Dissertation Title: Designing Controls for Network Organizations: A Value-Based Approach

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Organizations have increasingly transformed themselves into networks which are linked together by contractual agreements aimed at a joint business activity, such as an Internet service provider, or an online newspaper. Although the network strategies may bring many benefits, it makes parties in networks also vulnerable to the opportunistic behavior of their partners within the network and external parties outside the network. The subject of this thesis is to design controls against opportunistic behavior in such a network setting. We introduce the e-control methodology, which is a design methodology that supports a conceptual analysis of the business context of the network, its structure, and the design of controls. The control design process is based on existing ‘best-practice’ and theories from internal control and agency theory, which are incorporated in so-called control patterns. These patterns structure the design of controls in such a way that with a limited number of generic controls a large number of specific situations can be safeguarded against opportunism. The e-control methodology also supports the modeling of controls that rely on rights and incentives, as well as ex-post and ex-ante verification of contractual controls. The e-control methodology has been applied and tested in four large case studies in healthcare, international trade, digital music and electricity industries. The study has also shown the importance of the economic value perspective on controls. Understanding the value aspects of control mechanisms is crucial, since it supports a more rational decision making about the implementation of controls.