of the ongoing business. When we had the merge in 1997, Upjohn had its headquarters in London. We looked at the structure to decide what to do, and in this case we had also McKinsey. But we wanted to make an analysis in a very small group of executives that knew about it. Because it might have been detrimental to the organisation to have too much noise, when you don't know where are you going to end up. So, it was good to have consultants to support us".

4.1.2 Perceived drawbacks

Limited understanding. Consultants' recommendations were often perceived to be too abstract and not applicable, while executives expected "not theoretical, but practical answers". Consultants were accused of not being "deep enough in the details", failing "to point out where knowledge ends", not seeing "the picture from end to end", and "having limited understanding of the difficulty of implementing strategies". Talking about some bad experience with consultants, one executive said: "It looked really good on paper…and strategically…in terms of the

economic model – beautiful. But it just didn't work". Another one was concerned that consultants come in and out. Executives found it particularly "irritating" when consulting firms would have a "school-bus-approach" – young MBAs, with "a lot of theoretical knowledge based on a lot of models, which don't fly", who are "not dry behind the ears, they don't know a damn thing about your business and they are making a lot more money than the person they are dealing with". According to one of my respondents, "the major disadvantage is that consultants come with an agenda…[and] they deliver off-the-shelf-response".

Confidentiality was also an issue: "If the consultant is going to take your information and use it as a warm-up with another client, that's not very pleasant". Executives from the pharmaceutical industry were particularly sensitive towards this issue. On the other side, top managers realise that "the extent to which a consultant is valuable is related to the amount of information and knowledge they have about your company…you have to strike a balance".

Demotivation of own staff. There was a perception that bringing in consultants could be interpreted as a signal and could lead to demotivation on the part of employees who might start worrying: "What does that say about how they [top management] feel about me in terms of my skills?" Internal staff might get the impression that their function "has been new served" (substituted) and meet consultants with antipathy:

> "I have witnessed the build up of animosity and resentment, because why does management have to bring in a consulting team, when, by the way, we are pretty smart folks. "

"Displacement of responsibility" is also an issue. One of the respondents admitted, "I've seen cases where firms will bring in consultants and then leave the

work of worry to them …and become less engaged or even less accountable". This statement captures nicely the notion of high degree of outsourcing of decision-making.

Dependence. Executives fear becoming overly dependent on management consultants, especially in the case of a long-term relationship with one consulting firm, which one of the top managers characterised as "incestuous". Another respondent explained that he had "started off heavily dependent on consultants", because the company was in a bad shape, but had managed to overcome this "addiction". Executives admitted that they experienced pressure not to lag behind certain fashions and trends. They thought that there is nothing wrong with being interested in the latest fads, but they knew that there was a herd mentality as well. The problem with the fads was that many of them turned out to be 'false trails'.

Financial cost. Small companies often mentioned that "money is always a downside", because consultants are "frightfully expensive". The big companies stated that they "have to employ the best and they are actually very expensive". Price was not a major issue: "We don't always take the lowest bid, we want quality". The VP (Strategy) of a Fortune 500 company in the cosmetic industry, for example, mentioned that they had just paid $3 m to one of the big consulting firms for a 6-month project. Another top-executive reckoned that her company, which had about three billion dollars of net-income and an expense base of eight billion dollars, had spent in the previous year roughly between 70 and 80 million dollars on consulting.

4.2 Schein's Model and the Roles Consultants Play

In order to evaluate the degree of consultants' involvement, we had to agree on the stages of the decision-making process. I suggested to my respondents a 5-stage model, including identification of the problem, generation of alternatives, evaluation of the alternatives, selection of the best alternative and implementation (for a discussion of the model see section 5.2.1 in this chapter). I asked them to what extent it reflected the decision-making process in their company and encouraged them to make amendments to the model. The agreement on the stages of the process made it easier to differentiate between low and high degree of outsourcing of decision-making.

Stages of the decision-making process. Respondents agreed that the strategic decision-making process unfolds in stages. As the following comments suggest, in general, executives confirmed the applicability of the model:

> "As a general model …it is reasonable"
> "It is a good model of the decision-making process"
> "Seems to be right"
> "That pretty much captures it".

One of the executives reckoned that "The words are different, but the process is absolutely the same in terms of what we would look at". There were suggestions for some amendments, which referred particularly to the first and the last stages:

> "I would see something on the front end here that is more of a scenario modelling or assessment where you are rather developing sort of a point identification. You are looking at what are the possible worlds that we could be encountering as it relates to this particular strategic issue "

> "Sometimes there's much more of an amorphous thought, almost unconscious realisation that goes on before identification. There should

be another box that says 'sensitivity'. And implementation is not the end of the stage either. Because, normally speaking, we would have here testing of the output, that's in metrics, so that one can ensure that this process is yielding the results that we wanted to".

One of the top-executives suggested feedback loops and added:

"The model is just fine, but sometimes you just enter the model at different points and maybe you jump from there and then you'd go back to say "Given what one would study in the market, what makes sense?"

Confirmation of Schein's model. In the *purchase-of-information or expertise model*, consultants could be labelled as "arms-and-legs", because there was a clear division of labour: consultants did the legwork and top management did the thinking. Many of the interviewees considered consultants to be just 'a tool' or 'another information source'. Process accountability was quite important for this group of companies:

"We are not afraid to fail as a company. We publicly say this to our employees and encourage them to take more risks. Failing isn't our fear. It's learning from the mistakes or failures and reposition and move forward".

Companies in this group preferred short-term assignments with the same consulting firm. One of my respondents rationalised this view in the following way: "There is something to be said about taking them up the learning curve. You don't have to manage the process so closely".

In the framework of *process consultation,* consultants played the role of facilitators and Devil's Advocate, because the notion was: "If you buy someone

else's strategy, that's exactly what you have: someone else's strategy. You don't have your own ... We believe it's the corporate executive's job [to develop the strategy]". One of the executives in this group formulated the ultimate goal of a consulting assignment in the following way:

> "War is too important to stay with generals. Strategy is too important to stay with strategy generals. It's strategic thinking for everybody. Isn't this an interesting role for a consulting firm: To help a company get there?".

Executives perceived the consulting process in this model to be jointly constructed: "It is not turning it over to them and saying solve the problem, develop a strategy and then let me know. The real benefit is to be able to have a dialogue".

Companies in this group preferred not to have long-term relationships with the same company. One of my respondents explained this decision in the following way:

> "We were originally in the camp of a long-term relationship and that's where we started to become so familiar with consultants and they were so familiar with the culture, the climate, the attitude here, the business perspective and we were melting into one organisation. Now we lean towards no long-standing relationships with consultants. It's a way of validating a little bit of what we've done prior when you bring someone else in and if their thinking is entirely different you start validating".

The companies that reported working with consultants in the *doctor- patient model* were exclusively small and medium-sized. None of the interviewed executives of Fortune 500 companies was in this group. Generally, clients in this group seemed to be less critical towards consultants' performance and the attitude towards management consultants was very positive: "They [consultants] are experts and we

[top managers] are operators". Executives from this group reported that there were occasions when they would rather delegate control to the consultants:

> "The company management really didn't know what to do. Every one of us felt that it was beyond our expertise and hoped that someone else would come and decide on our behalf …".

The dependence on a powerful expert was facilitated by the special culture of the consulting business:

> "It becomes a bit of an addiction. They [consultants] are so smart, well articulate, well educated, they walk in and you can over time become more and more insecure of your own abilities and [they] become like a crutch".

Companies in the doctor-patient model preferred long-term relationships with consultants.

Table 8 summarises the roles that consultants play in the different consulting intervention models and their function.

4.3 Antecedents of Outsourcing of Decision Making

The next data revealed that two factors influenced the degree of outsourcing of decision-making: the framing of the decision event by executives and consequently their control-related beliefs.

Table 6: Roles and functions of consultants

Consulting Model	Roles	Functions
Expertise Model	Arms-and-legs Trouble-shooter	• Cost and time saving • Guarantee access to specialised knowledge • Give information on competitors • Master the methodology of the process
Doctor-Patient Model	Toxin handler Confidant Safety net Messiah	• Stress-reduction • Absorb anxiety • Enhance confidence
Process Consultation	Devil's Advocate Sounding board	• Enhancing objectivity • Thinking out-of-the-box • External point of view

4.3.1 Framing as Threat and Opportunity

Framing as opportunity. When the decision event was framed as an opportunity, executives had basically two approaches. The first one was not to use consultants, because "the best in class is less likely to use consultants … They [managers] are going with their own unshared strategy". If they did use consultants, it was because they wanted to explore opportunities: "You try to anticipate, to be at

the forefront … You want to accelerate your growth and stay ahead on a sustained basis".

When exploring new opportunities, executives would bring in consultants for four main reasons. First, they wanted to have a 'reality check', an 'independent and objective opinion' instead of 'the political answer' from inside. An extension of this function was the legitimising role of consultants when they had to confirm unpopular decisions that had already been made by top management. One of my interviewees reckoned that board directors in general were "very favourably inclined to consultants" and they often wanted to hear their view: "They [the board of directors] want to see that we are not really missing something". It "gives them comfort to know that a group that understands the Internet media, for example, is working with top management". Analysts, on the other hand, "want to make sure that consultants are used judiciously and that they do not substitute core competencies the company should have". The general opinion was that "shareholders don't have any clue about the money we spend on consultants, or the scope of their engagements". According to the executives of Fortune 500 companies, when you deal with mergers and acquisitions, "part of your due diligence is to get a third-party view".

Second, when the situation was perceived as opportunity, consultants helped top management 'put on another set of lenses' and 'think out of the box': "They force us to think more creatively and push us when we are not going far enough". Consultants were valued as a 'sounding board': "We started moving towards doing our own thinking and using consultants only as the Devil's Advocate to challenge us, and to keep us from getting bogged down".

Third, in the opportunity framing, consultants enhanced resources on a short-term basis: "You don't staff for peaks, you staff for the average and then you

supplement". They usually covered "niche areas where we simply don't have the expertise" and they "bring in some speed".

Fourth, consultants might play the role of a confidant:

> "There is sometimes an issue of a very confidential nature and you don't want to share it with a lot of people and therefore, you use consultants as facilitators to help you sort your way through it".

Companies exploring opportunities were reluctant to outsource strategic decision-making. Some of the executives admitted: "We have a real aversion against consultants", or joked: "Most of us have had pretty bad experience with plumbers, lawyers, car mechanics, so why should consultants be different?" When executives framed the situation as an opportunity, they used consultants according to either the expertise or the process consultation models. In the expertise model, companies purchased specific information, e.g. knowledge in a certain area, where consultants could "add a layer of complexity and sophistication".

Framing as threat. Executives tended to behave differently when they framed the situation as threat. The perception of threat could be caused by different events. In one case, a survey on a restaurant chain was perceived as devastating by the owner who was also a CEO: "There were many negative comments uniformly across all our restaurants. I couldn't believe it, I couldn't sleep". He decided to bring in a consulting company to solve the problem. In this case, consultants did the diagnosis, provided a strategy and controlled the process of implementation: "They gave us a strategy. And it was so effective … The residual effect can still be felt". Another CEO shared his experience of a crisis situation when the timber market collapsed and his company started losing money rapidly. Unfortunately, his firm had borrowed money, which made the situation even worse. A consulting company was

brought in. Again, it made diagnosis, suggested to the top management a 'ruthless' strategy to close down two of the units and implemented the downsizing. Top management just observed the events unfold.

In general, when the situation was difficult, consultants were hired "to come up with strategies". Providing information was far from enough. As one of the interviewees argues: "For doing just research I could hire a graduate student. The rates they charge are damn high and I expect them to give me a strategy".

When executives framed the situation as threat, they experienced a kind of pressure to work with consultants: "We don't want to be left behind and we don't want to miss out". Some interviewees argued that only companies in trouble experience that pressure. A Fortune 500 company executive suggested that "there are examples in our [pharmaceutical] industry when things have become fashions … My guess is, only weak companies follow that pressure".

4.3.2 Perception of Control

When the situation was framed as opportunity, executives felt very self-confident and they retained full control of the situation: "I tell them [the consultants]: 'I don't want to have your interpretation. Give me the data, we'll think about it". Many of the interviewees considered consultants to be just 'a tool' or 'another information source': "We do away with all the presentations. We ask them to give us the spread sheets, the data and we dig deeper…". Executives from the best performing companies thought that increasingly they were less and less consultant-dependent. There seemed to be a clear division of labour:

> "We ask them [consultants] to do the leg work for us, not to do the thinking. Ninety percent of the work in consulting is pure labour and

> 10% of the time is spent on thinking. So we ask consultants to do the 90% of the work and leave the 10%, that actually produces more value to us".

Consultants were closely managed and controlled: "You, guys, are the contractors. And you have to deliver what we want, not what you think we want". Interviewees suggested that consultants never 'take over' and the process is management-owned all the time. Even when it came to the presentation, managers normally didn't bring the consultant to do it: "Managers do the presentation. You may have the consultants sitting in and listening, but you better do it yourself". The notion was that it is the corporate executive's job and not that of the consultant to develop the strategy.

In the case of threat, there was a tendency to transfer control to the consultants:

> "The company management really didn't know what to do. Everyone of us felt that it was beyond our expertise and hoped that someone else would decide and then in the vacuum that was really existing there, a strong push from a consulting company came…".

There was also some evidence of dependence, as quoted earlier:

> "It becomes a bit of an addiction. They [consultants] are so smart, well articulate, well educated, they walk in and you can over time become more and more insecure of your own abilities and become like a crutch".

When the decision event was framed as a threat, consultants seemed to play the interesting role of 'toxin handlers' (Frost, 2003; Frost & Robinson, 1999) who process organisational toxins. These are people who absorb anxiety and emotional pain, listen empathetically, discharge tension and detoxified the climate. By doing so,

they save organisations from self-destruction. In the pattern of high degree of outsourcing, consultants were assigned the role of 'toxin handlers' who absorbed anxiety and uncertainty at the executives' level:

> "They are given the total authority to go throughout the company and ask any questions they want. At the end, they do become the most well informed people in the firm and can easily help breaking down some bad situations and power relations".

Describing a difficult business situation when she brought in consultants, one of my respondents revealed:

> "I think there's comfort in having a consultant … You don't bear the whole responsibility for the answer, because it comes from the consultant. So, if it's the right answer, you can take credit, but if it's the wrong answer, you can blame the consultant".

The choice of the consulting company reflected the framing of the situation and indirectly the perception of control. Executives agreed that the selection was "less than a scientific process. It's a random one all over the map in terms of whom you know, whom are you aware of, it's very imprecise … You might ask others who they think is good at this". When executives explored opportunities, they seemed to be more interested in the expertise of the consulting company than in its brand name: "I'm looking at who's the best at this point of time around that particular thing and go with that firm". An executive of a Fortune 100 financial company said: "A lot of the consultants I work with are medium-sized. I like working with them as supposed to the real large". In a similar vein, another top manager admitted that she had started to use "a lot more smaller boutique firms, where people have actual experience in a particular business". Obviously, brand name was not considered to be enough: "Just because a firm has a great reputation doesn't mean that they have a great dedicated

team. What matters is the consultant I have hired, not the reputation of the large company". The selection was "… pro theme. It's going to be quite personal". Choosing consultants was "entirely a network phenomenon at the top where you have people who serve on different boards". Crossbreeding was another rationale: "We use McKinsey, because we hire people out of McKinsey". Trust and established relationships mattered: "Many of our current consultants are those that we have dealt with over a long period of time", or "someone in the consulting company is close to someone of our senior managers, so we turn to them preferentially".

In situations framed as threat, the brand name of the company was of high importance: "It's just like, pay McKinsey fifty million bucks and it's got to be right". The CEO of the restaurant chain commented: "I hired a highly regarded and well known company. We were the smallest firm ever to approach them". An executive from a small company generalised the attitude:

> "And before I make a decision, I make sure that I've got McKinsey or BCG. And if it turns out to be a disaster, you can say: Well, I've no idea why, because we had the best consultants…"

4.4 Why Companies Should Not Outsource Decision Making

Interviewees had no problems with the label 'outsourcing'. They agreed that "consultants are subcontractors anyway…" and on many occasions you just "get additional arms and legs". Consultants were expected to do the 'heavy lifting', the labour-intensive work that precedes the generation and evaluation of alternatives, like "data crunching, data mining and data analysis". However, what executives usually outsourced was a very particular issue that could be "fairly easily circumscribed and identified". A high degree of outsourcing was considered unacceptable:

> "If you are simply taking your problem and shipping it off for someone else to work and then bring back to you a finished product, that's not going to work".

There was also concern that through outsourcing of strategic decision-making, top management would send bad signals to stakeholders who might attribute incapability and indecisiveness to executives, if a consulting firm is involved in the decision-making process.

Isomorphic effects. Executives were critical towards the practice of outsourcing of decision-making because it contributed to the isomorphism in their industry: "They [consultants] facilitate the fusion of information and they could cause companies to become more similar". One of the top managers summarised:

> "And clearly, with the more recent consultants that we have engaged, we have looked at proposals that are almost mere images of each other from an approach and from a conceptual point of view and it really came down to negotiating the fees, that was the only difference, and sometimes the time line.

Instead, top managers demand differentiation, which makes their business competitive.

> "What you have to do is to differentiate yourself. They [consultants] cannot set me ahead from where I am now. How do you get above the benchmark? They can't tell me that".

There was a notion that "knowledge diffusion happens very, very rapidly and the period of differentiation has been compressed". One of the executives described the process of isomorphism in the following way:

> "If there is a well-known consultant firm, especially in one area, and it is used by different companies, I would think that they [consultants] could help influence communality of consensus. So in a way, a consulting company within an agenda could set a global practice".

Erosion of knowledge. Executives fear 'hollowing out' and loss of skills. They were very much concerned that they "create no institutional knowledge" when outsourcing of decision-making takes place. As one of my respondents put it: "In fact, we train the consultants…Knowledge will go with them. There's no way to stop that". As the following comment suggests, there was a shared notion that the company didn't get the benefit of learning:

> "You can enhance your organisational capability for a short duration and for a discrete area of responsibility. However, if that same need arises, your organisation is not any further capable. You again rely on going outside. So the cost is an opportunity cost in that your ability to build overall long-term organisational capability is lost. That's part of the decision that you've made not to build that organisational capability because the benefits outweigh the costs of having that long-term capability".

The participants in the study envisaged in general a bright future for the consulting industry. They said that there is "a huge market for consultants if they become a part of the implementation phase". Many executives predicted a "major shift to a profit-sharing fee-based model" and high turnover problems for consulting firms, because "the best in class …are insourcing consultants. [Companies] are hiring people away from the leading consulting firms, less than using consulting firms".

4.5 Conclusion

When the decision event was framed as an opportunity, there was either no- or low-degree of outsourcing of decision-making. Executives exercised strong control and affirmed that, "consultants should never sit on your chair". In this case, consultants were chosen primarily because of their expertise. When the decision event was framed as a threat, there seemed to be a much higher degree of outsourcing of decision-making. Executives had the perception that they did not control the situation entirely and they expected consultants also to play the role of toxin handlers, reducing their level of anxiety and stress. The brand name of the consulting company was an important selection criterion when the situation was framed as threat. Executives shared serious concerns about the implications of outsourcing of decision-making. In their view, if the strategic decision-making process is delegated to consultants, organisations could become similar and could lose their competitive advantage. Their second concern was about the possible erosion of organisational learning.

5. Discussion

The discussion will focus on two issues. The first is the model that emerged from the qualitative study, reflecting the link between outsourcing of decision-making, framing of the decision event and subsequent control-related beliefs. The second issue refers to the benefits and costs of outsourcing of decision-making and its broader implications for the development of organisational fields.

5.1 Framing and Control-Related Beliefs

An extensive body of literature suggests that managers frame strategic decisions as threats or opportunities (Mintzberg, Raisanghani, & Theoret, 1976; Milburn, Schuler, & Watman, 1983; Nutt, 1984; Fredrick; Dutton & Jackson, 1987; Jackson & Dutton, 1988; Dutton, 1993). Threat and opportunity are multidimensional concepts (Thomas, Clark, & Giola, 1993). They "are similar in the sense of urgency, difficulty and large stakes associated with each“ (Jackson & Dutton, 1988: 374). However, inferences about them do not follow the same cognitive pattern, since we are more sensitive to threat- than to opportunity-consistent information (Jackson & Dutton, 1988). The idea of 'problemistic search' (Cyert & March, 1963) is consistent with this notion. Nutt also confirms that managers more often respond to issues they categorise as 'problems' than as 'opportunities' (Nutt, 1984). The framing of the decision event influences the perception of control. Threat, for example, leads to a feeling of loss of personal control (Kanfer & Hagerman, 1981; Rosenbaum & Ben-Ari, 1985).

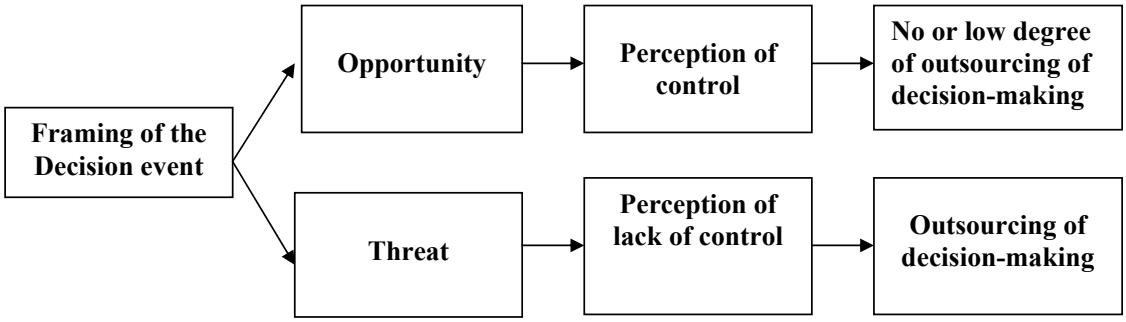
People are motivated to perceive that they are in control of their environment (White, 1959). It is a long-standing assumption that sense of control is beneficial. However, there are situations when personal control may not be desirable, and when it is avoided or relinquished. Burger (Burger, 1989) analysed these exceptions. For example, being responsible for possible bad outcomes can make control unattractive. Sometimes, it’s in one’s interest to give up control and let, for example, someone else repair the car if he is a better mechanic. If control focuses one’s attention on bad outcomes, it can increase the level of anxiety. In unresponsive settings, for example, persistence does not pay off. Since our resources are limited, the futile pursuit of a goal would imply that other more attainable goals have been neglected. In other

words, personal control is not always beneficial and it can be "onerous when choices are too many, too complex or too difficult" (Peterson, 1999: 299). However, Baumeister suggests that "still, by and large, it is safe to say that people desire, seek, and prefer control" (Baumeister, 1998: 713).

When executives framed the situation as threat, they had a very positive attitude towards consultants. According to the cognitive dissonance theory (Festinger, 1957), human beings dislike inconsistency and strive to reduce it. When our attitudes and behaviour do not fit together, we experience considerable pressure to change one of them. Relying heavily on consultants and having a negative attitude towards them would be an inconsistency. So in this case, executives have to change their attitudes in order to reduce the pressure.

The results of the qualitative study suggest the following proposition reflected in the conceptual framework in Figure 4:

Figure 4: Conceptual framework



Proposition 1*: The framing of the situation influences the control-related beliefs of the decision-maker, which in turn have impact on the likelihood of outsourcing of decision-making.*

5.2 Outsourcing of Decision Making: Pros, Cons and Implications

The qualitative data revealed that consulting assignments often reflected a degree of outsourcing of decision-making. Executives reckoned that resources are needed on a spot basis and sometimes it was easier "to hire extra brains". They repeatedly referred to consultants as additional 'arms-and-legs'. In their view, low degree of outsourcing, which would correspond to Schein's Expertise Model, was not a problem and could even have a beneficial effect on the organisation. It was the high degree of outsourcing of decision-making that raised questions about its long-term impact on the organisational field in terms of isomorphism. The following discussion will look at outsourcing of decision-making as an opportunity and as a constraint, in order to draw conclusions about the possible implications.

5.2.1 Outsourcing of Decision Making as an Opportunity

There are theoretical arguments to support the view that outsourcing of strategic decision-making could be more efficient than the 'in-house' strategic decision-making. Since the idea of efficiency is the 'analytical spine' of Simon's reasoning, I'll use his analytical framework to develop the argument that outsourcing of decision-making could be viewed as an opportunity. He states that "the criterion of efficiency dictates *that* choice of alternatives which produces the largest result for the given application of resources" (Simon, 1997: 256).

According to *rational* theories of decision-making (Simon, 1947; Mintzberg et al., 1976) actors enter the process with defined objectives. They process information, develop alternatives and select the best one. Strategy formulation, in this case, is a decision-making process (Fredrickson, 1984), which unfolds in stages. Discussing the 'anatomy of decision', Simon (1997: 85) defines decision-making as a process by

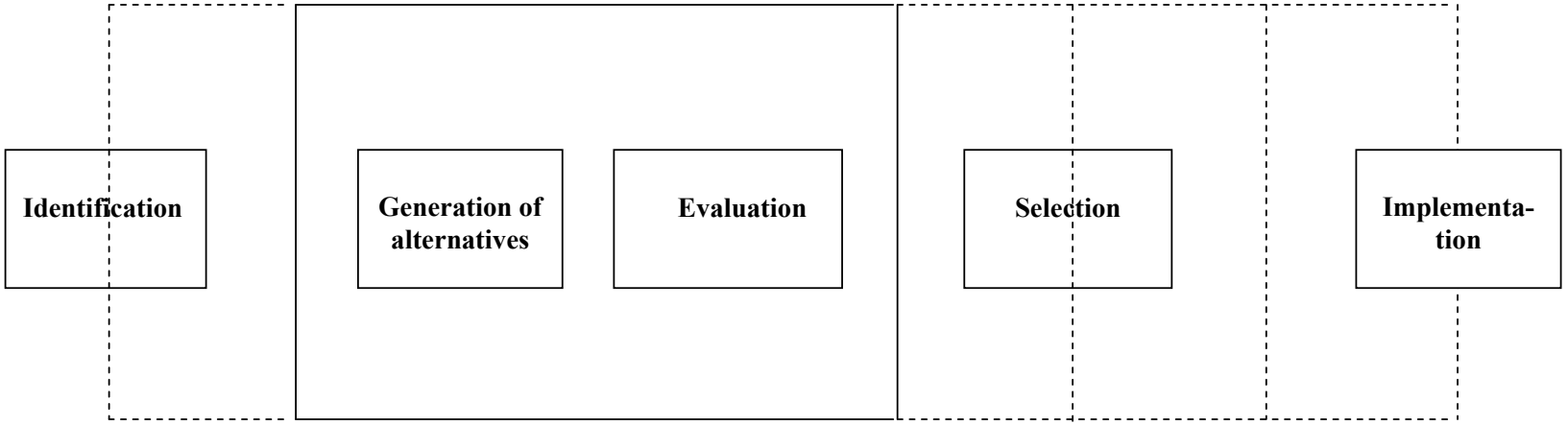
which one alternative is selected to be carried out. According to him, decision-making has a *sequential character*. There are different schools of thought that question the proposition of sequentiality. March and Olsen, for example, suggest that problems, solutions, participants and choice opportunities mix together in the 'garbage can' of the organisation and that goals may be discovered ex-post (March & Olsen, 1976). However, the rational view on decision-making is more or less accepted as a generalised picture of the process. Often there is no 'simple, sequential relationship' (Mintzberg et al., 1976) and stages do not move steadily, but jump about (Hickson, Butler, Cray, Mallory, & Wilson, 1986). In this case the different phases do not occur in the postulated order or may recur more than once, but this does not contradict the idea that there are certain elements that constitute the decision-making process.

There are different classifications of its stages, but broadly speaking they could be summarised as: identification of the problem, generation of alternatives, evaluation of the alternatives, selection of the best alternative and implementation of the selected alternative (Schwenk, 1984).

Therefore, the decision-making process can be fragmented and parts of it can be delegated outside the company to a consulting firm, for example. For the purpose of my analysis *this practice of delegation of parts of the strategic decision-making process to a consulting company will be defined as outsourcing of decision-making* (see Figure 5).

Many of Simon's ideas about specialisation, cognitive limitations and biases, and minimisation of interdependencies are relevant for my discussion.

Figure 5: Stages of the decision-making process.



* This figure can be read as a variety of options for ODM. Executives, for example can outsource the stages of Generation of alternatives and Evaluation. However, they can include also Identification, and/or Selection, and/or Implementation.

Specialisation increases expertise and scale. Specialisation is the basic administrative principle that enhances efficiency. According to it, each decision should be made at the point where it can be made most expertly. Hence, decision-making should rest with those who have the greatest chances to come up with the best alternatives and comparatively evaluate their consequences. For the purpose of this analysis we could extend this conclusion and say that they might be within or outside the company. Therefore, consulting firms, which specialise in the generation of alternatives and their evaluation, might be more efficient in some stages of the decision-making process in terms of increased expertise and scale.

Restraining cognitive limitations and biases. Efficiency is determined by the contribution of every single member of the organisation, which depends on her limits to perform and to make correct decisions. The latter depends on the speed of our mental processes, skills and habits. There are limits to the amount of knowledge that human minds can accumulate and apply and the quickness with which it can be assimilated.

Simon states that Administrative theory is "the theory of intended and bounded rationality – of the behaviour of human beings who satisfice, because they have not the wits to maximise" (Simon, 1997: 118). For our analysis his argument that decision-makers are constrained by the complexity of modern organisations and by their own limited cognitive capacity is quite relevant.

Managers choose without examining all possible alternatives, relying on simplifications and rules of thumb. He argues that "at any given time we notice only a tiny fraction of the opportunities that are objectively present, and only a small part of the problems" (Simon, 1997: 123). The choice among alternatives is determined by the knowledge about their consequences, the necessity to co-ordinate one's own

behaviour with that of others and the evaluation of preferences for a definite set of consequences. It is obvious that satisficing means adequate and not optimal solutions, because actors lower their aspirations. In addition, the issue on which we have to decide might be unclear or subjected to different interpretations, the information on alternatives may be missing, may be incomplete or misunderstood, the criteria for the selection of the best alternative may be uncertain or arguable, the alternatives are not simultaneously but sequentially evaluated and we may use simplified rules and heuristics. To this sad picture we have to add the limited and finite time and energy of the decision-maker. The result is that managers operate boundedly rationally. That would not mean that executives are irrational when they make decisions. On the contrary, they try their best to be rational, but the individual and environmental constraints prohibit it. Often top managers are trapped by certain biases like availability, representativeness, framing, selective perception bias, illusory correlations, wishful thinking, etc. (Tversky & Kahneman, 1973). Bounded rationality makes the idea of outsourcing of decision-making even more appealing, since consulting companies contribute to the elimination of organisational biases in the decision-making process. Because of their transorganisational experience and impartiality, they offer a more 'objective' perspective, which improves the quality and reliability of the decision. It makes sense to outsource especially the second and the third stages of the decision-making process, since they suffer most under the bounded rationality constraints.

Executives might be prone to misperceive actions and to resist change, because they have strong vested interests. Changes could be perceived as threatening their dominance. It might be difficult for them to question their own ideas, since the history of executives' promotions and the high status they have achieved confirms

their self-concept of having more capabilities than other people in the organisation. At the same time, executives' expertise can be quickly outdated because their personal experiences with customers, technologies, and shop-floor problems lies in the past. Frequently, it's difficult for displeasing information to penetrate to the top floor (Starbuck, 1983). Outsourcing of decision-making helps top managers to overcome the paralysis of indecisiveness and resistance.

Sometimes organisational problems have an ideological nature. They resemble crystals in that they form incrementally. And when there are logical gaps, we tend to fill the gaps with rationalisations. As a result, problems grow hard like emeralds or rubies (Starbuck, 1983). An outside view helps executives salvage the company from problem 'crystallisation', because problems are detached from their ideological nature.

Decentralisation and minimisation of interdependencies. The notion that complexity strongly influences decision-making is the theoretical fabric of the cognitive perspective. Simon (Simon, 1996: 183f.) defines complex systems as 'systems made up of a large number of parts that have many interactions'. Some authors argue that systems that comprise more elements create uncertainty since more information has to be processed and the higher level of interdependency complicates the task of coordination (Thompson, 1967;Galbraith, 1977). The larger number of units makes mutual adjustment within and between them more difficult and creates the need for liaison 'devices' such as liaison positions, task forces and standing committees, integrating managers and matrix-structure carriers (Mintzberg, Quinn, & Ghoshal, 1998). Backward and forward vertical- and horizontal-integration contribute significantly to the complexity of contemporary organisations. In order to

evaluate the potential for synergy, the nature of relatedness (Prahalad & Bettis, 1986; Chatterji & Wernerfelt, 1991) has to be analysed. Opportunities for resource leveraging (e.g. resource reallocation, replication or pooling), or strategy alignment, have to be identified (de Wit & Meyer, 1998). Under these circumstances choices have to be made among a greater number of possible combinations. Bennis, for example, speaks about 'raplexity' to signify the even-more sophisticated complexity when intertwined with rapidity (Bennis, 1998). Internationalisation brings another set of contingencies which contribute to complexity (Hofstede, 1980), because in addition to the increased number of units, differences in culture have to be considered as well. If we take all these together, we can agree with Simon (Simon, 1997) that every second, managers are drowning in information.

Post-industrial organisational decision-making "shows every sign of becoming a great deal more complex than the decision-making of the past. As a consequence, the decision-making processes … bulk larger and larger as the central activity in which the organisation is engaged" (Simon, 1997: 239). What is needed in his opinion is a factorisation that minimises these interdependencies and permits decentralisation of the process. Outsourcing of decision-making helps fulfil these two requirements, since some stages of the process are delegated outside the company.

According to Mason and Mitroff, complexity means the condition of being tightly woven or twined together (Mason & Mitroff, 1998). Interestingly enough, they argue that we have few intellectual tools for coping with 'organised complexity' in which deviations in one element can be transmitted to other elements. However, it is exactly the case with diversified modern organisations, where problems cannot be isolated for separate treatment, since solution of one of them creates ambiguity somewhere else in the system. In large organisations, if the decision-making process

is carried out internally, substantial resources are required for monitoring costs and efficiency. As Perrow puts it: “The greater the degree of bureaucratisation, the greater the delegation of decision-making” (Perrow, 1979: 151). Outsourcing can be regarded as a part of an optimisation process, which economises on transaction costs (Williamson, 1975) and leverages the experience of consulting companies to 'tame' organised complexity.

Ashby‘s law of requisite variety is an interesting perspective on the relationship between complexity and outsourcing of decision-making (Ashby, 1956). It holds that the system regulating variety must be as complex as the system, which is intended to be regulated. In this case outsourcing will mean increasing the capacity of a decision-making unit to generate alternatives (Husted, 1993).

Conservation of executive’s attention. Nowadays information is no longer scarce; there is an accelerated flow of data, but “a new scarcity has been created: the scarcity of human time for attending to the information that flows in on us” (Perrow, 1979; Simon, 1997: 22). It becomes more and more difficult to cope with the glut of data. In Simon’s opinion, as we move to the top of the organisation, the bottleneck of attention becomes narrower and narrower and the processing capacity becomes less easy to provide.

In the beginning of the 20th century F.W. Taylor introduced the concept of time-value in management. Since then, executives behold time as a fundamental aspect of managerial life that brings a significant competitive advantage (Vinton, 1992). The problem with it is, that it is a non-renewable resource and ‘every entrance is an exit somewhere else’ (Simon, 1997). As we move to the top level of the company, the bottleneck of executives’ time and attention becomes narrower. In

today's complex organisations choices have to be made among a greater number of possible combinations. The job of top managers is characterised by a great many stimuli for decisions, which come from the outside: "innumerable other persons, problems, and things are constantly being forced on his attention" (Simon, 1997: 103).

Time is to a large extent a mental construction and recent research has moved to study the 'subjective time' which is based on people's perception of the amount of time available for the different activities (Leclerc, Schmitt, & Dube, 1995). The results from the qualitative study herein suggest that when managers outsource strategic decision-making, they save time, which they seem to re-deploy in the identification of the problem phase. Although different concepts like problem recognition, problem finding, problem defining, or problem diagnosing, are used to label this very beginning of the decision-making process, they all are quite close in meaning. The essence is, that managers operate on the basis of problemistic search, and in problem situations decision-makers wish to have a better understanding of the circumstances before they can act. Sensing of a problem also occurs prior to crisis perception. This stage can be conceptualised as identification of opportunities as well, although managers' mind set seems to be more sensitive to information suggesting the presence of a threat than to the one that indicates opportunities. Especially in an unstable environment, there is a need to make meaning first in order to see what there is to decide. Therefore, the primary job of the manager is to interpret (Daft & Weick, 1984), to provide explanations, rationalisations, and legitimation for the activities in the organisation (Pfeffer, 1981). However, the actual distribution of executives' time among the different stages of the decision-making does not reflect the importance of this part of the process. This phase, when

executives are supposed to structure the unknown and to ascribe meaning to certain events in order to recognise a problem or an opportunity, seems to be too short. Time pressure inhibits people's search for diagnostic information (Kruglanski & Mayseless, 1988) and self-presentational concern about appearing decisive creates negative time-pressure effects (Fiske & Taylor, 1984). However, there are possibilities to restructure the time spent on strategic decision-making without increasing its absolute amount, so that time pressure is reduced. Outsourcing of decision-making gives top managers the opportunity to re-channel part of their attention to the identification stage where the process of sense making takes place, since "the imposition of meaning on issues characterised by ambiguity has become a hallmark of the modern top manager" (Thomas et al., 1993: 240). Outsourcing of decision-making helps conserve part of executive's attention, so that more time and energy is devoted for example to the identification of problems and the implementation of solutions.

An interesting twist in the management theories is the literature on reliable systems. It argues that when the environment becomes unstable, there is a need to make meaning first in order to see what there is to decide (Weick, 1987). Therefore, the job of the manager is to interpret (Daft & Weick, 1984). Outsourcing of decision-making gives top management the opportunity to redistribute the scarce resource 'attention' and channel part of it to the process of sense-making, since problems have to be named and prepared for organisational processing. To exploit the basic principles of reliable systems further, it could be argued that outsourcing of decision-making creates a certain level of redundancy or slack, which is beneficial in certain amounts (Nohria & Gulati, 1996).

In sum, the cognitive perspective suggests that outsourcing of decision-making is efficient and could be considered an opportunity by executives:

First, specialisation in certain stages of decision-making leads to efficiency. Since consulting companies specialise in renting a knowledge source (Davenport & Prusak, 1998), in generation of alternatives and in their evaluation, they can offer an increased expertise and scale.

Second, outsourcing of decision-making counterbalances cognitive limitations and biases of top executives, thereby improving the quality and reliability of decisions. One might argue that consultants are also boundedly rational. That is true. However, the nature of their work liberates them from some of the constraints experienced by executives, and Kahneman and Lovallo (Kahneman & Lovallo, 1993) give evidence that an outside view is superior in terms of predicting what is going to happen.

Third, outsourcing of decision-making optimises the process through decentralisation and minimisation of interdependencies. It economises on transaction costs and helps tame organised complexity. The creation of an 'objective perspective' is an additional plus for outsourcing of decision-making.

Last, but not the least advantage, is conservation of executives' attention, which can be redeployed in other stages of the decision-making process, for example the identification of problems or the implementation of solutions. As a result of outsourcing, top managers can dedicate more time to their sense-making functions.

If outsourcing of decision-making is efficient, companies should have incentives to do it more frequently and over a longer period of time. It is indeed the case if some of the agency problems are solved.

5.2.2 Agency problems

An agency relationship arises whenever one individual depends on the actions of another (Pratt & Zeckhausen, 1991). In this case, the principal delegates work to the agent via a contract, and the organisation becomes a nexus of contracts and agreements (Jensen & Meckling, 1976). Linking this account with my discussion on outsourcing of decision-making, we could say that a consulting company could be considered to be the agent and top management to be the principal. One of the basic premises of agency theory is the existence of information asymmetry, since the agent knows more than the principal. Problems like moral hazard and adverse selection arise because of the triad risk-aversion, self-interest and bounded rationality (Eisenhardt, 1989b). Therefore, it is difficult to check how diligent the consultant has been and how much effort she has put into the project. However, Whyte claims that agency is a solution, not a problem, a 'neat kind of social plumbing' (Whyte, 1991: 188).

If the principal can monitor agent behaviour through certain mechanisms in order to be sure that the agent behaves as stipulated in the contract, the information asymmetry on his side is reduced. The problem is that such monitoring mechanisms are costly. An alternative solution is to have an outcome-based contract. This option transfers the risk from the principal to the agent, since the outcome is more or less affected, but not completely determined, by the agent's action. According to Canback, in the future the relationship between consultants and companies will grow stronger and more symbiotic, because of prospects of long-term co-operation based on an increased use of success fees (Canback, 1999). There is also an additional argument in support of this view. If we draw a more complex picture of human agents than the traditional theory, then we will recognise the social embeddedness of professional agents who "take pride in their craft and are attracted to the calling to serve the public" (Sharma,

1997: 773). Control by knowledgeable peers and self-control put some restraints on agent's opportunism. In the process of exchange, professionals as agents also have power over the principal "by virtue of their expertise, functional indispensability, and the intrinsic ambiguity associated with the services they provide" (Sharma, 1997: 768).

Taken together, these arguments lead to the following conclusions:

First, as a solution to agency problems, outcome-oriented contracts will become more and more frequent in consulting projects. This in turn will increase the propensity of executives to outsource decision-making, for less monitoring of agents' efforts will be necessary.

Second, since there is pressure for simple contracts, repeated relations with one consulting company will allow it to keep track of its past outcomes. The threat for the agent, of losing a large stock of value such as reputation, will keep the co-operation stable. The stake agents have in each transaction is increased by the establishment of a long-term relationship. Sharma makes the proposition that the "professional agent is less likely to behave opportunistically when the transactions with the same principal firm are linked intertemporally for the same service product or linked crossed-sectionally across several service products" (Sharma, 1997: 788).

Until now I have argued that outsourcing of decision-making leads to efficiency, and hence can be considered by top executives to be an opportunity. Outcome-oriented contracts solve some of the agent problems, so that a long-term agent-principal relationship is meaningful. However, this analysis is based on a static view, which does not take into consideration the dynamic created in an organisational field where the majority of companies outsource decision-making or in other words when consulting becomes institutionalised.

5.2.3 Outsourcing of Decision Making as a Constraint

During the last decade a real 'fusion' between management and consulting has taken place with a dramatic shift in the balance of influence. It wouldn't be an exaggeration to say that we are witnessing an institutionalisation of consulting, which is expanding on a massive scale. There is considerable evidence (Canback, 1998) illustrating its growing impact. In 1980 the consulting industry had world-wide revenues of $2 billion, while for 1997 the figure is over $35 billion, with annual growth rates in the last few years of more than 20%.

According to Selznick, organisations are the structural expression of rational action (Selznick, 1957). As they are institutionalised, they become infused with values. A step forward is North's view (North, 1990), which argues that institutions reduce uncertainty by providing an efficient framework for exchange. Institutions determine the opportunities in society, they define the rules of the game and play a major role in the perfection of an economy. Therefore, institutionalisation reflects those mechanisms that enhance economic processes. The conclusion would be that consulting and the process of outsourcing of decision-making as part of it, are institutionalised because they are beneficial for economic development. But what is the outcome of institutionalisation?

The Institutional Theory Perspective. Under conditions of uncertainty, organisations experience strong pressure to respond with mimetic isomorphism and they adopt the patterns of those organisations that are defined as successful in their field (DiMaggio & Powell, 1983; Haveman, 1993; Selznick, 1996). According to institutional theories, conformity through imitation is beneficial since it increases organisations' likelihood of survival (Oliver, 1991). There is considerable research

on the isomorphic pressure in different organisational fields (Rozenzweig & Singh, 1991; Delmestri, 1998) and on the positive effects of isomorphism (D'Aunno, Sutton, & Price, 1991; Sheppard, 1994; Deephouse, 1996; Dacin, 1997; Ocasio & Kim, 1999). Economic performance is not the only goal of mimetic transformation. Stability, legitimacy and access to resources are the basic rewards for organisational conformity (Oliver, 1991). According to the cognitive perspective of institutional theories, organisational legitimacy comes from adopting a common frame of reference or definition of the situation (Scott, 1995). External and ceremonial criteria of worth (Meyer & Rowan, 1977) may signal the social fitness of the organisation. The incorporation of societally legitimated rationalised elements (e.g. external advice in the decision-making process) maximises the legitimacy of organisations and hence increases their chances for access to resources and survival capabilities (Meyer & Rowan, 1977). Feldman and March (Feldman & March, 1981) give another interesting perspective to support the legitimacy issue. They argue that organisations gather information and do not use it, or act first and receive requested information later. 'Gatherers' usually overload 'users', decoupling information from decisions. This apparent irrational behaviour makes sense if we take into consideration that the information gathering function enhances legitimacy. Selectionism would also favour the argument of gathering more knowledge, linking it to the process of iterated variation - selection - retention, which Campbell (1969) considered as the evolutionary algorithm. Applying it to the evolution of knowledge, he suggested that the first step is blind variation, e.g. information, because processes "do not know" which of the variants that they have produced will be selected at the later stage (Campbell, 1969).

However, in order to imitate or replicate an organisational design or strategy, knowledge is needed, and as Hayek points out, it is not given to anyone in its totality (Hayek, 1945). Consulting companies are huge repositories of best practices and best solutions for certain problems, since knowledge is their core asset (Hansen, Nohria, & Tierney, 1999). What they do is an easy and quick dissemination of their knowledge throughout an organisational field, or as DiMaggio and Powell put it, "Large organisations choose from a relatively small set of major consulting firms, which, like Johnny Appleseed, spread a few organisational models throughout the land" (DiMaggio & Powell, 1983: 152). Studying the homogeneity of Korean firms' practices, Ghoshal (Ghoshal, 1988) points out the role of consulting firms as well. In other words, outsourcing of decision-making is a vehicle of mimetic isomorphism, which seems functional with regard to survival value.

A scientific community is an efficient instrument to maximise the number and precision of the problems solved through paradigm change (Kuhn, 1962). Accordingly, outsourcing of decision-making contributes to the paradigm change within an organisation and therefore to its adaptive efficiency (North, 1990).

In sum, consulting has been institutionalised and outsourcing of decision-making is a vehicle of isomorphism in an organisational field. It enhances the legitimacy of the organisation and creates certain slack and redundancy in the system, which makes it more reliable. But can we expect that every level of outsourcing of decision-making is functional?

Organisations are located within fields, which connote "the existence of a community of organisations that partakes of a common meaning system and whose participants interact more frequently and fatefully with one another than with actors outside the field" (Scott, 1995: 6). Therefore, institutionalisation is shaped by certain

forces that operate both within the organisation and at the level of the organisational field.

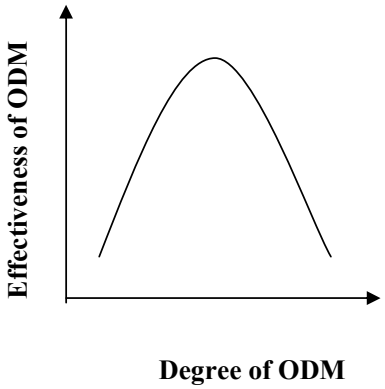
As we have seen, outsourcing of decision-making leads to convergence of strategies with little variation of performance within an organisational field, while non-optimal organisations are selected out (Haveman, 1993). As a result of a mimetic transformational process, strategies, which are believed to be successful, quickly spread around, since organisations try to capitalise on them. More and more CEOs state that the strategies of their major competitors have become quite similar over the past few years and in various industries the strategies of market leaders converge, so that it is no wonder that many companies experience the heat of 'hypercompetition' (Hamel, 1997). As a greater number of organisations outsource decision-making, a point might be reached beyond which the mimetic modelling resulting from consulting no longer guarantees relative competitive advantages. If a critical mass of organisations becomes homogeneous in process, structure and behaviour and a change has become 'trendy', a necessity to develop a new approach is created. Outsourcing of decision-making shortens the strategy life cycles. As Hamel says, there is an increasing pool of mediocre performing companies and the more similar firms become, the higher their dependence on consulting companies (Hamel, 1999). The greater the 'hunger' for strategy innovation, the higher the degree of outsourcing of decision-making. In addition, relying on consulting companies diminishes their capacity to generate alternatives and evaluate them, which is essential for the strategy formation. The result could be a kind of 'addiction' to outsourcing of decision-making, which hinders provoking new insights.

5.2.4 How much Outsourcing of Decision Making is Functional?

We can expect that within an organisational field the proportion of those who outsource decision-making has an effect on its overall efficiency, since mimetic isomorphism is the result of connectedness among organisations (DiMaggio & Powell, 1983). As the number of companies that outsource decision-making grows, an isomorphic effect will swamp the efficiency, making outsourcing less attractive to other companies. It appears that there is a reciprocal relationship between the context, resulting from outsourcing of decision-making, and its effectiveness. Up to a certain degree mimetic isomorphism, created by consulting companies, contributes to higher performance, but the relationship is not linear over the entire range of mimetic transformation in the organisational field. The more companies adopt the same strategies, the more these strategies lose their power to create competitive advantage and diminishing returns can be expected. These two countervailing forces suggest that outsourcing of decision-making can be beneficial only if it does not create too much isomorphism.

The curvilinear relationship (Figure 6) recognises that too little isomorphism is as bad as too much of it and predicts that the interest of firms towards outsourcing of decision-making will diminish when the context of a given organisational field has achieved a certain level of isomorphism. If the relationship is inversely U-shaped, there should be an intermediate level of outsourcing of decision-making in any organisational field that is optimal for isomorphism. It might be that at the time being, strategic consulting is booming because it is still on the ascending part of the curve. It is plausible that the point of inflexion where performance starts to diminish with increasing amount of outsourcing of decision-making is different for the various organisational fields.

Figure 6: Relationship between the degree of outsourcing of decision-making (ODM) and its effectiveness



Once companies have felt the negative impact of being *too* similar, they might turn back to internal ideas and talents. That could lead to internalisation of some consulting companies by powerful firms or as Hamel puts it: "If you're a traditional strategy consultant, watch out (Hamel, 1998: 4). If I'm a senior executive, why should I pay your 29-year-old to teach me about my industry? Wouldn't it be better to get my own 29-year-olds, and everybody else in my company, to help me about the future?" But this development needs time. As Mowday and Sutton argue, "The context must act on, be noticed by, and be construed as important by individuals and groups before it can influence their behaviour" (Mowday & Sutton, 1993: 209).

In conclusion: The context created by outsourcing of decision-making and the resulting mimetic isomorphism can be viewed as an opportunity and as a constraint. If we put these two pictures together, a nonmonotonic curvilinear relationship between the degree of outsourcing of decision-making and its effectiveness could be expected. However, there is a difference between less- and well-developed organisational fields.

The former are characterised by a lower degree of outsourcing of decision-making and the pressure of mimetic isomorphism is lower. The inference would be that expansion of outsourcing of decision-making is beneficial for an organisational field only to certain limits. Ergo, the question is not whether to outsource decision-making or not, but what amount of outsourcing is optimal and how consulting companies can counteract the underlying mechanism of mimetic isomorphism. Formally, the following proposition could be stated:

Proposition 2*: In less-developed organisational fields there will be a positive relationship between the degree of outsourcing of decision-making and its efficiency, while in well-developed fields the relationship will be a curvilinear one.*

5.3 Implications

Outsourcing of decision-making has implications for both consultants and their clients. On the part of top management, it can bring benefits only in the case of no or low-degree of outsourcing of decision-making. In these cases, bringing in consultants increases the efficiency, creativity, credibility and objectivity in the decision-making process. However, a high degree of outsourcing could lead to loss of learning, dependency, displacement of responsibility and signals to the stakeholders that the executive is not in charge. It looks more likely that in future, clients will prefer a profit-sharing fee-based model where the consulting company shares the risk of the implemented strategy.

In the case of low degree of outsourcing of decision-making, a division of labour could take place: executives specialise in problem identification, selection of the best alternative and solution implementation, while consulting companies

concentrate on the generation of alternatives and their evaluation. Top management takes the full responsibility for the selection of the best alternative and for the final decision. This would imply that executives have to develop better sense-making skills and more sensitivity to people-related issues, which is crucial for the successful implementation of change. Further, they have to make an intensive effort to leverage knowledge from the consulting process, which is in fact knowledge renting. Consulting companies, on their part, will have to further develop their analytical skills, symbol manipulation capabilities and strategies for knowledge codification. A possible consequence of this development could be two distinct career paths for MBA students: the analytical manager and the company manager.

Consulting companies have huge opportunities if they become engaged in the implementation phase. It is of practical significance for consulting companies to recognise that outsourcing of decision-making has an inverse U-shaped effect on the performance in a well-developed organisational field. Going too far with quick, routine solutions that increase the mimetic isomorphism may jeopardise the reputation of the consulting institution. Economy of scale is a dangerous development in strategic consulting and the professional community should be alert to its consequences. Mimetic isomorphism, while encompassing rational elements, should be deliberately counteracted in the process of outsourcing of decision-making. Hamel warns consulting companies to "stop trying to create dependency and start trying to embed a deep capability for strategy innovation. Work to put yourself out of business!" (Hamel, 1998: 4). Albeit this sounds rather utopian, professional consultants should think about the long-term implications of their activity in different organisational fields.

6. Summary and Conclusion

Study 1 was designed as an exploratory phase of my research on outsourcing of decision-making. It confirmed the applicability of Schein's models of consulting interventions and suggested that the framing of the decision event influences the control-related beliefs of decision-makers. Under conditions of threat, executives seemed to perceive loss of control and were more likely to disengage from the strategic decision-making process delegating it to consultants. This process of delegation was labelled as 'outsourcing of decision-making'. The interviews with executives suggested that a low degree of outsourcing of decision-making is inherent to many consulting assignments. However, according to top managers, there were cases when they outsourced extensively all stages of the decision-making process and in fact abdicated from the decision-making process. In this case, they had 'someone else's strategy'. One of the consequences was lack of commitment and lack of learning on the side of executives. But there were also some broader implications for the whole organisational field. Because of mimetic isomorphism, a curvilinear relationship between the degree of outsourcing of decision-making and its effectiveness could be expected. Consequently, in the long run, outsourcing of decision-making could create problems for the whole organisational field.

The goal of this thesis is to study why executives outsource strategic decision-making. Study 1 provided evidence that managers do outsource strategic decision-making and that the tendency of decision-makers to delegate their responsibility to outside experts is influenced by two factors: framing of the decision event and perception of control. This first step of the analysis was based on interview data. The 'local groundedness', 'richness and holism' of qualitative data makes it 'well suited for locating the meanings people place on events, processes and structures' (Miles &

Huberman, 1994: 10). However, this qualitative exploration has to be complemented by a quantitative study, because if we want to understand the world, "numbers and words are both needed" (Miles & Huberman, 1994: 40). The next chapter will examine empirically the causal link between the first of the hypothesized factors, framing of the decision event, and the level of outsourcing of decision-making. Thereafter, chapter 3 and 4 will explore the impact of the second factor, perception of control, on the degree of outsourcing of decision-making.

CHAPTER II: FRAMING AND OUTSOURCING OF DECISION MAKING

1. Introduction

The qualitative study provided evidence that executives do perceive outsourcing of decision-making as a form of managers' disengagement. It also suggested that certain cognitive processes, like framing of the decision event, might be related to the tendency of managers to outsource.

My objective in this chapter is to link the framing of the decision event with the degree of outsourcing of decision-making. The results from the qualitative study confirmed that executives perceived the decision-making process to be unfolding in stages and that consultants had different levels of involvement in these stages. The data also suggested that consultants were more involved when executives perceived the situation as threat. My goal in the second study is to test the hypothesis that different framings of the situation lead to different degrees of outsourcing of decision-making.

I begin by reviewing the theoretical perspectives on decision-making. I then turn my attention to the process of framing of the decision event, the different types of framing effects and the relationship between framing and emotion. A scenario-based experiment tests the hypothesis that there is a higher degree of outsourcing of decision-making under conditions of framing as threat compared to framing as opportunity. Some methodological considerations about the validity of the laboratory study and its limitations are examined. I conclude with a general discussion on the role of control-related beliefs in the process of outsourcing of decision-making.

2. Theoretical Background

More than half a century ago, Barnard put decision-making at the core of organisation theory (Barnard, 1938). Since then, our knowledge about the locus and nature of the process has been extensively developed. Researchers developed a more complex view of organisations as satisfying coalitions (Simon, 1947; Cyert & March, 1963), and further elaborated the political dimension of the decision-making process (Allison, 1971; Pettigrew, 1973). Some authors have argued that complexity, uncertainty and ambiguity increase the diffuseness of decision-making (Cyert & March, 1963; Thompson, 1967; March & Olsen, 1976), which makes it difficult to identify the exact location of the organisational decision (Hage, 1981; Butler, 1990). In addition to the political and power issues, the type of decision as a determinant of the nature of the process has attracted considerable attention (Mintzberg et al., 1976; Hickson et al., 1986). According to Loewenstein, decision theory is the brilliant child of equally brilliant parents: from cognitive psychology it has inherited its concern with process and from economics its religion of utility maximisation (Loewenstein, 1996). Strategic decision-making is a perfect example of this conclusion, since it strongly emphasises the process and is much concerned with issues of rationality.

2.1 Definition of Strategic Decisions

Strategic are those decisions that are "important, in terms of the actions taken, the resources committed, or the precedents set" (Mintzberg et al., 1976: 246). Nutt adds to these the developmental criterion, which suggests that in order to qualify as strategic, a decision should make choices about vision formation as well (Nutt, 2000). The context of strategic decisions is characterised by high stakes, impact of

the strategic issues, and involvement of a substantial number of organisational members. No issue is inherently strategic, but it can become one if top management believes it is relevant for organisational performance (Dutton & Ashford, 1993). Strategic decisions are usually associated with uncertainty about future events, with incomplete information, and a dynamic environment (Taylor, 1987). Strategic decision-making is central among strategic process issues because it affects organisational health and survival (Eisenhardt & Zbaracki, 1992).

Since Mintzberg et al.'s seminal paper (Mintzberg et al., 1976), researchers have focused primarily on identifying and describing the main types of strategic decision processes. The most extensive study on this topic analyses 150 decisions made in British organisations (Hickson et al., 1986). The authors describe a typology of three basic types of strategic decision processes. In their view, we can observe fluid decision processes, which are speedy and steadily paced, constricted processes that are narrowly channelled, and sporadic processes that are protracted and characterised by interruptions. This typology reflects the three main approaches that deal with these complex, open-ended and unstructured decision processes (Eisenhardt, 1997).

2.2 Theories of Decision Making

There are three dominant paradigms in the field of strategic decision-making: Rationality and bounded rationality, politics and power, and garbage can models (Eisenhardt & Zbaracki, 1992).

Rationality and bounded rationality. According to these theories of decision-making (Simon, 1947, Mintzberg et al., 1976), actors enter the process with defined objectives. They process information, develop alternatives and select the best

one. Strategy formulation in this case, is a decision-making process (Fredrickson, 1984), which as already discussed, unfolds in stages like problem identification, generation of alternatives, evaluation of alternatives, selection of the best alternative and implementation. This would imply that some of them, e.g. generation or evaluation of alternatives, could be delegated to outside experts. There is empirical support for the rational theories (Carter, 1971; Pinfield, 1986; Eisenhardt, 1989a; Hitt & Tyler, 1991: Dean & Sharfman, 1993); however, their explanatory power faces certain limits when decisions are in a high-velocity environment, when there is high degree of threat and when goals are contentious and need the support of different coalitions.

Politics and power. Proponents of political theories assume that organisations are coalitions in which people are drawn to decisions because of their competing interests (Allison, 1971; Pettigrew, 1973; Pfeffer & Salancik, 1974). Politics, like coalition formation, lobbying, control or withholding of agendas are common (Pettigrew, 1973; Pfeffer, 1981) and they make rationality almost impossible (Eisenhardt & Zbaracki, 1992). All that organisational actors can do is to compromise and to look for politically safe choices. Powerful people can achieve what they want. These arguments sound very plausible; however, empirical evidence of the political approach in strategic decision-making is not very impressive and it seems that the pervasiveness of politics has been exaggerated (Eisenhardt & Zbaracki, 1992).Yet this type of theory can help us better understand the complex relationship between consultants and their clients when executives frame decisions in a certain way in order to mobilise coalitions or to legitimise particular actions.

Garbage can models. Supporters of chance theories hold that decision-makers discover their goals ex post (Cohen, March, & Olsen, 1972). Decisions emerge from opportunities and they are accidental meetings of choices looking for problems, problems looking for choices, solutions looking for problems and decision-makers looking for something on which to decide. Chance, timing and luck are important components of this model. Although empirical research only modestly supports chance theories, this model emphasises the notion of opportunity, which is an important element of the framing effect to be discussed below.

In sum, rational theories suggest that the decision-making process unfolds in stages. Therefore, some elements of the process can be delegated to a consulting company, which I have labelled as 'outsourcing of decision-making'. In fact, the idea that top managers should delegate some decision-making is not new. Barnard, for example, defines the 'fine art' of executive decisions among others in not making those decisions that should be made by others who have more expertise (Barnard, 1938). However, when it comes to company strategic decisions, a high degree of outsourcing of the decision-making would imply that executives have disengaged their responsibility to make this type of decision. Political and chance theories emphasise the role of framing in the decision-making process.

2.3 Cognitive Frames

Decision-making begins with a framing activity (Harrison & Phillips, 1991; Nutt, 1993). Although the concept of framing has been widely used to connote the semantic manipulation of prospects, Tversky and Kahneman emphasised in their initial conceptualisation that framing is "the decision-maker's conception of the acts,

outcomes, and contingencies associated with a particular choice" (Tversky & Kahneman, 1981: 453). This implies that framing of the decision event is an internal process that can be initiated by the presentation of certain information. Contextual features of the situation and personal dispositions can also have impact on this subjective processing of information (Bazerman, 1994).

The effect of framing has been studied not only in the domain of risk behaviour (Tversky & Kahneman, 1981), but also in fields like consumer behaviour (Levin & Gaeth, 1988) or health interventions (Meyerowitz & Chaiken, 1987). In general, framing effects are conceived of as people responding differently to different descriptions of the same information (Levin, Schneider, & Gaeth, 1998).

2.4 Framing as Threat and Opportunity

Before committing themselves to a course of action, decision-makers subjectively interpret decision issues. Executives have to evaluate results, trends, and information, which are often ambiguous (Pfeffer & Salancik, 1978; Ford & Baucus, 1987), consequently they make sense of their environment by attaching labels to them (Daft & Weick, 1984). This is done in a very subjective way. Managers in different organisations or even in the same setting, may interpret the same internal or external stimuli in a different way (Haley & Stumpf, 1989; Pettigrew, 1990; Dean & Sharfman, 1993; Dutton, 1993). Depending on their experience, managers may change the definitions of success and failure (March, 1999). Labelling initiates a categorisation process, which in turn affects decision-makers' subsequent cognition and actions (Mintzberg et al., 1976; Mintzberg et al., 1976; Fredrickson, 1985; Dutton & Jackson, 1987; Dutton, 1993). This interpretive perspective suggests that there is a link between the perception of an issue and the behavioural response.

Therefore, the framing of the event has important consequences for organisations (Dutton & Jackson, 1987).

In the process of environmental scanning, managers often compare the characteristics of specific issues to their own cognitive representation of two schemata: threats and opportunities. The latter "are similar in the sense of urgency, difficulty and large stakes associated with each“ (Jackson & Dutton, 1988: 374). These two concepts are analogous to those of gains and losses in Prospect theory (Kahneman & Tversky, 1979). Milburn, Schuler and Watman equated situations of potential gain with opportunity and those of potential loss with threats (Milburn et al., 1983). There are different frames that are discussed in the management literature, for example security versus potential (Lopes, 1987), or survival versus aspiration (March & Shapira, 1992). The current study focuses on strategic decision-making, and therefore the concepts of threat and opportunity seem to be more appropriate, compared to those of gain and loss or security and potential. An extensive body of literature suggests that managers frame strategic decisions in this way (Mintzberg et al., 1976; Milburn et al., 1983; Nutt, 1984; Dutton & Jackson, 1987; Jackson & Dutton, 1988; Dutton, 1993). The categorisation *opportunity* versus *threat* seems to be most appropriate, because these two labels dominate the vocabulary of managers and are extensively referred to in the educational process of decision-makers (Jackson & Dutton, 1988). When the available information is distinctive of threat or opportunity rather than neutral, people make stronger inferences in one direction or the other (Jackson & Dutton, 1988). This would imply that there are situations, which are perceived as neutral. Further, research suggests that exposed to identical information, managers can construct different interpretations of the strategic issues involved (Fredrickson, 1985).

According to Tversky and Kahneman (Tversky & Kahneman, 1981), decision frame is the way the individual conceptualises a situation that entails the making of a choice. Decision-makers usually have to face issues that are equivocal in nature and consequently, can be viewed either as threat or as opportunity. Since framing is a perceptual matter that depends on the standard of comparison, the same alternatives could be viewed as implying gain or loss (Neale & Bazerman, 1991), with respect to threat or opportunity. For example, if a new competitor enters the market, some decision-makers may perceive this change as threat, while others may think of it as an opportunity to be more innovative and to motivate their employees to align against the new competitor. This behaviour is in accord with cognitive social psychology, which argues that success, failure, threat, and opportunity are evaluative attributes or 'affective tags' (Fiske & Taylor, 1991).

In the initial phase of the decision-making process, the issue is identified as a problem, a crisis or an opportunity (Mintzberg et al., 1976). In a similar vein, Dutton and Jackson (Dutton & Jackson, 1987) suggest that at that stage, decision-makers attach the labels of threat and opportunity to the decision event.

Opportunity implies a positive situation, in which gain is expected, hence it is attractive. The actor feels confident in his competencies and has therefore the impression of a significant amount of control, freedom to choose, access to resources and autonomy to take action (Jackson & Dutton, 1988).

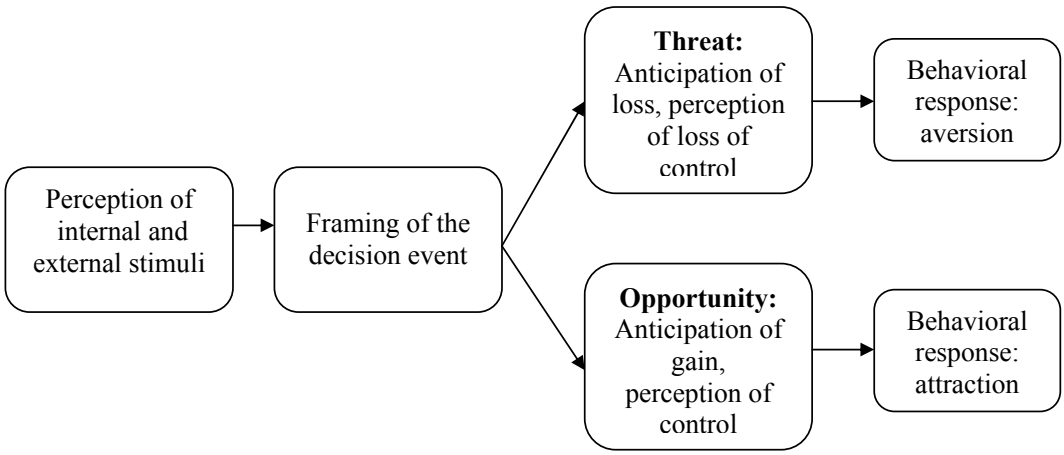
Threat on the other hand, is perceived as a negative situation, in which loss is anticipated and is therefore personally aversive (Jackson & Dutton, 1988). The actor experiences a loss of control and often feels underqualified.

Framing effects are well studied in the field of decision-making (see Kuhberger, 1998). Experiments on risk-taking in business situations (Lant &

Montgomery, 1987; Wehrung, 1989) and surveys of managers (Singh, 1986; Shapira, 1994) reveal that when people fail to attain a goal or reach a certain level of performance (often experienced as a threat in an organisational setting), they tend to take larger and unwarranted risks (Fiegenbaum & Thomas, 1988). There is always more experimentation in the face of threat (Bourgeois & Eisenhardt, 1988). Firms that can lose everything see new issues as threats, while those that have nothing to lose, see the same circumstances as opportunities (Fiegenbaum, Hart, & Schendel, 1996). When an issue is characterised as a threat, managers focus their attention more on it because of the expectation of potential losses. If the issue is labelled as an opportunity, managers selectively attend to the positive aspects and interpret the ambiguous ones in positive terms. Thus interpretation precedes managerial action. People might feel attracted and want to be involved in opportunities because they bestow status and prestige. Threats, on the other hand, repel them, so they might choose to withdraw (Dutton & Jackson, 1987) from the strategic decision-making process. Figure 7 summarises the effect of cognitive frames.

The frame adopted by the decision-maker "is controlled partly by the formulation of the problem and partly by the norms, habits, and personal characteristics of the decision-maker" (Tversky & Kahneman, 1981: 453). Therefore, there are different contextual and individual factors that can influence the framing of the decision issue, for example previous exposure to threats or opportunities (Highhouse, Paese, & Leatherberry, 1996), decision importance or salience, personality dispositions, etc. (Tversky & Kahneman, 1981; Bazerman, 1994).

Figure 7: Cognitive frames



Previous research on individual differences has focused primarily on risky decision-making. Findings suggest that people high on Neuroticism are more apt to take risks in the domain of losses and less inclined to take risks in the domain of gains compared to people who were low on this factor (Lauriola & Levin, 2001). Further, Openness has been found to be positively related to risk taking (Levin, Gaeth, Schreiber, & Lauriola, 2002). There seem to be no gender differences or no gender appears to be more susceptible to framing effects compared to the other. (Levin et al., 2002). However, in Study 2, I did not control for individual or contextual differences, because my focus was not on how people adopt frames and what influenced the process of frame formation, but on the consequences or the effects of framing.

2.5 Types of Framing Effects

The type of frame matters, because as (Levin et al., 1998) argue, "all frames are not created equal". They differentiate between attribute, goal, and risky choice frame-effects based on what is framed and what is affected.

Attribute framing is the simplest form of framing. It occurs when a key attribute or characteristic of the decision event is the object of framing, for example, a company could be seen as 'successful' versus 'unsuccessful', or a question could be asked such as "how tall" versus "how short". It is important to note that risk-perception is not an important feature of this valence framing effect. The valence of a description has impact on the cognitive processing. It influences the encoding and representation of information in associative memory. The effects occur because information is encoded in relation to its descriptive valence (Levin & Gaeth, 1988). The findings of experimental research suggest that people respond more favourably to positive than to negative frames (Levin et al., 1998). The reason is that positive framing generates positive associations in memory and the elicited positive emotions influence the process of evaluation, making the event more attractive. In other words, a kind of 'positive priming' takes place, which sets up an 'evaluative tone', which influences the valence of the knowledge structures that are activated in memory (Levin et al., 1998).

Goal framing occurs when the consequences of a certain behaviour are framed in positive or negative terms, for example a loss incurred by inaction versus gain resulting from action. Both framing conditions promote the same act, but one of the goals is the more powerful enhancer. Under conditions of goal framing, negative or loss frames are more effective than positive frames. Ganzach and Karsahi, for example found out that credit card customers were more receptive to a framing

emphasising losses from not using credit cards than to messages stressing gains from using them (Ganzach & Karsahi, 1995). This manipulation is different from attribute framing in that attribute framing would depict using credit cards as a 'good' idea in the positive frame and as a 'bad' idea in the negative frame. Goal framing, however, assumes that using credit cards is a 'good' thing in both frames. The positive scenario describes the benefits of using credit cards, while the negative one describes the goal of avoiding the potential losses that are associated with not using credit cards. It is a robust finding that negative information (with or without risk) has a stronger impact than positive information of the same scale (Levin et al., 1998).

Risky choice framing-effects occur when the willingness to take a risk depends on the framing of the potential outcomes, for example success rate versus failure rate. A typical example would be the Asian disease problem (Tversky & Kahneman, 1981). In the case of positive framing, subjects prefer the certain outcome and are risk-averse, while in the negative framing case they select the risky option and their behaviour is more risk-seeking.

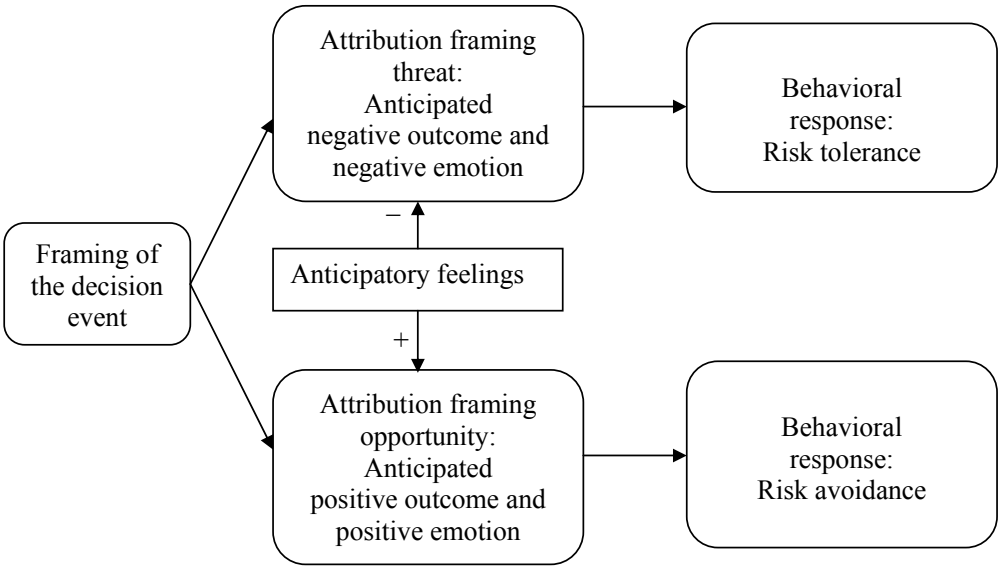
When the decision event is framed as threat or opportunity, an attribution framing effect can be expected. As a result, the valence of the description in terms of threat or opportunity influences the cognitive processing. Similar to the other types of framing effects, it involves not only cognitive evaluations, but also emotional responses.

2.6 Framing and Emotion

In traditional decision theory, emotions are viewed as a consequence of the individual's decision. However, Loewenstein, Weber, Hsee & Welch suggest that emotional states anticipated as a result of the decision and/or experienced at the moment of decision-making, could strongly influence the choice made (Loewenstein, Weber, & Hsee, 2001). They differentiate *anticipatory emotions*, which are immediate visceral reactions; for example, anxiety as a reaction to uncertainty and risk in a gambling situation. *Anticipated emotions*, on the other hand, are expected to be experienced in the future and are a component of the expected consequences of the decision. In other words, people anticipate how they will feel about certain outcomes in the situation. This view is in accord with Damasio's argument that decision-makers have 'somatic markers', which implies that they encode affectively the consequences of different courses of action (Damasio, 1994). We can expect that when the decision event is framed as opportunity, the anticipatory emotion is positive or neutral, while the anticipated emotion is also positive or neutral (see Figure 8). Conversely, when the decision event is framed as threat, people have negative anticipated emotion, while the anticipatory emotion could be negative or neutral.

According to the mood-maintenance hypothesis (Isen & Patrick, 1983), people in positive moods are motivated to maintain their positive state. Consequently, they do not take risk, because this behaviour might increase the probability of losses, which might disrupt the positive affective state. On the other hand, people in a negative mood are motivated to repair their negative mood and therefore might be more prepared to take risks. Positive mood subjects are less susceptible to framing effects than negative mood subjects (Mittal & Ross, 1998: 319).

Figure 8: Framing and emotion



There are many factors that influence the framing of the situation. For example, the description of the event in terms of vividness matters. Nisbett and Ross illustrate this argument (Nisbett & Ross, 1980: 47). They gave respondents two contrasting descriptions of an event. According to the first one, "Jack sustained fatal injuries in an auto accident", and according to the second, "Jack was killed by a semi trailer that rolled over on his car and crushed his skull". As expected, the second description evoked stronger emotional reactions. Therefore, the vividness of describing a threat or opportunity could have impact on the elicited emotion and hence on the decision. However, my goal in Study 2 was not to explore the antecedents of framing, but to focus on the causal link between framing and outsourcing of decision-making.

2.7 Framing and Outsourcing of Decision Making

Some of the assignments in the area of management consulting can be described as helping companies that are "teetering on the brink of disaster" and whose requests "can be summed up as a plea for help" (Brown & Dodd, 1998: 46). This statement indicates that organisations contact consultants when framing has already taken place. Based on the preceding analysis, it can be inferred that framing will have an impact on the client's expectations of the consulting mode. When the situation is framed as threat or opportunity, an attribution framing effect could be expected. It suggests a more positive reaction in the case of opportunity compared to the case of threat. The qualitative study revealed that the framing of the situation influenced clients' expectations about the degree of consultants' involvement in the strategic decision-making process. The formation of these expectations could be explained from two different theoretical perspectives: control theories and prospect theory.

Control theories focus on the perception of control. As already discussed, framing as opportunity is associated with anticipation of gain and perception of control. When people perceive themselves to be in control of the situation, "they exert effort, try hard, initiate action, and persist in the face of failures and setbacks; they evince interest, optimism and sustained attention, problem-solving, and an action orientation" (Skinner, 1996: 556). In this case, they perform more information seeking, planning activities, try to direct action and to think about different strategies (Skinner & Wellborn, 1994). In other words, when executives perceive themselves as being in control of the situation, which is the case with opportunity framing, we can expect them to be proactive. On the contrary, when executives frame the situation as threat, they anticipate loss of control. Research suggests that people who have the

feeling that they are not in control, "withdraw, retreat, escape, or otherwise become passive" (Skinner, 1996: 556). The behavioural consequence of perceived low control is escape and passivity (Skinner & Wellborn, 1994). This would imply that when executives frame the situation as threat and therefore perceive loss of control, they would be more inclined to be passive. This attitude would make a high degree of outsourcing of decision-making more likely.

From the perspective of Prospect theory, an analysis of the framing effects would lead to a similar conclusion with regard to the degree of outsourcing of decision-making. When the decision event is framed as threat, the cognitive evaluation of the situation will be accompanied by an anticipated negative emotion, which will raise the client's risk tolerance and let him choose/agree with, or expect, a more risky model, while perception of opportunity will decrease his propensity for risk and make him go for the more secure option.

Research has shown that relinquishing control is perceived by managers as risky (Spreitzer & Mishra, 1999). Therefore, a higher degree of outsourcing of strategic decision-making should be perceived as more risky by the client because of the loss of control and the uncertainty and hazard about the value-added of the consulting assignment, which might be an expensive undertaking. This situation represents some degree of risk for top management because of the basic agency problems, like information asymmetry and anticipated agent opportunism (Jensen & Meckling, 1976) inherent in it. The principal, or in our case the client, has high costs of monitoring and metering agents' performance (Williamson, 1985). The more co-produced the service is, the less severe the agency problem.

Executives are vulnerable because the consulting service is intrinsically ambiguous and opaque (Sharma, 1997). The client might not be knowledgeable

enough to assess the quality of the service provided, she may find it difficult to protect herself against incompetence and carelessness (Dingwall, 1983) and to determine ex ante how much service is really needed (see Wolinsky, 1993, on legal services). The perception of a competence gap on behalf of the client and of power asymmetry in the client – consultant relationship is related to the consulting model. As discussed earlier, Schein's consulting models represent different degrees of outsourcing of strategic decision-making: The patient-doctor model implies the most extreme situation where the client appears not to be in control, the expertise model represents the intermediate degree of client's control, and process consultation corresponds to the non-outsourcing condition where the client remains in control.

To sum up, from the perspective of Prospect theory, outsourcing of decision-making implies potential vulnerability because of less control and greater dependence of the client (Quinn & Hilmer, 1994). The supplier market of consultants is imperfect and entails risks like loss of power over the supplier or excessive transaction costs for searching, contracting and controlling. From the perspective of control theories, framing as opportunity leads to perceived control and an active orientation, while framing as threat leads to perceived loss of control and a passive orientation.

***Hypothesis 1a**: When the client frames the situation as an opportunity, there is either no- or a low-degree of outsourcing of decision-making.*

***Hypothesis 1b**: When the client frames the situation as a threat, there is a high degree of outsourcing of decision-making.*

2.8 Conclusion

Strategic decision-makers "engage in a cycling among rational decision-making steps"(Eisenhardt & Zbaracki, 1992: 35). The process unfolds in stages, e.g. identification of the problem, generation of alternatives, evaluation of alternatives, selection of the best alternative and implementation (Schwenk, 1984). When consultants are involved in the strategic decision-making process, some of these stages are delegated to them.

Strategic decisions are often associated with uncertainty and in many cases executives have to decide on issues that are equivocal. Managers frame strategic decision events as threats or opportunities. In the case of threat, they anticipate negative outcome and negative emotion. Control theories predict a perception of loss of control, which makes people more inclined to be passive and to disengage from the process. This attitude would make a high degree of outsourcing of decision-making more likely. According to Prospect theory, framing as threat leads to expectations of losses. Consequently, according to the attribution framing effect, decision-makers should be more risk-tolerant or risk-seeking. Outsourcing of decision-making is risky, because executives relinquish control, which they perceive as risky, and because of the uncertainty and hazard related to agency problems with consultants. Therefore, both theories would predict that when the situation is framed as threat, outsourcing of decision-making would be more likely than when the situation is framed as opportunity.

3. Method

The goal of Study 2 was theory testing. Therefore, a laboratory experiment seemed most appropriate, because it allowed the isolation of one process from the effects of other processes that could confound its understanding. An important strength of this method is that in the laboratory it is possible to create only those conditions that are relevant for the testing of the theoretical proposition.

Experiments are often criticised for their lack of external validity and the limited extent to which laboratory results can be generalised. Samples are usually small, the setting is very unique and the task only resembles everyday activities. But since the purpose of experiments is to construct and to test theories, they are necessarily abstract (Zelditch, 1969) and artificiality "is the strength and not the weakness of experiments" (Berkowitz & Donnerstein, 1982: 256). Further, research suggests that laboratory reactions parallel the behaviour people exhibit in other settings (Berkowitz & Donnerstein, 1982). Experiments are very instrumental when testing causal hypotheses and making inferences as to whether an alteration in one variable leads to a change in a second variable. And since the goal of Study 2 was to test whether framing of the situation as threat versus framing it as opportunity leads to different degrees of outsourcing of decision-making, an experiment appeared to be the right method. I decided to use a scenario-based experiment, because it is a well-established method, which allows careful and comprehensive examination of psychological reactions (Carroll & Johnson, 1990).

An individual level of analysis seemed appropriate, because as Taylor argues, most of the strategic decisions are made by individuals and not by groups (Taylor, 1987).

3.1 Design

The experiment had a one-by-two factorial design where one independent variable (framing of the situation) was manipulated as opportunity or threat in a scenario-based experiment (Appendix 1).

3.2 Participants

The sample in this study consisted of 81 participants in Executive Education Programmes at London Business School. They aged between 35 and 56, and had a 10- to 15-year track record as senior managers. Respondents worked in 15 different industries, represented 18 countries and 14 of them were women. They were randomly distributed two versions of a scenario and asked to answer a question as a voluntary in-class exercise. Respondents provided demographic data (length of working experience, industry sector, and experience as consultants), but were otherwise anonymous.

3.3 Procedure

The experiment was based on a scenario about David Smith - the CEO of a fictitious medium-sized company that operated in the manufacturing sector. David had to make a strategic decision about moving into a new market. The expansion decision would have far-reaching consequences for his company Alfa-Line during the coming years. His board had suggested to David that he bring in a consulting company to help him determine a course of action. Drawing on the information given in the scenario, participants were asked about their initial judgment as to what David is likely to want the consultants to do for him. Participants were given three options

and were asked to rank them, in order of most likely to least likely (1 - most likely, 3 - least likely). It was necessary to exclude the type of industry having an impact on the decision. Consequently, half of the scenarios reported that David was working in the manufacturing industry and the other half placed him in the service sector. Respondents also had the opportunity to make comments about their decisions.

The scenario aimed to follow the conventions of experimental research in the field, and consequently was adapted from a study on framing and professional judgement (Emby, 1994). In order to increase the construct validity, the descriptions of threat and opportunity relied heavily on Jackson and Dutton's (1988) findings on the characteristics of the two concepts. The realism of the figures about the company's growth and decline were checked with an expert on strategic management in order to make sure that the data on growth would facilitate an opportunity perception, while that of decline would trigger a threat perception. The scenario was pre-tested with the participants in the Sloan programme at London Business School, which is a full-time Master's degree programme.

3.4 Manipulations

The *independent variable* was the framing of the situation. There were two versions of the scenario, each representing an experimental condition. One of them described the situation as an opportunity and participants were given the following information:

> "Since its restructuring three years ago, the company has been experiencing impressive growth and returns have been growing substantially at about 12% a year. In the last few quarters, sales, profits, and earnings per share have all

exceeded management's expectations. Now David considers an interesting opportunity to expand into a new market".

The second one created the impression of a threat:

> "Since its restructuring three years ago, the company has been experiencing major difficulties and returns have been dropping substantially at about 12% a year. In the last few quarters, sales, profits, and earnings per share have all declined even more dramatically. David is under severe pressure. Now he is facing a major threat: competitors are expanding into new markets and he feels he needs to consider making a similar move".

3.5 Measures

The *dependent variable* was the degree of outsourcing of decision-making. Its operationalisation was based on Schein's classification of consulting interventions using words that were very close to his description of the models. In the pre-test phase, participants were asked to provide feedback on the clarity of the models, their relevance and applicability. The results suggested that the models were well understood and that participants perceived them as adequate and valid. In the test phase, respondents were asked to choose among three models (see Table 7).

The first option reflected the expertise model and represented the condition of low degree of outsourcing of decision-making. The second option, the doctor-patient model, corresponded to the high degree of outsourcing of decision-making, and the third option was the process consultation model where no outsourcing of decision-making took place.

Table 7: **Decision options in Study 2**

Low degree of outsourcing (Expertise model)	Providing specific information and/or expert service based on David's definition of the situation. David expects consultants to gather external and/or internal data.
High degree of outsourcing (Doctor-patient model)	'Checking over' the organisation, analysing its situation, and suggesting solutions. David expects consultants to diagnose the problem and to recommend actions.
Non-outsourcing condition (Process consultation)	Helping David understand the situation and enabling him to come up with alternative actions. David expects the consultants to do this by asking him in-depth questions.

4. Analysis and Results

The variables explored in Study 2 were categorical and therefore a non-parametric test for two independent samples was used. The chi-square test compared the expected with the observed frequency in the cells. It is appropriate to use it only if there is no cell with expected frequency less than 5. In Study 2, the lowest expected count was 11.9 (see figures in parenthesis in Table 8).

The effect for framing of the situation as a threat or opportunity was in the direction predicted by Hypothesis 1 and it did achieve significance. Table 8 presents the results (Pearson Chi-Square = 16.857, $p < .01$).

Framing of the situation as an opportunity or a threat has an impact on the degree of outsourcing of decision-making. Generally speaking, threat leads to a higher degree of outsourcing compared to opportunity. However, the difference between non-outsourcing when the decision event was framed as threat compared to opportunity was not significant. In other words, under the same circumstances of threat some managers tended to outsource and others did not.

Table 8: Framing and degree of outsourcing of decision-making

	High Degree of Outsourcing	Low Degree of Outsourcing	Non-Outsourcing Condition	Total
Threat	21 (13.3)	7 (14.8)	12 (11.9)	40
Opportunity	6 (13.7)	23 (15.2)	12 (12.1)	41
Total	27	30	24	81

Chi-Square: 16.857, $df = 2$, $p < .001$

Twenty-two participants made comments trying to explain their decisions. Those of them who had the threat-scenario emphasised that David "is not in control of the events and needs expertise", or "Something is wrong with the company, but David doesn't know what it is. Therefore, consultants will need free rein to examine the organisations". This qualitative information indirectly confirmed the validity of the scenarios and their potential to elicit adequate responses.

5. Discussion

Framing of the decision event has an impact on the degree of outsourcing of decision-making. When the situation is categorised as threat, executives might find being proactive and in charge of the situation undesirable. Therefore, they might prefer to move away from the challenge and delegate more of the decision-making process to outside experts. This finding is supported by the literature, which reports that people do not always prefer control over potentially aversive situations and would rather relinquish control when they expect negative outcomes from the situation (Burger, 1989: 251). The comments by participants support the view that the perception of control played a role in their decision-making process. However, the results of the qualitative study suggested that when executives work with consultants, they don't have the feeling that they relinquish control. On the contrary, they experience the involvement of consultants as a means of being in control of the situation. Earlier studies assumed that beliefs in powerful or knowledgeable others would interfere with the sense of perceived control. This turned out not to be the case. When legitimate external agents have authority and act on the behalf of the individual, they can be perceived as benevolent external sources of control (Antonovsky, 1979), which has been labelled as *proxy control* (Bandura, 1986) and *participatory control* (Reid, 1984). Antonovsky's (1979) differentiation between "being in control of things" (personal control) and "things being under control" (control over the situation) helps us to understand why people feel in control when confederates are involved, for example doctors in a situation of serious illness (Thompson, Sobolew-Shubin, Galbraith, Schwankovsky, & Cruzen, 1993) or consultants in the decision-making process.

There is one finding that does not fit into the predicted pattern. Under conditions of threat, there were 12 respondents who preferred the non-outsourcing option. Empirical studies provide evidence that when people expect low control, which is the case with framing as threat, the majority of respondents choose easy tasks. However, there are some people who would be attracted by an extremely hard task, so that they have a built-in excuse. The conscious or unconscious rationale is that their performance cannot be used in this case to make inferences about their competencies (Heckhausen, 1991).

Before drawing conclusions about the results of the study, its construct, and its internal and external validity have to be discussed.

Construct validity. In order to minimise any probability of 'confounding', a pre-experimental explication of the construct *framing* of the decision event was carried out. The goal was to make sure that the operationalisation of framing as threat or opportunity was in accordance with the public understanding. The elaboration of the scenarios relied heavily on Jackson and Dutton's (1988) conceptual analysis of the essential features of the constructs *threat* and *opportunity*. The definitions used in the research are widely accepted in the field of management. Outsourcing of decision-making, on the other hand, has no empirical or theoretical precedence in the management literature. I followed Schein's models of consulting interventions, which were verified in the qualitative study (Schein, 1999). The wording of the outsourcing options was very close to Schein's description of the models.

There was no statistical difference between the results for the two industries. Hypothesis guessing was quite unlikely, but still a test for evaluation apprehension was carried out: A manipulation check at the end of the experiment confirmed that subjects had not guessed how they were expected to behave.

In sum, the analysis suggests a satisfactory level of construct validity.

Internal validity. Since the scenario-based experiment is part of the theory testing, it is important to make sure that the relationship between the constructs framing and outsourcing of decision-making is a causal one going from framing of the decision event as threat or opportunity to outsourcing of decision-making. Some traditional threats to internal validity could be easily eliminated. Since the experiment did not include a pre- and post-test, effects like history, maturation, changes in instrumentation, testing effects, communication between groups, or mortality could be ruled out (Cook & Campbell, 1979). The direction of causal influence is plausible, since the order of the temporal precedents was clearly established. The respondents read the scenario first and answered the questions on outsourcing of decision-making subsequently. In addition, the reverse direction of causal influence seems relatively implausible.

The internal validity was satisfactory since respondents were randomly assigned to treatment groups. Each group was on average similarly constituted in terms of demography. All participants experienced the same testing conditions, research instructions and global pattern of history.

In sum, the analysis of internal validity suggests that there are no reasons to doubt the direction of causality from framing-as-manipulated to outsourcing of decision-making-as-measured.

External validity. The generalisability of results is a major issue in laboratory experiments. Some conventional threats to external validity, such as interaction between history and treatment, could be ruled out. However, two others need more attention and analysis. The first one is a possible interaction of setting and

treatment and the second one is a possible interaction between selection and treatment.

In this experiment, participants were asked to imagine being in a hypothetical scenario and to make some decisions within the framework of this scenario. One might question the usefulness of imagined situations for studying real decision behaviour. Research suggests that there is justification for the use of hypothetical scenarios to study the decision-making process and it is admissible to do that because decision-making is hypothetical at its very core (Kuhberger, Schulte-Mecklenbeck, & Perner, 2002). When people make decisions, they anticipate hypothetical states and they consider events or feelings that may or may not occur. In other words, at the time when the decision is made, none of the outcomes is real. Since "the essence of decision-making lies in the mental manipulation of hypothetical contents" (Kuhberger et al., 2002: 1163) we can assume that real decisions can be studied by asking people to make hypothetical decisions. Findings suggest that "real and hypothetical decisions result in similar choices" (Kuhberger et al., 2002: 1170).

If the task does not involve strong visceral factors and the decision event is not affect-rich, then a hypothetical decision accurately captures a real decision (Kuhberger et al., 2002). In other words, if the decision is influenced by more visceral emotional states, which are accompanied by physiological changes, then hypothetical decisions would not be triggered by hypothetical events.

We can assume that the hypothetical decision that the respondents had to make in Study 2 accurately captures the features of real decisions because the choice to involve consultants itself is based on hypothetical decisions. However, there is one difference that still remains: hypothetical choices do not affect the decision-maker's future in the way that real choices do. The participants in the experiment were

making decisions as agents and the outcomes of their decisions were not personally relevant. This is a limitation of the study and it could not be eliminated.

The second relevant threat to external validity is a possible interaction between selection and treatment. In other words, can we generalise the results beyond the group that has been used to test the relationship? The participants in Study 2 were executives who were at or near the top of their organisations and were directly concerned with leading their businesses. They were either newly appointed top managers, or middle managers delegated by their companies to go through a training course at London Business School as a part of their personal development programme in order to be promoted soon after finishing the course. In other words, some of the participants were on their way to top management, but were still not there. Approximately two thirds reported having experience with consultants. If we take into consideration that decisions about bringing in a consulting company are taken by top managers, we could argue that the experimental group did not consist entirely of executives who were decision-makers on consultants' involvement. The sample itself was very heterogeneous, which makes results more acceptable in general. It comprised managers from 18 different nationalities, operating in 15 industries on 4 continents. There were 17% women, which is not far from the average in the higher levels of management (Catalyst, 2002).

Limitations of the research. There are some issues around the validity of the results that could be questioned. One of them is the lack of behavioural data. Intentions do predict behaviour, but this is not always the case (Ajzen, 1988). The participants in Study 2 were making decisions as agents and therefore, the outcomes of their decisions were not personally relevant and there would be no serious

repercussions. This aspect of external validity is a limitation of the scenario-based experiment. Further, we cannot rule out that the results could be limited to the unique decision situation depicted in the scenario. Descriptions of different company sizes or more sectors of business operations could have had an impact on the decisions made. The study can be accused of being sterile and remote, since participants were asked to predict what David would do in this particular situation. The reason for formulating the question that way was the need to reduce the possibility of socially desired responses, because the non-outsourcing condition seemed to be very attractive.

In sum, this study, like most framing research, can be used in theory testing, but we have to be cautious about further generalisations.

6. Summary and Conclusion

Managers frame decision events as threats and opportunities. In the case of opportunity, decision-makers anticipate gains, positive emotion and perceived control of the situation. In the case of threat, they anticipate losses, negative emotion and diminished control. These cognitive frames influence the degree of outsourcing of decision-making. The results of Study 1 suggested framing as threat or opportunity as a possible explanation for the different degrees of consultants' participation in the decision-making process. The goal of Study 2 was to establish causality between framing and outsourcing of decision-making. A scenario-based experiment created a controlled laboratory context. The results indicated that decision-makers were more likely to outsource strategic decision-making under conditions of threat than under conditions of opportunity. This finding is in accord

with control theories, which suggest that in aversive situations people tend to become passive and to disengage. One of the explanations is that framing has a strong impact on the perception of control. This might lead to the conclusion that under conditions of threat, executives would outsource strategic decision-making in order to relinquish control. On the other hand, research in health psychology shows that when there are benevolent external sources of control, people increase their perception of control by delegating the responsibility to the knowledgeable other. Obviously, the mechanism of control as a regulator is much more complex and needs further investigation. The next chapter examines in more depth the concept of control.

CHAPTER III: CONTROL-RELATED BELIEFS

1. Introduction

The results of the qualitative study indicated that cognitive processes like framing and perception of control could help to answer the question of why executives might outsource strategic decision-making. The scenario-based experiment in Study 2 tested the causal link between framing of the decision event and the degree of outsourcing of decision-making. The discussion of the results suggested that framing and perception of control are linked with one another. In order to test the proposition that there is a causal link between framing of the decision event, perception of control and the degree of outsourcing of decision-making, we need an instrument that can measure possible shifts in the perceived control. The goal of this chapter is to examine the concept of control and to develop an instrument that measures perceptions of control in the field of management.

Control is a critically important process because it is linked to motivation, cognition and emotion. The quest for control is reflected in many of our behavioural patterns and "the desire for control is one of the main motivations of the self" (Baumeister, 1998: 713). Therefore, control theory is a useful tool in the conceptualisation and analysis of human behaviour.

Since control is a very broad concept, it is not well-defined. Some even question its usefulness, because it is employed so vaguely. The concept has been studied mainly in the areas of developmental, health, and clinical psychology. One of my goals is to test the explanatory power of the control construct in management. I start by analysing the contemporary conceptualisation of control, its theoretical foundations and classifications. Then I analyse the distinctions between constructs of control that seem to be interrelated and partially overlapping, like perceived control,

locus of control, and self-efficacy. In more details, I discuss the theory of primary and secondary control, which seems to be a useful framework for testing the hypothesis about the relationship between framing, control beliefs and outsourcing of decision-making. Finally, in Study 3, a scale of primary and secondary control is developed.

2. Theoretical Background

2.1 The Origin of Control

In their interaction with the environment, human beings have an innate need to be effective in achieving desired and preventing undesired events. According to DeCharms (DeCharms, 1968: 269), "man's primary motivational propensity is to be effective in producing changes in his environment. Man strives to be a causal agent". The first explicit case for the role of control in human motivation goes back to White (White, 1959). He used the term 'competence' and considered the need for 'competence' and 'effectance' to be a universal characteristic of human nature. In his view, effectance motivation has a genetic origin and serves evolutionary functions. It leads to active goal-directed engagement, which results in learning about contingencies and selection of more effective strategies.

The assumption of innate universal needs is very attractive because it depicts a proactive individual who acts as a source and an agent of his own motivation. It suggests that people actively seek opportunities to interact with the environment. If this need is not satisfied, people try to reassert control or to escape from the frustrating circumstances. Thus perception of control evolves as a result of the cumulative experience of successful or unsuccessful interactions with the environment and their interpretation by the individual. This normative framework

makes explanations of human behaviour much easier. However, we have to keep in mind that this view is not completely uncontroversial. It could be argued that needs are not only innate, but they are also a product of socialisation (see McClelland, 1961). The view that the source of our needs is in the outside world is fundamentally different from the view that they are intrinsic. The framework of learned needs would complicate the picture, but would make it more realistic and would emphasise the role of the environment in shaping the perception of control.

Although children are born with the desire for control and with the competence to react to contingencies, differences in the sense of control start at birth (Skinner, 1995). Individuals have different responsiveness to contingencies and their environment provides them with different opportunities to explore successful strategies. If children are confronted with non-contingency, which leads to the perception of low control, the subjective feeling of control will be reduced and consequently followed by inaction. Conversely, a strong contingency will enhance the perception of control and hence the engagement in different actions.

Decades of research have suggested that the perception of control is a universal human experience. However, it remains in the background until people experience a novel situation when their competencies are questioned, or they encounter obstacles or uncertainties, or are confronted with failure. Consequently, "perceived control can be experienced as foreground when the competence system is taxed" (Skinner, 1995: 68). In other words, the concept of control can be placed under the theoretical umbrella of self-regulation.

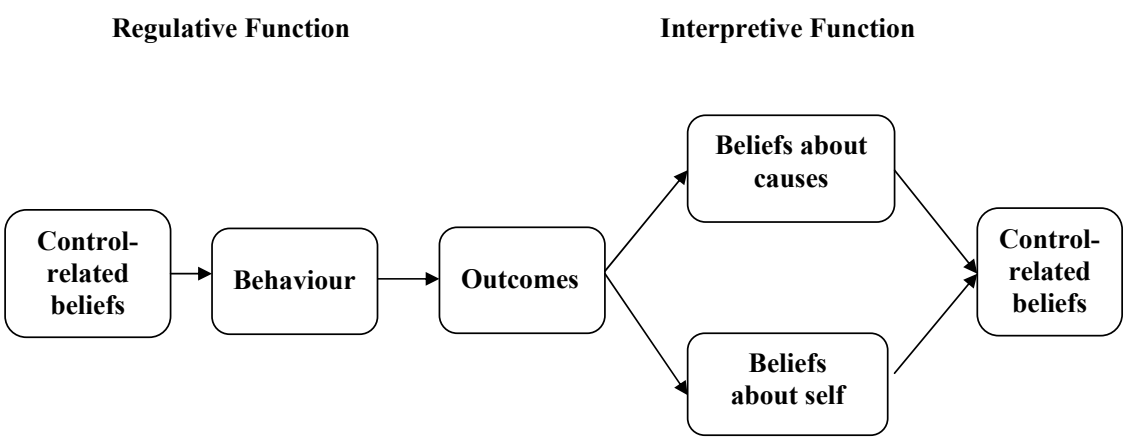
2.2 Self-regulation and Control

Self-regulation refers to a set of processes that "enable an individual to guide her goal-directed activities over time and across changing circumstances (contexts)"

(Karoly, 1993: 25). Self-regulation is initiated when goal-directedness becomes salient as a result of a challenge or failure of habitual action patterns.

Control theory provides a framework for understanding self-regulated behaviour (Powers, 1973). Control-related beliefs have a regulatory and an interpretative function (Skinner, 1995). The experience of control leads to the construction of beliefs, which in turn enhance or impede effective interactions with the environment (see Figure 9). In other words, control-related beliefs have a double function. Before and during the action they regulate its quality, while after the action, they interpret the outcome.

Figure 9: **Functions of control-related beliefs (adapted from Skinner, 1995)**



Self-regulation is a dynamic process based on the operation of feedback (Karoly, 1993). Theorists of control also give prominence to the idea of feedback systems. Some of them, for example, suggest the Test-Operate-Test-Exit (TOTE)

construct, which describes the following sequence (Miller, Galanter, & Pribram, 1960):

1. Testing whether the output of an action is consistent with a control criterion. This is a self-appraisal of how one is performing.
2. Initiating a control action to increase the congruence with the criterion if falling short of the standard.
3. Testing again for the match of the output with the criterion.
4. Exiting the loop if there is a match and if not, initiating the control action again.

Extensive research has focused on the closed-loop control models like Test-Operate-Test-Exit (Miller et al., 1960) and on if-then control systems (Newell & Simon, 1972). However, there is one basic problem with this cybernetic view of control systems, namely, their inability to reflect the monitoring function of the self. Enlarging the frame of analysis, Carver and Scheier introduced a more general control theory, which incorporates the role of self-awareness (Carver & Scheier, 1981, 1990). They suggest that the adjustments we make in our behaviour, or the self-regulation, are based on self-attention that prompts individuals to reduce discrepancies between their behaviour and certain standards they have.

2.3 Carver and Scheier's Theory of Control

The basic premise of Carver and Scheier's theory is that attention constantly fluctuates between the self and the outside world (Carver & Scheier, 1981, 1990). In this process, stimuli like audiences, mirrors, or physiological arousals may focus attention on the self. As a result, a tendency to compare the present state with a behavioural standard is activated. Consequently, self-regulation is promoted by

discrepancy-reduction efforts. A manager, for example, who monitors how discrepant her behaviour is compared with that of other peers, might notice that she is not decisive enough.

According to Carver and Scheier (1981), the basic construct in the theory of control is the discrepancy-reducing feedback loop, which implies that the perception of a present condition is compared against a reference value. If discrepancy is sensed, a behaviour follows, which aims at reducing the discrepancy. However, if the person's expectancy of being capable of reducing the discrepancy is sufficiently unfavourable, there could be an impulse to withdraw or disengage from an attempt to reduce it. The execution of behaviour reflects the existence of a hierarchy of nested self-regulatory feedback loops (e.g. *system concepts*, which are very general guiding beliefs; *principles*, which are content free and applicable to different behaviours; *programmes* for the execution of behaviour, etc.). Carver and Scheier argue that the speed of improvement determines the emotional response. Moving towards one's goals makes the individual feel good, while moving too slowly towards the goals, or even away from them, makes people feel bad (Carver & Scheier, 1990).

An interesting development in the literature on self-regulation is the so called 'depletion model' (Baumeister, Bratslavsky, Muraven, & Tice, 1998). Since self-regulation consumes cognitive resources (Gilbert, Krull, & Pelham, 1988), Baumeister and his colleagues revive Freud's idea that the ego needs a certain form of energy to perform its tasks and to resist the pressure exerted by the id and the superego. Mischel calls this form of energy 'willpower' (Mischel, 1996). It is needed for acts of volition, like controlled (rather than automatic) processing, active choice, initiating behaviour, and overriding responses. Along similar lines, Muraven and Baumeister suggest that self-control resembles a muscle and people's capacity to

control their behaviour is vulnerable to depletion as a result of strenuous use (Muraven & Baumeister, 2000).

Many of the theories that use the construct of control, like Carver and Scheier's theory for example, do not make the distinction between control as an action or as an outcome. Actually, the construct needs more explication, since there is a certain ambiguity surrounding it. One reason why research on control operates with different concepts is that it has focused on different aspects of the construct. Peterson and Stunkard refer to this dualism of personal control arguing that it is "both a cause and a consequence of the way people respond to their environment" (Peterson & Stunkard, 1989: 820).

2.4 The Concept of Control

Fiske and Taylor consider the concept of *control* to be a cornerstone of much psychological thinking (Fiske & Taylor, 1991). Since we live in "the age of personal control", the latter has become a "defining feature of the Zeitgeist" (Peterson, 1999). In psychological terms, control is a mental process that produces behaviour (Wegner & Bargh, 1998). It denotes "the belief that one has at one's disposal a response that can influence the aversiveness of an event" (Thompson, 1981: 89).

There are about 100 control-related terms, which are similar in their connotation (see Skinner, 1996). One set of them explicitly use the word *control*, for example, *perceived control, locus of control, predictive control, decisional control, vicarious control, information control, primary control, secondary control*, etc. As we can see, "there is no shortage of terms that fall under the rubric of 'control'" (Thompson & Spacapan, 1991: 7). The other set of terms does not include the word

control, but contains concepts that are closely related and sometimes even identical to the concepts from the previous set. Examples of this second group are constructs like *efficacy, contingency, competence, outcome expectancy*, etc. This heterogeneity of terms is quite confusing since some of them overlap. *Competence*, for example, is defined as the "connection between behaviours and outcomes" (Patrick, Skinner, & Connel, 1993: 782). This definition is very close to that of *personal control*, which is conceptualised by some researchers as the beliefs that one "can behave in ways that maximise good outcomes and/or minimise bad outcomes" (Peterson, 1999: 288). Sometimes, there seem to be different names for the same concept, for example, *response-outcome expectancy* (Bandura, 1977) and *contingency* (Seligman, 1975). In other cases, the same term is used to connote different constructs. Burger (1989: 246), for example, defines *perceived control* as the "perceived ability to significantly alter events", while Skinner (1995: xvi) refers to it as "naïve causal models individuals hold about how the world works".

The existence of many different labels for the same construct creates theoretical confusion and impedes the clarification of the boundaries of the topic. The heterogeneity of constructs has slowed the progress in the field because it makes comparison of results, aggregation of data and accumulation of knowledge practically impossible (Skinner, 1996). The lack of widely agreed-upon definitions also impedes methodological progress and the creation of reliable measurement instruments. Before analysing control as an independent variable in my study, it is necessary to outline the conceptual space of research on control and its different typologies in the field.

2.5 Clarification of Constructs

Personal control. In the domain of research on control, *personal control* is the prototypical construct. It involves "the self as agent, the self's actions or behaviours as the means, and an effected change in the social or physical environment as the outcome" (Skinner, 1996). Close to this prototypical concept are others like *sense of control, instrumental control, and behavioural control*.

Perceived control. In a broader sense, perceived control refers to the naïve causal models that people have of "how the world works: about the likely causes of desired and undesired events, about their own role in successes and failures, about the responsiveness of other people, institutions, and social systems" (Skinner, 1995: xvi-xvii). In a narrower sense, perceived control is about producing behaviour - event contingencies.

Perceived control can enhance or impede performance at different points of the action sequence, for example task selection, goal setting, task planning, action initiation, action implementation or action evaluation (Bandura, 1989; Schunk, 1990). People who perceive high control tend to select more difficult tasks, set high and concrete goals to achieve, and envision success. They have better action plans, are more persistent in their enactment and demonstrate an 'action orientation' (Kuhl, 1981). People who experience low control, usually set low and more diffuse goals, they are more disorganised, their action plans are not elaborated, they imagine failure and have a 'state orientation' (Kuhl, 1981).

Perceived control influences two critical factors: motivation and volition, which in turn affect action. In other words, perceived control has impact only on

outcomes that are influenced by action. It does not improve one's ability or talent, but it can help people get access to all of their repertoire of responses so that they can reach their optimal performance (Schmitz & Skinner, 1993). As Skinner puts it: "Low perceived control can always prevent people from performing at the peak of their capacities; it increases the chances of failure, and can even prevent them from attempting a task at all. However, high perceived control does not guarantee success", because of situation contingencies and individual's actual competencies (Skinner, 1995: 77). In sum, low and high perceived control both matter, but in different ways.

Control beliefs. The literature on control often emphasises the nature of control perceptions through the use of the term 'control beliefs'. The latter denote convictions rather than judgements or evaluations. Since they are fluid cognitive constructions referring to the past or to the future, they are open to revision (Skinner, 1995). Much of the conceptualisation of control-related beliefs is based on action theory, which uses actions, not behaviours as a unit of analysis (Frese & Sabini, 1985). Action is intentional, goal-directed and emotion-laden behaviour. It consists of three components: orientation, behaviour and emotion. Control beliefs are the aspect of perceived control that regulates action (Skinner, 1995). With regard to *behaviour*, for example, when people have the feeling that they can exercise control over personally important outcomes, they will initiate an action, exert effort, be persistent and proactive. Conversely, when people believe that they cannot exercise control, they will become passive. With regard to *orientation*, people who believe that they can exercise control, will be oriented toward the action, will focus on it and will interact actively with it. In contrast, if individuals do not believe that they can

control the contingency, they might tend to shy from difficult situations and tasks, and avoid novelty. With regard to *emotion*, high control produces in general positive emotion, while low control generates negative emotion, like anxiety.

2.6 Types of Control

Control has been classified differently depending on researchers' different definitions of the concept. Typologies differ in the comprehensiveness of constructs and in the number of dimensions included (see Table 9).

Table 9: Typologies of control

Author	Types of Control
Averill (1973)	Behavioural, cognitive, and decisional control
Miller (1979)	Decisional, instrumental, and potential
Thompson (1981)	Behavioural, cognitive, retrospective and information control
Rothbaum et al., 1982)	Primary and secondary control with four subcategories each: vicarious, illusory, predictive, and interpretative
Fiske & Taylor (1984)	Behavioural, cognitive, decision, information, retrospective, secondary
Heckhausen & Schultz (1995)	Primary and secondary control with subcategories on two dimensions: veridical/illusory and functional/ dysfunctional

One of the earliest classifications goes back to Averill who differentiated between behavioural, cognitive, and decisional control (Averill, 1973). Further typologies continued the tradition of enlisting different kinds of control without suggesting an organising principle. Miller suggested three types of control: decisional, instrumental, and potential (Miller, 1979). Thompson expanded the categories to include some temporal dimensions: behavioural, cognitive, retrospective and information control (Thompson, 1981).

Rothbaum and his colleagues introduced a new principle of classification, namely the target of the action (Rothbaum et al., 1982). They differentiate between primary and secondary control. Primary control aims at changing the environment, while secondary control aims at changing the self. Further, both of these categories could be subdivided into vicarious, illusory, predictive, and interpretative.

Fiske & Taylor summarise the different types of control suggested in the various typologies and propose the following classification (Fiske & Taylor, 1984):

Behavioural control refers to the belief that the individual has a behavioural response available to counteract the aversiveness of a situation, for example, making it less likely, reducing its intensity or altering time and duration of the negative event.

Cognitive control encompasses cognitive strategies like avoidant (ignoring, denying, dissociating, distracting oneself from the event) or sensitising (e.g. rumination) strategies. They help the individual refocus attention on other aspects of the negative situation or to think about them differently.

Decision control is based on the ability to decide on the type, timing, onset or occurrence of an aversive event.

Information about the nature of the aversive event (e.g. cause, timing,

duration, etc.) engenders feelings of control.

Retrospective control is about beliefs reflecting the causes of a past event.

Secondary control or "going with the flow" reflects individuals' efforts to maximise their fit to the current situation.

In this classification, behavioural, cognitive, decision and information control can be considered as primary control since the individual tries to bring the aversive event in line with his wishes (Fiske & Taylor, 1984). Secondary control (Rothbaum et al., 1982: 8) is of a different nature. It refers to attempts to "fit in with the world and to 'flow with the current'".

In sum, most of the above-cited classifications are not based on theoretical conceptualisation of orthogonal dimensions. They reflect a phenomenological approach, which might be useful in differentiating between some of the most widely used constructs, but they are not comprehensive and do not allow the mapping of all the various control concepts. In my view, Skinner's integrative framework is much more instrumental organising the control-related constructs (Skinner, 1996). It makes it possible to locate a great number of the control concepts, and to compare them with one another in order to see whether they are identical, parallel or different, which helps to clarify inconsistencies in research findings. This framework also makes the important distinction between antecedents and consequences of control, and between objective and perceived control. I will review it in more detail, because it will help me to locate the constructs of control that I will use as independent variables in the experimental study.

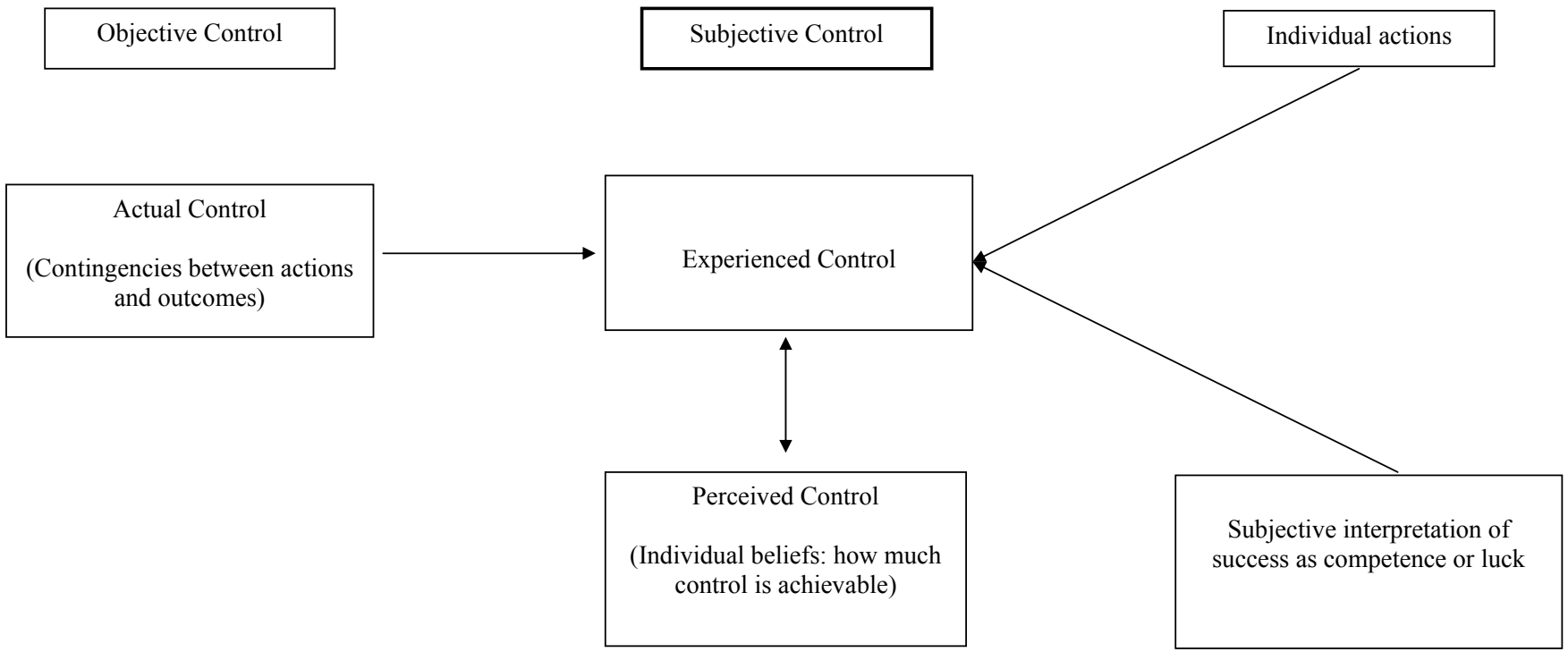
2.7 Skinner's Integrative Framework of Control Constructs

Skinner makes two basic distinctions among the different concepts on control (Skinner, 1996). The first one differentiates between objective control, subjective control, and experiences of control. The second one organises constructs around agents, means and ends of control. There are two additional distinctions: retrospective/prospective control and specific/general control.

Objective control, subjective control, and experiences of control. The most important distinction that researchers make is the one between perceived and actual control (Schifter & Ajzen, 1985). It implies that there are objective contextual characteristics reflected in the *actual control* (Chanowitz & Langer, 1980) and a subjective state, or an individual's belief about the amount of control available, labelled as *perceived control* (Burger, 1989; Skinner, 1995). Researchers agree that what matters to the agent is more the perception of control, rather than its real extent. In other words, subjective or perceived control is the more powerful predictor of action regulation. An interesting case is the illusion of control (Langer, 1975) when people experience high perceived control in objectively uncontrollable situations (see chapter IV).

Experience of control refers to "a person's feelings as he or she is interacting with the environment while attempting to produce a desired or prevent an undesired outcome" (Skinner, 1995: 551). The distinction between perceived and experienced control goes back to Chanowitz and Langer who differentiated between the description of exercised control (e.g. "I can improve the conditions") and the experience of exercised control ("I am improving the conditions") (Chanowitz & Langer, 1980).

Figure 10: Objective, experienced, and perceived control

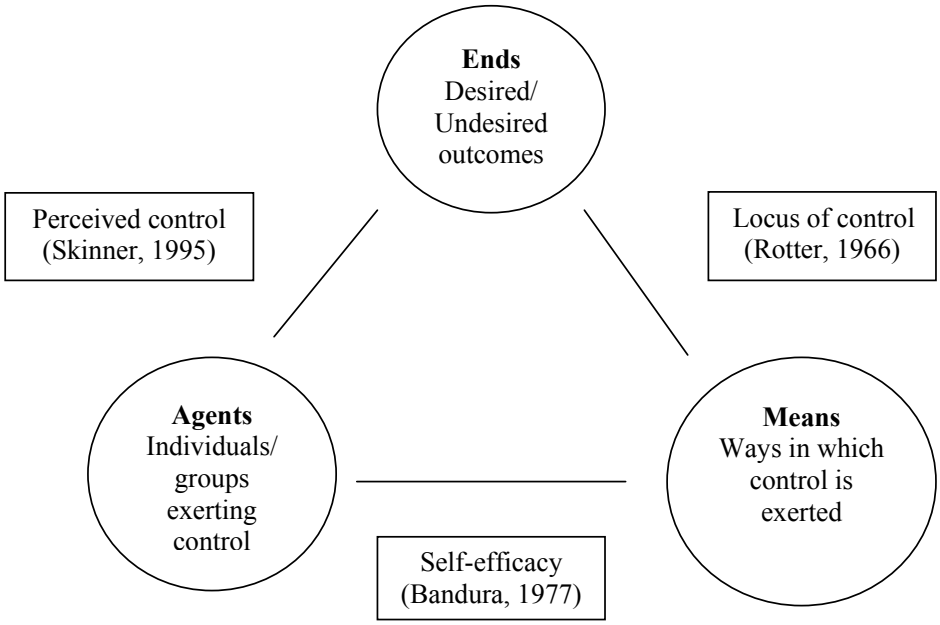


Experienced control is the product of actual and perceived control, of the individual's interpretation of success or failure (e.g. attributing it to competence or luck) and of concrete individual actions. Throughout their lives, people accumulate action-outcome episodes, interpreted according to their individual control beliefs. If the resulting experiences satisfy one's innate need for competence, they lead to joy and positive emotion, while the loss of this experience produces distress.

Agents, means, and ends of control. The second fundamental distinction refers to the relationships between agents, means, and ends of control (Figure 11). The *agent-ends* relation is reflected in most of the definitions of control. It denotes how likely it is for an agent to achieve desired outcomes and to prevent undesired ones. Typical examples of this category are concepts like perceived control, personal control, or sense of control. *Means-end* relations connect potential causes with desired or undesired outcomes. An example of this category is the concept of locus of control (Rotter, 1966). *Agent-means* relations denote the extent to which an agent has access to potential means, for example the concept of self-efficacy (Bandura, 1977). Figure 12 summarises the different categories of agents, means, and ends.

Temporal and specificity dimensions. Some researchers distinguish control beliefs along the time continuum. *Retrospective* control refers to interpretations, explanations or attributions people make about causes of outcomes in the past, while *prospective* control is oriented to the future (Thompson, 1981). Control beliefs can be domain-specific, for example referring to interpersonal relationships, or more general, for example spanning outcomes in different areas.

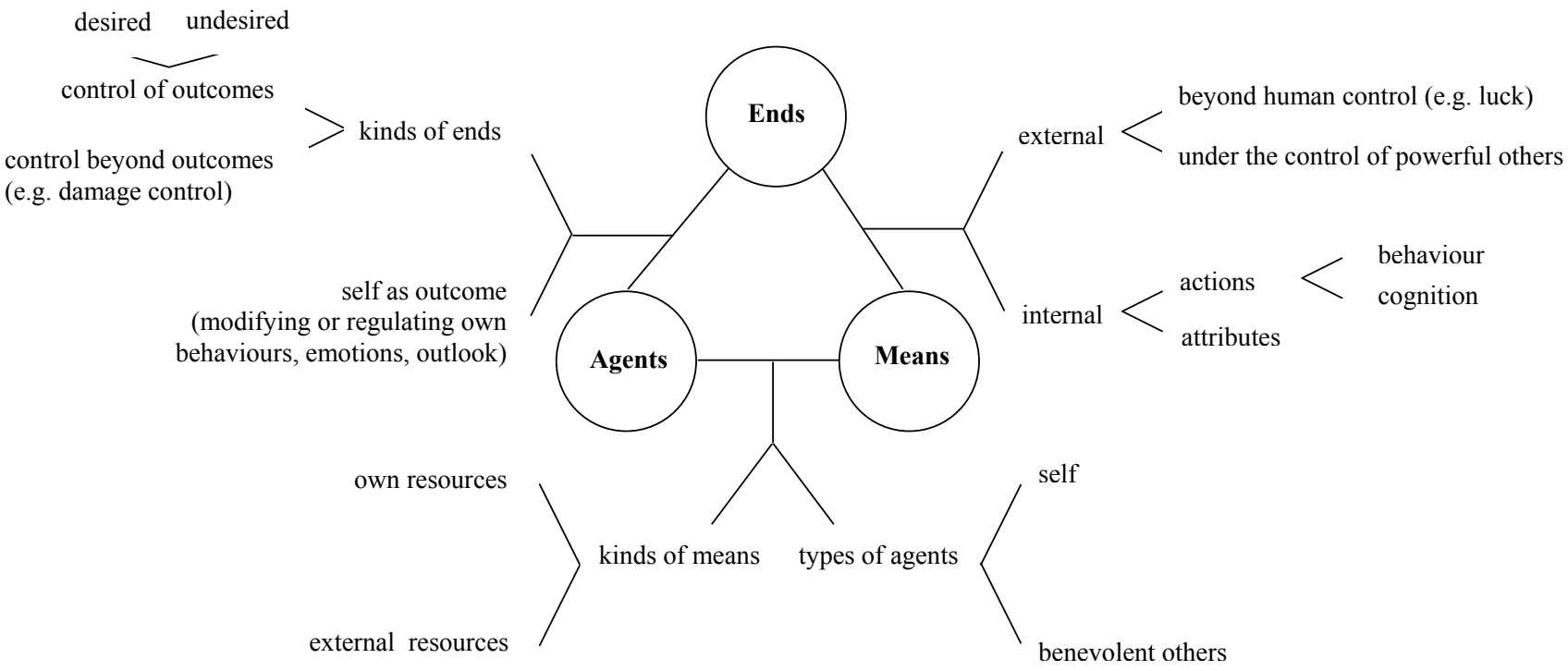
Figure 11: Agents, means, and ends of control



Antecedents and consequences of control. Researchers have studied extensively the impact of conditions like information, predictability, and choice on the perception of control. The major conclusion is that an increase in these variables in itself does not necessarily enhance perceived control. Their effect is contingent on a myriad of other environmental and individual factors (Skinner, 1996).

There are numerous constructs in the field of control research that refer to the actions and reactions people have to perceptions and losses of control. Of major interest for the current study are those sets of concepts organised around terms like action, approach versus avoidance, and engagement versus dissatisfaction.

Figure 12: Categories of agents, means, and ends



Research suggests that when individuals perceive a high degree of control, they invest more effort, try hard, demonstrate persistence, are more optimistic and show action orientation. On the other hand, when people experience loss of control, they tend to retreat, escape, become more passive and get distressed (Skinner, 1996). The theory of primary and secondary control is an interesting innovation because it establishes the link between these two behaviours of active engagement and disengagement.

2.8 Primary and Secondary Control

Rothbaum, Weisz, and Snyder conceive of control as a two-process rather than a one-process construct (Rothbaum et al., 1982). *Primary control* involves actions, which change the environment to fit one's needs and goals. They argue, however, that control can be sought via alternative paths, which they label *secondary control*. The latter implies that individuals try to align themselves with existing realities leaving them unchanged. The goal is to influence the psychological impact of realities on self. Secondary control implies that people aim at changing the self to fit the environment. In the process of adjustment, for example, people face "the fundamental alternatives of adapting to meet environmental requirements or manipulating the environment to meet personal requirements" (Nicholson, 1984).The processes of primary and secondary control are intertwined and people shift between them. In other words, we seek out both forms of control. When attempts at primary control fail, people do not necessarily relinquish control, but seek it via alternative paths through the mechanisms of secondary control. Thus, Rothbaum and his colleagues argue that "because control is so valued, the quest for it is rarely abandoned; instead, individuals are likely to shift from one method of striving for

control to another" (Rothbaum et al., 1982: 7). We try to gain control not only by bringing the environment into line with our desires (primary control), but also by bringing ourselves into line with the environment (Rothbaum et al., 1982). Secondary control serves a back-up function (Thompson, Thomas, Rickabaugh, Tantamjarik, Otsuki, Pan, Garcia, & Sinar, 1998b). Primary control is adaptive when the situation is controllable, while secondary control "is a better strategy when the situation is not amenable to control" (Thompson et al., 1998b).

The distinction between primary and secondary control is a useful context for understanding self-regulation. The concept of secondary control or changing oneself to fit the environment, overlaps extensively with that of self-regulation (Baumeister, 1998).

Rothbaum and his colleagues (Rothbaum et al., 1982) present four control-restoring measures:

1. *Predictive control* is about preparing oneself for future events in order to avoid uncertainty and disappointment.
2. *Illusory control* refers to attributing outcomes to chance, luck or fate.
3. *Vicarious control* means that we identify and align with powerful others so as to participate psychologically in the control they exert.
4. *Interpretive control* is about altering perspectives on realities that make it easier to accept them.

Further, they suggest that we should be concerned not with the question about an optimal degree of control, but with the issue of optimal balance between its two forms. In other words, primary control should be blended with secondary. In highly controllable settings, primary control is essential, while in situations that require adjustment, secondary control becomes more important.

An essential advance to the theory of primary and secondary control was furnished by Heckhausen and Schulz (Heckhausen & Schulz, 1999). They support the functional "primacy" of primary control and argue that our striving for control over the environment seems to be "a universal characteristic of human behaviour across cultures and histories" (Heckhausen & Schulz, 1999: 608). Further, this striving for primary control is based on some fundamental motivational mechanisms:

1. Behaviour-event contingencies are preferred over event-event contingencies (White, 1959). Children, for example, prefer response-elicited rewards to getting them without the necessity to respond (Singh, 1970).
2. A response that leads to desired outcomes tends to be repeated (Thorndike, 1898; Skinner, 1938).
3. Curiosity and novelty seeking are major drives of human behaviour (Schneider, 1996).
4. Responses to affects are asymmetrical in that responses to negative ones are stronger. Positive affects, like satisfaction for example, do not motivate the individual to actively seek a change in the environment and spontaneously dissipate (Frijda, 1988).

Primary control ontogenetically precedes secondary control (Heckhausen & Schulz, 1999). It is vital for the development and survival of the organism, and therefore is functionally and evolutionarily more adaptive. Consequently, primary control "is more preferred or desired, other things being equal" (Heckhausen & Schulz, 1999: 605). The opinion that emerges is that the relationship between primary and secondary control is one of cooperation, not of competition or

opposition. They are ‘confederates’ that work ‘hand-in-hand’ (Heckhausen & Schulz, 1999: 606). In other words, when the possibilities to exert primary control are severely limited, secondary control “serves to maintain, protect, focus, and enhance motivational resources for primary control striving” (Heckhausen & Schulz, 1999: 606).

The Life-span theory of control (Heckhausen & Schulz, 1995, Schulz & Heckhausen, 1996) integrates Rothbaum et al.’s (1982) ideas of primary and secondary control in order to reflect developmental regulation. It argues that within a life-span, there is a gradual increase of secondary control striving and suggests that primary control involves actions that are directed at influencing one's environment in order to shape it according to one’s wishes. On the other side, secondary control aims at optimising the internal world of the individual in terms of emotion and motivation. Consequently, secondary control comprises cognitive strategies of adapting internally rather than changing the external world. If the goal is unattainable, then control striving becomes dysfunctional and the individual has to disengage in order to save emotional resources. In other words, there is a continuum between complete engagement and disengagement that allows for self-regulation to switch from primary to secondary control. Giving up primary control too early and not giving up a futile cause, are both maladaptive. This opinion is in accord with the literature on failed self-regulation.

There are two forms of failed self-regulation. One of them is the premature disengagement from the goal, often labelled as giving up, relapse or recidivism, and the second is the excessive goal pursuit or perseveration (Karoly, 1993). Untimely goal abandonment may be caused by defensive self-evaluation, by deficient or excessive self-focus or by a dysfunctional standard-setting. An example of defensive

self-evaluation is a manager receiving low ratings in 360-degree feedback, who attributes her bad performance to her peers' envy and desire to hinder her career. The result of this external attribution could be a self-imposed moratorium on new self-knowledge (Kanfer & Hagerman, 1981; Snyder, Higgins, & Stucky, 1983). Downward social comparison, self-deception, self-inflation or self-handicapping are possible expressions of defensive self-evaluation (Fiske & Taylor, 1984; Baumeister, 1991). Dysfunctional standard-setting could be a rational strategy, assisting individuals deal with critical feedback. It involves lowering of standards in the face of failure, which helps individuals to deal artificially with the performance-standard mismatch (Karoly, 1993). When the latter is large and the probability of success low, the individual might decide to withdraw from a self-aware state (reduced self-awareness) and thus disengage from the goal. This would be adaptive in terms of self-regulation, because attention and energy will be preserved and deployed in other areas where the individual could be more successful. Likewise, an excessive self-focus after failure is maladaptive (Pyszczynski, Hamilton, Greenberg, & Becker, 1991). Thus, disengaging too early (giving up primary control) or not disengaging (secondary control) are maladaptive.

Heckhausen and Schulz (1995) suggest the following classification of primary and secondary control:

Table 10: Types, functions and mechanisms of control

(see Heckhausen & Schulz, 1995)

Type of Control	Direction	Mechanisms	Function
Selective primary	External world	o invest efforts, abilities & time o develop (learn/practise) new skills o fight difficulties	Mobilising internal resources
Compensatory primary	External world	o recruit others' help or advice o use of technical aids o employ unusual means o take a detour	Extending the space of problem solution
Selective secondary	Internal world	o enhance goal value o ignore or devalue competing goals o anticipate positive consequences of goal attainment o enhance perception of control for chosen goal	Focus motivational resources on the primary control striving
Compensatory secondary	Internal world	o goal disengagement (sour grapes) o self-protection through reframing and recontextualising (self-protective causal attributions, self-enhancing social comparison with inferior others or self-protective intra-individual comparison) o intra-individual comparison (temporal and inter-domains)	Compensate for the negative effects of failure and loss

1. *Selective primary control* (SPC) reflects our complete engagement with a goal. People fight difficulties, invest behaviour resources, such as effort and time, or learn new skills and abilities to achieve a chosen objective.

2. *Compensatory primary control* (CPC) is activated if internal resources are insufficient. In this case, individuals might decide to ask other people for help or for advice, look for unusual means or take a detour in achieving the goal.
3. *Selective secondary control* (SSC) serves to focus the motivational energy on the goal pursued and to protect it from the distraction of alternative goals and stimuli. To this end, goal values are enhanced, other goals are devalued, the perception of control for the chosen objective is enhanced or positive consequences of goal attainment are anticipated.
4. *Compensatory secondary control* (CSC) takes over when the individual has to adapt to failure. Through devaluation of previous objectives, or reevaluation of alternative goals people can disengage from the futile goal. Self-protective causal attribution or self-enhancing social comparison with inferior others can protect the self from disappointment.

Control-related beliefs vary across cultures (Shapiro, 1990; Bates & Rankin-Hill, 1994; Triandis, 1995). Therefore, the way in which people blend primary and secondary control will also be influenced by their culture (Weisz, Rothbaum, & Blackburn, 1984). In the Anglo-Saxon culture, for example, primary control is strongly emphasised and highly valued. It is manifested when individuals try to shape the existing realities in organisations in order to enhance their rewards. The implication might be that their personal goals diverge substantially from those desired by the firm (Young, 1992). On the other side, Japanese manufacturing companies rely heavily on secondary control, whereby individuals enhance their rewards by accommodating to the existing realities. They choose to subordinate their personal needs to those of the work group or the company and to adjust their goals, attitudes and expectations accordingly (Weisz et al., 1984). However, in all cultures

people benefit from the feeling that their actions lead to desired outcomes (Thompson et al., 1998b).

There are two critical issues about the theory of primary and secondary control. One of them refers to the label 'control' and the second one to the classification of primary and secondary control. Primary control denotes the individual's attempts to regain control, while secondary control reflects attempts to minimise threats to control, for example by reducing aspiration levels. Therefore, the label 'control' may be conceptually confusing and misleading, since the constructs themselves do not denote objective or subjective control processes, but potential actions and reactions to losses of control (Skinner, 1996). In other words, primary and secondary control should be categorised as consequences of control, and analysed as coping mechanisms rather than as types of control. An alternative labelling would be 'assimilative' processes, which refer to transforming circumstances in the environment, and 'accommodative' processes, which reflect adjustment strategies (Brandstaedter & Renner, 1990; Skinner, Edge, Altman, & Sherwood, 2003). Assimilation is a bipolar factor, which ranges from tenacious goal pursuit to helplessness. Accommodation is also a bipolar dimension that ranges from flexible goal adjustment to rigid perseverance, for example fixation on unattainable goals, or inability to disengage from ineffective actions. The two processes are not opposing or alternative courses of action, but rather synergistic. In that sense, they are very close to the concepts of primary and secondary control as members of the control-construct-family. Especially problematic is the term secondary control. Research shows that primary control is positively related to perceptions of control; however, secondary control reactions appear to be "outside the direct effects of perceived control" (Skinner, 1996: 557).

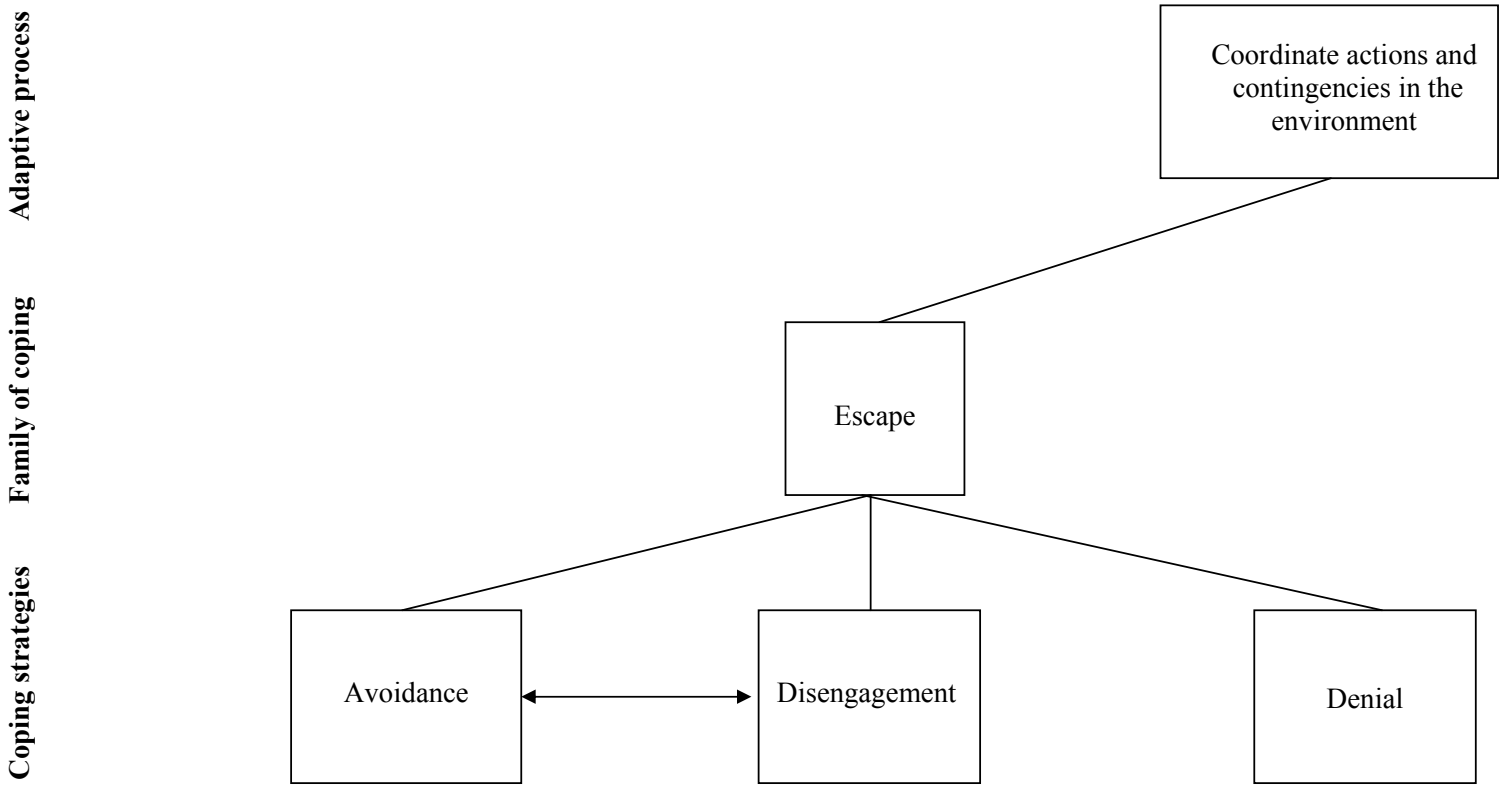
A closer look at the content of Heckhausen and Schultz's (1995) dimensions reveals that some of them (e.g. selective primary control) seem to be internally very consistent, while others (e.g. compensatory primary control) might be quite heterogeneous. Asking people for help/advice appears to be a very different strategy compared to looking for unusual means or taking a detour. Therefore, these variables might load on two different sub-factors. Further, the distinction between selective primary and selective secondary control might not be so neat. For example, enhancement of goal value (selective secondary control) might be perceived as very close to selective primary control; or again, if one decides on a business objective and constantly tries to remind oneself that this is the right objective to pursue, one might not necessarily interpret this behaviour as goal value enhancement, but as an attempt to overcome internal resistance, which would mean selective primary control in terms of overcoming difficulties.

I have argued that it makes sense to interpret primary and secondary control as coping mechanisms rather than different types of control. The following discussion on coping aims at making this link more explicit.

2.9 The Process of Coping

Coping is a control-related concept, which is useful in analysing the role of control in the process of self-regulation. It subsumes reactions to stressful situations when control is threatened. Under these circumstances, people evaluate the controllability of the event and their potential to exercise control. This in turn influences the coping strategies (Folkman, 1984).

Figure 13: Hierarchical structure of action type according to Skinner et al. (2003)



Perception of high control would lead to proactive behaviour in terms of information seeking, planning and persistence. Perception of low control would result in passivity, avoidance and disengagement (Skinner, 1996).

Perceived control buffers stress (Folkman, 1984). It is a 'powerful ally' in the process of coping and the relationship between these two processes seems to be reciprocal (Skinner, 1995): Perceived control has impact on the coping mechanisms, but the perception of control itself can change as a result of the stressor modification achieved during coping.

According to the latest research on the structure of coping (Skinner et al., 2003), it is neither a specific behaviour, nor a particular belief. It is rather "an organisational construct used to encompass the myriad actions individuals use to deal with stressful experiences" (Skinner et al., 2003: 217). Earlier categorisations are quite problematic. Lazarus and Folkman (1984), for example, argue that people use a transactional approach when they evaluate their relationship to the environment. In their view, the appraisal process goes through two steps. In the first one (primary appraisal), the situation is evaluated. In the next one (secondary appraisal), the available resources are assessed in reference to the demands of the situation. This stage is crucial to the perception of control. In their view, problem-focused coping aims at managing or changing the situation that causes stress, while emotion-focused coping targets the emotional response to the problem (Lazarus & Folkman, 1984). Problem-focused coping is quite similar to primary control or trying to alter the situation to bring it in line with one's own desires (Rothbaum et al., 1982). However, emotion-focused coping does not overlap entirely with secondary control. Lazarus and Folkman's classification is organised around single functions (problem versus emotion-focused); but this is an artificial way of separating different coping actions,

because every one of them serves many different functions. Skinner and her colleagues (Skinner et al., 2003) argue that single function classifications, as well as topological distinctions (approach versus avoidance, active versus passive, or cognitive versus behavioural) are not useful because coping mechanisms are multidimensional. They suggest a hierarchical structure of action types (e.g. proximity seeking, accommodation). At the lowest level are instances of coping. At the next level, they are organised in coping strategies, which in their turn are classified as families of coping at the third level. At the highest level are the adaptive processes (see Figure 13). They identify 13 potential families of coping: Problem solving, support seeking, escape - avoidance, distraction, cognitive restructuring, rumination, helplessness, social withdrawal, emotional regulation, information seeking, negotiation, opposition, delegation. These coping families serve three adaptive processes: coordination of actions and contingencies in the environment, coordination of reliance and social resources available, and coordination of preferences and available options. Many of these families of coping overlap with the major forms of coping identified by other authors, like task-oriented behaviour, emotional release, distraction, passive rationalisation and social support (see Dewe & Guest, 1990).

Two conclusions are important for my further discussion on the relationship between control-related beliefs and outsourcing of decision-making. The first one refers to the necessity of coping as a consequence of framing. When the decision event is framed as threat, people anticipate negative outcomes, negative emotion and loss of perceived control. If this situation is experienced as stressful, people will try to cope with it by applying different coping strategies. Some of the coping families, like support seeking, escape or delegation seem to capture the behaviour of

executives who operate under conditions of threat in the first two studies. To put it differently, outsourcing of decision-making could be analysed in the framework of coping. The second conclusion refers to possible shifts from one type of control to another. For example, at the beginning, executives might try to control the situation when facing a threat. However, when this behaviour turns out to be unproductive, they might disengage from the process. These changes can be interpreted as coping strategies, that switch from one adaptive process (e.g. coordinating actions and contingencies) to another (e.g. coordinating reliance and social resources available). The framework of primary and secondary control incorporates the idea of synergy and it enables the conceptualisation of a shift between primary and secondary control as a coping strategy.

The review of the literature on control-related constructs suggested that there are overlapping theoretical perspectives that define control in terms of choice among responses or contingencies, in terms of responsibility or predictability, or they equate it with concepts like self-efficacy or locus of control. Although highly related at face value, these constructs are not synonymous. It is necessary to clarify the conceptual differences between some of them before going further.

2.10 Demarcation of Control from Related Concepts

In order to gain a more finely tuned understanding of the concept of control and its explanatory power, it is useful to analyse in what way it is different from some similar concepts used in the field, like locus of control and self-efficacy. While both constructs have common theoretical roots in social learning theory, they have diverged substantially and denote different things.

Locus of control. The initial theories of perceived control were grounded in research on locus of control (Rotter, 1966) and helplessness (Seligman, 1975). Both of these theories of social learning emphasise the contingency between action and outcome. In his social learning theory, Rotter introduces a personality construct, locus of control, which refers to the expectancy that a certain behaviour will lead to a given reinforcement (Rotter, 1954; Rotter, 1966). The construct is bipolar. *Internal locus of control* denotes a perception that the reinforcement is contingent upon one's own behaviour, while *external locus of control* is pertinent to the belief that luck, chance, fate or other individuals determine the reinforcement. Rotter (1966) considered extremes on both ends of this internal – external continuum to be maladjusted. Locus of control is viewed as a trait rather than a state (Rotter, 1990). It was conceptualised to explain the tendency of some individuals to ignore reinforcement contingencies (Phares, 1976). While locus of control refers to a *stable* individual propensity to locate causality for outcomes either internally or externally, personal control is a *dynamic* process that can vary across time and situation (Greenberg, Strasser, & Lee, 1988). We can assume that locus of control influences the subjective interpretation of the situation (see Figure 10) and therefore, has impact on the experience of control; however it is conceptually different from perceived or subjective control. Another difference is that external locus of control was initially defined as an absence of control, while secondary control (Rothbaum et al., 1982) is conceptualised as a form of exercised control.

Self-efficacy. Summarising the research on control-related beliefs, Bandura argued that most of the theories in this field focused on how effective responses are in producing certain outcomes (response-outcome expectancy). He suggested the addition of "the conviction that one can successfully execute the behaviour required

to produce the outcome" and labelled it as self-efficacy (Bandura, 1977: 193). This concept is also based on social learning theory. Bandura conceptualised it as the belief individuals have about their capability to accomplish a certain task, independently of whether they believe that this task would lead to particular outcomes (Bandura, 1977; Bandura, 1982). Self-efficacy "is concerned not with the skills one has but with judgements of what one can do with whatever skills one possesses" (Bandura, 1986: 391). In other words, he separates behavioural expectancy from outcome expectancy. Self-efficacy is a domain-specific perception and not a generalised expectation. Usually, it was operationalised in terms of one's self-confidence to carry out a required action. Self-efficacy is task specific and refers to behavioural expectancy, while perceptions of control reflect the perceived relationship between actions and subsequent events, or in other words outcome expectancy (Wallhagen, 1998). While outcome expectancies are important in triggering an intention to adopt a new behaviour, self-efficacy is vital in executing the action (Schwarzer, 1992).

Researchers in the field of control also differentiate between competence or perceived control and autonomy. While the first one reflects the contingency between behaviour and outcomes, the second one refers to the extent to which an individual feels free to demonstrate a behaviour of his choice (Patrick et al., 1993), to be the origin of one's actions and to initiate a behaviour (Deci & Ryan, 1985).

2.11 Conclusion

Research in the field of control has focused on motivation for control, antecedents and consequences of control, as well as perceived, objective and

experienced control (Skinner, 1996). The following summary generalises across different theories and constructs related to control (see Peterson & Stunkard, 1989). Personal control reflects individual beliefs about how one interacts with the world. There are individual differences in terms of sensitivity to detecting or responding to contingencies, which has been referred to as 'mastery motivation' (see Skinner, 1995). However, personal control is neither simply a disposition, nor an objective property of the environment, but is grounded in the transaction between the person and the environment. It may take different forms, e.g. a belief that one can a) cause or influence the occurrence, the timing or the extent of an outcome; b) choose among different outcomes; c) cope successfully with the consequences of outcomes; and/or d) make sense of the outcomes. It is desirable, because it activates the individual if there is a demand. Aversive events make it particularly salient. Perceived control can be thought of as our own naïve theories about the extent to which we can influence desired or undesired events, or personal success and failure. This definition reflects its essence as a model of causality.

My research question does not deal with the sources of motivation for control like effectance or need for competence. Neither does it analyse the antecedents of control like information, choice or feedback. All these factors undoubtedly have impact on the perception of control. My interest focuses rather on the link between framing and perceived control, which can be studied in a randomised experimental setting. The notion of primary and secondary control as outcomes of subjective control reflects best the consequences of framing as opportunity or threat. The synergy and the possible shift from primary to secondary control as a coping mechanism is the framework I explored in an experiment using a computer-simulation. But before that, a measurement instrument was developed in Study 3.

3. Method

3.1 Design and Procedure

Study 3 focused on the development of an instrument that could measure primary and secondary control. It had to be relevant for managers and their business goals. More than 30 items were generated using similar scales developed to test the constructs of primary and secondary control in other areas like health, ageing, school achievement, etc. (Heckhausen, Diewald, & Huinink, 1994; Heckhausen, Wrosch, & Fleeson, 2001; Wrosch, Lachman, & Lachman, 2000). Sixteen of them seemed relevant to the field of business. They covered all four types of control conceptualised by Heckhausen and her colleagues:

Selective Primary Control (spr)

Invest effort (spre):

When I really want to achieve a specific business goal, I am able to work hard to get there.

Invest time (sprt):

When a business objective really matters to me, I invest as much time as I can to achieve it.

Develop/learn/practise relevant skills/abilities (sprs):

When I have set a business goal for myself, I try to learn the skills necessary to do it well.

Overcoming difficulties (sprd):

When achieving a business goal is more difficult than expected, I try harder to achieve it.

Compensatory Primary Control (cpr)

Getting help from other people (cprh):

When obstacles get in the way of my achieving my business objective, I try to get help from others.

Getting advice from other people (cpra):

When business difficulties become too great, I ask others for advice.

Deploying new and unusual means (cprn):

When I can no longer make progress on my business goal, I look for new ways to reach it.

Taking a detour (cprd):

When I cannot get to my business goal directly, I sometimes choose a roundabout way to achieve it.

Selective Secondary Control (ssc)

Enhancement of goal value (ssce):

When I have decided on a business objective, I always remind myself that this is the right objective to pursue.

Devaluation of other goals (sscd):

When I have decided on a business objective, I avoid anything that could distract me.

Enhanced perception of control for chosen goal (sscc):

When I pursue a business goal, I keep in mind that I also have the abilities to achieve it.

Anticipated positive consequences for goal attainment (sscp):

When I have set my ambitions for a business goal, I imagine how proud I will be when I have achieved it.

Compensatory Secondary Control (csc)

Goal disengagement (cscd):

When a business goal turns out to be too difficult to achieve, I can put it out of my thoughts.

Self-protective attribution (csca):

When I do not achieve my business objective, I often tell myself that it wasn't my fault.

Social comparison (cscc):

When I experience difficulties in attaining a business goal, I remind myself that in many ways I am better off than other people.

Intra-individual comparison, temporal or inter-domains (csci):

When I cannot achieve my business objective, I console myself by thinking about other areas of life where I have more success.

Respondents were asked (Appendix 2): "To what extent does each of the following statements apply to you?". Responses were measured on a 5-point Likert-type scale (1 = almost never true and 5 = almost always true).

3.2 Sample

The sample comprised 303 participants in MBA and Executive MBA programmes at London Business School. The average age was 33 years and the managerial experience was 8 years. The sample was split into two. Following the 1:5 rule for the sample size (Hair, Anderson, Tatham, & Black, 1998), the exploratory

factor analysis was based on 80 respondents. The rest of the sample (223 questionnaires) was used for the confirmatory factor analysis.

4. Results

4.1 Exploratory Factor Analysis

The structure of the latent dimensions of the questionnaire was identified through R-factor analysis. The appropriateness of the method was examined by the KMO measure of sampling adequacy and Bartlett's Test of sphericity. They suggested that the partial correlations among variables were small. There is no significant departure from normality, linearity and homoscedasticity, which could diminish the observed correlations.

For the factor analysis the principal component analysis appeared to be appropriate since there were a priori expectations about the composition of the scales based on prior research. The goal was to estimate components that represent the variances of the observed variables in as small a number of dimensions as possible (Floyd & Widaman, 1995). As a next step, several iterations were carried out. Taking into consideration the variance explained in each case, the content of the factors suggested, and the prior research on primary and secondary control, a two-factor-solution was considered to be the best result.

The identification of significant factor loadings was based on the guidelines provided by Hair et al. (1998). Taking into consideration the sample size and the number of variables, a cutoff point of loadings above .45 appeared to be reasonable (Hair et al., 1998). All variables with communalities less than .50 were considered not to have sufficient explanatory power. Stepwise, 10 variables were deleted. They had either a low loading, or were amorphous across factors and loaded on several of them, or were the only variables representing a factor. Since colinearity between the

two factors appeared to be a possible option, the Oblimin method was considered to be the most appropriate for the rotation phase. The total amount of variance explained was comparable to the unrotated solution, however the factor-loading pattern and the percentage of variance for each of the factors seemed more balanced. A two-factor solution explained 68% of the variance (see Table 11) and was preferred to a three- and a four-factor solution where some of the factors were represented only by one or two items.

Table 11: OBLIMIN rotated factor solution

Variable	Factor 1	Factor 2
csca	**.855**	
cscc	**.829**	
csci	**.789**	.108
sprd		**.846**
sprt		**.812**
spre	.117	**.766**

Factor 1 captured secondary control (exemplar item: There are other areas in life where I have more success). As predicted, social comparison, self-protective attribution and intra-individual comparison loaded on this dimension. Factor 2 reflected primary control. Three items loaded on it: investment of effort, investment of time, and overcoming difficulties (exemplar item: If obstacles get in my way, I put in more effort).

Some of the predicted factors failed to materialise. The four items on selective secondary control, for example, were not internally consistent and loaded on all 4 factors in the four-factor solution. These cross-loadings suggest that this dimension seems somewhat ambiguous for respondents. For example, avoiding anything that could distract oneself, which should load on selective secondary control (devaluation of other goals) might have been interpreted as investment of additional effort, which would be selective primary control. Further, keeping in mind that one has the abilities to achieve the goal (enhanced perception of control for chosen goal on the selective secondary control dimension) might have been perceived as very close to reminding oneself that one is better off than other people (social comparison on the compensatory secondary control dimension). In addition, compensatory primary control seemed to have two foci: asking for help/advice and looking for unusual means/detour and loaded on separate factors in the four-factor solution. Developing relevant skills and abilities was not a significant indicator of selective primary control.

Cronbach's alphas for primary control (.732) and for secondary control (.767) were above the recommended level of .70 (Nunnally, 1976). When interpreting Cronbach's alphas, we have to keep in mind that reliability tends to increase as the number of items increases (Gerbing & Anderson, 1988). In order to avoid a possible inflation of reliability, the two scales were represented with three items each.

4.2 Confirmatory Factor Analysis

A confirmatory factor analysis for the two constructs elicited with the Oblimin rotation and their indicators was carried out. Lisrel 8 was applied to analyse the data and refine the factor structure. The computations were based on covariance

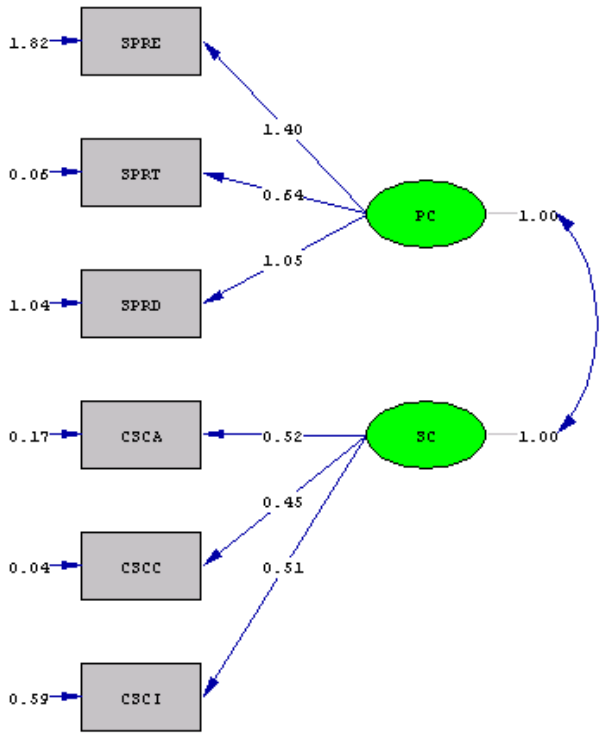
matrices (Hoyle & Panter, 1995). The method of estimation was maximum likelihood, since it performs reasonably well under less-than-optimal analytic conditions like small sample size or excessive kurtosis (Hoyle & Panter, 1995). Jøreskog and Sørbom (1986) suggest that the sample size should be at least 200 if the number of items is less than 12. The sample of 223 respondents met this requirement.

The fit of each LISREL analysis was assessed by a number of criteria. Two absolute fit measures were taken into account: the Chi-square significance level was expected to be above the minimum level of .05 and the critical value of the root-mean-square residual (RMSEA) was specified to be less than .08. From the incremental fit measures two were selected: One of them was the adjusted goodness-of-fit index (AGFI), which is independent of sample size (Bagozzi & Yi, 1988) and it was expected to exceed the .90 rule. The second one was the normed fit index (NFI) with levels to exceed a .90 threshold. And finally, from the parsimonious fit measures, the normed Chi-square (χ^2/df) was tested and it had to fall within the recommended level of 1.0 to 2.0.

After the overall model was accepted, each one of the constructs was assessed separately, examining its indicator loadings for statistical significance and evaluating the construct's reliability and variance extracted. The t-values were expected to exceed the critical value for the .05 significance level of 1.96 in order to conclude that the indicators are significantly related to their specified constructs. In the next step, the reliability and variance extracted were measured to assess whether the variables sufficiently represent the construct. The recommended levels were .70 and .50 respectively (Hair et al., 1998). It was taken into consideration that respecification of the measurement errors might inflate the results.

Standardised residuals were examined to test whether some of them exceeded |2,58|, which might have indicated a misspecification of the model (Jøreskog & Sørbom, 1986).

Figure 14: Path diagram



Chi-Square=15.97, df=8, P-value=0.04279, RMSEA=0.067

Following this procedure, the 6-item model was analysed (see Figure 14). It did yield a good fit (χ^2 = 15.97, *df* = 8, p-value = .0428, GFI = .98, AGFI = .94, RMSEA = .067 and NFI = .97). There was no negative error variance, which had to be fixed, and no covariance was set free. The loadings were statistically significant,

and there was one standardised residual exceeding 2.5, which still falls within the acceptable range (Hair et al., 1998).

The estimates of reliability and variance-extracted measures for primary and secondary control were all above the threshold (see

Table 12). Therefore, we can conclude that the specified indicators are sufficient in their representation of the construct.

Table 12: Measurement model results

Exogenous Constructs	**Unstandardised ML Parameter Estimates**		**Construct Reliability**	**Percent Variance Extracted**
	λ	δ or ε		
Primary control			.77	.54
Spre	1.40	1.82		
Sprt	.64	.06		
Sprd	1.05	1.04		
Secondary control			.73	.48
Csca	.52	.17		
Cscc	.45	.04		
Csci	.51	.59		

In conclusion: the estimated model achieved satisfactory levels of fit and accounted for substantial variance in the measured variables.

5. Discussion

Based on previous research (Heckhausen & Schulz, 1995), a four-factor solution (selective primary control, compensatory primary control, selective secondary control, and compensatory secondary control) was hypothesised. However, exploratory factor analysis suggested a more parsimonious two-factor solution, which comprised only the two broad categories: primary and secondary control.

The primary control factor reflected complete engagement with the goal and mobilisation of internal resources. It was very close to the hypothesised selective primary control and was represented in the model with three items. The latter focused on investment of resources like time and effort, as well as on overcoming difficulties:

1. When achieving a business goal is more difficult than expected, I try harder to achieve it. (sprd)
2. When obstacles get in my way of achieving my business goal, I put in more effort. (spre)
3. When a business objective really matters to me, I invest as much time as I can to achieve it. (sprt)

The secondary control factor was directed towards the internal world and reflected a desire to adapt the self to the situation. Three items loaded highly on this factor. They all represented compensatory secondary control and focused on self-

enhancing social comparison with inferior others (cscc), on self-protective intra-individual comparison (csci) and on self-protective causal attribution (csca):

1. When I experience difficulties in attaining a business goal, I remind myself that in many ways I am better off than other people. (cscc)
2. When I do not achieve my business objective, I often tell myself that it wasn't my fault. (csca)
3. When I cannot achieve my business objective, I console myself by thinking about other areas of life where I have more success. (csci)

In sum, a two-factor structure (primary and secondary control) seems to be more reliable for the purpose of my study than the expanded model with selective/compensatory primary and secondary control.

Selective secondary control (enhancement of goal value, devaluation of other goals, anticipated positive consequences of goal attainment, and enhanced perception of control for chosen goal) and compensatory primary control (asking for other people's help/advice and looking for new and unusual means/detour) were not confirmed in the exploratory factor analysis. These results suggest that the distinction between primary and secondary control is a robust one, but a more fine-tuned categorisation needs further research. It might be that the categories *selective* and *compensatory* work in the areas of health, ageing, and education, but are problematic in the field of management. For example, "I always remind myself that this is the right objective to pursue" can be very instrumental for a patient fighting a serious disease, but may not be so effective in a business setting where managers need a certain level of scepticism. Since the goal of my study was to test a possible shift from primary to secondary control, the two-factor model was preferred, because it achieved satisfactory level of fit.

6. Summary and Conclusion

The concept of control has been applied to different areas of research, like health and longevity, motivation, performance and success, interpersonal competence, social action, conformity, creativity, problem-solving, emotion, coping, personal adjustment, etc. (Skinner, 1995). The wide range of control constructs makes it difficult to integrate knowledge in the field. In my view, the most promising typology, which allows the comparison of the constructs and the accumulation of knowledge, is Skinner's integrative framework. It organises the control concepts along two main lines: objective/subjective control and means/agents/ends. Based on this typology, the following conclusions can be made for my study:

Framing influences perceived/subjective control. When the situation is framed as opportunity, people perceive high control and tend to be action oriented. Framing as threat leads to perception of low control and a tendency to disengage. The framework of primary and secondary control captures the different orientation depending on the framing.

Primary control targets the external world, while secondary control targets the self (Rothbaum et al., 1982) in order to optimise the individual's motivation and performance (Heckhausen & Schulz, 1995). Primary control is characterised mainly by behaviours that target the external world, while secondary control reflects predominantly individual cognitive processes (Wrosch, Schulz, & Heckhausen, 2002). Both types of control facilitate goal attainment. While primary control reflects active engagement and mobilises internal resources like effort, time and ability, secondary control aims at internal adaptation. In order to preserve motivational and emotional resources, self-protection and disengagement from unattainable goals might be functional. Primary and secondary control operate hand

in hand in order to achieve adaptation. Consequently, they may be considered to be coping mechanisms similar to problem-focused and emotion-focused coping (Folkman, 1984) or assimilation and accommodation processes (Brandstaedter & Renner, 1990). Since my goal is to study the consequences of changes in the perception of control, the framework of primary and secondary control seems useful.

A scale for primary and secondary control was developed. The items on primary control reflected complete engagement with the goal and mobilisation of internal resources. The items focused on investment of resources like time and effort, as well as on overcoming difficulties. The secondary control factor reflected a desire to adapt the self to the situation and focused on self-enhancing social comparison with inferior others, on self-protective intra-individual comparison, and on self-protective causal attribution.

To summarise, the qualitative study and the scenario-based experiment both suggested a link between framing and the degree of outsourcing of decision-making. Further, the interview data indicated a second factor that might be in play, namely perception of control. The theoretical analysis of the concept of control concluded that framing influences the perception of control, which in turn might have impact on the degree of outsourcing of decision-making. In the next study, I examine this causal link empirically.

CHAPTER IV: CONTROL SHIFT AND WELL-BEING

1. Introduction

Study 4 examines a mediation model, which suggests that the effect of framing on the degree of outsourcing of decision-making is mediated by a shift in the mode of control. The previous chapter concluded that the primary-secondary control model represents a relevant framework for analysing this shift. Now I turn to the antecedents and consequences of this transition from primary to secondary control.

Individual's resources in terms of cognitive investment, time, etc., are limited. Therefore, there is an inherent need for human beings to be selective in the goals pursued (Heckhausen & Schulz, 1995). If people invest in unattainable goals, they miss the opportunities of alternative goals where they might have been more effective. Hence, when individuals find out that it is not possible to produce changes in the external world (primary control), they should direct their attention toward optimising their motivational resources and consequently, disengage from the unattainable goals (secondary control). In that sense, primary and secondary control strategies enhance perception of control and subjective well-being (Wrosch et al., 2002).

In the remainder of this chapter, I review the literature on perception of control and well-being. Then I develop my argument regarding the adaptive value of the shift from primary to secondary control when the situation is framed as threat. Further, I describe an experiment using a computer-simulation, which tested the causal relationship between framing of the decision event as threat, the shift from primary to secondary control and the consequence of this shift with regard to

subjective well-being. Finally, I discuss the theoretical model of outsourcing of decision-making and the practical implications of the study.

2. Theoretical Background

2.1 Perceived Control and Well-Being

Common to many theories of control is a general belief that the perception of control is beneficial with regard to well-being. The corollary is that deprivation of control has negative consequences. The evidence that perceived control is psychologically beneficial and that it enhances emotional well-being is overwhelming (White, 1959; Remondet & Hansson, 1991; Lowery, Jacobsen, & DuCette, 1993; Thompson, Collins, Newcomb, & Hunt, 1996b; Wegner & Bargh, 1998; for reviews see Deci & Ryan, 1987). Perceived control enhances coping with stress, improves health and performance, and eases behavioural changes (Thompson & Spacapan, 1991). On the other hand, perceptions of uncontrollability have a very negative effect on human beings and loss of control leads to undesirable consequences (Seligman, 1975; Allen & Greenberger, 1980; Thompson, 1981). Seligman's theory of learned helplessness (Seligman, 1975), for example, demonstrates how loss of control or non-contingency between one's behaviour and subsequent outcomes, leads individuals to become passive even if they have the necessary behavioural repertoire to perform the action. A prolonged exposure to loss of control can lead to physiological damages (Seligman, 1975). Therefore, it is not surprising that an extensive body of research shows that control is psychologically beneficial.

This brief account of research findings suggests that the concept of perceived control is closely linked with the notion of subjective well-being. The growth of interest in well-being in modern society reflects the notion that there are values that transcend economic prosperity. For decades, psychologists seemed to be more attracted in their research by negative psychological states than by positive ones. The number of articles, for example, examining negative psychological states has outperformed that of exploring positive states by a ratio of 17 to 1 (Myers & Diener, 1995). Recently, this tradition has been overturned and we are witnessing an increased interest in the subject of happiness (Kahneman, 1999).

Subjective well-being is not a single construct, but rather a general area of scientific interest that includes pleasant and unpleasant affective reactions (e.g. joy, contentment, pride, or guilt, sadness, envy, anxiety), cognitive evaluations of life satisfaction (e.g. satisfaction with current, past or future life, significant other's view of one's life) and assessments of specific domain satisfaction (e.g. work, family finances, health, self, leisure, one's group) (Diener, Suh, Lucas, & Smith, 1999). Current research suggests that subjective well-being has both trait-like properties (e.g. Extraversion and Neuroticism) and state-like properties (DeNeve & Cooper, 1998). Goals seem to serve an important function as reference standards for the affect system (Diener et al., 1999). Goal attainment contributes to the perception of control. People react positively when they make progress towards achieving their goals, and negatively when they fail to do so.

Is increased control always beneficial? Some authors (Burger, 1989; Thompson & Spacapan, 1991), for example, argue that sometimes, increased control has negative effects. This contradiction can be explained by a possible confusion between the experience of control (being effective in producing a desired outcome or

preventing an undesired one) and locus of control or responsibility (Skinner, 1995). For example, some of the experiments that claim to prove the negative effects of increased control omit key elements that transform objective control (e.g. high action-outcome contingencies) or subjective control (beliefs about control) into real experience of control. According to Skinner (1995), researchers who obtain these negative results do not alter all relevant control conditions. For example, if experimenters inform people in great detail about a pain that will follow an event, they do not give more control to respondents, unless the latter feel they can do something to reduce the severity of the negative outcome. In other words, manipulations should improve actual contingencies, for example, respondents should be given information on how to deploy resources effectively in order to reduce pain, how to organise responses in order to avoid or terminate the event, or how to select a desired outcome among a series of possible choices. Further, an increase in action-outcome contingencies (or the ability of individuals to influence events) for people who lack the self-efficacy in that specific domain would mean an increase of their responsibility without an increase of control (Bandura, 1977). And responsibility with lack of adequate individual resources makes failure (accompanied by self-blame) look likely. Situations that are uncontrollable and consistently lead to bad outcomes might cause internality (self-blame) of people with internal locus of control who believe that outcomes are contingent on their efforts.

In sum, the beneficial effects of perceived control seem to be a robust finding. Much of the confusion about the negative effects of increased control is caused by methodological problems of the experimental conditions. Since the perception of control provides a psychological advantage and leads to well-being, the need for

control might even cause susceptibility to illusory control (Thompson, Armstrong, & Thomas, 1998a) – an issue to which I now turn.

2.2 Illusion of Control

Research suggests that highly stressful situations undermine the perception of control and increase the preference for illusory control (Friedland, Keinan, & Regev, 1992). Overestimation of control is most likely when the outcome is desirable, when the need for this outcome is strong and when previous actions have undermined the sense of control, which leads to a motive to regain control (Thompson et al., 1998a).

Since control is strongly desired, in ambiguous situations where it is difficult to assess the perceived control, people might easily believe that they have it. In her seminal paper, Langer (1975) demonstrated that individuals are indeed subject to illusions of control. In a series of experiments, in which the results were determined by pure chance, the participants cultivated and maintained false beliefs in their control. There seems to be little doubt that people are susceptible to illusions of control. The latter may be harmful to performance (Fenton-O'Creevy, Nicholson, Soane, & Willman, 2003), but beneficial for our well-being (Taylor & Brown, 1994). Taylor and Brown argue that three related positive illusions seem to be common: unrealistically positive self-evaluations, exaggerated perceptions of control, and unrealistic optimism. They draw the conclusion that positive illusions are beneficial for our well-being, because they are adaptive even when they are counterfactual (Taylor & Brown, 1988). This might appear like a contradiction, because we all know that effective actions require accuracy. So, how can illusions be good if there is no pragmatic utility? There are a couple of explanations of this paradox. One of them suggests that when people believe that they can exert control in terms of having

confidence that they can make the requisite response, they are better able to produce that response (Bandura, 1977). The implication is that it is better to assume the presence of control when it is absent than to assume that it is lacking when the individual could have had it.

Heckhausen's *Rubicon Model of Action Phases* suggests an interesting explanation of the benefits of illusory control (Heckhausen, 1986, 1991). Its basic assumption is that when people make decisions about goals, their motivational engagement does not change on a continuum. In other words, there is a distinction between behaviour prior to a decision being made and that after a decision is made. Pre-decisional behaviour is exemplified by a deliberative mind-set, a kind of accuracy-motivated and open-minded style of information processing. On the other hand, post-decisional behaviour is characterised by an implemental mind-set, when information processing becomes biased since an alternative has already been chosen. In this phase, thoughts like "I can do this task" are much more helpful from a motivational perspective. In the implemental mind-set people are much more prone to overestimate their ability to control than in the deliberative mind-set. This shift from pre-decisional motivation to post-decisional volition is a possible explanation of the illusions of control. Experiments support this theory. Research evidence suggests that participants who are in the deliberative mind-set judge their control more accurately than those in the implemental mind-set (Gollwitzer & Kinney, 1989). I would argue that once a goal has been chosen, a normal degree of illusion of control would strengthen the motivation to act and to be in the mode of primary control. However, a stronger illusion of control might mask a sense of uncontrollability. Based on this argument, we can assume that when executives make decisions about outsourcing of decision-making, they are in the pre-decisional

behavioural mode when illusions of control are less likely and when an accuracy mind-set dominates.

In sum, perception of control, even if it is illusory, is beneficial for our well-being. Therefore, we could expect managers to engage in different coping strategies in order to increase their perception of control. If we agree with this statement, then the question of how to increase control in a low-control environment might appear to be "a richer and more interesting component of perceived control than the basic idea that has received the most attention – that a sense of control is beneficial" (Thompson et al., 1993: 302). The primary-secondary control model exemplifies a strategy of maintaining the perception of control in the case of aversive events.

2.3 The Shift from Primary to Secondary Control and Its Adaptive Value

I have argued that people respond negatively to the prospect of losing control. Initially, the effect of control deprivation could be an increased desire to regain control and to avoid the negative consequences of any further loss of control (Pittman & D'Agostino, 1989). As a result, people will try harder to reassert it. In the business environment, for example, managers might try to centralize the decision-making process. If the situation appears to be one in which increased efforts appear to be futile, a shift from primary to secondary control takes place. It changes the target from effects upon the environment to effects upon the self. Secondary control has a compensatory value and it is activated when primary control has failed. This buffering function of secondary control aims at protecting the emotional well-being and the motivational resources for maintaining primary control in the future. As Heckhausen and Schulz (1995: 286) put it, "In this way, secondary control serves as the pathway from loss of control back to primary control". The cooperation between

the two forms of control serves the selective attention. Thus, the shift from primary to secondary control enhances the cognitive self-regulation process (Weisz, 1990) or in other words, the ways in which people control and direct their actions (Fiske & Taylor, 1991). Consequently, the primary-secondary control model explains the mechanism of coping that takes place when the situation is framed as threat and people expect loss of control.

When the event is assessed to be uncontrollable, highly ambiguous or when previous actions have seriously undermined the sense of control, some ego-protective mechanisms might be activated, e.g. illusions of control. These defence mechanisms are different from coping. Reactions to stress are defined as *coping* if they are conscious and intentional and as *defence* if they are unconscious and unintentional (Somerfield & McCrae, 2000). Along similar lines, Cramer (Cramer, 2001) suggests that consciously and intentionally modifying individual's cognition, affect or behaviour, i.e. coping, is an inherently different process from the unintentional cognitive distortion produced by defence mechanisms at the unconscious level. As he puts it: "Defence mechanisms defend against stress, and coping strategies cope with stress" (Cramer, 2001: 763). Defence mechanisms serve to control anxiety. The current view is that defence mechanisms can be ordered on a continuum depending on their maturity. Humour, sublimation and suppression are considered to be mature defences, while denial, projection, and rationalisation are viewed as immature (Cramer, 2001). Further, mature defences are associated with adaptive functioning, while the effect of immature ones is questionable. Newman (Newman, 2001) blurs the boundaries between the two constructs arguing that the concepts of coping and defence are intertwined because defence mechanisms are processes that can be used to cope, and coping processes are mechanisms that can be used to defend oneself

against threatening thoughts and feelings. This view only confounds the two concepts, so I am going to apply Cramer's demarcation between defence and coping.

As I have argued earlier, when people cannot control their environment, they might satisfy themselves by trying to believe that they can, which is labelled as illusion of control. According to Cramer (Cramer, 2000), illusion of control is a defence mechanism similar to denial. If the situation further deteriorates, people might experience it as even more threatening. Repeated failures might lead to withdrawal of efforts (Roth & Kubal, 1975) and relinquished control, which is defined as the absence of any coping attempt (Rothbaum et al., 1982). We know, for example, that people might be motivated to underestimate their control when the outcomes are strongly negative or when actions are doomed to fail. Therefore, in order to justify inaction, to avoid blame or self-accusations, people might prefer to undervalue the perceived control (Thompson, Cheek, & Graham, 1988).

There seems to be a continuum: primary control, weak illusions of control, shift from primary to secondary control, strong illusions of control, and relinquishment of control. The first three phases could be classified as coping. If they fail, the next step would be a defence mechanism (e.g. strong illusion of control). If defence does not seem to help either, the last resort after repeated failure would be relinquishing of control. Within this framework, outsourcing of decision-making would correspond to proactive coping.

Based on the discussion in the previous chapter about the primacy of primary control, we can expect managers normally to operate in the mode of primary control and only under conditions of threat to move to secondary control. The central hypothesis of Study 4 is that framing as threat leads to a shift from primary to secondary control as a coping mechanism that serves the function of preserving the

well-being. The goal of this study is to test whether all individuals who perceive the situation as threat are likely to make this shift, and if not, what are the consequences for them in psychological terms. An onset of threat compared to a steady state of threat might lower the threshold for initiating the shift from primary to secondary control. An onset of opportunity from a position of threat might also lead to a shift, but in the opposite direction: from secondary to primary control. In the case of threat, managers change the mode of control because of their awareness of the futility of primary control. When people believe that the best means to produce desired outcomes are external to the self, they approach these external agents as a way to sustain control. No research evidence suggests that letting benevolent others operate on one's behalf as a result of the beliefs in their effectiveness would imply relinquishing of control (Skinner, 1995).

Since "the primacy of primary control is a human universal", (Heckhausen & Schulz, 1999: 605), we can assume that managers usually operate in the mode of primary control. Accountability and an achievement orientation would strengthen this tendency. As argued earlier, threat could change the perception of control and could lead to its shift to secondary control.

Hypothesis 1a: *When the decision event is framed as opportunity, managers are likely to experience an enhanced perception of primary control.*

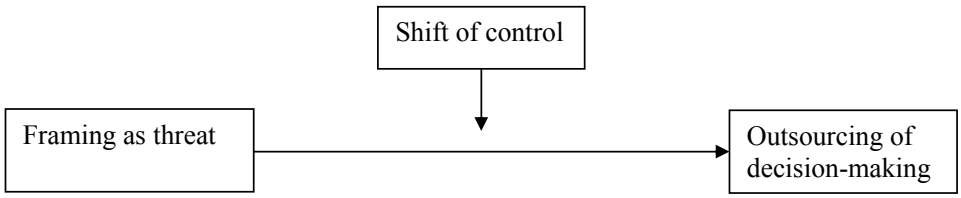
Hypothesis 1b: *When the decision event is framed as threat, managers are likely to shift from primary to secondary control.*

The shift from primary to secondary control is functional, because if managers do not attempt to disengage from a futile goal, we can expect their well-being to

decline. Recall that goals serve as reference standards for the affect system (Diener et al., 1999) and not making progress towards achieving a goal is likely to lead to a negative affective state. When managers shift from primary to secondary control, they actually disengage from a futile objective and preserve their resources to deploy them in the pursuit of more promising goals.

Hypothesis 2*: The failure to shift from primary to secondary control under conditions of threat has a negative impact on perceived well-being.*

Study 2 tested the hypothesis that framing of the decision event affects the degree of outsourcing of decision-making. The theoretical analysis in the previous chapter indicated that this main effect might be mediated by a shift in the mode of control. The current study tests a mediation model, which suggests that framing as threat leads to a shift from primary to secondary control, which makes outsourcing of decision-making more likely.



Hypothesis 3: *The relationship between framing of the decision event as threat and outsourcing of decision-making is mediated by the shift from primary to secondary control.*

It is also noteworthy that there is a difference between proactive coping, anticipatory coping and coping. When threat is imminent, people act to forestall or to minimise the negative effects of the adverse event. This behaviour describes *proactive coping*, which "consists of efforts undertaken in advance of a potentially stressful event to prevent it or to modify its form before it occurs" (Aspinwall & Taylor, 1997). It is different from *anticipatory coping*, which involves preparation for the negative consequences (Lazarus & Folkman, 1984) and from *coping* itself, which denotes actions undertaken to master demands perceived as threats, harm, or losses (Lazarus & Folkman, 1984). Proactive coping is always active, it is temporally prior to coping and anticipatory coping and addresses stressors that are not so well defined (Aspinwall & Taylor, 1997). It operates when the stressful event has not yet occurred, but its anticipation has caused apprehension or a sense of impending danger. In that sense, outsourcing of decision-making may reflect the possibility that managers shift from primary to secondary control as a form of proactive coping.

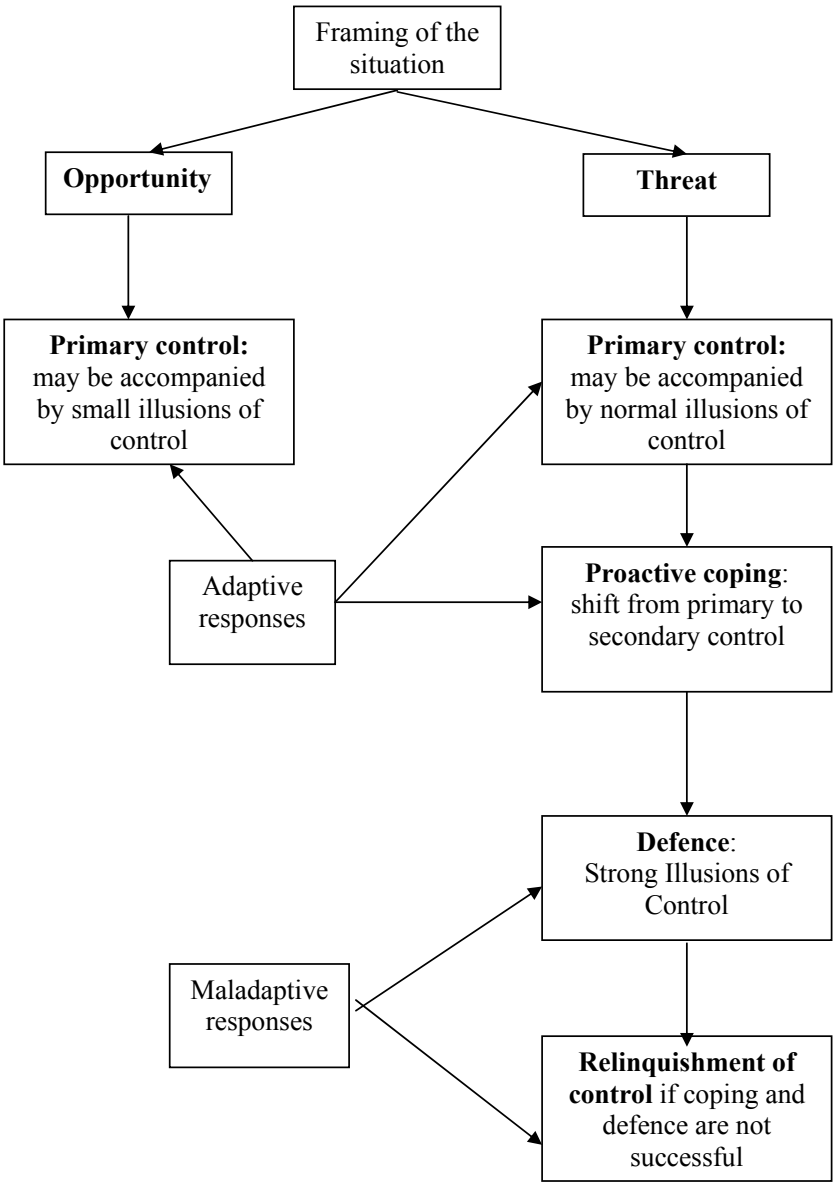
2.4 Conclusion

Primary and secondary control are alternative ways to achieve a desired emotional outcome or well-being. When the situation is framed as opportunity, individuals operate in the model of primary control (see

Figure 15). Theory suggests that there is a predominant pattern, as follows: Framing as threat leads initially to more cognitive investment in primary control, which might be strengthened by weak illusions of control. If this strategy does not work, the next step is proactive coping or a shift from primary to secondary control. It is reasoned that a failure to shift would have a negative effect on well-being and would activate strong illusions of control as a defence mechanism. After repeated experience of non-contingency, relinquishing of control is predicted to follow. The

current study focuses on the adaptive response to threat by examining the shift of control and its consequences.

Figure 15: Coping, defence, and relinquishment of control



3. Method

Study 1 was the initial investigation of the problem, which aimed at exploring the "is" question (Zanna & Fazio, 1982): What is outsourcing of decision-making? Does it exist? Study 2 explored the causal link between framing of the decision event and outsourcing of decision-making. Study 3 developed an instrument to measure primary and secondary control in a management context. The goal of Study 4 is to test the causal relationship between the shift from primary to secondary control and subjective well-being. In order to make causal inferences it is necessary to eliminate the factors that might confound the results. The laboratory context makes it possible to manipulate more precisely the independent variable. It provides "the sterility that enables observation of those effects unencumbered by extraneous variables that could confound interpretations (Aronson et al., 1998: 106). Therefore, I decided to make use of an experimental design, namely the possibility of assigning people randomly to conditions in order to control the variation. Random assignment tends to distribute evenly across conditions differences in the personalities or backgrounds of participants (Aronson et al., 1998). Consequently, observed differences are likely to be due to the impact of the independent variable in the experiment.

As previously discussed, experiments are often criticised for being 'artificial'. In order to make the situation more realistic, I decided to use an impact type of experiment where respondents were active participants and had to make strategic decisions as if they were managers. In contrast to the judgement type of experiment, where respondents recall, recognise or evaluate different stimuli, in the impact type of experiment, subjects experience the event. From this point of view, a computer-simulated experiment seemed well-suited.

3.1 Sample

The samples in Study 2, 3, and 4 were different in order to avoid confounding effects. The respondents in Study 4 were 81 MBA and Executive MBA students who volunteered to take part in a computer simulated experiment. The average age was 31 years and the average work experience 8 years. There were 64 male and 17 female participants.

All subjects had experience with computer-simulated exercises because they are widely used in the curriculum at London Business School. For four of the respondents the manipulation check was negative and they were excluded from the sample. Since the computer-simulated exercise was about making strategic decisions in the area of marketing, I asked the volunteers if they had worked in a marketing department. I included in the sample only those of them who had no marketing experience to avoid a possible confounding of the results.

3.2 Design and Procedure

There were two experimental conditions: framing of the strategic decision-making as an opportunity and as a threat. I used a between-subject design where participants were randomly assigned to one of the two experimental conditions. In setting the context for the experiment, I explained that the goal of the study was to examine how managers respond to different types of strategic decision-making issues.

The experimental task was a computer-simulated exercise (The Brand Management Mini-Microworld), which has been widely used in executive education at London Business School as a tool to teach strategic management. Since the unit of analysis was the manager making strategic decisions, the scenario had to deal with

decisions related to the overall direction of the firm. 'Strategic' implies unstructured and complex decisions (Schwenk, 1984), that commit substantial resources (Mintzberg et al., 1976). Decisions that are strategic in one industry may be less so in another (Hickson et al., 1986). This might seem to be a very broad definition, but it has been argued that although researchers still have not reached consensus as to what constitutes a strategic decision, managers have no trouble in identifying them (Dean & Sharfman, 1996).

In the computer simulation, participants had to operate as brand managers of an international consumer-products group. They had to build a brand rapidly and sustainably within the constraints of a launch budget set by the company. To run the management simulator, respondents had to make decisions on pricing, sales force, and advertising expenditure. A comprehensive information and help system was available, with current and historical data on operational and financial performance, presented in the form of reports, graphs and tables (see Appendix 3). Participants were making decisions for a simulated period of 6 years: from December 1996 until December 2001.

3.3 Independent Variable

I coded *framing of the decision event* as 0 for threat and 1 for opportunity. The framing of the situation (opportunity versus threat) was manipulated through the instruction.

*Opportunity***:** "In the last three years, your company has been experiencing impressive growth and returns have been growing substantially at about 12% a year. In the last few quarters, sales, profits, and earnings per share have all exceeded management's expectations. Now the company wants to introduce a new brand. This

is an interesting opportunity since there is almost no competition and research shows that your chances to succeed are excellent."

*Threat***:** "In the last three years, your company has been experiencing major difficulties and returns have been dropping substantially at about 12% a year. In the last few quarters, sales, profits, and earnings per share have all declined even more dramatically. You are under severe pressure to build a new brand. However, you are facing a major threat: competitors are expanding into your market and you have to operate under budget constraints and severe competition."

In order to optimise the impact of the independent variable, the written instruction was accomplished by a verbal one, in which I paraphrased the key points. In the opportunity condition, the task was relatively easy and participants experienced development of their business almost immediately after the start. In the threat condition, the goal was extremely difficult to achieve, which was not apparent from the beginning, and subjects experienced many setbacks. After each unsuccessful decision period, they got a message on their screens that they were fired. At the beginning, some of them laughed reading this message, but as the experiment went on, they became increasingly serious and many of them got really frustrated. I could often hear remarks like: "I can't believe it!".

At the end, the effectiveness of the experimental treatment was examined. Participants had to answer the following question: "During this computer simulation, I had to operate under conditions of: threat/opportunity". This manipulation check showed that in 4 cases the treatment of the independent variable did not create the intended perception of the situation, which it was designed to produce. In all these cases the manipulation was supposed to be framing as threat, but respondents checked opportunity. All of them were taken out of the sample.

3.4 Dependent Variables

Three measures were taken: shift in control, perceived well-being, and degree of outsourcing of the decision-making (see Appendix 4).

The shift of control was measured by the primary-secondary control scale developed in Study 3. It was applied twice: first, after a short training phase at the beginning of the experiment (pre-scores) and second, 5 minutes before the end of the computer simulation (post-scores). The shift was operationalised as the difference between the pre- and post-scores of primary and secondary control, respectively. Psychologists differentiate between trait measures, which reflect personality dispositions, and state measures, which assess the impact of external or situational factors. In Study 4, we are interested in the state measure of perceived control, which results from the manipulation. To make sure that we measure state and not trait of control, the items from Study 3 were slightly modified and introduced with an additional "At the moment…" in order to emphasise the reference to the current state. This practice is used in different psychological surveys, for example the State-Trait-Anxiety Inventory (Spielberger, Gorsuch, & Lushene, 1970), the Positive and the Negative Affectivity Schedule (Watson, Clark, & Tellegen, 1988), etc.

Well-being. One of the major components of subjective well-being is affective reaction. I followed the tradition in the field and measured subjective well-being with the widely used PANAS scales (Watson et al., 1988), which reflect positive and negative affectivity. In this study, Cronbach's alpha for the Positive Affectivity scale was .90 and for the Negative Affectivity scale .82. The PANAS scales were applied to measure state (not trait) affectivity, therefore the instruction was: "Indicate to what extent you feel this way right now, that is, at the present moment".

Field Code Changed

Outsourcing of decision-making . The operationalisation of this dependent variable was similar to that in Study 2 and was based on Schein's classification of consulting interventions. After the second administration of the control-scales, participants were asked what kind of help they thought the Brand manager would expect in the strategic decision-making process. They had to choose between three alternatives:

1. Specific information on the variables they had to consider in the strategic decision-making process. This answer reflected Schein's expertise model, which corresponded to a low degree of outsourcing of decision-making.
2. Suggestions about the advertising expenditure, the wholesale price and the size of the sales force. This option was close to Schein's doctor-patient model, which reflects a high degree of outsourcing.
3. Questions that would take him further. This answer reflected Schein's process consultation model, which corresponds to the non-outsourcing condition.

For the statistical analysis of the dependent variable outsourcing of decision-making two categories were created: *outsourcing* and *non-outsourcing* of decision-making. For the non-outsourcing condition, the categories 'low degree of outsourcing' and 'non-outsourcing' were collapsed into one. The outsourcing condition corresponded to the high degree of outsourcing.

3.5 Control Variables

Gender. I coded *gender* as 0 for female and 1 for male. It is necessary to control for gender, since some research suggests that there is a difference in the way males and females respond to stress (Taylor, Lewis, Gruenewald, & Gurung, 2000).

Tenure. Length of career experience can influence the framing of the situation. March, for example, argues that depending on experience, managers may change the definitions of success and failure (March, 1999).

4. Analysis and Results

Table 13 presents means, standard deviations, and correlations for the independent and dependent variables.

The dependent variable outsourcing of decision-making is highly correlated with the independent variable framing of the decision event, suggesting that when the situation is perceived as opportunity, no outsourcing takes place, and vice versa, when the situation is perceived as threat, outsourcing of decision-making follows.

The mean of the difference between post- and pre-scores of primary control is negative, while that of secondary control is positive. This finding implies that by the end of the simulation, on the average, the scores of primary control decrease while those of secondary control increase. In other words, a shift takes place from primary to secondary control. The mean difference between post- and pre-scores for secondary control was tested with the Paired-Samples test. It indicated a significant increase in secondary control ($t = 5.37$, $p < .001$).

Table 13: Descriptive statistics and correlations

		Mean	s.d.	1	2	3	4	5	6	7	8
1.	Gender	1.210	.409	1							
2.	Years of work experience	8.086	5.466	-.208	1						
3.	Framing of the decision event	1.420	.497	-.057	.028	1					
4.	Outsourcing of decision-making	1.333	.474	.107	-.121	-.800 **	1				
5.	Positive affectivity	30.432	7.746	.256 *	.011	.403 **	-.341 **	1			
6.	Negative affectivity	15.679	5.169	.021	-.162	-.191	.175	-.218	1		
7.	Primary control (post – pre)	-.407	2.048	-.273 *	.115	.239 *	-.177	- .111	.061	1	
8.	Secondary control (post - pre)	1.235	2.069	.279 *	.227 *	.232 *	-.206	.106	.128	.002	1

N = 81; * p< .05; ** p< .01

The correlation between framing of the decision event and the difference between the pre- and post-values for primary control suggests that when the situation is framed as an opportunity, respondents stay in the mode of primary control. On the other hand, when the situation is framed as a threat, a shift to secondary control takes place. Males seem to be more inclined to operate in the mode of primary control.

Not surprisingly, affectivity correlates highly with the framing of the situation. State positive affectivity is associated with a perception of opportunity and consequently non-outsourcing, while state negative affectivity is related to a perception of threat. Similarly, individuals were less likely to experience state positive affectivity in the case of outsourcing of decision-making.

Tenure was negatively related to the shift from primary to secondary control, which suggests the career experience may make people more resilient towards failure.

According to Hypothesis 1a, framing as opportunity enhances managers' perception of primary control. An Independent-Samples t-test showed that the perception of primary control was significantly higher when managers framed the decision event as opportunity, compared to framing it as threat ($t = -4.543$, $p<.001$). Further, by the end of the experiment, managers who framed the decision event as threat, compared to those who framed it as opportunity, experienced respectively a significant decrease in their perception of primary control ($t = -2.291$, $p<.05$), and an increase in secondary control ($t = -2.035$, $p<.05$). As theory suggested, secondary control was not relevant at the beginning of the experiment and there was no significant difference between the groups with regard to secondary control at the beginning of the experiment. This means that primary control was the relevant variable at the beginning of the experiment.

Hypothesis 1b stated that framing of the decision event as threat leads to a shift from primary to secondary control. The hypothesis was tested using multiple regression analysis. The dependent variable was the shift towards secondary control. The first model in Table 14 shows that the two control variables together (gender and tenure) explained 9 percent of the variance. The addition of the independent variable framing of the decision-event boosted the variance explained by 6 percent over the control model.

The results indicate that framing of the decision event is significantly related to the shift towards secondary control ($t = 2.341$, $p < .05$). Therefore, Hypothesis 1 was well supported by the data.

Table 14: Regression analysis predicting the shift to secondary control

Independent Variables	**Model 1**	**Model 2**
	β	
Gender	.215	.226
Years of work experience	-.159	-.170
Framing of the decision event		.246*
Model F	4.012*	4.656**
Model R^2	.093	.154
Change in R^2		.061
Adjusted R^2	.070	.121

N = 81; * p < .05; ** p < .01

Recall that the second hypothesis suggested that a failure to shift to secondary control under conditions of threat would have a negative impact on well-being. It was tested using a one-way ANOVA with a Bonferroni post hoc test. Table 15 shows the descriptive results from the test.

Table 15: Bonferroni multiple comparison test on negative affectivity

Dependent Variable: Negative Affectivity

(I) Group	(J) Group	Mean Difference (I-J)	Std. Error
Group 1: opportunity - non-outsourcing	Group 2	-.16	1.30
	Group 3	-5.02*	1.33
Group 2: threat – outsourcing	Group 1	.16	1.38
	Group 3	-4.87*	1.64
Group 3: threat – non-outsourcing	Group 1	5.02*	1.33
	Group 2	4.87*	1.64

* The mean difference is significant at the .05 level.

Three groups were compared with one another with regard to negative affectivity. The first one comprised all respondents who perceived the decision event as an opportunity and favoured non-outsourcing of decision-making (N = 47, mean 14.53). Theory predicted that in this case, a shift from primary to secondary control would not take place. Participants in the second group framed the situation as threat and suggested outsourcing of decision-making. In other words, they managed the shift from primary to secondary control and theory would predict no difference

between group one and two in terms of well-being (N = 16, mean 14.69). The third group perceived the decision event as a threat, but selected the non-outsourcing condition (N = 18, mean 19.56). In this case, participants failed to shift from primary to secondary control. This group was expected to differ significantly from the other two in terms of well-being. The Bonferroni results show that Group 3 (perception of the decision event as a threat and non-outsourcing) varied significantly from the others ($F = 7.85$, $p<.001$). Hence, Hypothesis 2 was supported.

To evaluate support for the mediation model from Hypothesis 3, I conducted three statistical tests. The goal was to find out if any significant relationship between framing of the decision event and outsourcing of decision-making was eliminated or reduced once shift in control was controlled for. First, I applied binary logistic regression to examine the relationship between framing and outsourcing of decision-making. Next, I used Univariate Analysis of Variance to examine whether framing would significantly predict shift in the mode of control. Finally, to assess support for the overall mediation model, I used hierarchical regression analysis to conclude whether the inclusion of the independent variable shift of control significantly affected the relationship between the independent variable framing and the dependent variable outsourcing of decision-making. Elimination or reduction of this significant relationship as a result of controlling for shift of control would indicate support for the mediation model.

To test Hypothesis 3, I first examined the relationship between framing of the decision event and outsourcing of decision-making. The results of the binary logistic regression presented in Model 2 show that, as expected, framing as threat leads to outsourcing of decision-making. Controlling for tenure and gender, framing

significantly predicted outsourcing of decision-making (chi-square 59.95, p< .001), increasing Nagelkerke R^2 by .70 over the baseline model (

Table 16). This conclusion is consistent with the correlation analysis.

Table 16: Regressing outsourcing of decision making on framing

	Model 1		Model 2	
Independent variables	B	Wald	B	Wald
Gender	-.390	.356	-.725	.512
Tenure	-.061	1.278	-.110	1.933
Framing of the decision event			5.360	22.349**
Constant	-.149	.108	-2.968	6.945*
Model chi-square	2.395		62.263**	
Δ chi-square	–		59.95**	
Nagelkerke R^2	.040		.745	
-2 Log likelihood	100.720		40.852	

N = 81; * p< .01; ** p< .001

The test of Between-Subjects Effects presented in Table 17 shows that controlling for gender and tenure, framing of the decision event significantly predicted the shift from primary to secondary control.

Table 17: Test of between-subject effects predicting shift from primary to secondary control

Dependent variable: Shift of control

Independent variables	Type III Sum of Squares	F
Gender	3.794	1.052
Tenure	78.929	1.288
Framing of the decision event	22.646	6.281*
Intercept		
R-Squared	.358	
Adjusted R-Squared	.158	

N = 81; * p< .01

To assess support for the overall mediation model, I examined whether the relationship between framing of the decision event and outsourcing of decision-making was caused by the significant relationship between framing and shift of control. However, including the variable shift of control in the regression equation neither reduced significantly, nor eliminated the relationship between framing and outsourcing of decision-making (see Table 18). In other words, framing continued to explain significant variance in outsourcing of decision-making.

Table 18: Logistic regression analysis predicting outsourcing of decision making

	Model 1		Model 2	
Independent variables	B	Wald	B	Wald
Gender	-.725	.512	-.857	.676
Tenure	-.110	1.933	-.112	1.984
Framing of the decision event	5.360	22.349**	5.268	21.367**
Shift to secondary control			-.124	.346
Constant	-2.968	6.945*	-3.036	7.137*
Model chi-square	62.263**		62.611**	
Δ chi-square	–		0.348	
Nagelkerke R^2	.745		.748	
-2 Log likelihood	40.852		40.504	

N = 81; * p< .05; **p< .001

All these results indicate that there is no evidence that the variable shift of control mediated the relationship between framing and outsourcing of decision-making. I tested a modified model, in which outsourcing of decision-making mediated the relationship between framing and shift of control. This time, the inclusion of outsourcing of decision-making in the regression equation reduced the relationship between framing of the decision event and shift of control, which supported the modified mediation model (Table 19).

Table 19: Regression analysis predicting the shift to secondary control

Independent Variable	Model 1	Model 2
	β	
Gender	.226	.231
Years of work experience	-.170	-.184
Framing of the decision event	.246*	.127
Shift to secondary control	–	.151
Model F	4.656**	3.659**
Model R^2	.392	.402
Adjusted R^2	.121	.117
Change in adjusted R^2	–	-.004

N = 81 * p < .05; ** p < .01

In sum, Hypothesis 3, which suggested a mediated relationship was supported, however it was the outsourcing of decision-making that mediated the relationship between framing of the decision event and shift of control.

5. Discussion

Study 4 provided a theory-guided exploration of the dynamics between framing of the decision event, the mode of control, outsourcing of decision-making, and the shift from primary to secondary control as a coping mechanism in the case of threat. The model in Figure 16 is based on the empirical findings from the computer-

simulated experiment. It suggests four major conclusions. First, when the decision event is framed as opportunity, the perception of primary control is enhanced, no outsourcing of decision-making takes place and there is no need of a shift from primary to secondary control. Second, framing of the situation as threat reduces the perception of primary control, which has behavioural consequences, e.g. outsourcing of decision-making. Third, this behaviour of disengagement is accompanied by a coping mechanism, namely a shift from primary to secondary control, which helps individuals to restore self-confidence. Finally, the activation of this coping mechanism is positively related to well-being. Consequently, a failure to shift from primary to secondary control under conditions of sufficient threat makes reduced levels of well-being more likely.

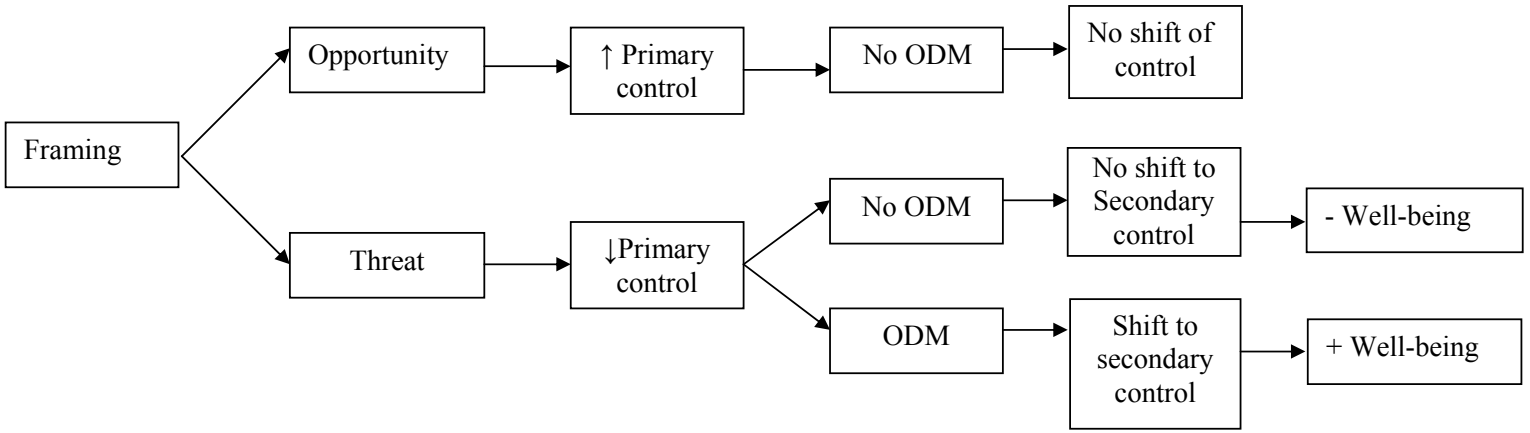
The results from Study 4 corroborated the finding from Study 2 that framing of the situation as an opportunity or a threat has an impact on the degree of outsourcing of decision-making. Generally speaking, threat leads to a propensity to outsource the decision-making process. The implication is that when the situation is perceived as a serious threat, executives might disengage and delegate the responsibility for the strategic decision-making process to outside experts.

This study contributes to the literature on self-regulation by showing that a shift from primary to secondary control in managerial settings can be beneficial. This finding is supported by research, which suggests that depression is bound up with a general failure to disengage (Pyszczynski & Greenberg, 1992). Similar results are reported by studies on the biological clock for childbearing (Heckhausen et al., 2001), cancer patients (Thompson et al., 1993, and HIV-patients (Thompson, Collins, Newcomb, & Hunt, 1996a). A continued commitment to an unattainable goal is “the surest prescription for distress” (Carver & Scheier, 1998: 227). If the

goal is unattainable, then striving to maintain control becomes dysfunctional and managers have to disengage in order to save emotional resources. In that sense, what we sometimes label as 'disengagement' could be a rational strategy from the perspective of the individual. Giving up primary control too early and not giving up a futile cause are both maladaptive. Carver and Scheier argue that disengagement is a functional aspect of behaviour if it occurs in the right circumstances (Carver & Scheier, 1998). In that sense, the shift to secondary control is an indispensable part of self-regulation, because it frees individual's resources, which in turn can be applied to respond to new opportunities and to achieve higher-level goals.

The results on the mediation model need some more explanation. Recall that in Chapter 2 (see Figure 8) I argued that framing of the decision event leads to anticipatory feelings and that threat evokes negative emotion, while opportunity generates positive emotion. I will try to explain the consequences of the two different anticipatory feelings in my study, in the light of Carver and Scheier's theory of self-regulation (Carver & Scheier, 1998). They argue that negative affective states give rise to doubts, while positive affective states lead to confidence. One of the fundamental effects of confidence "seems to be to *pre-empt* the question of whether or not an action will be successful" (Carver & Scheier, 1998: 176). The judged likelihood of success could be critical for the decision to undertake a behaviour.

Figure 16: Theoretical model of the relationship between framing, control-related beliefs, outsourcing of decision-making and well-being



It could be argued that framing of the decision event activates memories of prior outcomes in different life situations. As a result of this mental simulation process, people generate certain expectancies of success or failure. They assess these expectancies, and when the latter are positive, the individual invests effort toward the goal. If expectancies are insufficiently favourable, people tend to disengage from the goal. According to Carver and Scheier (1998), as expectancies of success fall, the readiness to exert effort toward the focal goal fades, while another behaviour becomes prepotent. In other words, the individual turns from the previous behaviour to the newly focal behaviour, which implies that disengagement is "isomorphic to engaging the newly focal goal" (Carver & Scheier, 1998: 201).

The mediation model could be explained also using the attitude-behaviour link. Although this relationship is not so straightforward (see LaPiere, 1934), research has shown that attitudes can predict behaviour if the latter is deliberative rather than spontaneous (Fazio, 1990) and if we know the specific, rather than the general attitudes of the individual (Ajzen & Fishbein, 1980). In our case, these two conditions are fulfilled since the decision-making process is a deliberative behaviour and it is determined by specific attitudes towards the goal behaviour.

Attitudes are favourable or unfavourable evaluation statements of people, objects or ideas (Eagly & Chaiken, 1993). According to the tripartite model (Breckler, 1984), attitudes are composed of three components: cognitive, affective and behavioural. The framing of a decision as threat can change the individual's attitude towards the goal, namely to make a certain decision. Its cognitive component could reflect a perception of lack of control and an expectancy of failure with regard to the decision. Consequently, the cognitive component could colour the affective one, shifting it towards anxiety and negative emotion. As a result, the behavioural

component could change from engagement to disengagement from the decision-making process. In other words, the attitude change leads to interruption of the achievement of the goal, namely to make a decision. Interruptions can be anything that blocks or delays the completion of an organised response sequence (Mandler, 1984). The interruption theory posits that the lack of completion can create anxiety and stress (Mandler, 1984). Since the organised response in managerial behaviour is problem – analysis – decision - implementation, a disengagement from the decision-making process represents an interruption, and therefore has the potential to create physiological arousal and tension. At that moment, the shift from primary to secondary control is activated as a coping mechanism to target the increased level of stress. The fact that the shift to secondary control *follows* the act of behaviour (outsourcing of decision-making) is an argument in support of the idea that secondary control is indeed a coping mechanism (action that deals with a stressful event) and not a type of control.

Recall that control is about producing behaviour-event contingencies. Secondary control is very different from an individual's model of causality. It is a reaction in response to perceived loss of control and aims at bringing the self into line with the realities, which themselves remain unchanged. Secondary control (e.g. self-enhancing social comparison with inferior others, self-protective intra-individual comparison and self-protective causal attribution) aims at helping the individual to cope with the anxiety and negative emotion generated by the interruption of the progress towards the achievement of the desired goal. Consequently, it would be correct to classify it as a coping mechanism, which has a buffering or protective function, rather than as a type of control. Thus, the mediation model is an empirical

confirmation of the critique of the concept of secondary control discussed in Chapter 3.

The framework of control-related beliefs allows for a new interpretation of escalation of commitment. The latter refers to the propensity of decision-makers to persist with failing courses of action (Staw, 1976). Prospect theory explains this behaviour as an artifact of decision framing (Whyte, 1986) and as an example of a decision under risk. Another perspective accounts for it as a self-justifying or rationalising behaviour, because decision-makers are unwilling to admit that prior resource allocation has been in vain (Staw, 1976). Group polarisation (Isenberg, 1986) and self-presentation theory (Goffman, 1959) reflect further situational and individual factors and consequently, supplement the notion of self-justification. Based on the decision dilemma theory, Bowen argues that decision-makers escalate their commitment, because of a lack of clear negative feedback about their initial resource allocation (Bowen, 1987). The current research suggests that escalation of commitment can be also viewed as a failed shift from primary to secondary control, i.e. as a failed coping. In other words, when the decision is framed as threat, some decision-makers tend to operate in the mode of primary control when it is adaptive to disengage. This behaviour could be reinforced by norms in society, because in general, primary control is highly valued. Therefore, the attitude towards primary control and towards the shift to secondary control can lead to escalation of commitment.

The present study has some limitations with regard to its methodology, which will be discussed in the analysis of its validity.

Construct validity. Taking into consideration Campbell's (Campbell, 1986) view that construct validity is even more important than external validity, I intend to analyse my conceptual framework and its operationalisation. The independent variable 'framing' and the dependent variable outsourcing of decision-making in Study 2 showed satisfactory construct validity. Consequently, in Study 4, I used a similar operationalisation to capture these constructs. The dependent variable well-being was operationalised in accordance with the dominant practice in the field (Heckhausen et al., 2001) and was measured by the PANAS-scale, which is a well-established instrument. The measurement of the shift of control was based on my own scale of primary and secondary control developed in Study 3. The latter was conceptualised using similar instruments in other fields of research like health and education.

In conclusion, the analysis of the operationalisation and the measurement of the dependent and independent variables should contribute to the confidence in the construct validity of the experiment.

Internal validity. Many researchers consider internal validity the sine qua non of experiments, because it refers to the confidence of drawing cause-effect conclusions from the results (Aronson et al., 1998). In order to interpret the results, I have to make sure that the experimental treatment was the only source of systematic variation in the dependent variables and that any difference in the outcome measures could be traced back to the manipulation. Indeed, effects like history, maturation, changes in instrumentation, testing effects, communication between groups, or mortality could be ruled out (Cook & Campbell, 1979). The direction of causal influence should not be a problem, because respondents read the

instruction first and answered the questions next. The two experimental groups were similarly constructed in terms of age, tenure and gender. The experiment with all subjects was carried out in the same computer room in order to make sure that they experienced the same testing conditions.

One major limitation of internal validity was individual differences. Indeed, proponents of experimental research claim that through random assignment individual differences tend to be averaged out. However, there might be still some noise that cannot be entirely ruled out.

External validity. This type of validity refers to the robustness of the phenomenon: to what extent can the identified causal relationship be generalised to other situations and people. I tried to maximise the external validity by making the setting realistic and similar to the process of everyday decisions that managers have to make. In that sense, I refer to what researchers call 'psychological realism' or "the extent to which the psychological processes triggered in an experiment are similar to psychological processes that occur in everyday life"(Aronson, Wilson, & Akert, 2002: 46). They suggest that what we should look for in an experiment is not so much mundane realism or similarity with real-life situations, but psychological realism or similarity with the types of perceptions, types of decisions, and types of behaviours that respondents would have in everyday situation. In his provocative paper "In defence of external invalidity", Mook argues that external validity may be the wrong question because the goal of many experiments is theory testing rather than establishing external validity (Mook, 1983). In my experiment I do consider external validity important and I would like to argue that the results from the artificial setting in Study 4 are generalisable outside the laboratory context, because

they reflect psychological processes in managers like strategic decision-making, perception of control and coping with a situation perceived as threat. Since it is next to impossible to design experiments that are high both in external and internal validity (Aronson et al., 1998), my goal was to strive for a good balance between the two and to suggest that the laboratory insights can be scaled up to the field.

Three critical issues deserve attention. First, my respondents were volunteers. It is known that volunteers differ from non-volunteers in need for social approval (Sears, 1986), which might have had an impact on the results.

Second, a considerable amount of research has shown that there are expectancy effects and that experimenters unintentionally transmit to the participants certain expectations. It would have been better to have an assistant who was unaware of the hypotheses. This was not possible for practical reasons. It could be argued that people with a higher need for social approval might have been over-represented in the sample, which would be a limitation of the study.

Third, the participants in Study 4 were MBA students and executive MBA students (in ratio 2:1). In other words, two thirds of the subjects were not above the middle management level, which might limit the generalisability of the results with regard to the upper echelon.

In conclusion, the construct, internal and external validity are satisfactory for a laboratory experiment. There are some issues around external validity that should be kept in mind when generalising the results.

6. Summary and Conclusion

Study 4 tested the relationships between the independent variable framing of the decision event and the dependent variables mode of control, outsourcing of decision-making and degree of well-being resulting from the shift from primary to secondary control.

Primary control involves actions that are directed at influencing one's environment in order to shape it according to one's wishes. On the other hand, secondary control aims at optimising the internal world of the individual in terms of emotion and motivation. Consequently, secondary control comprises cognitive strategies of adapting internally rather than changing the external world. My research shows that secondary control is a coping strategy rather than a form of control.

Decision framing influences managers' control-related beliefs. Opportunity, for example, leads to an enhanced perception of primary control. Under these conditions, individuals are inclined to remain proactive and to shape their environment according to their wishes. Threat, on the other hand, leads to a perception of loss of control, and consequently, individuals try to adapt internally, rather than change the external world. A failure to shift from primary to secondary control in the case of sufficient threat has a negative impact on individual's well-being.

CHAPTER V: CONCLUSIONS, IMPLICATIONS AND FUTURE RESEARCH

The goal of this thesis was to study outsourcing of decision-making, which I have defined as the delegation of the strategic decision-making process to consultants. My research suggested a cognitive theoretical framework for the analysis of outsourcing of decision-making and tested empirically the relationships between framing of the decision event and control-related beliefs as independent variables and outsourcing of decision-making as a dependent variable.

Some authors claim "the word 'theory' threatens to become meaningless…[and the] use of the word often obscures rather than creates understanding" (Merton, 1967: 39). In a similar fashion Van Maanen called for a ten-year moratorium on theoretical (and methodological) papers in order to halt the proliferation of mediocre theory (Van Maanen, 1989). Davis is equally critical stating that theorists are considered great not because their theories are true, but because they are interesting. 'Sheer boredom' with the routine paradigm, he continues, and desire to make a name, are the driving forces behind the search for anomalies in science (Davis, 1971). Despite this impression of saturation with theories, a theoretical framework that 'explains, predicts, and delights' (Weick, 1995) could be useful when we analyse different processes in management.

I will summarise the results of the four studies presented here dividing them into theoretical and empirical results and implications.

1. Theoretical Findings

1.1 Theoretical Framework of Outsourcing of Decision-making

Based on the findings of the empirical studies, a theoretical framework was elaborated. It argues that decision framing influences the perception of control. When the decision event is framed as opportunity, individuals operate in the mode of primary control targeting the external world. In this case, they tend to be proactive and try to shape the environment to fit their needs and goals. Consequently, outsourcing of decision-making generally does not take place. However, framing of the situation as a serious threat leads to a reduced perception of control and hence, to outsourcing of decision-making as a behavioural consequence. Managers' disengagement from the decision-making process is accompanied by a shift from primary to secondary control. The latter targets the self. Secondary control is an adaptive strategy that optimises the internal world of the individual in terms of emotion and motivation. This transition from primary to secondary control is a reaction to perceived loss of control, and therefore can be interpreted as a coping mechanism, which helps managers to save emotional resources. It prevents them from further engagement in futile goals. A failure to make the shift from primary to secondary control under conditions of threat has a negative impact on perceived well-being. In that sense, the transition from one form of control to the other has an adaptive value for the self-regulation system, because it saves resources for deployment in other goals. The thesis contributes to the theoretical debate on the nature of primary and secondary control. It supports the view that secondary control is a *reaction* to a perceived loss of control and should be categorised as a coping strategy, rather than a type of control.

The concepts of primary and secondary control provide a framework for a new interpretation of escalation of commitment (Staw, 1976). It suggests that

escalation of commitment can be viewed as a failed transition from primary to secondary control, i.e. as a failed coping under conditions of sufficient threat. In this case, individuals do not manage to disengage from a futile goal, which would be the adaptive response. This new interpretation provides an opportunity to apply a different framework, namely control-related beliefs, when training managers to avoid escalation of commitment.

1.2 Outsourcing of Decision-making and its Effectiveness

Delegation of some stages of the decision-making process to a consulting firm (i.e. *low* degree of outsourcing of decision-making) could be beneficial for companies. Consultant's participation can increase expertise and scale, counterbalance cognitive limitations and biases, optimise the process of decision-making through minimisation of interdependencies, and save executives' attention to be deployed elsewhere. However, as the number of companies in an organisational field that outsources decision-making grows, an isomorphic effect will swamp the efficiency, making outsourcing less attractive to other companies. It appears that there is a reciprocal relationship between the context, resulting from outsourcing of decision-making, and its effectiveness. Up to a certain degree mimetic isomorphism, created by consulting companies, contributes to higher performance, but the relationship is not linear over the entire range of mimetic transformation in the organisational field. The more companies adopt the same strategies, the more these strategies lose their power to create competitive advantage and diminishing returns can be expected. These two countervailing forces suggest that outsourcing of decision-making can be beneficial only if it does not create too much isomorphism. In other words, there is an inverse U-shaped relationship between the degree of

outsourcing of decision-making and its effectiveness. The curvilinear relationship recognises that too little isomorphism is as bad as too much of it and predicts that the interest of firms towards outsourcing of decision-making will diminish when the context of a given organisational field has achieved a certain level of isomorphism.

2. Empirical Results and Implications

2.1 Empirical Results on Framing, Outsourcing, and Control-Beliefs

The empirical work of the thesis encompasses the development of a scale of primary and secondary control and the analysis of the relationships between the independent variable framing of the decision event and the dependent variables mode of control, outsourcing of decision-making and degree of well-being resulting from the shift from primary to secondary control.

1. **Scale of primary and secondary control**. The factor analysis suggested a two-factor model of control-related beliefs in the field of management. The first factor, primary control, reflected complete engagement with the goal and mobilisation of internal resources. The items focused on investment of resources like time and effort, as well as willingness to overcome difficulties. The second factor, secondary control, was directed towards the internal world and reflected a desire to adapt the self to the situation. It focused on self-enhancing social comparison with inferior others, on self-protective intra-individual comparison, and on self-protective causal attribution.

2. **Framing of the decision event and outsourcing of decision-making**. The empirical findings confirmed that framing of the decision event influences the degree of outsourcing of decision-making. Managers are more likely to outsource strategic decision-making under conditions of threat than under conditions of opportunity.

3. **Framing of the decision event and perception of control.** Framing as opportunity enhances managers' perception of primary control. When the decision event is framed and perceived as a serious threat, managers are likely to shift from primary to secondary control.

4. **Shift of control and well-being**. The transition from primary to secondary control is a coping mechanism with adaptive value. The findings suggest that a failure to shift from primary to secondary control under conditions of sufficient threat has a negative impact on well-being. Therefore, the transition from one mode of control to another is an important mechanism for self-regulation.

2.2 Implications for Management Education and Training

The theoretical and empirical results suggest some innovative ideas for interventions and management training.

1. **Increasing the awareness of the adaptive value of secondary control.** For too long, management education has focused on the need for leaders to operate in the mode of primary control. We have created a cult around

decisive and persistent managers who are proactive and bring the environment into line with their goals. Our management education is action-biased, and adapting internally without changing the environment would be considered an easy way out of problems. The idea that disengagement could be adaptive for managers from the perspective of self-regulation does not fit neatly into the current paradigms of management. It would be criticised as having potentially negative effects for organizations and society. To make it clear, by no means does the current research suggest that it is legitimate for managers to outsource strategic decision-making whenever they experience the slightest problems. However, in our dynamic environment, where leaders have to operate under increasing levels of uncertainty and ambiguity, they might more frequently frame situations as serious threat and tend to shift from primary to secondary control. Many of them are probably not doing it or showing it, because they fear they might be sending signals to the stakeholders, which could be interpreted negatively. My research suggests that management education should increase the awareness of primary and secondary control, explain the mechanisms of shift in the mode of control and increase awareness of the adaptive value of this shift in order to make it more socially acceptable. This would help managers better to understand their own behaviour, to make the right causal attributions with regards to their direct reports and to undertake some actions if they want to avoid the shift in the mode of control.

2. **Facilitating the shift from primary to secondary control**. We train leaders to energise and to align their followers in achieving goals. In other words, to stimulate individuals operating in the mode of primary control. However, the inability to disengage when the circumstances require it, is related to depression, because sometimes the right response is not to hang on, but to let go (Pyszczynski & Greenberg, 1992). This conclusion implies a new dimension of leaders' tasks: to help managers, if necessary, to make the shift from primary to secondary control. This can be done by directing attention to another goal, by downscaling the current one, or by explaining that a continued commitment to an unattainable objective is a waste of resources that prevents the individual from recognising and exploring new opportunities. In sum, leaders have to make clear that when the objective is out of reach, a withdrawal strategy is acceptable. Further, leaders can use the shift in the mode of control as an indicator that the goals have to be reevaluated. If a manager, for example, engages in self-enhancing social comparison with inferior others, in self-protective intra-individual comparison, or in self-protective causal attribution, then the leader can diagnose the signs of a shift from primary to secondary control. This could prompt him to consider resetting or downscaling the goal in order to help the focal individual to make the transition back from disengagement to engagement.

3. **Avoiding the shift from primary to secondary control.** The theoretical model suggested that two cognitive processes preceded the shift in the mode of control. The first one was the framing of the decision-event, and

the second one was the perception of control. Therefore, there are two strategies for leaders if they wish managers to avoid operating in the mode of secondary control: 1) influencing the framing of the decision event, and 2) increasing the perception of primary control. For example, leaders can increase the diversity of the top management team that decides on a course of action, in order to increase the chances that there will be different views and arguments when the decision event is framed. They can also add a learning orientation, because research shows that disengagement can be put off by instituting a learning orientation (Dweck & Leggett, 1988). This would imply that if a decision event is framed as threat, but in advance a possible decision failure is rationalised as a learning opportunity, managers would be less likely to disengage from the goal. With regard to the second route, leaders could enhance the perception of behaviour-event contingencies giving regular feedback and being explicit about the link between the individual's behaviour and the achievement of different goals. At the same time, it is important that they maintain a delicate balance between offering enough assistance for their managers to increase the probability of a positive outcome without undermining their sense of personal control (Karuza, Rabinowitz, & Zevon, 1986). In that sense, micromanagement, for example, does not enhance the perception of control.

2.3 Empirical Results on Management Consulting

1. **Distribution of time in the decision-making process.** Managers spend 10% of their decision-making time on the identification of the problem,

compared to 16% on generation of alternatives, 24% on evaluation, 16% on selection of the best alternative and 34% on implementation. When they work with consultants, they would distribute time differently: 23% on identification, 12% on generation of ideas, 21% on evaluation of ideas, 14% selecting the best one, and 31% on implementation. The way managers distribute their time among the different stages of the decision-making process give us some reasons for thought, since a surprisingly small amount of time, only 10% is spent on problem identification. Working with consultants gives top managers the opportunity to re-channel part of their attention to the identification stage where the process of sense making takes place, since "the imposition of meaning on issues characterized by ambiguity has become a hallmark of the modern top manager" (Thomas et al., 1993: 240).

2. **Benefits and costs of working with consultants.** Executives suggested the following advantages of working with consultants: providing efficiency and benchmarking, saving time, stimulating creativity, being objective, boosting the credibility and legitimacy of the decision-making process, and reducing the levels of managers' stress. But in order to utilise all these benefits, top managers want consultants to take seriously their concerns. For example, they think that consultants have a limited understanding of the specific business and do not '*see the picture from end to end*'. The notorious '*school-bus-approach*', when the contract is negotiated by a senior partner but then young and inexperienced consultants do the job, damages the reputation of consulting firms. The 'vendors' are considered

to be *'in-and-out'*, and often to give an *'off-the-shelf-response'* in order to achieve economy of scale. Further, executives do not trust that consultants keep information confidential, but use it for other assignments. Some of them had fears around '*hollowing out'* and loss of skills, creation of a dependence relationship, and high financial costs.

3. **Growing consulting experience at the company top level.** Consultants should realise that there is a growing consulting expertise at the top level of many companies. Most of the Fortune 500 top executives are former consultants. In some cases, several members of the top management team come from the largest management consulting firms, which leads to a Matthew Effect[1]: The greater the number of former consultants at the top level, the better the strategic decision-making capabilities of the company, and therefore, the higher the perception of primary control. The more enhanced the perception of control, the lower the probability that top management will outsource the strategic decision-making process and will shift to secondary control. One might also argue that as former consultants, top executives know 'the cuisine' well enough to avoid overestimating the expertise of consulting firms.

2.4 Implications for consultants

Based on the theoretical and empirical findings, the following implications for consulting companies could be inferred:

[1] "For whoever has will be given more, and will have an abundance. But whoever does not have, even what he has will be taken from him" (*The Bible*, Matthew, 13:12)

1. **Long-term outsourcing of decision-making can backfire.** Executives are concerned that as a result of management consulting, company strategies become too similar. The danger of mimetic isomorphism is a serious issue and consultants should be aware of the long-term implications of outsourcing of decision-making. Routine solutions that increase the mimetic isomorphism may jeopardise the reputation of the consulting institution. Economy of scale is a dangerous development in strategic consulting and the professional community should be alert to its consequences. Mimetic isomorphism should be deliberately counteracted in the process of outsourcing of decision-making.
2. **Growing opportunities for consulting at the implementation stage**. Top executives are positive about consultants' involvement in the implementation stage of the decision-making process. In fact, much of their negative attitude towards consulting firms stems from their frustration at being left on their own in the implementation stage.
3. **Consultants should emphasize company learning.** Executives fear that learning departs from the company with the consultants and it is the contractor who gains knowledge, but not the purchaser. Therefore, consulting firms have to explain how they can guarantee company learning from the assignment. This would increase their chances of winning the contract.

3. Limitations and Future Research

My research is not intended to explain all factors that influence the degree of outsourcing of decision-making. It focuses only on the cognition-behaviour link by examining the impact of framing and control-related beliefs. The limitations were discussed in detail in the discussion sections of each study. However, there is one more general limitation that has to be noted: The study did not include intervening factors, like the dynamic of top management teams, industry impact, or importance of the decision to be made. The exploratory nature of the research led to experimental designs, which focused on main effects. Future research could test the theoretical model in a field setting.

There are many unanswered questions that the thesis did not address. They can be summarised in the following five questions: What is the impact of dispositional factors on framing and perception of control? How serious should the perceived threat be in order to initiate the shift from primary to secondary control? How long does it take for the process of control shift to unfold? Which point of intervention (framing or perception of control) is more effective if we want to avoid outsourcing of decision-making? Are there any costs to the shift from primary to secondary control?

First, future research might seek to identify individual dispositions that moderate the effect of framing on control-related beliefs. Personality characteristics like emotional stability, extraversion and openness (Costa & McCrae, 1992) may be relevant factors in the theoretical model of outsourcing of decision-making. Emotional stability, for example, could make people more resilient towards framing decision events as threat. Openness to experience may be particularly relevant, because people high on this dimension are experimental and seek novelty. Therefore,

they might be more tolerant towards ambiguity and be less inclined to frame situations as threat. Extraverted people are more assertive and could have the propensity to operate longer in the mode of primary control. In the last decade, there has been a revival of interest in the dispositional factors in organisational behaviour (House, Shane, & Herold, 1996). One of the reasons is the emerging view that personality dispositions are quite stable over time and seem to have a genetic basis (Costa & McCrae, 1992; Jang, Livesley, & Vernon, 1996; Loehlin, 1992). Recently, three meta-analyses have confirmed the link between personality and leadership (Judge, Bono, Ilies, & Gerhardt, 2002), personality and performance motivation (Judge & Ilies, 2002), and personality and job satisfaction (Judge, Heller, & Mount, 2002). At the same time, a consensus is emerging that single traits cannot explain complex behaviour and most of it is determined by multiple factors. In other words, the theoretical model suggested in the thesis can be extended by including a more sophisticated conceptualisation where traits and situational factors interact to cause outsourcing of decision-making.

Second, future research could focus on determining the threshold level of perceived threat beyond which a shift to secondary control takes place. To put it simply: how much threat is sufficient to initiate the transition? It might be that the type of threat (e.g. loss of face vs. financial loss) also has an impact on the perception of control. Further, is there a cumulative effect of loss of control across situations framed as threat or do people analyse decision events separately?

Third, how long does it take for the process of control shift to unfold? The answer to this question would imply a longitudinal field study of outsourcing of decision-making. Another emphasis of the temporal aspect could be the speed of shift from disengagement from a futile goal back to engagement to a downscaled or a

reset goal. Finally, it will be useful to know how to improve managers' capabilities to make the shift at the right time.

Fourth, future research could focus on the intervention point if we want to avoid disengagement. I have argued that leaders can try to influence either the framing of the decision event or the perception of control if they want to avoid the shift in the mode of control. It might be that one of these strategies is more effective than the other.

Fifth, it is not clear whether there are any costs related to the shift from primary to secondary control. The transition seems to be beneficial in the short run, but could people 'become addicted' to this type of coping if they have low self-confidence, which, as already discussed, makes it difficult for them to operate in the mode of primary control? In a similar vein, it would be helpful to know what determines the threshold from adaptive to maladaptive coping mechanisms discussed in Chapter 4.

In sum, future research could use field studies and longitudinal designs to analyse the theoretical framework of outsourcing of decision-making in greater depth. One option could be the use of a diary methodology with a group of executives, to record their thoughts and feelings over a longer period of time.

4. Conclusion

To understand better the outsourcing of decision-making, I theorised and empirically examined a model, in which the framing of the decision event influences the perception of control, which in turn leads to outsourcing of decision-making. In the case of sufficient perceived threat, a failure to shift from primary to secondary control proved to have negative impact on the individual's well-being. Self-

regulation requires that managers sometimes shift from primary to secondary control in order to adapt to the situation. As the Serenity Prayer says, “God, give us grace to accept with serenity the things that cannot be changed, courage to change the things which should be changed, and the wisdom to distinguish the one from the other”.

APPENDICES

Appendix 1: Scenarios on framing and outsourcing of decision-making

Threat-scenario

What Kind of Consulting Will David Choose?

David Smith is the CEO of Alfa-Line, a medium-sized company that operates in the manufacturing sector. Since its restructuring three years ago, the company has been experiencing major difficulties and returns have been dropping substantially at about 12% a year. In the last few quarters, sales, profits, and earnings per share have all declined even more dramatically. David is under severe pressure. Now he is facing a major threat: competitors are expanding into new markets and he feels he needs to consider making a similar move. Whatever he chooses will have far-reaching consequences for Alfa-Line over the next years. His board has suggested David brings in a consulting company.

Based on the above information about the company, what is your initial judgment as to what David is likely to want the consultants to do for him? Please rank the options in order of most likely to least likely (1 - most likely, 3 - least likely):

… David wants consultants to provide specific information and/or expert service based on his definition of the situation. He expects consultants to gather external and/or internal data.

… David wants consultants to check over the organization, to analyse its difficulties, and to suggest solutions. He expects consultants to diagnose the problem and to recommend actions.

… David wants consultants to help him understand the situation and to enable him to come up with alternative actions. He expects the consultants to do this by asking him in-depth questions.

Please explain why you think David would choose as above?

_____

How many years of work experience do you have? ……..

In which industry sector?……..

Have you worked for a management consulting company?……Yes / No

If yes, for how many years?……

Please write any comments you may have on the reverse of this sheet.

Thank you very much for your help!

Opportunity-scenario

What Kind of Consulting Will David Choose?

David Smith is the CEO of Alfa-Line, a medium-sized company that operates in the manufacturing sector. Since its restructuring three years ago, the company has been experiencing impressive growth and returns have been growing substantially at about 12% a year. In the last few quarters, sales, profits, and earnings per share have all exceeded management's expectations. Now David considers an interesting opportunity to expand into a new market. The expansion decision will have far-reaching consequences for Alfa-Line during the next years. His board has suggested David brings in a consulting company to help him determine a course of action.

Based on the above information about the company, what is your initial judgment as to what David is likely to want the consultants to do for him? Please rank the options in order of most likely to least likely (1 - most likely, 3 - least likely):

… David wants consultants to provide specific information and/or expert service based o his definition of the situation. He expects consultants to gather external and/or internal data.

… David wants consultants to check over the organization, to analyse its difficulties, and to suggest solutions. He expects consultants to diagnose the problem and to recommend actions.

… David wants consultants to help him understand the situation and to enable him to come up with alternative actions. He expects the consultants to do this by asking him in-depth questions.

Please explain why you think David would choose as above?

How many years of work experience do you have? ……..

In which industry sector?……..

Have you worked for a management consulting company?……Yes / No

If yes, for how many years?……

Please write any comments you may have on the reverse of this sheet.

Thank you very much for your help!

Appendix 2: Development of a primary-secondary control scale

To what extent does each of the following statements apply to you? For each statement, please indicate whether the statement is *almost never true* (1), *seldom true* (2), *sometimes true* (3), *often true* (4), or *almost always true* (5).

	Almost never true = 1	Seldom true = 2	Some-times true = 3	Often true = 4	Almost always true = 5
1. When I have decided on a business objective I avoid anything that could distract me.	1	2	3	4	5
2. When I have set my ambitions for a business goal, I imagine how proud I will be when I have achieved it.	1	2	3	4	5
3. When I experience difficulties in attaining a business goal, I remind myself that in many ways I am better off than other people.	1	2	3	4	5
4. When business difficulties become too great, I ask others for advice.	1	2	3	4	5
5. When I can no longer make progress on my business goal, I look for new ways to reach it.	1	2	3	4	5
6. When I cannot get to my business goal directly, I sometimes choose a roundabout way to achieve it.	1	2	3	4	5
7. When I have decided on a business objective, I always remind myself that this is the right objective to pursue.	1	2	3	4	5
8. When I do not achieve my business objective, I often tell myself that it wasn't my fault.	1	2	3	4	5
9. When I pursue a business goal, I keep in mind that I also have the abilities to achieve it.	1	2	3	4	5
10. When achieving a business goal is more difficult than expected, I try harder to achieve it.	1	2	3	4	5

11. When I really want to achieve a specific business goal, I am able to work hard to get there.	1	2	3	4	5
12. When a business objective really matters to me, I invest as much time as I can to achieve it.	1	2	3	4	5
13. When a business goal turns out to be too difficult to achieve, I can put it out of my thoughts.	1	2	3	4	5
14. When obstacles get in the way of my achieving my business objective, I try to get help from others.	1	2	3	4	5
15. When I have set a business goal for myself, I try to learn the skills necessary to do it well.	1	2	3	4	5
16. When I cannot achieve my business objective, I console myself by thinking about other areas of life where I have more success.	1	2	3	4	5

Gender: □ male □ female

Age: ……

Years of managerial experience**:** ….

Thank you very much for your help!

Appendix 3: The Brand Management mini-Microworld

Opportunity-scenario

It is December 1996 and you are the Brand Manager of a large international consumer-products group. In the last three years, your company has been experiencing impressive growth and returns have been growing substantially at about 12% a year. In the last few quarters, sales, profits, and earnings per share have all exceeded management's expectations. Now the company wants to introduce a new brand. This is an interesting opportunity since there is almost no competition and research shows that your chances to succeed are excellent. You are responsible for building the brand rapidly and sustainably within the constraints of a launch budget. You have to build both awareness of the brand amongst consumers and availability for the product in retail stores. Three items are under your control:

- The *amount of advertising expenditure* committed to building consumer awareness.
- The *wholesale price of the product* charged to retail stores for each litre they purchase.
- The *size of the sales force*, who both call on new stores to persuade them to add the brand to their stocking-list and also visit stores already stocking the brand to persuade them to continue doing so.

Your advertising budget is £5 million and your business goal is to achieve a net profit contribution of ***£2 million by the year 2008***. If you can't obtain profit, you jeopardize your career as a Brand Manager.

Threat-scenario

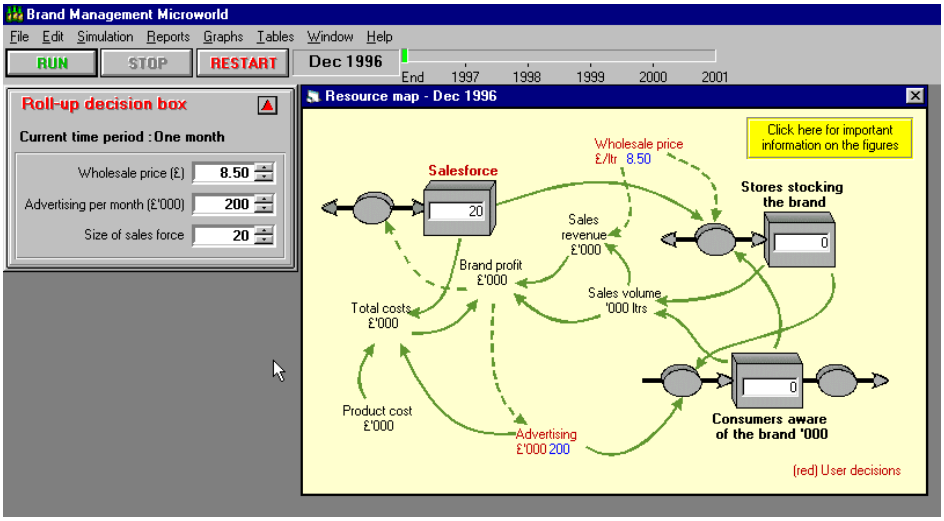
It is December 1996 and you are the Brand Manager of a large international consumer-products group. In the last three years, your company has been experiencing major difficulties and returns have been dropping substantially at about 12% a year. In the last few quarters, sales, profits, and earnings per share have all declined even more dramatically. You are under severe pressure to build a new brand. However, you are facing a major threat: competitors are expanding into your market and you have to operate under budget constraints and severe competition. You are responsible for building the brand rapidly and sustainably within the constraints of a launch budget. You have to build both awareness of the brand amongst consumers and availability for the product in retail stores. Three items are under your control:

- The *amount of advertising expenditure* committed to building consumer awareness.
- The *wholesale price of the product* charged to retail stores for each litre they purchase.
- The *size of the sales force*, who both call on new stores to persuade them to add the brand to their stocking-list and also visit stores already stocking the brand to persuade them to continue doing so.

Your advertising budget is £5 million and your business goal is to achieve a net profit contribution of ***£4 million by the year 2008.*** If you can't obtain profit, you jeopardize your career as a Brand Manager.

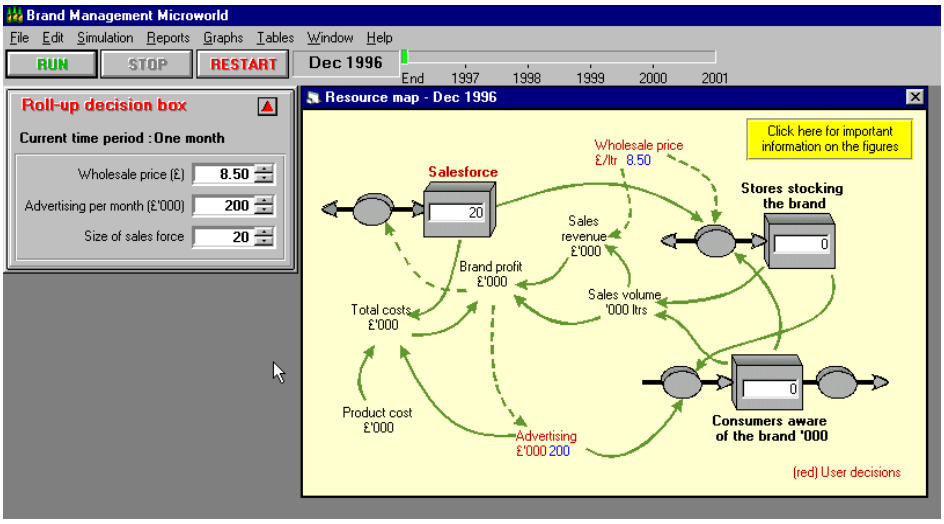
The Introduction screen (at right) explains the management challenge you face, and a box that specifies the brand's initial launch budget, which should be set at **£5m**.

Click Continue.
You see the Microworld's title-bar, menu-bar, and a bar with Run/Stop/Restart commands, the curren month, and a time-line. Below this is a Decision-box where you enter your managerial decisions each month. You also see a report on the current status of the brand in the form of a 'resource-system' picture. This gives you information on the consumer-base, retail-store distribution and financial position, but (crucially) also shows you how the two key resources (aware consumers and stocking stores) are *currently* changing.

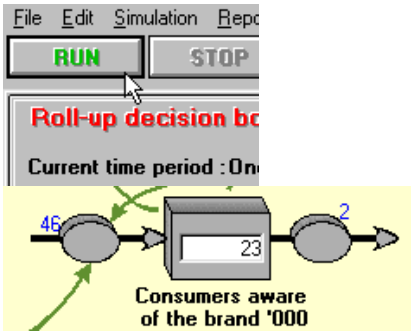


Making monthly decisions

The Decisions box has a red title and a small up-arrow to the right. Clicking this up-arrow rolls up the Decisions box into a small bar, to make room for other items you may want on the screen. You then have a down-arrow to display the full box again. The first of the three decisions is to set the wholesale price you wish to charge for the product. You can change '**Wholesale price (£)'** by highlighting and typing over the current number (8.50) or by clicking the up/down spin-arrows beside the number box. Do likewise to change **'Advertising per month (£'000)'** and '**Size of sales force'.** The initial numbers you are offered may not be very sensible. For example, there is little point sending out sales people if no consumers want the brand, since retail stores will not want to stock a product no-one wants.



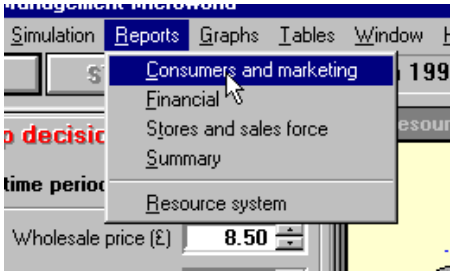
Click the downwards spin-arrow next to **Size of sales force** until the box shows **0.**



Click the Green **RUN** button on the command bar.
Data now appears on the Resource-map report. It seems your advertising has made 23,000 consumers aware of the product, but the report shows the rate of increase to be 46,000 per month …. WHY ???

Getting information

Three types of information are available - Reports, Graphs and Tables. You have already seen one of the reports - the special resource-map Four others are available from the same **Reports** item on the menu bar at the top of the screen (see list at right).



Click **Reports**, then **Consumers and marketing**

The new report shows your advertising of £200,000 last month created little awareness, and the campaign itself reached only 8% of the potential consumer group. Maybe it would be wise to spend more on advertising.

In the Decisions box, double-click the **200** next to **Advertising per month £'000.**

Change this number to **500**.

Click the Green **RUN** button on the command bar.

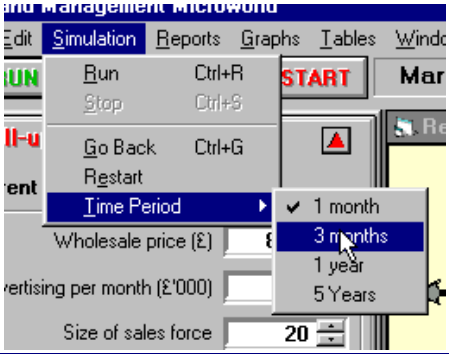
Your advertising campaign now reaches 56% of the target market, and consumers are becoming aware of the brand at a rapid rate of over 300,000 per month (see the Resource-map). Now it may be worth sending the sales force to retail stores to see if they can persuade them to stock the brand.

In the Decisions box, change the **Size of sales force** to **20.**

Click **RUN**.

Looking at the Resource-map, you see that stores are starting to stock the brand - there are now 42 of them, and they are growing at the rate of 74 per month. This is promising, so perhaps you can carry on like this for a few months.

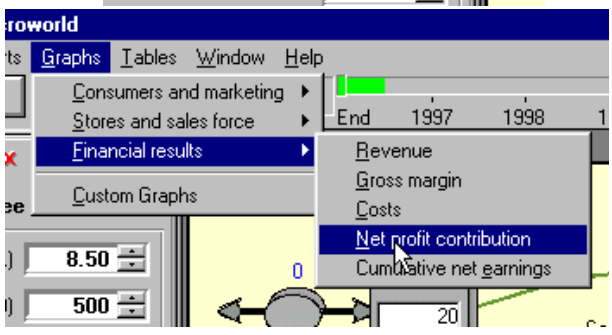
Click **Simulation**, then **Time period**, then **3 months**.



Click **RUN**.

The simulation runs forward 3 months, to June 1997, continuing with the decisions you last made. Consumer awareness is strong now, at 1.9m, and you have over 1,000 stores stocking the brand. However, you need to be careful of your brand launch budget, as you are currently losing money at the rate of £505,000 per month (brand profit £'000 on Resource –map).

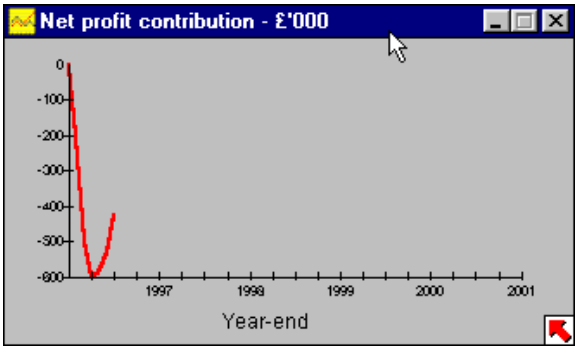
Click **Graphs** on the menu bar, then **Financial results**, then **Net profit contribution.**



A graph appears showing the history of your brand's profitability. You have generated some rather heavy cash out-flows with your early advertising, but th rate of losses is now moderating, and th brand may start generating cash before your launch budget of £5m is used up. It would be wise to keep a close watch on this position though, so:

Click **Tables** on the menu bar, then

Financial data.
The following table of historic financial data appears.



Restarting

- Click on **Simulation**, then **Restart**, then **Yes** when asked to confirm your request.

Drivers of growth and decline

You are responsible for two key resources - the base of aware consumers and the number of retail stores stocking the product. The sales-force is a third resource, but simply responds instantaneously to any decision you make on the number of sales personnel you need.

- Consumers are principally made aware of the brand through your advertising efforts, and its visibility in retail stores. The more you spend advertising, the greater the proportion you reach of the potential consumer-base, estimated at 5 million people. Diminishing returns set in, as higher spending fails to reach any additional consumers. From previous experience with similar brands, you think that £0.5m per month may be enough to reach your target consumers, though this estimate may turn out to be inaccurate.
- You need two things to win the interest of retailers. First, you need to make the brand sufficiently popular with consumers that a store can expect a good profit-contribution from stocking it on their shelves. Stores put a standard percentage mark-up on the wholesale price you charge, and you think that a wholesale price to them of £8.50/litre will result in a retail price of £10/litre, comparable to similar products. This gives retailers a margin of £1.50/litre, and you believe the average store is looking for around £50 per month from products of this type. This is not a minimum, however, as large stores attract

many consumers, making it worthwhile for them to stock it even when the average store can expect only modest sales. If you raise the wholesale price (to make more margin), stores will raise the retail price to preserve *their* margins. Consumers will buy less, reducing retailers' expected profit contribution from the brand, as well as your own profits.

- Second, you need sales people to persuade stores to stock the brand. There are about 50,000 potential stores. These exhibit a 'quality profile' so that early stores provide effective availability to consumers much higher than their numbers would imply (i.e. 10% of stores provide much more than 10% product availability). At higher levels of store penetration, you have only smaller stores to win, whose contribution to brand availability is lower. You believe it needs an average of one call to persuade each store to stock the brand, taking into account the efficiency resulting from high-level sales calls on retail groups operating chains of stores. Each sales person can make 100 calls per month. Their success rate depends on the retail profit contribution the brand offers to stores. You also need to hold on to stores that are already stocking the brand. The product has performed very well in research, and your Division believes it should build well over 2-3 years. They need to develop the brand quickly to pre-empt feared attacks by rivals, and give you a launch budget, initially shown as £5m

Revenues, costs and profits

Here is a typical statement of brand income and costs, both in £/litre and £'000 per month.

	Cost or revenue £ per litre	**Total cost or revenue £'000/month**
Sales volume '000 litres	200	
Wholesale price	8.50	
Total Revenue		1,700
Direct product cost	7.00	**(1,400)**
Gross profit	1.50	**300**
Sales and marketing costs		
Brand advertising		(500)
Sales force		(200)
Brand Net Cash Flow		**(400)**

Appendix 4: Questionnaire for the computer-simulated experiment

AT THE MOMENT, to what extent does each of the following statements apply to you? *Not at all* (1), *to a small extent* (2), *moderately* (3), *quite a bit* (4), or *to a great extent* (5).

	Not at all = 1	To a small extent = 2	Modera-tely= 3	Quite a bit = 4	To a great extent = 5
1. I invest as much time as I can to achieve this business goal.	1	2	3	4	5
2. In many ways I am better off than other participants.	1	2	3	4	5
3. It's not necessarily my fault if I don't achieve the business objective.	1	2	3	4	5
4. If obstacles get in my way, I try harder to achieve this business goal.	1	2	3	4	5
5. I invest as much effort as I can to achieve this business objective.	1	2	3	4	5
6. There are other areas of life where I have more success.	1	2	3	4	5

What kind of advice would be helpful to the Brand Manager:

- Specific information on the variables that have to be considered in the strategic decision-making process.
- Suggestions what the advertising expenditure, the wholesale price and the size of the sales force should be.
- Questions that would take the manager further.

The following scale consists of a number of words that describe different feelings and emotions. Read each item and then mark the appropriate answer in the space next to that word. Indicate to what extent you feel this way **right now, that is, at the present moment**. Use the following scale to record your answers.

1	2	3	4	5
very slightly or not at all	**a little**	**moderately**	**quite a bit**	**extremely**

____interested	____irritable
____distressed	____alert
____excited	____ashamed
____upset	____inspired
____strong	____nervous
____guilty	____determined
____scared	____attentive
____hostile	____jittery
____enthusiastic	____active
____proud	____afraid

During this computer simulation, I had to operate under conditions of:

- Threat: a negative situation, in which you operate under severe competition and budget constraints.
- Opportunity: a positive situation, in which gain was expected.

Age:….

Gender:……

How many years of work experience do you have? ……..

In which industry sector?……..

Thank you very much for your help!

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