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Management accounting as the inter-organisational boundary

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Abstract

Purpose – The literature on managing inter-organisational relationships typically suggests managing these relationships based on the formalised exchange of information across the organisational boundary with due respect to trust build-up through successive interactions. The purpose of this paper is to argue that a focus on trust reduces the flexibility and accessibility of resources and hence ruins the advantages of inter-organisational relationships. The paper focuses on power as a means for absorbing uncertainty when managing inter-organisational relationships.

Design/methodology/approach – The paper is based on findings from a case study of inter-organisational relationships. Governmentality is used as a framework for analysing the practise of managing inter-organisational relationships.

Findings – A number of representations are employed along the boundary between the case study parties and thereby the boundary is emphasised. These representations are used to set the discourse for negotiating the terms of the cooperation. During negotiations a common understanding of cooperation is constructed and thereby fine-grained information is assembled. In this specific case, the contract plays a central role as a representation of the project in focus. In the construction of the price for the product, open book and benchmark data are used. Information does not cross-organisational boundaries at face value. Information is applied to the representations and brought into play during negotiations. Thereby managing and management accounting become significant components of the boundary between the parties.

Originality/value – The paper shows that power, as a means for absorbing uncertainty in inter-organisational relationships, can solve the dilemmas regarding flexibility and access to resources that trust can cause.

Keywords Channel relations, Management accounting, Control, Uncertainty management

Paper type Research paper

1. Introduction

In recent years, management accounting has been seeking a foothold in a business world where the boundaries of companies are increasingly difficult to define due to more intense cooperation via inter-organisational relationships among companies (Dekker, 2008; Thrane, 2007; Thrane and Hald, 2006; Kajüter and Kulmala, 2005; Dekker, 2004; Langfield-Smith and Smith, 2003; Mouritsen *et al.*, 2001). Inter-organisational relationships are claimed to provide companies with access to specialised resources (Gulati, 1995); and these relationships contain the potential for flexibility in the amount of resources purchased through these relationships (Sabel *et al.*, 1987). Both advantages are of special interest to companies where strategies change

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faster than the intra-organisational resources are able to develop (Mouritsen and Thrane, 2006, p. 244). Under such circumstances, the ability to access and combine resources from alternative suppliers in pace with market demands becomes vital (Castells, 2000; Burt, 1992).

Within the literature on inter-organisational relationships, trust plays a significant role; not as a sufficient assumption for successful relationships, but as a necessary condition that has to be taken into account when inter-organisational relationships are managed (Gulati, 1995; Hedberg *et al.*, 2000; van der Meer-Kooistra and Vosselman, 2000; Das and Teng, 2001; Dekker, 2004). However, two characteristics of trust are in conflict with the ability to rapidly access and combine resources through inter-organisational relationships. One characteristic of trust is that it takes time to build (Tomkins, 2001). This characteristic may be a hindrance to entering new relationships sufficiently fast in order to take advantage of new possibilities in the market. Second, trust creates a strong social bond that is difficult to break once it is established (Cooper and Slagmulder, 2004). Sticking to well-known business relationships contains the danger of disregarding new possibilities because a kind of self-sufficiency develops among the parties involved (Uzzi, 1997).

These two characteristics create the need for alternative means of absorbing uncertainty in inter-organisational relationships in order to permit the potential of entering these organisational arrangements to be realised. Bachmann (2001) argues that power is an alternative to trust within inter-organisational relationships as it can act to coordinate and control such arrangements.

The objective of this paper is to identify and analyse practices of management accounting and managing inter-organisational relations when power is employed as mechanism for absorbing uncertainty. These practices involve defining the expectations of the relationship and awareness of unintended actions. However, the expectations change during the interaction between the involved parties to the inter-organisational relationship and thereby these practices become an ongoing process.

As an explanatory framework for pursuing this objective, the concept of governmentality (Foucault, 1991a) is employed. Governmentality adds to the analysis of the case by focusing on regimes of government that "[...] involve practices for production of truth and knowledge, comprise multiple forms of practical, technical and calculative rationality [...]" (Dean, 1999. p. 18). The application of this framework indicates that power, as a means for uncertainty absorption in inter-organisational relationships, can support the advantages of engaging in these relationships. It does so by enabling the parties to access relevant resources faster and by making it socially legitimate to stall relationships. Based on a case study of an electronic manufacturing company, it is shown how contracts, open-book accounting, and benchmark information are used to manage intense inter-organisational relationships. The analysis demonstrates how management accounting is activated as the boundary between the two parties in an inter-organisational relationship in order to define the expectations and make them explicit. Management accounting representations become the moveable boundary and allow the buying company to maintain power and intervene at a distance even with suppliers that are considerably larger than the buying company. Emphasising the boundary both facilitates exchange of detailed information and preserves the sovereignty of the involved parties.

The following section contains an elaboration of prior research in the area. Based on this theoretical foundation, the research question is formulated and the theoretical framework for analysing the case is presented. The case study is outlined in Section 3. Section 4 provides a discussion of the findings from the case; and finally conclusions are drawn in Section 5.

2. Prior research and the theoretical basis for the analysis of the case

Prior research has argued that trust within inter-organisational relationships has to be taken into consideration when control and management accounting within inter-organisational relationships are issues (Langfield-Smith and Smith, 2003; Tomkins, 2001). Similarly, power will interact with the practices of management accounting in an inter-organisational setting. A clarification of these concepts as they apply to inter-organisational relations is the ambition of Section 2.1. Following this, the role of these concepts in governmentality is outlined to provide the theoretical framework for the analysis of the case. Based on this analysis, the objective of the study is given a more specific direction by formulating the research question that guides the empirics. Prior to the case study results two central concepts related to the research question are defined, these are boundary and representation.

2.1 Trust as the mechanism for absorbing uncertainty

Trust has many definitions, and in an attempt to make a general definition across disciplines Rousseau *et al.* (1998, p. 395) define trust as: "[. . .] a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behaviour of others." This implies that showing trust is to put your faith in the hands of another person, and to be willing to do so because your experience with this person tells you that the risk is worth taking (Mayer *et al.*, 1995). Showing trust also implies that you more or less ignore the possibility of some future (detrimental) incidents and act as if these will not happen (Lewis and Weigert, 1985). This puts you in a position where unpleasant events happen unexpectedly and you have no defence mechanisms against these. Trust is an inter-personal affair, but as discussed by Tomkins (2001) trust can be applied in an inter-organisational setting too.

Sako (1992) provides a framework for studying trust in an inter-organisational setting. In this framework, trust is divided into three types: contractual trust, competence trust and goodwill trust. Contractual trust refers to the ability to keep promises either written or oral. Competence trust refers to the technical or managerial skills of the trusted person. And finally, goodwill trust refers to the open commitment between the parties and a willingness to do more than the other party expects. This typology highlights different aspects of trust and provides a more nuanced view on trust between parties in inter-organisational relationships (Langfield-Smith and Smith, 2003).

Within an inter-organisational context trust is claimed to have a number of advantages. Powell (1990) argues that trust functions as the lubricant that ensures smooth coordination between the parties. This is supported by Hedberg *et al.* (2000, p. 34), who state that being well-acquainted makes the barrier of personal contact much lower, and thereby solving problems and helping each other is carried out in a sociable atmosphere. Trust is also supposed to be a cost efficient method for coordination (Dekker, 2004; Alvarez *et al.*, 2003). Compared to formal control systems, trust facilitates informal control and coordination whereby the cost of building and maintaining these formal control systems can be reduced (Tomkins, 2001).

However, trust within inter-organisational relationships does have inherent problems regarding access to resources and flexibility in the amount of these. This is so both in the initial stages of the relationship and when the relationship has matured. Most contributions to managing inter-organisational relationships pre-suppose that it takes time and successive positive experiences to build-up trust in the initial stages of the relationship (Boersma *et al.*, 2003; Poppo and Zenger, 2002; Das and Teng, 1998). In line with these studies, Laaksonen *et al.* (2007) illustrate that trust and dependence evolve as inter-organisational relationships develop. Sizing up each other in order to establish sufficient trust between the parties is a sound, or even necessary, strategy for manoeuvring in a field without stable rules, procedures, standards and institutions (Bachmann, 2001; Luhmann, 1979). The gradual process of building trust is incongruent with expeditious access to various kinds of resources from different partners. When a company wants to change strategy, and this is done via access to new resources from other external partners, the change is hindered by the amount of time it requires to build-up trust.

Emphasising trust will not only delay the creation of a relationship, but it also has an inbuilt tendency to reduce flexibility by preserving established relationships. Tomkins (2001) argues that when a relationship has functioned for a while, the involved parties get acquainted to a degree that enables them to coordinate their activities without developing a formal exchange of information to control the relationship. In this way, the relative importance of trust increases. This growing importance of trust as a mechanism for absorbing uncertainty involves the risk that the relationship ends in a paradox of overembeddedness (Bachmann, 2001). Overembeddedness arises when the companies within an inter-organisational relationship become excessively interrelated (Uzzi, 1997). They construct a common perception of the business environment, and due to the limited contact with companies outside the relationship, new information does not gain a footing inside the relationship. Thus, the inter-organisational relationship slowly loses touch with the surrounding world. At the same time, feelings of obligation and friendship among the members are established, which makes it even harder to open the relationship to new members and revised perceptions of the business environment. The rationality for decision-making moves from being anchored in business logic into the logic of kinship and friendships. People choose to cooperate with partners whom they have worked with before, and with whom they have build-up a relationship of trust, and the desired renewal and flexibility is not utilised (Gulati and Gargiulo, 1999). The relationship that should have been characterised by dynamism and adaptability becomes static, and the advantages seem to fade (Maravelias, 2001; Ahuja, 2000).

As claimed, the inherent characteristics of trust have a tendency to reduce the dynamic advantages of the inter-organisational form of organising activities between companies. Therefore, an alternative to trust becomes relevant if the dynamic advantages are intended to be maintained. Within inter-organisational relationships, power has similar potential as trust regarding reducing complexity and uncertainty (Bachmann, 2001; Hingley, 2005).

2.2 Power, an alternative to trust as mechanism for absorbing uncertainty

Power has several definitions and layers (see, for instance, Lukes, 2005). In this study, the concept of power used is disciplinary power (Jackson and Carter, 2000). In this connotation, power is the action on others' actions, and the point of attention is the processes of the endless and open strategic game that the involved parties play in order to promote their interests (Gordon, 1991). Disciplinary power does not mean the ruler has absolute domination over the subject. Rather, power is seen as a mobilisation of the free will, initiatives and resources of the subjects, but within the discursive frame of reference (Dean, 1999). The ambition of disciplinary power is to shape and reshape the way in which the individual will act within a space of regulated freedom (Rose, 1999).

Compared to trust, power can be used as an uncertainty absorbing mechanism in the early stages of the relationship. Similarly, power enables an ending of relationships without destroying the relationship, because the people involved have not invested themselves in the relationship, as is the case when trust is employed (Bachmann, 2001). Building trust implies mapping the field of the freedom held by other people in order to assure that this field does not include actions that are incongruent with ones own interests. Employing power in order to absorb uncertainty necessitates fencing in the freedom of action of these other people. Fencing serves the purpose of clarifying the expectations to the other party, but it also makes undesired behaviour apparent.

Initially, the design of the case in this study was based on literature that emphasises trust as a main source for absorbing uncertainty (Gulati, 1995; Das and Teng, 2001; Tomkins, 2001; Poppo and Zenger, 2002; Boersma *et al.*, 2003; Langfield-Smith and Smith, 2003; Dekker, 2004). However, this literature lacks the ability to explain the empirical findings in the case company (CC). In order to rationalize the practices observed, another theoretical framework was required. The main difference was that the people in the CC explicitly emphasised power and the ability to control at a distance. They also openly abandoned trust in the good will of their partners. They explicitly sought to obtain power over their suppliers although they were well aware that the other party would counteract to this. A second reason for introducing governmentality as a framework for analysing the case is that the CC used a number of representations in order to manage relationships. These were not only for exchange of information, but also for defining the rationalities of how to do business. A third reason for leaving the initial theoretical framework is that the personnel in the CC were focused on the process of managing the relationships. This is also in contrast to the literature as these mainly focus on the structures of the inter-organisational relationships. These reasons are consistent with governmentality, and hence this theory is applied for the analysis of the case.

2.3 Governmentality: the theoretical framework for analysing the case

Governmentality is rooted in power (Foucault, 1991a). Governmentality focuses on how management is carried out, and how power is maintained when subjects are not under direct control (Dean, 1999). Governmentality has no existence in itself. It is always embedded in government via a number of specific governmental apparatuses (Foucault, 1991a) or management techniques (Rose, 1999). Budgeting techniques, costing systems, and performance measurement systems are examples from a business context. Governmentality succeeds via these specific techniques, and their employment has to be done with circumspection since they are the vehicles for defining the discourse of managing (Hacking, 1991). An extreme example of this is given by Neu and Heincke (2004) who show how financial and accounting regulations in combination with techniques of force are employed in order to manage indigenous people in Canada and Mexico. Their study shows that the use of power in relation to governmentality has its limits since the governed party is likely to strike back if the pressure becomes too strong. Regarding inter-organisational relationships, this means that the governed party cannot employ these techniques unrestrictedly. If they do, then, in extreme cases, the relationship may never begin.

The domains of governmentality are delineated by management technologies. Through these the discourse is defined, and the managerial agenda is set. The means by which a company seeks to intervene within the domain of their suppliers are therefore not via direct, but indirect control. This way of controlling is analogous to the way control is conducted in liberal democratic societies (Burchell, 1991). In such societies, the personal freedom of the individual is the driving ideological force. However, the government still wants to have some kind of control; otherwise the society would end up in anarchy and this would undermine the government. In such cases, the choice of management technology becomes important because it is via the technology that the room for manoeuvring is defined. In this way, management technologies are what allow governance across inter-organisational boundaries, by providing the people involved with information, not for mechanical decision-making, but for interpreting and acting.

So far focus has been on the first part of the compound governmentality. The second part, mentality, concerns the rationality that drives the practice of governing (Gordon, 1991). The underlying mentality defines the production of truth by establishing domains in which true and false can be relevantly accounted for (Foucault, 1991b). It covers what is right and wrong, what is important and what is not. Dean (1999) refers to this as the episteme of government, where the question is what forms of thought, knowledge and rationality are employed in the practices of governing. These forms are expressed in relation to an understanding of the governed spaces, persons, problems or objects (Rose, 1999). The implication is that management technologies cannot stand alone, they have to be accompanied by a set of explicit rationalities that define how to interpret and how to act appropriately given the information provided via the management technologies employed.

This discussion leads to the more theoretically profound research question:

RQ1. How can management accounting technologies support the practices of power in an inter-organisational relationship?

Governmentality involves a separation of the involved parties. Thereby the existence and nature of the boundaries between the parties involved in inter-organisational relationships are discussed. A coupling to the concept representation (Cooper, 1992) is made in order to obtain an understanding of the functioning of the techniques that the company applies as instruments for defining the boundary between the involved parties. Both the concepts boundary and representation are discussed in the following.

2.4 The concept boundary

Focusing on power as a mechanism to absorb uncertainty in inter-organisational relationships implies a distinction between the interacting parties. The ruler has to distinguish himself from the subject as the ongoing play of maintaining the power in the relationship continues. Thus, the perception of them and us is maintained in a power-based relationship. This assumption is in opposition to the trust-based literature referred to above where the perception of the relationship evolves from them and us into a perception of we. For instance, Cooper and Slagmulder (2004) who study large Japanese manufacturing companies find the highest level of interaction among the kind of inter-organisational relationships that they label family relations, which are characterised by high levels of trust created through successive interaction. Uzzi (1997) studies small companies in the New York City apparel industry. He also finds that trust and long-term familiarity facilitate coordination and cooperation among the involved parties. In both studies the boundaries between the companies involved erode, and the parties have evolved a close-knit bond.

Within the empirical setting of this study, inter-organisational boundaries are constantly emphasised but they evolve as the relationship between the parties develops. Hence, the boundaries cannot be taken for granted. They constantly have to be constructed. In order to do this, some account is needed to bind together the CC, the inside, with its environment, the outside. Deleuze (1999, p. 97) illustrates the coupling between the inside and the outside as:

> The outside is not a fixed limit but a moving matter animated by peristaltic movements, folds and foldings that together make up an inside: they are not something other than the outside, but precisely the inside of the outside.

The outside he describes as: "The informal outside is a battle, a turbulent, stormy zone where particular points and relations of forces between these points are tossed about" (Deleuze, 1999, p. 121). This outside it is not possible for us to grasp, it is simply too unstable. It is not possible for us to apply our knowledge and put the outside into our frame of reference in its chaotic form. Thus, management of the outside from the inside is doomed to failure. In order to comprehend the outside folds are created by turning the outside inside, thereby creating an inside space where the points are retained and management becomes possible.

Obtaining and maintaining the manageability of the fold requires accounts of the boundary that both represents the fold and are strong enough to hold for the dynamics of the inter-organisational relationships. Rose (1999) describes how numbers, as typical outputs from management technologies, map boundaries and thereby create the domain of governing. In order to give a more specific understanding of how these technologies are applied in the practices of governing the concept of representation is introduced in order to enrich the understanding of the concepts used so far.

2.5 Representations

Cooper (1992) introduces the concept of representation in relation to folds and doublings, and in this way the concept is linked to Foucault through Deleuze (1999). Cooper (1992) draws on information theorists such as MacKay (1969) who defines a representation in the following way:

> By a representation is meant any structure (pattern, picture, model) whether abstract or concrete, of which the features purports to symbolize or correspond in some sense with those of some other structure (MacKay, 1969, p. 161).

In order to enhance power and control through the representation, information has to flow constantly to the representation, and it is the information that increases or reduces the power of the representation (Cooper, 1992). The representation is activated for managerial purposes when information is added to it. One example of a representation could be a monthly financial report. Such a report shows the financial consequences of actions made by people within the business unit for which the report is made. But it does not portray the sales effort that has generated the revenue and it does not reveal the actual resource spending that has generated costs. So a representation portrays something other than is explicitly stated. Lowe and Koh (2007) show in intra-organisational context how accountants introduce standard costing as a representation of production processes. They illustrate how this representation competes with other professions in the company in order to represent the organisation to management.

A representation has three characteristic components; these are: remote control, displacement and abbreviation (Cooper, 1992). Remote control is what enables control at the distance. For example, the financial report mentioned above enables managers to get an insight into the actions made by the operational staff of the business unit. Based on this insight, managers are able to give directions, and in this way influence future actions of the staff. This is also related to the second characteristic, displacement. The financial report is actually a matter of moving actions from the operational level into the boardroom and back again. Thereby, the representation enables transfer of information both in space and in time. The third characteristic, abbreviation, refers to the condition that representations are condensed images of full pictures. Acting on condensed images might sound problematic, but this is not the case. Actively composing a bouquet of representations, hand-picked and carefully composed, enables managers to focus on the important managerial challenges.

A representation is placed at the boundary between the inside and the outside:

> It works on the boundaries or intersections of the inside and the outside, between here and there, this and that. It displaces space (and time) through remote control, displacement and abbreviation; it traverses a mobile space of non-localizable relationships (Cooper, 1992, p. 270).

Thereby a representation becomes the coupling between two distinct parties, a checkpoint where information from one party to another can pass. Managing through representations can create coherence across boundaries and thereby actively support the process of constructing a common perception of the ends and means of the cooperation.

As inter-organisational relationships evolve, the boundary between the involved parties changes as well. Thus, the strength of governmentality depends on the representations as "mobile traces that are stable enough to be moved back and forward without distortion, corruption or decay, and combinable so that they could be accumulated and calculated upon, [. . .]" (Miller and Rose, 1990, p. 9). Hence, a critical analysis of the strength of the representations employed in order to govern becomes relevant. When governmentality is applied in an inter-organisational context, the strength of the representations comes under pressure due to the room for manoeuvring entrusted to the suppliers. Governmentality is optimistic in its belief in the possibility of intervention despite the condition that the suppliers have an inbuilt potential for failure within the room that they have been given. Thereby governing such relations becomes an ongoing process of trial and error in which the adjustment of the employed management techniques is essential for success.

Managing through representations entails more than what is obviously included in the models. There is something more, and to some extent this is tacit and can only be communicated indirectly via the models. Hence, when talking about the something more that the CC uses as they manage their supplier relationships, this something more needs to be acknowledged, and this more is contained in the concept representation. The characteristic order that the representation comes first after which information follows, is important for understanding the process of managing inter-organisational relations in the case. The management accounting technologies are present all the time, but as new information is added during negotiations the relationship and the boundaries between the parties are constantly constructed.

The CC that is presented in the third section of this paper explicitly use their power to impose their objectives in relation to their suppliers. This is done by forcing the supplier to use representations and as the contract, open book and benchmark data for managing relationships. For the CC, the management accounting techniques employed play a central role in gaining and maintaining power. Thereby representation as a concept is essential for the objective and the research question of this paper since the representations enable the company to control at the distance by focusing on important aspects of the cooperation.

As will be shown in the following, the representations employed by the CC in order to control the relationship with system suppliers are fragile. Their reliability is often questionable and the outcome of the representations cannot be taken for granted. Hence, the mechanisms, the processes and the procedures beneath the representations become of interest, as it is here, beneath the surface of the representations, that the germ of managing these relationships is to be found.

3. A case study of purchasing vital electronic components

3.1 Methodology applied in the case study

CC is the alias for the CC in which the fieldwork was conducted. The company prefers to be anonymous, and hence specific details of the company are veiled. Access to CC is made via the purchasing department. As will be outlined in the next section, the purchasers are the coordinators in the process of managing the supplier relations in the CC. In addition to this, they bear the financial responsibility concerning the price of the products. The purchasing department and the purchasers are therefore central to the practices of management accounting in the CC. Having the purchasing department as the focus of the case study entails that the voice of other participants in the game for power remains unheard. This is a limitation of this study.

The fieldwork was carried out from November 2004 to April 2005. The study was conducted as a qualitative case study. Data were gathered through semi-structured interviews based on interview guides specifically prepared for each interview. The group of interviewees comprised six people covering different positions in the purchasing department of CC. They all had experience of managing supplier relations. Two of these people were interviewed twice. In all, eight interviews were conducted, and the interviews lasted from one to two hours each. In addition to the interviews, access was given to relevant manuals and spreadsheets used in managing supplier relationships. These secondary sources were used as a starting point for the interviews and to have the interpretation of these sources confirmed by the interviewees. When the fieldwork was completed, a meeting was held with all the people who were involved in the study and the preliminary results were discussed and improvements were incorporated.

The case evidence is analysed by employing the framework developed by Dean (1999). In this framework, he sets up four dimensions for analysing how governmentality is carried out. The first dimension refers to the apparent aspects of government. Examples are sets of graphs, tables and accounting reports. This information makes it possible to see who and what are to be governed and what problems are to be solved. The second dimension the study of governmentality seeks answers to questions concerning means, vocabularies, mechanisms and techniques for generating the various aspects of government. The methods employed for generating aspects of government determine how the representations are created. The third dimension relates to the forms of knowledge that derive from the activity of governing. Here, the analysis of governmentality seeks answers to questions regarding employment of forms of knowledge, methods for calculating and types of rationality employed in practice. That is, the third dimension covers the area concerning how the gained knowledge is used in the government process. The fourth dimension concerns the types of individual and collective identity that exist among the people in the organisations. Government works through these identities by the employment of specific practices and programmes. Hence, programmes and practices become the media through which communication about the desired identity of the parties that are governed is passed. So the employment of different regimes of government is made with the intent to "[...] elicit, promote, facilitate, foster and attribute various capacities, qualities and statuses to particular agents" (Dean, 1999, p. 32).

3.2 Analysing the CC

In the following section, the progression in the four dimensions of the framework described above will be drawn on. First, a description of the CC is made, and then the employed representations are outlined. Thereafter, the practice of governing system suppliers at CC is analysed.

3.2.1 Description of CC. CC is a Danish listed company. The production facilities are located in Denmark, but the company has sales companies worldwide. In the financial year that corresponds to the period of the case study, the company employed 2,311 people and these people generated DKK3,742 million in revenue.

CC produces electronic equipment. Their customers in focus are end consumers and within this market CC is positioned at the high-quality end. CC emphasise design, functionality and high-quality durable products. This approach requires that the key components obtained from suppliers are of higher standards than the market norm. This adds further dimensions to the sourcing task of the company: it is not enough to find the cheapest supplier of a given component. Other qualitative dimensions also have to be incorporated into the buying process. During the last ten to 15 years, CC has increased the number of outsourced components. At present, CC buys products and services from suppliers corresponding to 50 per cent of the annual revenue. As a result purchasing merits considerable managerial attention.

As indicated, CC faces several challenges when purchasing components. In order to systemise and visualise these diverse challenges, CC has developed a matrix in which the different kinds of suppliers are grouped into four segments. These segments are comparable to the division proposed by Bensaou (1999). The four segments are labelled: key suppliers, standard suppliers, system suppliers and capacity suppliers. Two dimensions are used to distinguish between the segments:

(1) whether it is a standard commodity within the industry or specified by CC; and

(2) whether the sourcing strategy is founded on a relational-oriented basis or competitive terms.

Regarding specific products, CC explicitly wants to be in power in order to make sure that the product lives up to the specifications prescribed. Since the product is defined by CC, there is no market price related to the product produced by system suppliers. As a consequence, CC wants the price to be cost driven. During the case study, the focus was on the system supplier segment. From this segment, CC sources specified components on a relational-oriented basis and, as such, this segment involves a high degree of interaction. Relationships within this segment have significant consequences if they fail.

A system supplier has two major characteristics. First, they have to be able to deliver a complex product. This includes both product development and subsequent production and delivery. Second, they have to be able to manage and control the underlying supply chain, meaning that CC is not directly involved with second-tier suppliers. The typical system supplier is larger than CC and on the surface this would seem to be a weak position for bargaining and setting demands. Although the strong brand of CC is intended for end consumers, it has a positive reputational effect to have CC as a customer even for large firms within the industry. This effect is particularly strong for companies located in southeast Asia, and hence it is an important source of bargaining power since many potential suppliers are located in this region. However, the main advantage is that CC has knowledge to offer to the larger supplying companies. Cooperating with CC gives the large company a possibility to learn from CC. In this way, CC becomes an attractive partner despite the relatively low volume of products involved. This is the main source of the initial bargaining power.

CC has several objectives for engaging with system suppliers, though two are central. CC wants to focus on core competences. By involving system suppliers, CC is able to release resources from activities peripheral to these core competences and at the same time procure competences and knowledge superior to the ones, which it has given up. The second objective is flexibility. By outsourcing competences and knowledge, CC can cut off these resources if they become obsolete.

CC does not want to compromise on quality and functionality. The end customer still has to perceive the final product as a genuine CC product. This requires a lot of coordination and knowledge transfer within system supplier relationships, and these activities take place at all organisational levels of both companies. So, although resources can be allocated to activities more closely related to the core competences of CC, there is still an immense task of coordinating and ensuring that the outsourced activities are made according to CC standards.

3.2.2 Representations employed during projects. At CC products are defined as projects. The term project covers the entire life cycle of the product from when the idea is born until it finishes. Managing an inter-organisational relationship during a specific project is, to a large extent, about communication, i.e. expressing expectations of the outcome of the cooperation. A purchaser responsible for several system suppliers states:

> [. . .] a relationship depends on communication: how good are people at delivering a message, not least about the important aspects of a project, and it is based on an ongoing evaluation which is discussed internally and followed up in meetings with the supplier (Purchaser).

In order to guide this communication and to ensure that coordination takes place, a number of representations are set up along the boundary between CC and the supplier.

3.2.3 The contract is the overall representation of the relationship. Within CC the contract is a central element for managing the relationship with the supplier. They find it important to have clear expectations and, as far as possible, incorporate these expectations into the contract that follows the cooperation. However, not all aspects are possible to define. This lack of clarity stems from two sources. Obviously, the design of a product in its early stages is not finally determined and consequently impossible to specify in details in a contract. In addition to this, CC is a high-status brand based on a high level of quality in design, functionality, performance and finish. These criteria are hard to express but, nevertheless, they have to be transferred to the supplier.

For the purchaser, the contract is central for managing the relationship with the supplier. When joining CC, he observed that there was a gap between the expectations of the partners and the expectations of CC as regards the relationship. He states:

> [. . .] [disagreement] was based on a lot of misunderstandings, but not least, it was started by un-specified expectations; expectations that were not clear enough (Purchaser).

The experience of the purchaser is that during the formulation of the contract, most of the indefinable aspects get transferred to the system supplier. In this way, the process and the interaction becomes a way to transfer tacit knowledge from CC to the supplier and this enables CC to govern from a distance. When the tacit knowledge becomes explicit, the contract is revised by incorporating this knowledge into the contract. In this way, the contract becomes a representation of the inter-organisational relationship that evolves as the cooperation develops. As more and more information is added to the representation, the power and ability of CC to control increase. CC breathes life into the contract by using it as the media by which they discuss the conditions of the actual project. Via the contract, CC defines the discourse and sets governmentality in action.

3.2.4 Several representations support the contract. A number of representations along the boundary between the parties are employed. These concern both the product and the payment flow. For the product, CC uses performance indicators such as evaluation of samples during product development, assessment of product specifications, different quality measures, on-time delivery, etc. The relevant departments within CC decide the contents of the performance indicators. For instance, the quality department decides on the maximum number of parts that are allowed to have defects, and this target is explicated in the contract and, in addition, a penalty for not meeting the target is agreed on.

The payment for the product is the other flow that changes hands when the parties cooperate. The magnitude of the payment – the price – and the conditions for the payment become central issues in the deliberations between the purchaser and system suppliers as the payment is the financial bridge that connects the parties. The construction of the price varies depending on which stage a project has reached. In the development stage, where the system supplier takes part in a more or less specified development task, the price is negotiated based on expectations of time spent multiplied by a rate per hour. If the actual time spent on a project differs significantly from the expected time, on which the agreement was based, the terms of the contract are typically renegotiated. When the product is ready for production, the system supplier often faces investments in tools to be used during production. These tools are paid upfront by CC and marked in order to prove the ownership of CC. Similarly, a price per unit is established. Splitting the price per unit into a fixed component (the tool) and a variable component (the unit costs) assures that transparency is not totally lost, i.e. CC has a measure of the marginal cost of the product and is able to act according to marginal cost logic. Having the ownership of the tools also enables CC to change supplier during the lifetime of the product – not necessarily in order to put exorbitant pressure on the current system supplier. The situation could be though that the system supplier has an interest in dropping the product in focus, perhaps not with the purpose of severance, but in order to join a new preferred project at CC. Although it may not necessarily be intentional, splitting up the payment enables CC to stay in power and control the direction of the cooperation.

The price becomes a representation of the value of the product and an important task is to set a fair price compared to the corresponding flow, the product. In the system supplier segment setting the price is based on negotiations. When the product in focus is complex and unique no market price can be referred to as counter payment for the product delivered by the supplier. The price is not utterly unfounded as two additional representations are joined and used during the composition. These are open-book data from the supplier and benchmark prices on similar products.

CC requires that system suppliers open their books. This requirement is notified to the supplier at the very early stages of the relationship. CC has tried to introduce the idea of open books in existing relationships, but their experience has been that the suppliers, at the more mature stages of relationships, would not accept such techniques. The requirement for open books has to be viewed in line with one of the goals of sourcing within the system supplier segment, i.e. stating that prices have to be cost driven. With this goal in mind, a requirement for open books is natural in order to keep track of which costs are allocated to a product. The supplier generates the information in the open books but CC has defined what kind of information is to be included in these books. The open books contain information about the bill of materials (BOM) and the corresponding unit price. It contains information about the labour spending per item, both time spent and hourly rate; the allocated overhead per item is also included and finally a profit measure is reported. The articulated purpose of the open books is not to put pressure on the supplier but to increase the transparency of the costs of the individual components that are part of the product. Based on this transparency, CC is able to suggest reductions that cut costs for the supplier but do not lower the value for the end customer. The open books are obviously fragile representations of the costs of the product. The fragility is due to the origin of the information. It is generated by the supplier who obviously has an incentive to set the costs as high as possible. In order to overcome this fragility, CC uses benchmark data to monitor the cost level.

Benchmarking data typically consist of industry reports on cost data, which contain information about prices of commodities as well as internal data from prior projects on similar products and from prices obtained from potential suppliers. This means that the representation contains potentially vague information. The vagueness stems from a slight similarity between the general and historic data and the current product. Thus, the benchmark data can give no more than guidelines for the price of the product. By this procedure, CC compares the open books obtained from the system supplier with similar products of which CC has knowledge. This could occur when CC has experiences from prior products or projects conducted by one of CC's own departments. Another source of data for benchmarking is obtained from the policy CC labels dual competition. They seek to have suppliers with overlapping competences. In this way, CC is able to compare the cost structure of the current supplier with prior or identical cost structures from the supplier with overlapping competences. On the surface CC uses the benchmark information as point of reference for cost improvements at the current supplier. However, some pressure is put on the supplier with an ever-present implicit threat of changing supplier.

Table I summarises the representations employed at CC as they manage their system supplier relationships. The table describes the form of the representation, the control intention and how the specific representations function in respect to the three characteristics of representations.

3.3 Practice of governing, and how the desired identities are transferred to the people involved in the relationship during projects

3.3.1 Employment of the contract, defining the playing field. An interesting question is how CC is able to continue putting constant pressure on the supplier during a project in order to maintain power within the relationship despite being relatively small in size compared to most of the system suppliers. There is no doubt that setting the discourse enables CC to stay in power, but what puts weight behind the discourse is the fact that the contract is split up into several minor projects and when anyone of these ends, CC can move on to other suppliers if the current supplier does not follow the direction set by CC. The purchase manager for inside components (Manager IC) formulates it in the following way:

> If he does a good job, then he will be part of the next stage of the project, and that is something we actively use. The supplier can be thrown out when a milestone is reached, but if he performs the way we want him to, then he will be on for the next stage (Manager IC).

And he continues:

> In fact, in most cases we have drafted the contract in a way that enables us to throw him out when he has made the first item. Then we are able to take our tools and place the entire production with another supplier. This is part of the deal we make with him, also because otherwise we are stuck with that supplier. The worst-case scenario is that once he has received the order, then it just goes on and it all ends up being ten times as expensive as expected. And you have no possibility of ending the relationship (Manager IC).

As the sequence shows, systems suppliers are invited to be part of an entire project from start to finish. In order to ensure that they keep performing the way CC wants them to all through the project, the project is divided into minor tasks for each of which it is possible to change supplier. This is what keeps the suppliers motivated, and the option of changing supplier is what enables CC to stay in power.

3.3.2 Practice of intervention via open books and benchmark data. The open books are mainly used to identify possible cost reductions in order to reach a given target price:

> One of the challenges of outsourcing product development is that you lose track of the cost drivers of your product. If you are not able to get these open calculations, then you are not able to choose among alternatives. [. . .] There are elements you can remove from the product and the customer will never know, but if you do not know what the cost of these elements are, then you are not able to make the right choice (Manager IC).

Table I.
Representations employed in the ongoing management of the system supplier relationship at CC

Representation	Form	Control intention	Remote control	Displacement	Abbreviation
The contract	The contract is made between the involved parties on a dyadic basis. The contract includes: what do we want, when, how, why, price, etc.	Media for stepwise clarification of goals and expectations	The contract is the media used to set the scene for the relationship, and through this set directions for the supplier to follow	Actions to be taken by the supplier are put into the contract whereby it becomes possible to communicate about them and make people committed and responsible	Contains only information that can be articulated. Tacit knowledge concerning the product has to be transferred in other ways, typically during the negotiations
Price for services and products	The price is the size of the payment, which is the counteraction of the product exchanged between the parties. The price for the service or product represents the cost of the defined product delivered at the doorstep	Negotiation of price based on costs compared to alternatives by benchmarking. In this way both cost- and market-oriented approaches are followed in order to set the price	Through the price negotiations, CC is able to influence actions taken by supplier	The price enables CC to evaluate the value of the product without caring about the underlying actions	The price is an aggregate of several cost components, and there is no control of relative risk components
Open book	The open book has its origin in the cost structure of the supplier. However, changes occurring during the negotiations can influence performance at CC. Decomposition of target price. Contains BOM, prices per unit, wage rates, overhead	Elimination of non-value added activities, with the purpose of attaining the target price	Based on the calculations made by the supplier, the parties can identify non-value-adding activities and eliminate these through substantial changes in the product or processes from a distance	Open books enable CC to obtain insight into the underlying activities of the price, and thereby makes them discussable, but without direct possibility for intervention	Open books are blurred. The supplier may not lie about the cost structure, but often it is not the full story that is told
Benchmark	Historical data from prior projects and industry reports bought from outside consultants. Data are used for comparing similar suppliers in order to achieve for improvements, both for the current project and for future projects	Management technology used to identify a fair price level in a market when there is no market price	Inspiration used in the price negotiations that are likely to influence the activities made by the supplier	Brings the market into the negotiations. Indicates a price level, and gives suggestions for partial improvements	Benchmarking is based on information that is not directly comparable with the actual situation. Benchmarking is hence only for inspiration and needs some kind of transformation in order to be used in the actual situation

CC requires that the supplier decomposes the price into the BOM and related unit prices; CC wants to be able to see the time spent on producing one unit of the product and the associated wage rates. Finally, CC wants to see how much overhead the supplier has allocated to the product. The open book is a representation of the value of the product from a cost perspective, and the information obtained from the open books is used to remove non-value adding components from the product that the supplier is to produce. However, the open books are not naively perceived as reflecting the absolute truth of the cost structure. They are ambiguous and have to be employed with caution; otherwise the communication is likely to be made on an erroneous basis, as the following sequence shows. In response to the interviewer's question, "What is your impression of these open calculations? How valid are the data you receive?", Manager IC states:

> It depends on which supplier we are talking about. There are suppliers who are very good at giving the right numbers. Besides, we have the advantage that we often manufacture products similar to the ones the suppliers produce for us. So we are able to find out whether the calculations are right or wrong. Regarding open calculations, there are people who make jokes about – that open-books are the easiest way to cheat your customer (Manager IC).

And from the interview with the chief controller in the purchasing department it is found:

> [. . .] an open book is not always truer than a closed book. But if you are aware of this, then it is OK (Controller).

This indicates that CC is aware that there is a downside to the open-book method. Clearly, the supplier has a motivation to inflate the books by entering higher costs than actually incurred in making the product. Going through the open books is likely to lead to price cuts for the supplier. They therefore have an interest in making the costs appear to be higher to create a better position for bargaining or for making an extra profit. Blurred open books are a matter that has to be addressed. Hence, the open book cannot stand as the only representation of the value of the product.

In order to keep track of the validity of the open books, CC employs benchmarking:

> The only thing we can do is to become better at using the information we get, plus the information we are able to gather through other sources, and then use benchmarking (Manager IC).

Benchmarking means comparing an actual offer from a supplier with similar possibilities. This may sound uncomplicated, but in practice things are more complex and this set a limit to the employment of benchmark data as representations of the market value of the products. The purchase manager for inside components gives two reasons; the first concerns non-disclosure agreements:

> There are some NDAs (non-disclosure agreements) which are hard to handle. In many situations – then I am not able to use the price I have been given by another supplier, and the current supplier may not be able to reveal his prices to me through the open-books without breaking these NDAs. So that is one of the things that has to be handled with thoughtfulness and a certain degree of confidentiality (Manager IC).

This means that the historical data that CC has generated from prior projects cannot be employed in arguments during the negotiations. Why not? CC could just leave the name of the alternative supplier out of the negotiations. Well, they could, but the components that CC buys are often specific and word would soon get around that CC is seeking or has leaked confidential information. The purchase manager for inside components puts it like this:

> When we benchmark these products, it is rumoured in the market because these products are unique, which means that he will know that we are doing benchmarking, and therefore we might as well tell him openly that we are doing benchmarking (Manager IC).

If CC crosses this subtle line indicating how confidential information can be used, then their reputation is likely to be ruined, and their future possibilities of doing business with these suppliers are reduced. So this is one example that shows that the weight of benchmark data from previous projects is reduced. The consequence is that CC is not able to use the information directly in the negotiation, but the information is still present at CC and as such remains of indirect relevance to the negotiations. The inability to include the information in the negotiation process directly means that power is reduced.

The second reason for the reduced effect of benchmark data is the weighing of benefits from more detailed benchmark information compared to the costs and accessibility of this information for CC. In response to the interviewer's question, "Do you make comparisons on component level?", Manager IC states:

> That, I can tell you, that would be a ceaseless task. If we were to do that for each component, then I would have to hire five additional purchasers that would do nothing but check prices on single components.
>
> Plus, in effect I also have to make the purchases. And that is another problem with outsourcing; I do not make these purchases of single components anymore. So a supplier of these would just say: "Do you really want to buy these components, or are you just interested in getting a price from me?" And then he would say: "Well if all you want is a price, then ask your partner because that is where the actual buying takes place (Manager IC).

So, CC does not wish to go into details regarding benchmarking since this will diminish the economic benefits from outsourcing. But perhaps the second point is more important, namely that as CC does not have the intention of buying, then the supplier from whom CC enquires after prices will not spend resources on CC as they know that CC is just checking prices.

So although CC does benchmarking and thereby obtains a representation of the market value of the product, the representation is fragile because it only gives an indication of the market price. As long as CC does not get near this market, new additions to this representation are not made and so the representation becomes obsolete. Therefore, CC must bring in dual competition, since dual competition is what puts weight behind the open book and benchmark data.

3.3.3 Put weight behind the representations and stay in power. As indicated in the section above, the cooperation between CC and the supplier does not work by itself. CC has to put pressure on the supplier in several ways in order to stay in power. Some years ago CC experienced what, earlier in this paper, was labelled the paradox of overembeddedness. CC used only a handful of suppliers and they experienced immense cost escalations. The purchase manager for inside components describes this in the following way:

> One of the lessons we learned from our old sourcing strategy was that when you becomes too close partners, what we also call family relations, then you simply become too related. The job is always given to him, he is always the preferred partner. In fact, he knows when a product is developed, then he gets the job again, and then he thinks that he can get any price he wants. [. . .] Therefore, focus on business relations, focus on price, and dual competition is very important. You should not have only one supplier (Manager IC).

The interviewer asks: "That means, you get transparency through the open-book, benchmarking enables you to control the price level, but you need dual competition to put weight behind the two other elements? They have to know, that if the price is not changed [. . .].", to which the manager responds:

> Then at worst they will lose the deal (Manager IC).

So inefficiency was experienced in the shape of high prices, and though open books were available and CC also had an idea of the price level in the open market, this was not sufficient to set the relations in motion. The negotiations and subsequent price reductions were not started until CC introduced dual competition and showed that they were willing to change supplier. Changing supplier is not the same as shopping around for the best deal. This is not an issue since, in most cases, changing supplier during a project is not possible without immense losses for CC. The threat of change refers to using another supplier in future projects.

Based on the experience of CC, it is apparent that the two fragile representations together enable the company to intervene but only when the threat of not being part of future projects is real:

> You must never – and this is something that is very important – you must never let yourself be lulled by the open-book, because in the long run he will deceive you, and the only way you are able to stop him is through dual competition. That is also one of the things we have experienced during the last four to six years, dual competition is the only way to achieve lower prices (Manager IC).

The interviewer asks: "So by having two comparable products, you are able to ask questions like what is the price for that component, and why is the price that high?":

> Then you have the possibility of getting the dialogue started. Then the challenge is to use the cost data to get the price lowered, otherwise he loses the possibility to deliver the product to us (Manager IC).

Introducing dual competition indicates a half-hearted entry into a relationship where CC wants the supplier to commit fully, but requires an emergency exit for themselves. This situation is not an obvious starting point for a close relationship. However, the people at CC are aware of this, as this sequence shows:

> A system supplier and the cooperation you have with him, is a relation-based, a very relation-based sourcing strategy. Then you have this dual competition. To begin with, we could not make the close relation and dual competition fit, because dual competition is mistrust! But if you do it right, handle it professionally, then you are able to do it; I have not experienced that it was impossible. What you do is to be open. Tell him, tell him that you are doing benchmarks on these products; tell him, and tell him before you do it, because he will find out anyway (Manager IC).

So, the people at CC had second thoughts about posing power over their close business partners because this might signal mistrust and thus ruin the relationship. What they have learned is that if they are honest and open about their enquiries in the market then it is all right and basically this is what keeps the relationship efficient.

An important reason for the successful employment of benchmarking and dual competition is that the relationship is kept strictly on business terms or "handled professionally [...]", as the purchase manager for inside components states. Clearly, benchmarking and dual competition would not work in most families! But this is exactly the point. CC and their system suppliers are not kin. They are together for a while, and as long as they benefit from this arrangement, then the relationship continues. This honesty concerning the terms for the relationship is important because a friendly relationship with the people from the supplier company might be developed. Then as long as you agree that the reason you are together is strictly business, the conventions of doing business are the predominant ones. The purchase manager for hardware components (Manager HC) adds to this issue in response to the interviewer's question: "Where is the limit, how do you strike a balance between doing business, where both of you have to make a profit, and the fact that you get acquainted personally? Where is the limit, when does it tip over and you begin to accept lower performance simply because you know each other? How do you handle this?":

> That is very simple. It is all about loyalty. Professionally I can only be loyal to one place. The way I handle my loyalty to my company as regards someone I have a friendly relationship with is by being totally honest (Manager IC).

Therefore, it is possible to have a close relationship where the parties rely on each other. The key to not being caught up in the paradox of overembeddedness is that both parties are aware that the relationship is primarily based on business principles. Both parties should also be open and honest about the actions taken that might influence the terms of the relationship.

A natural consequence of this would be that the terms of the relationship approach arm's length where the parties are very reluctant to share essential information. However, this is not the case. First of all, suppliers are very seldom changed during a project. Benchmarking and the threat of dual competition get the dialogue started and a given dispute is settled to the benefit of both parties. Second, the markets in which CC operates are basically small. Information is not misused because this would ruin reputations. This social control makes the parties refrain from revealing information obtained in a close relationship.

4. Discussion of the findings from the study – boundaries based on fragile representations

At CC the expectations of the outcome of the inter-organisational relationship are constructed among the parties during the process of negotiating the terms of the cooperation as represented by the contract. The contract and the included representations are used by CC to shape the boundary between what is inside the cooperation and what is outside it. The contract highlights the distinction between "them and us". This distinction includes the acknowledgement that the two parties are individual companies with different objectives, but that they also have common goals and these common goals are accounted for by the contract. With this distinction in mind, it is at the boundaries of the relationship that CC is able to manage and control. Jackson and Carter (2000, p. 174) state that: "The ability to specify where the boundaries are, therefore is the exercise of power." So, basically, the ability to define boundaries is the litmus test of power.

The source of the power with which CC enters into the relationship is their strong brand in the market. This is what makes them attractive even to suppliers that are far more significant in scale than CC. Owing to the size of CC compared to their suppliers, this source of power is also frail since the supplier is able to take over as soon as CC has entered into the relationship. Thus, the possibilities for intervention are reduced for CC if suitable actions are not taken beforehand. Donada and Nogatchewsky (2006) find that buyers who are marginally dependent on their suppliers are able to exert market-based control combined with bureaucracy-based and social-based control. Buyers that are highly dependent on their suppliers are not found to be able to apply formal control and instead they rely on social-based control. Their findings are in line with the practice at CC. Before the relationship is initiated, CC is only marginally dependent on the supplier. This, combined with the supplier's urge for entering into a relationship with CC, puts CC in a position where they are able to force through bureaucracy-based control (open books) and acceptance of market-based control (benchmarking). However, this possibility is only present in the very early stages of the relationship. As a consequence, it is important that these control forms are defined before the parties enter into the relationship. The supplier must accept the terms that CC defines in the various representations used during a project. CC is allowed to split up the project into minor parts, which enables the company to change partner during the life of the project. These factors provide CC with a loophole for constructing a practice for mobilising power.

In order to get an understanding of how the contract is put into practice, recall the discussion of folds made in the second section. The contract is a fold, and CC is able to create this fold due to the power that they possess. It is the power of CC that allows them to go deeply into the internal operation of the partner. However, at the same time CC exposes itself to the power of the partner. Keep in mind that the "[...] movements, folds and foldings [...] are not something other than the outside, but precisely the inside of the outside." (Deleuze, 1999, p. 97). Again figuratively speaking, from their inside the suppliers are able to manipulate the inside of CC and thereby draw the project in a direction suitable for them. Hence, as soon as a project is started, some of the power of CC is lost and to some extent they have to take the direction of the partner into account when they manage the project. Actively using the contract defines a room for the parties to manoeuvre in and makes it possible to intervene. This observation is similar to the findings made by Håkansson and Lind (2004) who show that accounting creates boundaries and structures that form a base that facilitates solutions to specific tasks. This study adds to their findings by generating similar findings, namely that the contract and its sub-representations form this centre of negotiation. When studying practices of power, the content of these representations becomes a means for power as they determine what is on the agenda and what is not. In this way, the structures of management accounting are in themselves not sufficient, also, the content of the management accounting techniques becomes relevant.

During the project and the ongoing negotiations, the boundary between the parties constantly moves. In this sense, the paper adds to the contribution of Thrane and Hald

(2006) who show how boundaries and relationships develop through the interaction between rational deliberations, cultural symbols and accounting devices. The origin of moving boundaries is the ongoing strategic game for power that goes on between the parties in order to promote their individual interests (Gordon, 1991). In order to keep track on these movements, and to make sure that the directions of the movements are in the interest of CC, the content of the representations has to change and keep pointing in a direction congruent with the expectations of CC regarding the cooperation. In this way, the representations function as attention directing devices that serve as guides for the involved parties. To some extent this finding is in accordance with Thrane (2007) who concludes that accounting and control initiate exploration of new regions within, what he labels, the inter-organisational space. However, he does not give accounting and control a privileged position; other things can cause exploration. This conclusion is in contrast to the findings provided in this paper. Here, the mobilisation of accounting and control is based on an intention of intervention. The representations are given a privileged position due to their ability to construct focus. Therefore, controlling inter-organisational relationships becomes more than a fortuitous venture. Controlling becomes an account of the will of the governor in order to mobilise the free will of the governed. Or to be more precise, in an inter-organisational context the representations are employed to get access to the resources of the supplier on an intentional basis.

The employment of open books is an example of how CC seeks to govern its supplier. The open-book representation enables CC to conduct remote control by forcing the supplier to fill information into the representation that CC has defined as the most relevant aspect of the cooperation. Though CC to a large extent defines the playing field of the cooperation through the open book, the supplier has strong incentives to inflate the information that is added to it. The suppliers have an interest in selling the products as expensively as possible. In fact, CC encourages the suppliers to have this interest via the governmentality related to the open book. When CC makes a distinction between them and us, they also accept the different goals of the two parties and so accept that the other party has another view on the value of the project. This is basically sound business practice, but under such conditions it is naïve to believe that it has no consequences to blindly share information and to use the information in order to manage. The information from the supplier is simply too fragile to cross the boundaries of CC and enter the management control system of CC. Therefore, CC has to employ the representation at the boundary by careful handling of the information from the suppliers and by creating meaning out of the information during the negotiations. These findings are similar to prior studies on inter-organisational relationships (Håkansson and Lind, 2004; Kajüter and Kulmala, 2005) that information does not float frictionless among the parties engaged in these relationships. Therefore, adopting these types of managerial information at face value will lead to invalid decisions. One solution could be to abandon this kind of information sharing and instead rely on social control and trust (Donada and Nogatchewsky, 2006). Another solution is the one provided by the case presented in this study, namely to supplement the fragile open books with an alternative representation, and through both representations construct a more valid perception of the value of the product.

In order to construct this perception, CC employs a market reference, benchmark information, which also enables them to judge the validity of the information from the supplier. The benchmark information that CC requires from external sources is also fragile since it does not fully cover the product that CC is buying from its supplier. Comparing the benchmark information with the information given by the supplier via the open book is not possible since the two representations embody the value of different products. Hence, the value of the benchmark information is that CC becomes equipped with proper questions and arguments as they enter the arena of negotiating, and within this they are able to dispute the robustness of the information from the supplier. Exchange of information takes place during the negotiations via the contract and the subordinate representations. Information is not incorporated into the management process at face value. Thereby sharing information is not a matter of global optimisation along a value chain, rather it is the individual people who act on their interpretation of the shared information in relation to their own goals. The contract, the open books and the benchmark analysis takes the form of a skeleton to which flesh is added. The skeleton is the structure of the contract: specifications of the product, terms of delivery, the price and terms of payment and sanctions if specifications and terms are not met. The flesh is the information that constitutes the intention of the product in focus. So actively using the contract by successively adding and refining the flesh of the skeleton breathes life into the cooperation. Most often the outcome is a product that is able to cross the boundary, enter CC and join the value creation process within CC.

The implication of the setting described above is that management accounting is neither a matter of gathering information along a chain of companies nor of calculating information for decision making across organisational demarcations. In fact, management accounting supports the practice of power in an inter-organisational relationship by becoming the boundary between the parties in the shape of the representation of the value of the product, i.e. by defining the price. The construction of the price is made via the sub-representations of open book and benchmark information. Via synergising effects, these two fragile representations enable the buying company to gain a footing for weighing price in comparison to a diffuse product.

The starting point of the paper was a discussion of the weaknesses of trust as an uncertainty absorbing mechanism in inter-organisational relationships. The findings from the case study have shown that CC was previously caught in a paradox of overembeddedness, which was used as an argument against trust in the mature stages of inter-organisational relationships. They relied too heavily on the partners with whom they were used to engaging. Often these partners were former employees of CC who had started their own companies and had CC as their main customer. These partners were ironically labelled family relations. The relationships were built on familiarity and trust, i.e. goodwill trust according to the typology of Sako (1992), which was discussed in the introduction of this paper. These partners knew the jargon and the culture at CC and so it was quite uncomplicated to engage with them. Indeed, it became a convenient habit to offer them the next project. However, at some time it became obvious that CC and many of these old partners had grown apart. The solutions that they were able to deliver were not quite what CC expected and the prices they required kept rising. The way out of the paradox of overembeddedness was an active usage of contracts in order to highlight what CC expected to be the outcome of the cooperation. This was the way CC gained power over the suppliers. Ironically, gaining power also created trust among the parties – not goodwill trust, but contractual trust.

When CC changed sourcing strategy, their purchasing staff was concerned about the effects on trust and confidentiality due to the new and more confrontational way of entering the negotiations. The kind of trust that grows out of the current governing of system suppliers at CC is what Sako (1992) labels contractual trust. Contractual trust is a type of trust which implies that the other party will perform as agreed. For instance, when CC openly states that they do benchmarking and dual competition, this adds to the level of contractual trust. The findings from CC indicate that if the parties keep their relationship open and honest, then it is possible to employ formal governance devices. This allows them to keep the focus on the market price without losing the level of contractual trust built up. The key point is that everything is open and above board between the parties.

Based on the late work of Foucault, which includes his work on governmentality, Luxon (2004) develops a preliminary framework, and she argues that power relationships develop into a state where the encounter concludes by generating trust and the relationship is characterised by care for the other party. Leonidou *et al.* (2008) find that when non-coercive power is employed in an inter-organisational relationship this will reduce conflicts and create trust. Non-coercive power is also what CC employs in the shape of the contract and the related representations in order to foster the negotiations between the parties. Similar to Leonidou *et al.* (2008) the people at CC experienced that trust, or to be more precise, contractual trust grows out of the relationship. This indicates that trust and power are not competing strategies for manoeuvring within inter-organisational relationships but in fact somehow they coexist (Kumar, 2005). Brownlie and Howson (2006) study governmentality in a health care setting, and they conclude that trust has a bearing on the relationship between professionals and patients in situations where the shared information is questioned. This situation has similarities to this case. Here, exchanged information is perceived as fragile, i.e. the information is questioned, but as the supplier lives up to the expectations of the buyer, contractual trust is build-up.

5. Conclusion

This study's objective derives from a questioning of trust as a method for absorbing uncertainty in inter-organisational relationships. It has been argued that trust has inherent problems regarding expeditious access to resources and flexibility. These are two central arguments for engaging in inter-organisational relationships. This paper suggests using power in relation to governmentality as another solution for absorbing uncertainty in inter-organisational relationships.

The objective of this study has been met through a case study that has provided insight into the world of purchasers. It is an example of how management accounting techniques can support purchasing via inter-organisational relationships. The study shows how the CC employs the contract as a forum for negotiations. Along with the contract, open books and benchmark cost information are used. This is where management accounting enters the scene when a relationship is activated in the shape of a specific cooperation on a product or a project. Defining a relevant set of representations employed in the managerial process of handling inter-organisational relationships enables the CC to keep the advantages of entering this kind of organisational setting, namely flexibility and access to numerous resources from various potential partners.

In answer to *RQ1*, it is concluded that management accounting supports the practice of power by providing the source for the representations used during the process of negotiating the terms of the cooperation. This means that management accounting becomes the boundary between the parties. The contract is used to set the agenda during the negotiations and it is therefore employed as a representation of the project. During the negotiations, two representations of the value of a product are employed. These are open books and benchmark cost information. The supplier has to justify his price of the product and this is done via the open books. With these as the starting point, negotiations begin. First of all, non-value adding parts and activities are removed from the product. Second, pressure is put on the supplier by making a market reference via the benchmark cost information. So the open book and the benchmark cost information are used in the negotiation process in order to find an invoice price that reflects the cost of manufacturing the product for the supplier.

The contract and the included representations are used as input for negotiating the design of the final product and the final placement of activities. In this way, the boundaries between the parties engaging in the inter-organisational relations are defined during the negotiation of the contract terms and accounted for by the employed representations. The contract links the two parties engaging in the inter-organisational relationship and creates a forum for exchanging fine-grained information. At the same time, the contract separates the two parties, it becomes a landmark that defines the boundary between the companies. This boundary is important since it is what enables the parties to end the relationship and it ensures flexibility in accessing various kinds of resources.

This study contributes to the literature on management accounting in inter-organisational relationships by emphasising that the involved parties are independent actors who require a clarification of the boundary between them if flexibility and access to numerous resources are to be maintained. The case illustrates how the company explicitly uses contracts to govern suppliers at a distance. Moreover, it demonstrates how the contract is applied as a management technique to account for the inter-organisational relationship. This is a contribution called for by Seal (2004).

Part of the case study reveals that contractual trust coexists with power when benchmark information and dual competition are employed openly and announced in advance. This finding would be interesting to pursue in future research, and thereby soften the thrust of this study in perceiving trust and power as opposite strategies for absorbing uncertainty in inter-organisational relationships.

The focus of the study has been the purchasing department of the buyer-side of an inter-organisational relationship. As indicated in the case description, other members of the buying company participate in the buying process but due to the research design, their voices have not been heard. Also the response of the suppliers to the governmentality practice of the buying company is outside the scope of this study. Future research on this topic would therefore benefit from including other perspectives in order to grasp the ongoing strategic game of governmentality as a means for managing inter-organisational relationships.

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