Management Control, Expectations, Common Knowledge and Culture

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Abstract

Control in organizations can be defined as expectational equilibrium, or correspondence between how the members of an organization behave, and how they are expected to behave by others. Using a contract model of organizations as the base, we use human expectations, common knowledge, and culture to propose a theory of control. Changes in factor and product market conditions tend to disrupt control in organizations. Strategic management consists of continual monitoring and anticipation of market conditions, and redesign, negotiation and implementation of contracts, to restore and maintain the expectational equilibrium.

Keywords: Management control, expectations, common knowledge, culture, organization
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