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Governance packages and sub-unit relationships in a dyadic setting

The case of a Nordic sales cooperation

This paper describes a relationship between two firms in the store equipment industry that consists of different sub-unit relationships. The study aims at identifying how the presence of such sub-unit relationships affects the governance package in place to manage the overall relationship and what affects the ability to balance between enabling and controlling uses of controls in such a governance package. This is investigated through conducting a case study where the control tools and control patterns in the case relationship are investigated through the lens of compound theory (Ross and Robertson 2007). We find that the presence of sub-unit relationships does not necessarily cause any effects with regards to the control tools or patterns found within the governance package. However, the controls found are shown to have different effectiveness and mode of function for the different sub-unit relationships. This effect was primarily found in relation to social controls that have emerged over the years of cooperation. In relation to the ability to balance between enabling and controlling uses of the controls in a governance package, this study shows how Mundy's (2010) concepts are applicable in an inter-organizational setting if not only the use of imposed controls but also the *employment* of emerged social controls is taken into account. We further find that the interface between the two case firms was to a large degree dependent on specific individuals. As a result the ability to balance between enabling and controlling uses and employment of controls in the sub-unit relationships was also found to be affected by the degree to which such key persons *disperse* control practices from one sub-unit relationship to another and *absorb* the resulting tensions.

Key words: Inter-organizational control; Governance packages; Sub-unit relationships; Enabling versus Controlling

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Table of Contents

1. Introduction

"Companies can participate simultaneously in many kinds of relationships, and partners in any relationship may play a variety of roles." (Kanter 1994, p. 98)

Since the mid-1990s the business landscape has been witnessing a significant increase in complexity with regards to how companies relate to each other (Cravens et al. 1996; Harland 1996). Various forms of inter-organizational cooperation have blurred corporate boundaries and created new challenges for management control (Otley et al. 1995; Hopwood 1996). In the meantime numerous accounting scholars have explored the particular types and characteristics of controls in inter-organizational settings (Caglio and Ditillo 2008), whereby the majority of studies take on a firm-wide perspective (e.g. Seal et al. 1999; Van der Meer-Kooistra and Vosselman 2000; Coletti et al. 2005; Agndal and Nilsson 2009). However, as the quote above illustrates and also Håkansson and Lind (2004) point out, there can be two or more levels within a single business relationship due to the presence of sub-unit relationships. In this paper we aim to shed further light on the consequences of this multiplicity for the governance of inter-organizational relationships by drawing upon the theory of compound relationships as outlined by Ross and Robertson (2007). Thereby we try to take a first stance at responding to Håkansson and Lind's (2004) call for more conceptualized and in-depth investigations of the interaction between firms, which leads to our first research question:

1) *How does the presence of different sub-unit relationships affect the governance package of a dyadic inter-organizational relationship?*

We conceptualize control in terms of a package since past research has shown that control in an inter-organizational setting typically encompasses a combination of different control archetypes and/or tools (e.g. Dekker 2004; Håkansson and Lind 2004; Berry 2005). Further, in line with the reasoning of Van der Meer-Kooistra and Scapens (2008), we use the term governance package rather than control package in order to acknowledge the more self-regulating nature of inter-firm relationships. We focus on a dyadic setting, i.e. a relationship between two firms seen in isolation from other inter-firm relationships the parties may have (Kraus and Lind 2007).

Inter-organizational control research has further recognized that an inherent feature of governance packages is that they allow for both controlling as well as enabling uses (Free 2007; Van der Meer-Kooistra and Scapens 2008; Sánchez et al. 2012). Yet insights with regards to how organizations cope with the dynamics resulting from this duality in an inter-organizational setting are still scarce. We see potential that adapting a sub-unit relationship perspective can yield a lens to investigate this further, thus our second research question reads as follows:

2) *In an inter-organizational dyadic setting acknowledging sub-unit relationships, what affects companies' ability to balance between enabling and controlling use of the controls in the governance package?*

Since suchlike dynamics have been more thoroughly addressed in connection with studies concerning control within internal hierarchies we will make use of the concepts of Mundy (2010) when attempting an answer to this question.

1.1 Scope

To explore the research questions outlined above we conduct a single case study on the inter-organizational relationship between a Danish company (A-Company[1]) and a German company (B-Company). The two companies operate within the store equipment industry and form a sales cooperation in the Nordic region, whereby A-Company functions as a distributor for some of B-Company's products (shopping trolleys and entrance gates). In addition A-Company sources metal shelving from B-Company.

This setting suits our study purpose well since it exhibits traces of multiplicity as the cooperation embraces different products and business units. We chose A-Company as the focal company, yet also did complementary interviews with key persons from B-Company. Further, when studying the relationship we focused on the largest country organizations of A-Company, Denmark and Sweden, and their respective interaction with B-Company.

1.2 Outline

The remainder of this paper compromises five main sections. The upcoming section provides a review of the existing literature in the field of inter-organizational control supplemented with an overview of marketing-based compound theory and concludes with our framework for analysis. Thereafter Section 3 outlines the methodological approach employed and its implications for the quality of the study. Section 4 details the case companies and sub-relationships studied as well as presents the empirical findings with regards to governance packages and tensions arising in their use. Subsequently section 5 contains a further case analysis and the related findings. The final section summarizes the conclusions of the study and suggests areas for future research.

[1] Company names, interviewees as well as denotations of organizational segments have been anonymized throughout the paper in order to warrant confidentiality for the organizations and persons involved in this study.

2. Previous literature

2.1 Moving from simple to compound dyads

2.1.1 Sub-unit relationships in inter-organizational control research

Reviewing accounting research on inter-organizational control, studies generally adapt either a dyadic or a network approach (e.g. Berry et al. 2000; Tomkins 2001; Dekker 2004). A dyadic setting views the relationship between two cooperating firms in isolation (Kraus and Lind 2007), whilst a network setting places the dyad in a larger context of several relationships and takes interdependence and third-party effects of the portfolio of relationships into account (Tomkins 2001; Håkansson and Lind 2007).

Regardless of the viewpoint taken, the majority of studies take on a firm-wide perspective (e.g. Van der Meer-Kooistra and Vosselman 2000, Tomkins 2001, Dekker 2004). However, more recent studies acknowledge that a dyadic relationship between two firms can consist of a portfolio of sub-relationships between for example organizational units. This can be found in accounting papers, both explicitly in conclusions (e.g. Håkansson and Lind 2004; Cullen and Meira 2010) and implicitly in empirics (e.g. Dekker 2004; Kajüter and Kulmala 2005).

Håkansson and Lind (2004) study the role of accounting in network coordination and include both empirics and conclusions that illustrate the existence of a portfolio of relationships between sub-units of two firms. They study a network in the Swedish telecom industry in relation to a software release, focusing on the relationship between Ericsson and Telia Mobile. In describing the relationship, the authors focus on the different sub-relationships between four organizational units. They explicitly acknowledge the presence of, and difference between, the individual relationships by showing how each relationship has its own degree of interdependence and differing coordination forms – including market, relationship and hierarchical coordination. Secondly, they show how these relationships add up to a total relationship that is governed by a mix of all the coordination types used in the sub-unit relationships. "The relationship exists in terms of something 'total', which is spoken about and for which there are managers responsible. But this totality is not uniform but includes all the three classical coordination mechanisms" (Håkansson and Lind 2004, p. 68).

Cullen and Meira (2010) illustrate a similar finding when summarizing papers describing different stages of maturity in supply chains. They conclude that two organizations can engage in relationships at different stages of development depending on the circumstances of each business transaction. "[O]ne company could, for example, be in a partnership arrangement with another in a certain product area, whilst maintaining an arm's-length relationship in another product area" (p.39). Thus, both Håkansson and Lind (2004) and Cullen and Meira (2010) acknowledge the presence of a portfolio of relationships *within* a dyadic relationship.

Kajüter and Kulmala's (2005) case study of a German car-manufacturing network also illustrates a portfolio of relationships within a dyad, although implicitly in the case empirics. The authors study a car assembler, Eurocar, that because of its extensive collaborations with suppliers, applies inter-firm cost management. As such the relationships between Eurocar and each of its suppliers are described from a firm-wide perspective and thereby considered as dyads within a network. Yet, the empirics of the case illustrate how each dyadic relationship in fact consists of at least three different sub-relationships between cooperating organizational units. Firstly, one relationship is created as joint cross-functional teams are set up with prioritized suppliers, where both parties contribute with personnel. Secondly, there is a relationship between the technical support of Eurocar and the suppliers' manufacturing sites since Eurocar offers technical support conducted at the suppliers' manufacturing sites. Lastly, there is a relationship between the accounting departments through the information sharing associated with the open-book practice.

Another implicit example is found in the empirics of Dekker's (2004) study on a Dutch railway alliance. The two cooperating firms have a long history of a buyer-supplier relationship for three specific components; electronic point machines, railway crossing protection systems and color light signals. In relation to one of these, crossing protection systems, the companies decide to form a strategic alliance for increasing innovation and cost savings. Thus, the overall relationship between the two firms seems to consist of one closer partner relationship and two more transaction driven buyer-supplier relationships.

2.1.2 Compound relationship theory

The above-described setting has also been addressed within the research area of marketing where it is referred to by Ross and Robertson (2007) as a compound relationship. In this concept, the overall relationship – *the compound relationship* – is composed of the individual relationships between organizational units – *the simple relationships*. Thus, the portfolio of sub-relationships within a dyad, as identified by for example Håkansson and Lind (2004), can with this framework be labeled a compound dyad, in contrast to the simple dyad considered when a firm-wide perspective is taken.

In a simple dyad each of the collaborating firms has a specified role in the relationship, e.g. a supplier and a buyer. In a compound dyadic relationship firms can however have several simple dyadic relationships with different roles in each (Ross and Robertson 2007). The authors differentiate between four types of simple relationships that can be present simultaneously with varying types of exchange as illustrated in *Figure 1*; *Supplier-Customer*, *Customer-Supplier*, *Competitor*, and *Joint Partners*.

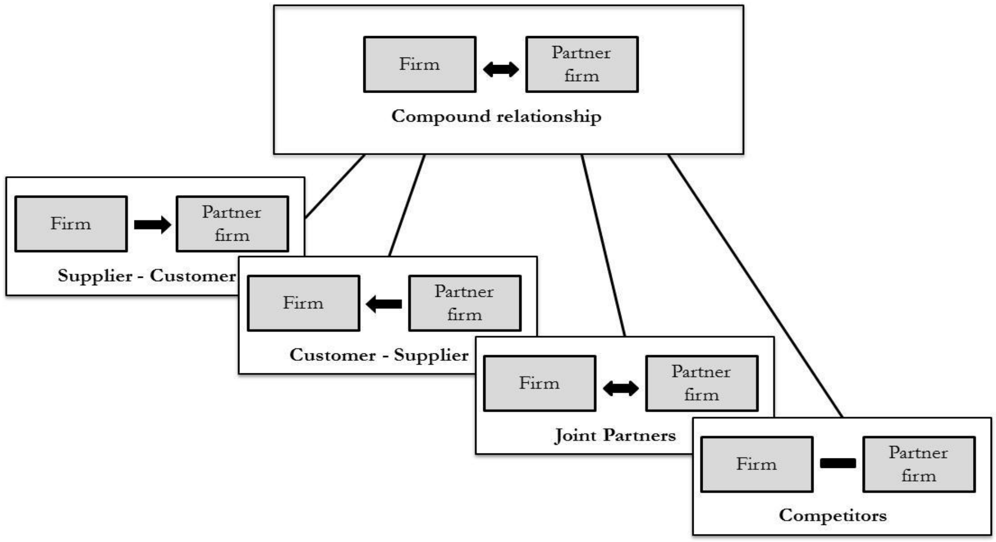

Figure 1. An illustration of the four types of simple relationships that can be found in a compound relationship. Arrows indicate direction of exchange. Adopted from Ross and Robertson (2007).

A relationship can thereby be a two-role, three-role or four-role dyad depending on the number of different types of simple relationships it includes (Ross and Robertson 2007). A two-role relationship therefore is the case when two types of simple relationships are combined, whilst a four-role relationship would include all four types.

Similar to a network setting, in which third-party effects occur within a portfolio of external relationships (Kraus and Lind 2007), there are interdependencies also within compound relationships (Ross and Robertson 2007). Firstly, the simple relationships affect the compound relationship, as the compound relationship is an aggregation of the simple relationships. Secondly, the simple relationships affect each other through being part of each other's external environment in the compound relationship. Lastly, all simple relationships are affected by the compound relationship in itself.[2]

Ross and Robertson (2007) also introduce the idea of *dominance*, where a dominant relationship is the simple relationship that through its importance "influences the nature of the compound relationship more than any other simple relationship" (p. 113). Relationship dominance is hypothesized to be determined by three factors; economic as well as strategic importance and path dependence. The latter builds upon the reasoning of Arthur (1989) and is argued to be the strongest of the three. As such, path dependency refers to the primacy of the original relationship and how it can be difficult to introduce other norms in the second relationship than what is prevailing in the firstly established one.

[2] Consider two companies that are competing, but decide to cooperate with regards to R&D. Their original competitive relationship will be affected by the fact that they now cooperate in one aspect, i.e. the competition will not be as fierce. Yet, their cooperative relationship will be affected by their roles as competitors overall.

Conceptualizing relationships as compound relationships yields both challenges and opportunities for a company, and Ross and Robertson (2007) emphasize the importance of explicitly managing both the simple and the compound relationship. However, firms are often concerned solely with the active management of either only the overall relationship or only one of the simple relationships, despite increasingly finding themselves in multiple, complex relationships with other firms (Anderson et al. 1994). As long as the focus of attention within a firm is only on one or several simple relationships, the firm risks optimizing the simple relationship/-s in focus and sub-optimizing the larger overall relationship or other simple relationships (Ross and Robertson 2007).

Simple relationships must be managed individually as they carry with them behaviors and norms that can be in conflict with each other, e.g. in a Supplier-Customer relationship firms are expected to act in a certain way and this can conflict with another relationship that is of the type Competitor (Ross and Robertson 2007). Also, the differing roles in each relationship can vary in terms of power relations and potential for opportunistic behavior. That way, simple relationships can cause paradoxical situations and even conflict, e.g. simultaneous presence of both cooperation and competition (Van der Meer-Kooistra and Scapens 2008), which further emphasizes the need for management.

This reasoning is in line with applying a contingency theory perspective, which when applied in a management control setting, argues that desired outcomes are reached if the control tools and mechanisms in a relationship are matched with the prevailing contingent variables, such as strategy (e.g. Chenhall 2003). Caglio and Ditillo (2008) emphasize the presence of this reasoning within management control research on inter-organizational relationships (e.g. Van der Meer-Kooistra and Vosselman 2000 and Cullen and Meira 2010).

In this thesis we aim at exploring how the presence of sub-unit relationships affects the governance of the dyadic relationship. As Ross and Robertson (2007) conceptualize such multiplicity in relationships, we will use their framework as a starting point for classifying and identifying different sub-unit relationships in a portfolio of relationships within a dyad. However, as we focus on the governance of such relationships we continue with reviewing theories of control in inter-organizational relationships.

2.2 Governance packages in inter-organizational control

2.2.1 From management control systems to governance packages

Looking at intra-organizational research, it is widely acknowledged that not only specific accounting controls, such as performance measurement, are in place to manage a firm; rather several dimensions interact and jointly influence the behavior in an organization referring to aspects such as culture and learning (Simons 1995; Otley 1999). As a result it is argued that the overall control should be conceptualized as a control package including several management control systems (MCS)

(Otley 1980; Malmi and Brown 2008). Abernethy and Chua (1996) were one of the first to denote such interrelations as a control package in relation to their findings on how accounting controls were complemented and substituted by other control systems. As such, a MCS is in place to influence the behavior of organizational resources and members to achieve the strategic objectives of the organization, why it consists of formal devices that managers in an organization impose and use to ensure that this is fulfilled (Merchant and Van der Stede 2007). In the intra-organizational research, two widely used frameworks for studying the control systems in place and their influence on each other as a package are Simons' (1995) levers of control and Merchant and Van der Stede's (2007) framework of objects of control (Anderson et al. 2009).

In inter-organizational control, the increased complexities of inter-firm relationships create challenges for the design and use of MCSs in the control package in place to manage such relationships (Meira et al. 2010). The complexity increases foremost due to two factors; lateral relations with parties being more equal hierarchically and more interdependent (Van der Meer-Kooistra and Scapens 2008; Meira et al. 2010) and emerging informal controls (Van der Meer-Kooistra and Scapens 2008).

The lateral, instead of hierarchical, nature of inter-organizational relationships causes control to transcend the boundaries of each organization in the relationship (Otley et al. 1995; Hopwood 1996) as well as to be governed by two more equal parties (Meira et al. 2010; Van der Meer-Kooistra and Scapens 2008). Hence in such arrangements, none of the parties has the formal authority to impose a certain control system on the counterpart; rather equity and legitimacy must be reached through mutual agreement (Seal et al. 1999). Despite this, many inter-organizational studies investigate relationships with a more powerful party, i.e. a channel leader, that imposes controls on its counterparty (e.g. Kajüter and Kulmala 2005; Cäker 2008; Sánchez et al. 2012). Yet, also in these situations the dominated party has been found to impose controls (Donada and Nogatchewsky 2006), which all in all illustrates the mutuality in inter-firm relationships.

Further, as the control practices take place between two or more independent parties, there is a process of interaction that causes control practices to emerge (Van der Meer-Kooistra and Scapens 2008). Therefore, Van der Meer-Kooistra and Scapens (2008) argue that when studying control in a lateral relationship, also practices that are not pre-defined must be taken into account to acknowledge the complete control package. Thereby, Van der Meer-Kooistra and Scapens (2008) argue for the term governance package to be used rather than control package to acknowledge the more self-regulating and emerging nature of lateral relationships.

The authors further develop a framework for governance packages that addresses the issues described above through the usage of *minimal structures* (Van der Meer-Kooistra and Scapens 2008). It is based on four structural dimensions; social structure capturing social ties between parties, technical structure capturing technical interfaces as well as information and accounting systems, institutional structure capturing external and organizationally developed rules, and economic structure capturing the nature of transactions. Through this they aim at capturing both the lateral practices and emerged controls, and thus capture the complete governance package.

Apart from Van der Meer-Kooistra and Scapens' (2008) study that explicitly acknowledges governance packages, Caglio and Ditillo (2008) show that studies of management control foremost are focusing on control solutions in terms of the design and/or use of specific management control mechanisms and tools or control archetypes, i.e. "a discrete configuration of control devices that is descriptively and theoretically representative of a significant group of observable management control structures and practices" (Speklé 2001, p. 427). However, some of the studies can be argued to be implicit studies of governance packages (e.g. Van der Meer-Kooistra and Vosselman 2000; Håkansson and Lind 2004; Dekker 2004; Carlsson-Wall et al. 2011; Vélez et al. 2008).

Firstly, Anderson and Dekker (2010) show that frameworks of control packages from intra-organizational research have been applied to inter-organizational settings (e.g. Groot and Merchant 2000; Vélez et al. 2008). Anderson et al. (2009) compare the application of the frameworks of Simons (1995) and Merchant and Van der Stede (2007) on a strategic alliance and find that both also fit well in an inter-organizational setting. However, whilst Simon's (1995) framework attempts to include informal controls, the conceptualization of belief systems[3] excludes emerging group norms and culture that are not explicitly influenced by managers (Collier 2005). Thereby, it disregards the existence of emerged informal controls. Contrary, the framework of Merchant and Van der Stede is argued to be "less inclined to limit cultural controls to formal manifestations of beliefs" (Anderson et al. 2009, p. 10).

Merchant and Van der Stede's (2007) framework distinguishes between different types of control based on what is to be controlled, i.e. the object of control. *Result controls* influence behavior based on measuring and rewarding performance and goal achievement; *action controls* describe wanted behavior in activities performed; *personnel controls* ensure the employee can do his/her job through selection and placement of employees, training, and job design and provision of necessary resources such as information; and *cultural controls* are designed to ensure mutual monitoring based on employees' shared norms and values. In an inter-organizational setting, Anderson et al. (2009) find this framework to better capture the importance of personnel controls than the other two frameworks in their study. Thereby, the framework of Merchant and Van der Stede (2007) appears as better capturing the variety of controls in place for governing a lateral relation, including the emerged controls, i.e. capturing the whole governance package.

[3] An explicit set of organizational definitions that managers communicate to provide basic values and purpose of the organization (Simons 1995).

Secondly, governance packages are implicitly studied through investigating combinations of control tools to govern an inter-firm relationship. Anderson and Dekker (2010) emphasize how such studies often categorize control tools – for example performance monitoring and incentive systems (Caglio and Ditillo 2008) – according to Ouchi's (1979) framework.[4] Ouchi (1979) develops three categories of controls; *outcome controls, behavior controls* and *social/clan controls*.

Smith et al. (1995) and Dekker (2004) define outcome and behavior control tools as being more formal in nature as they guide performance and behavior based on contractual obligations, formal organizational routines and practices for cooperation. Outcome controls specify and measure results to be achieved without interfering in the way these are obtained (e.g. Dekker 2004; Anderson and Dekker 2010). Behavioral controls rather specify how partners should act when aiming at achieving preset goals and thereafter monitor the behavior, without necessarily focusing on the goal achievement itself (Dekker 2004; Kraus and Lind 2007; Anderson and Dekker 2010). Lastly, social controls refer to informal control such as organizational cultures and norms that influence organizational members taking part in inter-firm exchange (Ouchi 1979; Anderson and Dekker 2010). These are important influences on behavior in inter-firm relationships, yet cannot be explicitly designed (Kraus and Lind 2007) and rather relate to mechanisms encouraging self-regulation (Berry et al. 2009).

It is acknowledged that the three types of controls influence each other and in practice are used in combination (Kraus and Lind 2007). Social controls are both referred to as organizational systems and as cultures that influence the members of exchange (Anderson and Dekker 2010). Further, they are part of the social context in which a relationship becomes embedded due to continuous interaction causing informal coordination such as trust (Dekker 2004), thereby indicating a governance package approach. It is emphasized that social control mechanisms influence the need for formal outcome and behavior controls (Dekker 2004). However, the exact relationship between social controls and formal controls is widely discussed, where an especially ambiguous issue is the role of trust (see further Caglio and Ditillo 2008; Berry et al. 2009; Meira et al. 2010).

Carlsson-Wall et al. (2011) even show how emerged social controls in fact can play a more important role than managerially created controls in an inter-organizational relationship by using Hopwood's (1974) framework that differentiates three types of controls. *Social controls* are therein only the controls that emerge in a group of employees, whilst controls imposed by managers are labeled *administrative controls*, regardless of whether these controls attempt to influence the social controls or refer to classical control tools specifying outcomes or behavior (Hopwood 1974; Carlsson-Wall et al. 2011). Lastly, *self-control* refers to the individual employee's own values, integrity and approach to his/hers professional role (Hopwood 1974). In the study of Carlsson-Wall et al. (2011) these three

[4] Also Merchant and Van der Stede (2007) base their framework on these three categories of controls.

types of controls are shown to jointly manage the relationship studied as well as impact and influence each other, indicating a governance practice approach.

Thirdly, to illustrate in terms of control archetypes, researchers have implicitly studied governance packages through acknowledging that often a mix of archetypes is present to govern the relationship. A hierarchical/bureaucratic pattern includes practices referring to authority and contracts; a market pattern includes practices referring to prices; and the alternative pattern is defined differently by different authors as including for example trust or communication (Caglio and Ditillo 2008). Van der Meer-Kooistra and Scapens (2008) label such an alternative pattern a relationship pattern and includes a wide variety of practices relating to both communication, trust and other practices that they refer to as "non-traditional governance practices" (p. 376). In addition to the classification of governance practices and packages, several of the studies on control archetypes develop models with contingent factors for the above-described control patterns, such as transaction characteristics and characteristics of the parties (e.g. Langfield-Smith and Smith 2003). With regards to this, Caglio and Ditillo (2008) comment that there are contradictory findings in relation to research developing such models since the characteristics and their degree of presence are not consistently associated with the same pattern.

Both Van der Meer-Kooistra and Vosselman (2000; 2006) and Håkansson and Lind (2004) find a mix of all three coordination forms being used simultaneously to govern the relationships the authors study respectively. Van der Meer-Kooistra and Vosselman (2000) find that one archetype dominates throughout different activity phases of the transactional outsourcing relationship they study, yet see that all types are present. However, Mouritsen and Thrane (2006) suggest that there always will be a mix of market, bureaucratic and self-regulation, and Donada and Nogatchewsky (2006) claim that control structures and mechanisms interact with each other. Also, Langfield-Smith and Smith (2003) recognize the adoption of performance targets both in the hierarchical pattern and in the trust-based alternative pattern, illustrating that in a governance package the very same tool can be use differently in relation to the different control archetypes.

Thus, the presence of governance packages in inter-organizational relationships is seen in previous literature, even though not always labeled as such.

2.2.2 Dynamics in governance packages

In relation to the specific control tools that are part of a governance package it is acknowledged in both intra- and inter-organizational research that their use can be either controlling or enabling (e.g. Simons 1995; Mouritsen et al. 2001; Ahrens and Chapman 2004; Cuganesan and Lee 2006; Merchant and Van der Stede 2007; Free 2007; Sánchez et al. 2012).

In an intra-organizational setting, an enabling use of an MCS refers to the empowerment and encouragement of employees to search for new opportunities and potential improvements, whilst a controlling use refers to exertion of control to ensure and force that organizational goals are achieved (Simons 1995; Merchant and Van der Stede 2007). The simultaneous use of controls in both enabling and controlling ways can be difficult as the two aims are in conflict with each other (Mundy 2010). Simons (1995) refers to this as giving rise to a tension that needs continuous attention as both internal and external forces can cause the balance between enabling and controlling to be distorted. However, Mundy (2010) and Henri (2006) emphasize how such tensions can be dynamic as the balancing of the two uses can create a competitive advantage.

In inter-organizational research, the same duality between an enabling and coercive use of MCSs can be found. Among the first to apply this in an inter-organizational setting was Free (2007) who illustrates that accounting uses in manufacturer-customer relationships can have either a coercive or an enabling approach. However, similar concepts have been discussed in terms of a dual use of controls simultaneously and the contradiction this creates for the governance of the relationship, such as coercive decision-control versus enabling decision-management between a manufacturer and a distributor (Sánchez et al. 2012). Van der Meer-Kooistra and Scapens (2008) in relation to governance packages in lateral relationships draw upon the idea of enabling versus controlling, yet adapt the concepts to be applicable in a more hierarchically equal situation. Instead, they discuss the need for balance between firmness and flexibility; the former is to regulate the relationship, whilst the latter is to allow for room to maneuver that enables the parties to adapt to arising situations.

Although the theme of balancing contradicting uses of MCSs in an inter-organizational governance package is acknowledged, the dynamics in relation to how to balance between the two can only be found in intra-organizational research (e.g. Marginson 2002; Frow et al. 2005; Mundy 2010). Therefore, we will draw upon the concepts developed by Mundy (2010) in relation to what affects organizations' ability to balance between enabling and controlling use of controls in a control package, yet we will apply them in an inter-organizational setting. Mundy (2010) studies how organizations balance between the controlling and enabling use of MCSs in a control package and find that two factors impact an organization's capacity to balance different uses of MCSs; *internal consistency* and *logical progression*.[5]

Internal consistency "ensures that employees receive a clear and coherent message about the importance of particular organizational imperatives and priorities" (Mundy 2010, p. 513). Translating this to an inter-organizational setting, 'the employees' would rather be the boundary spanners of the two organizations participating in the relationship and 'the organizational priorities' would be the goals of the relationship. If internal consistency is absent, there is the risk that values and other controls are aligned differently by each individual (Mundy 2010), thus all MCSs in place should

[5] Mundy (2010) bases her concepts on Simons' (1995) levers of control, yet as this study rather investigates the use of control tools and not Simons' (1995) levers, her fifth factor of the interplay between the interactive lever and the remaining levers is disregarded in this study.

communicate the same message of what to prioritize. A similar reasoning can be found in Abernethy and Chua's (1996) study that describes a control systems package as several internally consistent controls.

Also logical progression is needed as Mundy (2010) suggests that internal consistency is necessary but not sufficient to create a balanced use of the MCSs. Logical progression refers to the order of the MCSs used, where the optimal order will depend on the situation and context present in the use of the control package. The ability to apply a logical progression of different MCSs when governing depends on the presence of *dominance/historical tendency* and *suppression*. Dominance can both distort and enhance the logical progression's ability to create a balance between enabling and controlling as it refers to when a specific MCS determines the use of the remaining MCSs, regardless of the situation to be governed by the control package. Dominance is in turn influenced by the historical tendency of using MCSs according to a particular pattern, the preferences of individual managers and characteristics of particular groups of managers. Suppression is the opposite of dominance, and refers to how the absence of MCSs can both facilitate and hinder balance to be obtained. Further, Mundy (2010) emphasizes how logical progression occurs naturally over an organization's life-cycle, yet still is important for organizations operating in stable environments or undergoing change.

However, applying Mundy's (2010) concepts in an inter-organizational setting yields challenges as the traditional intra-organizational MCS view on enabling versus controlling use of controls is one-sided and focuses on managers' use of them. Yet, in a lateral relationship the parties are to a larger extent governing themselves from both sides (Van der Meer-Kooistra and Scapens 2008). Also, in an inter-organizational setting, managers from both sides of the relationship are involved in using the control package as some controls have to be mutually agreed upon (Van der Meer-Kooistra and Scapens 2008, Kraus and Lind 2007). Donada and Nogatchewsky (2006) show that there is a process of reciprocal influence as control is never one-sided, but concerns two parties aiming at cooperating. Further, there is additional complexity added due to the emerged social controls (Van der Meer-Kooistra and Scapens 2008). Therefore, applying Mundy's (2010) concepts involves a change of perspective, as control no longer is one-sided, but rather two-fold.

2.3 Deriving the theoretical framework

From the above-described theories we derive a framework for analyzing the effect the presence of different sub-unit relationships has on inter-firm governance packages in a dyadic setting and how the balance between enabling and controlling is managed. The analytical framework results in a stepwise process, encompassing four stages.

Firstly, we take a starting point in the framework of Ross and Robertson (2007) by identifying and classifying the simple relationship types.

Secondly, we map the governance packages in place for the simple relationships by using the framework of Merchant and Van der Stede (2007) and structure the empirics accordingly. Similar to

Vélez et al. (2008), we see the framework of Merchant and Van der Stede as "a useful and all-inclusive way to classify MCSs" (p. 973). However, to identify both imposed and emerged controls in a governance package we draw upon the reasoning of Van der Meer-Kooistra and Scapens (2008) and Hopwood (1974).

Thereafter, we analyze the effect of the sub-unit relationships on the governance packages in terms of the controls found, based on Ouchi's (1979) control categories and the control archetypes in place as labeled by Van der Meer-Kooistra and Scapens (2008).

Lastly, we investigate the dynamics between controlling and enabling for the controls in place and see how managers handle the balance between the two, by applying the concepts of Mundy (2010) in an inter-organizational compound setting. The above-described process and framework is illustrated below in *Figure 2*.

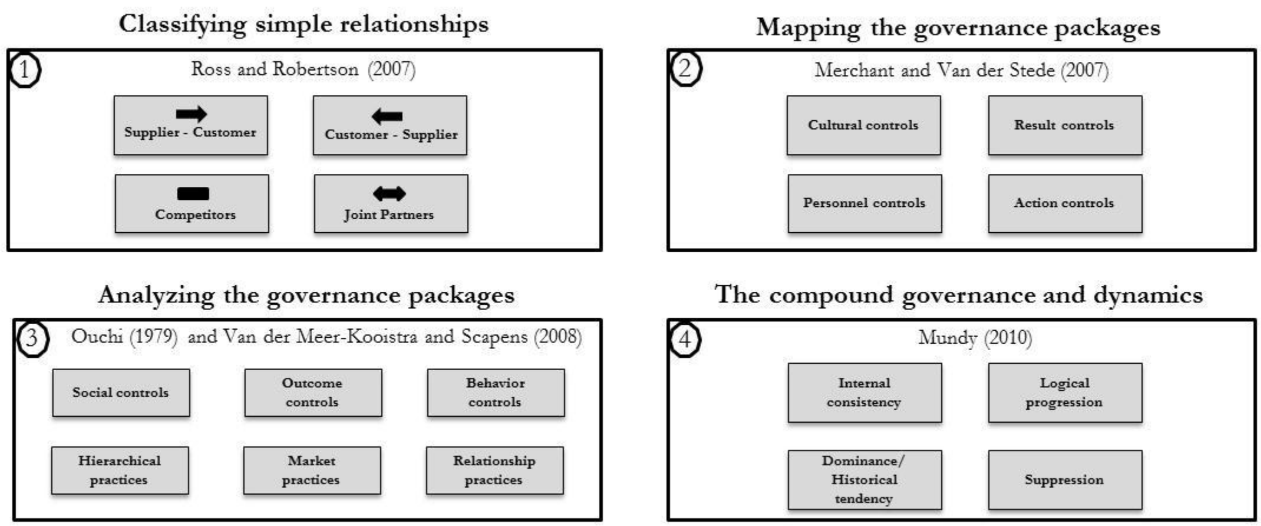

Figure 2. An overview of the step-wise framework for analysis.

3. Method

3.1 Empirical method

The empirical method chosen for this study is a qualitative, single-case study, primarily due to the lack of previous research combining management control theory on governance packages with the conceptualization of a portfolio of relationships in terms of a compound dyad.

Several reasons speak in favor of the qualitative approach adopted in this study despite the fact that a quantitative study would enable generalization of results to a larger extent (Malhotra 2004). Firstly, a qualitative approach enables a deeper understanding of the problem and the related complexity we aim at investigating, in line with our descriptive and investigative purpose (Merriam 1994; Andersen 1998). Secondly, the lack of previous research makes an explorative method being more suitable than a quantitative hypothesis testing approach (Eisenhardt 1989). Thirdly, a qualitative approach can to a larger extent than a quantitative provide contextual information and insights on human behavior (Guba and Lincoln 1994). This is of particular importance for the study at hand since inter-organizational relationships depend upon the interaction between organizational members (Seabright et al. 1992)

We have further chosen a case study format as all three conditions of Yin (1994) are fulfilled – (1) the form of the research question is "how" or "what", (2) the research focuses on contemporary events, and (3) the researcher does not have control over behavioral events – and therefore such approach is recommended. Further, case studies can help in generating and modifying theory in the light of data, which Otley and Berry (1994) argue is especially valuable when existing theories are incomplete or only partially explain the phenomena studied. Case studies are further argued to be a well-adapted method for understanding and interpreting observations of phenomena (Merriam 1994). All this corresponds to the state of previous research in the area of investigation for our study and the nature of our research questions, i.e. a case-study approach is motivated.

Further, the case study approach can handle the broad nature of our research question and enables us to assess many variables of interest as well as rely on multiple sources of evidence (Yin 1994; Merriam 1994). In relation to this, Dubois and Gadde (2002) argue that researchers should go deeper into one case instead of increasing the number of cases when the research problem concerns interdependent variables in complex structures, why we have chosen to do a single case study rather than using multiple cases.

3.2 Research approach

As our aim is to extend and build further upon existing theory an abductive and iterative approach has been chosen. Thereby, we have allowed for theory and empirics to be developed and revised parallel to each other throughout the research process (Alvesson and Skoldberg 1994). Thus, we have combined the deductive approach – where conclusions are made in advance about certain phenomena and the predetermined theoretical framework guides for what empirical data that should be collected – and the inductive approach – where the gathered information guides the search for theory that can describe the phenomena or information found (Trost 2002).

Dubois and Gadde (2002) refer to the above-described as systematic combining in relation to case studies, highlighting that the case-study research process is not linear since it handles interrelatedness of different elements. Thereby, systematic combining acknowledges that empirical findings might result in discovery of unexpected but related issues that can be further investigated in data collection and that can create a need to redirect the theoretical framework.

Further, we have adapted a dyadic view in our research focusing on a single relationship between two firms, as such a focus enables useful theoretical models to be defined that could not be built without simplifying network complexity (Caglio and Ditillo 2008). Also, our theoretical framework guided us to adopt a dyadic view as the conceptualization of Ross and Robertson (2007) regarding compound relationships is based on a relationship between two firms in a dyad.

3.3 Selection of the case: A-Company and B-Company

Aiming at studying the governance package in a compound dyadic relationship, we needed a study object where we could observe indications of a compound relationship structure, why a theoretical sampling was necessary (Eisenhardt and Graebner 2007).

A-Company is a publicly traded Danish company with subsidiaries in Sweden, Norway and Finland that produces store solutions and products for the retail sector. The company has factories in Denmark and Sweden, wherefore the scale of business is relatively bigger there compared to the business in Norway and Finland. All items to a shopfitting solution are provided through sourcing from local and global suppliers as well as in-house production. A-Company's largest supplier in volume and monetary value is the German B-Company.

Looking at organizational units, A-Company has structured its sales organization according to three major customer segments – Segment 1, Segment 2 and Segment 3 – which are complemented by centralized support functions. B-Company has rather structured its organization according to products and thereby has seven business units. As the products supplied to A-Company concern products belonging to different units in B-Company, there seemed to be several sub-unit relationships in place relating to transactions. Further, B-Company's broad operations and product range also seemed to provide potential for competitive aspects between the two companies.

All in all, there seemed to be different sub-unit relationships within the relationship between the two companies. Initial interviews confirmed that those sub-relationships were differing from each other depending on which perspective that was taken from the viewpoint of A-Company. This was seen in statements such as the following: "[The relationship type is] a definition that I think depends on where you are in the company" (Sales Manager Segment 1 SE).

To investigate the governance of simple and compound relationships, we needed access to interview objects spanning over all hierarchical levels. For this case, we knew this would be possible due to a personal link between one of the authors and B-Company. Thus, the case relationship was chosen due to its revelatory nature as well as opportunity for unusual access (Yin 1994).

Throughout the interview process, transactions of products were identified between Segment 1 and Segment 2 as well as respective units in B-Company. For Segment 3, there had been previous interaction in terms of exchanging knowledge as both companies produce customized wood interior for fashion retailers. However, this cooperation is not present anymore as stated by the Sales Manager for Segment 3: "Now we don't have contact with B-Company. Before I had some contact with [account managers for fashion retailers in B-Company], but now these three people have left the company". Further, the potential competition between the companies is from both companies described as non-existent. "Wood shopfitting is a regional kind of business, it is not a global market. So every country needs to be dealt with quite individually to be successful, so there is no competition" (Managing Director 1 B-Company). As a result, there is no relationship present today for customized wood products. Also as the key persons involved in the past exchange from B-Company's side have left the company and thus are no longer available for interviews, we have chosen not to analyze the historical relationship, but focus on the relationships between the two companies that are present today, i.e. concerning Segment 1 and Segment 2.

3.4 Collection and analysis of data

To understand governance in simple and compound relationships, in-depth interviews have been the primary source of data in line with Yin's (1994) and Merriam's (1994) recommendations for case studies, and these have been complemented with documents and direct observations at company locations. All data was gathered in the period from August to November 2012.

After having conducted initial pre-interviews and gathered theory to understand the concepts of interest and identify what factors to look for (Fidel 1984), we developed the questionnaire to be used in the case study (see Appendix). The interviews were semi-structured as the questions and their order were decided in advance, yet we were open to questions that arose during the interviews (Merriam 1994). Further, the questionnaire was adjusted, developed and refined continuously during the interview process as the focus of data evolved with the systematic combining of empirical and theoretical findings

Caglio and Ditillo (2008) emphasize that many studies of business relationships draw upon a single point of view in the relationship, often that of the focal firm, which in our case would be A-Company. However, similarly to both Dekker (2004) and Håkansson and Lind (2004), we have investigated the dyad by gathering information from both relationship parties by complementing our interviews at A-Company with interviews with employees of B-Company. In total, 24 interviews were conducted of which three were pre-interviews to gather initial information about the study objects' relationship to each other, and 21 were semi-structured in-depth-interviews in the case-study phase.

In relation to collection and analysis of data, the relationship between one of the authors and B-Company, where the author in question is a descendant of the founder and related to one of the current managing directors, has yielded two main consequences for our line of work. Firstly, it has enabled us to gain particular access to people, processes and documents that otherwise would have been inaccessible for us as researchers. Secondly, it has required us to carefully consider researcher and interviewee bias as well as ethical concerns in the interview process to limit a potential negative impact on the quality of the study.

The special access facilitated the interview process as we could choose interview objects both through having interviewees forward us to the next person of interest (Merriam 1994) and through contacting potential interviewees based on them being identified by us based on previous interviews as having contact with A-Company or B-Company respectively. The access enabled us to interview employees from different organizations involved in the relationship (A-Company A/S, A-Company AB and B-Company), from different operational segments and functions (Segment 1, Segment 2, Segment 3, Self-Service, Shopfitting etc.), as well as in different hierarchical levels spanning from board members and top-management to operational purchasers and sales support. Thereby we obtained different perspectives in the interviews originating from being part of different organizations, national cultures as well as employee positions, which enabled data triangulation (Yin 1994). Such an access can usually be quite difficult to establish (Rowley 2012). The majority of the interviews lasted for approximately 60 minutes, yet some interviews with persons with less involvement in the relationship lasted for approximately 30 minutes, making the average interview length being 45 minutes.

However, the personal link created potential for misleading interview responses as the interviewee might give answers in line with what she/he perceived that the interviewer wanted to hear or considered was politically correct in accordance with his/her interest or fear that certain facts may harm him/herself or the organization (Alvesson 2003). Similarly, Qu and Dumay (2011) highlights how the relationship between the interviewee and interviewer is influenced by the imbalance of personal power, social status and authority that must be managed ethically by the interviewer so as to not exploit it for personal gain or influencing the responses of the interviewee. We aimed at taking this into consideration throughout the interview process.

Firstly, we early on in the interviews aimed at establishing rapport as well as creating a sense of trust and equality, as recommended by Qu and Dumay (2011). As we knew the interview-persons were aware of the relationship to B-Company for one of the authors, this was addressed openly at the beginning of the interviews. However, we explained the primary academic purpose of the research by giving a brief introduction to our research and emphasized that the study is conducted neither on behalf of B-Company nor on behalf of A-Company. We further explained that the purpose is not to evaluate the behavior in the relationship, but rather to see *how* the interaction is handled. Thereby we aimed at reducing the presence of politically guided answers (Alvesson 2003). However, the basic familiarity with both companies and their products enabled us to create an informal atmosphere in discussing product types and processes with the interviewees as we could easily identify and understand "the jargon".

Secondly, whilst both authors were present during the interviews to capturing complementary and potentially contradicting insights to enhance confidence in the findings (Eisenhardt 1989; Trost 2010), the author without a relationship to B-Company was the lead interviewer whilst the other kept a more distant and reflecting view. This is in line with the general recommendations of Eisenhardt (1989), but also aimed at enhancing the interviewee's feeling of being interviewed by researchers rather than a company representative. The semi-structured interview approach allowed us to adapt to the situation and aim at making the individual feel relaxed and unassessed (Qu and Dumay 2011). Our empirical findings indicate that these attempts turned out well as we encountered a wide range of opinions regarding the relationship – from very positive to critical. Foremost, we interpret the critique of the relationship as that we have been able to create a relaxed atmosphere were interviewees feel free to speak their mind and present information from their perspective. This included critique of ways of communication, offered product mix, ambiguity in price negotiations and strategies, unclear relationship boundaries and operational freedom.

The interviews with employees from B-Company were held over the phone, partly because geographical distance hindered physical meetings, but also due to that telephone interviews are less biased in received answers as the interviewees are not to the same extent affected by the interviewers' personal characteristics (Bryman and Bell 2010), once again aiming at limiting politically guided answers (Alvesson 2003). However, all interviews with employees from A-Company were held face-to-face at two of A-Company's sites in Sweden and their headquarters in Denmark. The face-to-face interview approach was chosen as the interviews were held in English, which is not the primary working language of A-Company, why the importance of observing facial expressions and body language increased in case of misunderstandings. Physical presence also facilitated a potential temporary switch to Swedish/Danish if necessary. As we interviewed top-management and primarily employees from the Export department in B-Company, the language issue was not present to the same extent, why the interviews could be held over phone.

All interviews were, after the interviewees' consent, recorded in line with the recommendations for semi-structured interviews (Merriam 1994). Thereafter the recordings were transcribed and sent to each interviewee for approval. Occasionally we also used this later contact for further clarifications.

Yin (1994) argues that using multiple sources of data will improve the quality of conducting case research why we have applied a methodological triangulation approach to increase the strength of our conclusions. We were given access to A-Company's company sites, where we could make direct observations and were given guided tours. During such visits we could identify to what extent showrooms consisted of B-Company products, what fraction and type of pamphlets that concerned B-Company as well as obtain a thorough understanding of the purchase and production process. We were also given thorough presentations on budgets, internal presentation material and other reports that are otherwise inaccessible for external parties. Also, we took public information such as annual reports and product brochures into consideration.

When coding and analyzing data, we draw upon the recommendations of Miles and Huberman (1994) and summarized our main impressions and insights after each round of interviews. We further compared those summaries in order to identify patterns and differences to guide further data collection and to relate them to the theory collected (Miles and Huberman 1994). When all interviews had been transcribed, we coded the data more formally with the guidance of our theoretical framework; identifying and classifying the relationships, identifying and classifying the tools, analyzing the governance package and potential tensions. In this process we gathered the main evolving common patterns and contradictory findings, further supported by using triangulation of data from interviews, documents and recorded observations.

Lastly, we aimed at taking the viewpoints of Alvesson (2003) on reflexive research into account. Thus, when interpreting interview answers we aimed at considering cultural and psychological factors such as organizational position and motive orientation of the interviewee, the language used and the mere social context of the interview that influenced the answer given. This was especially important in interpreting answers from interview objects that were somewhat concerned with the personal link between one of the authors and B-Company, but also in relation to understanding conflicting answers in relation to the same subject from different interviewees.

3.5 Guiding framework for relationship classification

When conceptualizing simple and compound relationships, a classification of the simple relationship types is necessary. Ross and Robertson (2007) suggest the following definitions; *Customer-Supplier* when the firm buys a product or service from the partner firm, *Supplier-Customer* when the firm sells a product or service to the partner firm; *Competitor* when the two firms compete with each other for some resources, e.g. customers, and lastly *Joint Partners* when two firms work together formally or informally to achieve a common goal.

However, we reflect upon that these definitions do not allow for a mutually exclusive classification to be done, as the criteria for each relationship type do not follow the same underlying logic. For example, a clear classification would be difficult in the study of Kajüter and Kulmala (2005) that illustrates a firm purchasing goods from a supplier, yet both entities also have a common goal in terms of value chain cost management.

Yet, relationship types are in most papers taken for granted and used as a starting point for the study itself (e.g. Kajüter and Kulmala 2005, Agndal and Nilsson 2009; Baiman and Rajan 2002). Therefore, we will draw upon the relationship type classification parameters found in Ross and Robertson's (2007) framework, but extend them to cover each type of relationship type to enable a mutually exclusive classification, as illustrated in *Table 1*.

Classification Parameters and source	Customer/Supplier	Competitor	Joint Partner
Activity/Product Overlap Håkansson and Lind (2004)	Low Similarity High Complementarity	High Similarity Low Complementarity	High/Low Similarity High/Low Complementarity
Interdependence Berry et al. (2000)	Autonomous/Serial	Autonomous	Reciprocal/Mutual
Goal Alignment Ross and Robertson (2007)	Different	Similar Competitive	Similar Cooperative

Table 1. Extended relationship classification parameters from Ross and Robertson (2007). Coloring indicates that the aspect was present in the original definition of the relationship type by Ross and Robertson (2007).

Activity/Product Overlap is present in Ross and Robertson's (2007) description of a Competitor relationship, but we extend it by using the reasoning on complementarity and similarity of activities of Håkansson and Lind (2004). They define complementarity as the degree to which different phases of production phase require coordination and similarity as the degree of activities that require the same capability for them to be undertaken. Considering a Competitive relationship, activities ought to be low in complementarity yet high in similarity, as they can be considered substitutes. Following the same logic, we define Supplier-Customer and Customer-Supplier relationships as having low similarity yet high complementarity, whilst Joint Partner can take on any combination of the two. Thus, even though Håkansson and Lind's (2004) definitions rest upon the perspective of coordination, we adapt their logic of complementarity and similarity in terms of a firm's output.

Turning to *Interdependence*, this aspect is found in the description of Supplier-Customer and Customer-Supplier of Ross and Robertson's (2007) definitions with regards to transaction flow. To extend the classification, we draw upon the framework of Berry et al. (2000) on inter-firm interdependence. They classify four degrees of interdependence; autonomous firm, serial dependence where there is a dominant customer, reciprocal dependence when there is some form of collaboration between customer and suppliers, and mutual dependence where there are partnership models of collaboration arising out of mutual interests. Thus, the categories capture the whole scale from no interdependence to mutual dependence. However, whilst Berry et al. (2009) use the

interdependence categories in a relationship life-cycle setting, we acknowledge that each category can possibly be initiated directly in itself, e.g. a Joint Partnership can be set up between two competitors that did not have reciprocal or serial dependence prior to the mutual dependence.
Lastly, the parameter *Goal Alignment* is present in the description of relationship types of Ross and Robertson (2007) in Joint Partners, yet not defined for the other types. Therefore, we add aspects of how corporate goals are aligned also in relationships of the type Supplier-Customer and Customer-Supplier, i.e. not at all, as well as Competitor, i.e. similar but competing.

3.6 The quality of the study

To enable the reader to evaluate the quality of our findings, the reliability and validity of this study will be addressed, as several authors address the concerns of these two aspects in case study research (e.g. Yin 1994; Merriam 1994; Bryman and Bell 2010).

Reliability refers to the extent to which a study can be replicated, i.e. high reliability would lead to the same conclusions being reached if a researcher followed the same procedures as described in the research on the same case (Yin 1994). To ensure reliability in our study and enable a potential replication we documented our process as far as possible by saving and documenting the original interview template and each altered questionnaire, the sound files and transcriptions of all interviews as well as our own noted observations during field visits (Yin 1994). Further, we followed Malhotra's (2004) guidelines for interviewing: asking questions in order of appearance of the developed template, repeating questions that were not understood and carefully probed as suggested by Qu and Dumay (2011). However, as the interviews were semi-structured and questions open-ended, the reliability can be lacking as human behavior is constantly changing and answers accordingly alter due to the mere passage of time (Merriam, 1994). Also, changing the interview persons may, in line with the reasoning of Alvesson (2003), alter the answers given especially for this case with the presence of the above-mentioned personal link. Lastly, empirical collection through interviews may lead to subjective interpretation, which decreases the replication potential of the study (Fidel 1984).

Validity refers to how well the results of the study correspond to reality (Merriam, 1994), and can be divided into three types of validity; internal, external and construct validity (Yin 1994).

Inner validity denotes how well the results of the study correspond to what it intends to measure (Merriam 1994). In case studies the likelihood of false effects is extensive due to subjectivity, both in the interviewees' answers that might not correspond to the objective version but rather their own construction of reality (Yin 1994), and in interpretation and analysis of the data (Merriam 1994). Guba and Lincoln (1981) emphasize that due to the problem of achieving sufficient reliability in qualitative studies, aiming at high internal validity is better as it is impossible to have reliability without internal validity. To facilitate the inner validity of our research we interviewed people from different levels in the organizations as well as from both sides of the dyad to enable data triangulation by asking them the same types of questions to confirm our results and have repeated studies of the same phenomena from different perspectives. As reality consists of multiple sets of mental constructions, a high degree of internal validity can be achieved as long as account is taken to perspectives of the interviewee and these are interpreted correctly (Merriam 1994). Transcribed interviews were sent back to the interviewee with clarifying questions if contradicting perspectives that could not be explained by Alvesson's (2003) social and cultural factors were identified. Also, both authors summarized the main findings after each round of interviews that we thereafter could compare and contrast.

External validity concerns to what extent a study's findings are generalizable beyond the case study itself (Yin 1994; Merriam 1994). However, Yin (1994) emphasizes the importance of distinguishing between statistical and analytical generalization where the former is hard to achieve in a single case-study as the method by nature studies only one specific sample. However, as case studies are conducted to gain understanding of the already known, generalizability is not needed to the same extent as in hypothesis testing (Merriam 1994). Rather, case-studies often aim analytical generalization in trying to generalize and gain in-depth insights from a particular set of results applied to broader theory (Yin 1994). Thereby, letting our developed theoretical framework guide the analysis and interpretation of the empirical findings enables improvement in the external validity. Despite this, single case-studies represent a bottom-up approach of theory building, why there is a risk that local or idiosyncratic theories are developed that only can be used for the specific case investigated (Eisenhardt 1989).

According to Yin (1994), construct validity refers to the use of correct measurements for the studied phenomenon, and he suggests three approaches for improving construct validity. Firstly, multiple sources of evidence should be used to enable data triangulation. As explained, we have used several sources in interviews with people from different hierarchical levels and organizations, internal and external documents and direct observations. Secondly, a chain of evidence should be established where it should be possible for the reader to follow the derivation of empirical evidence leading to the findings of the research. In this regard, we have collected and aggregated all data so that it is possible to search for both evidence and perspectives. Lastly, key informants should review drafts of the case study report, which has been done both through the clarifications provided in relation to interview transcripts and the continuous contact held with them for reviewing empirical findings.

4. Case description and findings

4.1 Introducing the companies

A-Company is a provider of shopfitting products and services for the retail sector in Scandinavia. The company with an annual turnover of ~64 MEUR is headquartered in Denmark, and listed on the OMX Nordic Exchange Copenhagen (A-Company Annual Report 2011). Apart from the Danish operations the group consists of two wholly-owned subsidiaries in Sweden and Norway as well as a sales branch in Finland. A-Company has developed from being a supplier of metal goods to being a provider of complete store solutions. To create a complete turnkey solution, the company uses both internally produced metal and wood products, mainly shelves, and also sources products from a network of local and global external suppliers.

In relation to the sourcing from external suppliers, A-Company sometimes acts as a middle-hand for selected trade partners, whereby the company resells products such as shopping trolleys, entrance gates and check-outs directly to customers under the producers' trademarks. Such items are thereby sold on both a stand-alone basis as well as included in complete store solutions. One of A-Company's trading goods partners is B-Company.

B-Company is the world market leader for shopping trolleys within the retail sector, but also provides trolleys to other industries, such as logistics, airports and hotels. In addition, B-Company manufactures other metal products such as displays, shelving and entrance gates (B-Company Homepage). The company with headquarters in Germany is privately held and has a turnover of ~470 MEUR (Managing Director 1 B-Company). With its production facilities in Europe, China and the US as well as its large network of subsidiaries and sales agencies the company is active on a global scale. Furthermore, B-Company holds an equity stake in A-Company and is the largest individual shareholder. From A-Company's side, the ownership is acknowledged yet described as not playing a significant role on the operational level, as shown by the following statement of A-Company's CFO: "They own some shares but we are a listed company so if [B-Company] didn't own the shares then somebody else would buy them. So we are the little brother". From B-Company's side, A-Company is considered in the same way as other distribution partners that B-Company does not own any equity in. "We have about 20 distribution companies and we regard [A-Company] just as one of them" (Managing Director 1 B-Company).

4.2 The sub-relationships and their respective governance packages

4.2.1 An overview of the exchanges taking place

The products sourced by A-Company from B-Company are mainly metal-based and refer to shopping trolleys, entrance gates and metal shelving. From A-Company's side it is the sales units responsible for the market segments Segment 1 and Segment 2 that have primary contact with B-Company. The Segment 1 segment supplies products to Segment 1 chains such as ICA and Lidl, foremost shopping trolleys and entrance gates. The Segment 2 segment rather serves customers such as Systembolaget and Media Markt that need both metal- and wood-based products as part of complete customized store solutions, why the sales mostly refer to shelving (A-Company Homepage). On B-Company's side, it is the Export department of the Self-Service unit that provides trolleys and entrance gate systems as well as the Shopfitting unit that provides shelving. Thereby, two sub-unit relationships can be identified, one regarding trolleys and entrance gates – here forth denoted "the trolley-relationship" – and one concerning metal shelving – here forth denoted "the shelving-relationship".

Drawing upon our guiding classification framework for simple relationships (see section 3.5), the compound relationship between A-Company and B-Company can be classified as a two-role relationship (Ross and Robertson 2007), since the trolley relationship is of the type *Joint Partnership* and the shelving relationship is of the type *Customer-Supplier*. Below a description and more thorough classification of each simple relationship is presented, along with its corresponding governance package that is structured according to the framework of Merchant and Van der Stede (2007).

4.2.1 The relationship concerning trolleys and entrance gates

A sales agency partnership

The shopping trolleys and entrance gates constitute the core business between A-Company and B-Company. In relation to these products, B-Company functions as an exclusive supplier to A-Company, and A-Company as a sales agent for B-Company trolleys in the Nordic market. B-Company relies on A-Company for representing the company's product assortment in trolleys and entrance gates in the Nordics, as B-Company they do not use any other distributor in the region. Thereby, the exclusivity causes the activities and products are characterized by a *low similarity* and *high complementarity* for the two companies in relation to trolleys and entrance gates.

A-Company's function as the only distributor of B-Company products in the Nordics combined with the fact that the Segment 1 segment is the company's main revenue driver and sells the majority of trolleys and entrance gates, indicates a *mutual dependence*. B-Company is dependent on A-Company promoting its products in the Nordic Region, and A-Company is dependent on the sourcing from B-Company to be able to provide its customer with these types of products. The current set-up is a solution that enables B-Company to be present in the Nordic market without having to set up a subsidiary.

As a result of the set-up, the brands of A-Company and B-Company are described as being the same in the Nordic region as illustrated by the Area Sales Manager handling the Nordic countries in the Export department of the Self-Service unit in B-Company: "Customers see it like one company, [B-Company/A-Company], where [B-Company] is the producer side and [A-Company] is the sales side". The two companies even jointly participate in price negotiations with customers when it concerns larger tenders. Furthermore, A-Company brings customers to the factories of B-Company to show them the production sites of the trolleys as well as the exhibition rooms that are located there. “We have customer meetings where we go there. I had twelve people from City Gross with me this summer” (Sales Manager Segment 1 SE). Further, the Area Sales Manager from B-Company also joins customer meetings and promotes B-Company’s products at A-Company’s premises. By supporting each other in relation to sales, the two companies appear as having mutual goals in “closing the deal” (Head of Export B-Company) for the end-customer, why the corporate goals are *similar cooperative* in the daily business.

Overall, the trolley-relationship can thereby be classified as a *Joint Partnership* (Ross and Robertson 2007). However, similar to the cases in Sánchez et al. (2012), Cäker (2008) and Van der Meer-Kooistra and Scapens (2008), there is a power-imbalance in the relationship due to A-Company being dependent on the sourcing from B-Company since B-Company has dominant position in the market place.

The governance package

Cultural controls, foremost in the form of emerged controls, are governing both the daily business coordination and the overall strategic cooperation between the two companies in relation to trolleys and entrance gates. Over the years, an informal approach to interaction has developed, as the Sales Manager Segment 1 DK describes in relation to potential delivery problems: “We don’t go in some…formal way. Just call and discuss the things as it is”. The Customer Assistant SE describes her daily contact regarding trolley orders in a similar way: “I just call [the Area Sales Assistant] and say ‘My god, there is a [problem]’ and she says ‘I fix it, I fix it. Calm down, I fix it’”.

A gentlemen’s agreement with unwritten rules guides the exclusivity in the sourcing of trolleys and entrance gates from B-Company on A-Company’s side and distribution of products through A-Company on B-Company’s side and it also specifies a regional market division made. The relationship was regulated by a contract that was established in the late 1990’s and specified that A-Company should function as a sales agent of B-Company trolleys in Denmark, Norway, Sweden and Finland. Thereby A-Company was to only sell B-Company products, which back then referred to trolleys and entrance gates, and B-Company was neither to approach any other company to use as distributor in the Nordic region, nor to approach any Nordic customers directly. However, such contracts expire after two years and since then there has been no formal contract present for the relationship between the companies. As the Head of Export in B-Company states “…if we are happy with the agent, [the contract] is just prolonged on an informal basis”. This is perceived as an easy way of coordinating the cooperation, and the unwritten rules are acknowledged on both sides and thereby function as shared norms by both parties in the relationship:

> "The [A-Company] people do not come to the rest of Europe, and normally we do not step into the Scandinavian market. But there is not a contract. That is only by words." (Managing Director 2 B-Company)

> "There is a gentlemen's agreement. It's very simple. We are only selling [B-Company] trolleys and we are the sole distributor and that's it." (CEO A-Company HQ)

Also, there is strong product and brand identification with the trolleys of B-Company for the employees handling trolleys within A-Company. In relation to trolleys, the employees of A-Company emphasize that the company is closely associated with and represents the trolley market leader's brand and products. This is for example seen in the office supplies where all notebooks and pencils with the A-Company logo also have a B-Company logo next to it. As the Customer Assistant in A-Company SE states: "But I am [B-Company]. I cannot go shopping and take another trolley. 'Oh, it is Caddie!'. Then I give it to my children. 'You have to hold this!'". This identification is further endorsed with company visits to B-Company, where employees of A-Company that handle the purchase of trolleys are shown the production in the factories and the exhibitions areas that are set up on B-Company's premises.

Personnel controls are in place through product trainings where A-Company employees are shown and educated about the latest product development for the trolleys and entrance gates supplied through A-Company. Furthermore, the Export department of B-Company distributes financial information by sharing the quarterly sales reports for each country in which it has sales agencies with the Sales Managers for Segment 1 in both A-Company DK and A-Company SE. The aim is to help them understand what is happening in the overall European market, and to enable them to align their strategic plans to that. "It gives me inspiration on new products, new ways of doing business. They are very useful, I store them and I use them" (Product Manager DK).

In relation to selecting employees, an emerged practice is that two key persons are informally chosen to handle all communication that does not relate to standard operating procedures with B-Company – the Product Manager DK and the Sales Manager Segment 1 SE. They are handling all price negotiations towards B-Company, participate in joint price negotiations held with B-Company towards potential customers and represent their respective country organization in all sales meeting. As a result these two employees handle the main contact, as stated by the CEO of A-Company SE:

> "[The Product Manager in Denmark and the Sales Manager for Segment 1 in Sweden] have been working with [B-Company] for maybe 20 years and know everything about trolleys and entrance gates. And they act as spokesmen, communicating with [B-Company] mainly".

The Area Sales Manager in B-Company further explains: "[The Sales Manager Segment 1 SE] has always been very much attached to [B-Company], and I mean we call him the trolley guy, and he calls himself the trolley guy". The Product Manager DK has responsibility for the six trading goods partners, yet as neither of the other trademarks is considered as important as B-Company, the Product Manager DK's role is perceived as being dedicated to B-Company products. "In Denmark [...] there is a manager for [B-Company]" (Controller A-Company HQ). Similarly, the Area Sales Manager in B-Company states: "All requests are filtered by [the Product Manager DK] and he is the one who is discussing with me what we can offer".

All communication and information flows are thereby going through these two key employees and the Area Sales Manager and Head of Export in B-Company. The ad-hoc based and informal structure is emphasized by the Sales Manager Segment 1 SE: "There is a lot of informal people or ways of getting information". However, the Product Manager DK sees benefits from having more regular contact: "I wish we would have [some formal interaction] like with one of the other trading goods suppliers. Every Monday I have a telephone meeting […] just to make sure that we talk with each other because it gives you a better understanding of what is going on in the market".

Result controls that are in place foremost monitor the sales of B-Company products distributed through A-Company. A-Company makes an annual budget for the sales of trading goods in general, but this budget is structured according to the product categories of B-Company. "We don't have any other trademark that is as important as [B-Company], so we have very much focus on [B-Company] in [this budget]" (CFO A-Company HQ). The budget for B-Company goods is an aggregation of individual budgets done in each country subsidiary of A-Company. It details for all B-Company product categories how much is to be sold for each customer within each region, i.e. specifying the amount and value of trolleys and entrance gates sold. The budget is thereafter discussed with the Export department of B-Company, with the primary aim of letting B-Company know what they can expect to sell the coming year and jointly setting sales targets. "We make one [budget] of our own, then the [B-Company] Export department does one too and then we compare them. [B-Company's] is often higher, but since [A-Company] is closer to the market we can be more realistic" (Product Manager DK). The discussions are held in an informal manner whereby the future market outlook is summarized and an approximate sales target is set jointly.

The budget is followed-up on a monthly basis, both on country and group level, by A-Company's accounting department, which compiles a sales report for the period in question. Thereafter, the Product Manager DK and the Sales Manager Segment 1 SE analyze the follow-up and send it to B-Company. "I get the information and provide the countries with this report if we succeeded or not succeeded with the figures we planned" (Area Sales Manager B-Company). However, there are neither rewards, nor punishments connected with the results; rather it is a monitoring procedure of the market and the company situation that can function as a basis for discussions concerning the development of the sales of B-Company products through A-Company. "We present what we are doing, some concepts, some new ideas, some tops and naturally flops too. And we evaluate what is going on in Germany and what is going on in Scandinavia and naturally we keep each other informed about what is going on" (Managing Director 2 B-Company). Thereby, the budget has foremost an illustrative role in gathering sales data and targets have little significance in guiding behavior, as illustrated by the CFO of A-Company: "It is not that it has big consequences if we don't reach [a target]".

There is also a quarterly sales report sent from each A-Company subsidiary to the Area Sales Manager and Head of Export in the Export department of Self-Service in B-Company. This report is based on a standard template, specifying the product categories of B-Company, where each country organization specifies the amount of products sold as well as provides comments on the market situation. The report is sent to B-Company in relation to quarterly Nordic sales meetings that are held with the above-mentioned employees of the Export department of B-Company and one representative per country organization of A-Company that also compile the information; the country managers in Norway and Finland, the Sales Manager Segment 1 SE, and the Sales Manager Segment 1 DK as well as the Product Manager DK.

During these sales meetings, overall turnover, specific key accounts and new products from the trolley or entrance gate production are discussed. However, there is a wish for more clear targets from A-Company's side: "We are good at discussing how the situation is and so on, so on. But maybe we forget to say 'Ok, this is the situation. What to do? Do we want to go there? How do we get there?'" (Sales Manager Segment 1 DK).

Action controls have been introduced on the initiative of A-Company with regards to sales inquiries that are sent to B-Company. The purchasing unit in Denmark has created a standard template that is used when initial-price requests for trolleys are sent to B-Company. "In this [template] I can just fill in exactly how long the chain should be or what handle to use. And then [the Area Sales Assistant] has everything on the same place. And we speak the same language when it comes to trolleys" (Customer Assistant SE). Further standard operating procedures are also developed for how to handle regular tenders of smaller quantities of trolleys. Yet as soon as there is deviation from the standard solutions in terms of new specifications of products or special prices, no specific structure is in place. Rather it is all handled through the communication between the Export department in Self-Service in B-Company and the Sales Manager Segment 1 SE and the Product Manager DK. However, Managing Director 2 in B-Company describes how they "don't really want to give directions because that can limit the operational freedom [A-Company] has".

Further, there is a standard pricing procedure when A-Company purchases trolleys in the usage of a standard price list which A-Company receives from the Export department of the Self-Service in B-Company. The price list is updated each year, both product- and price-wise based on the pricing policy of B-Company, what products the agency has sold in the past and the development of the sales in the last three years.

	Cultural controls	Personnel controls	Result controls	Action controls
Imposed	Company visits	Product trainings Sharing of financial information	Budget Budget report Monthly follow-up Quarterly sales report Nordic sales meeting	Standardized sales inquiry Standardized order process Price list
Emerged	Informal interaction processes Gentlemen's agreement Product and brand identification	Informally selected key persons		

Table 2. An overview of the governance package for the trolley-relationship.

Overall, as seen in *Table* 2, both formally imposed controls as well as informal emerged controls are present in the trolley relationship, which is in line with the reasoning of Van der-Meer-Kooistra and Scapens (2008) for lateral relationships. The informal aspects are what emerge as primarily guiding the behavior of A-Company in the trolley relationship, as they are seen also in the informal manners of the *result controls* with regards to sales targets and the fact that *action controls* only guide standard orders and sales inquiries. Behavior in the relationship is rather guided by the *cultural controls* through the gentlemen's agreement or solved through the informal manner of discussions. Anything that deviates from the standard operating procedures is managed through the *personnel controls* with selected key persons merely contacting the Export department in B-Company for solving any potential problem on an ad-hoc, informal basis.

4.2.2 The relationship concerning metal shelving

A customer-supplier relationship

A-Company also sources metal shelving systems from B-Company, and these shelves are mainly sold to customers within Segment 2, but also to some customers within Segment 1. The shelves are typically part of a customized solution developed within the customer organizations, where the sourcing for products to fulfill the requested design is A-Company's responsibility. Thus, customers come to A-Company with design drawings or prototypes and ask A-Company to supply the material and items needed to complete the concept. "The interior, shelves and so, is something that ICA says 'we want this and you find someone who builds it for us'" (Project Assistant SE). Hence, B-Company shelves can be part of the solution, yet the majority of the items are produced internally at A-Company's metal factory or sourced from low-cost countries such as Vietnam or China. "A module in a concept could be containing of, let' say, 10 different products, it could be metal shelving, it could be wood tables, it could be lighting inside and so forth" (CEO A-Company SE). All in all, this illustrates that B-Company is only one among several suppliers for A-Company, which results in *autonomous* in terms of shelving.

Both A-Company and B-Company have organizational capabilities and factories to produce metal shelves, yet as the Head of Shopfitting in B-Company describes: "The system of rack of shelves which [A-Company] produces are quite different from those we are producing". Historically, the difference was mainly dependent on that the standard dimensions of the shelves differed between Scandinavia and Europe. However, during recent years the increase in customized solutions has made the standard measures to not be as rigid as before. Today it is rather the difference in quality standards that distinguishes the two companies' shelving products, i.e. B-Company produces more wire than sheet metal whilst the opposite holds true for A-Company, and in turn the B-Company shelving ranks higher in price. Still some products, for example B-Company's shelving system called high rack, can be used universally. Consequently, the B-Company shelving complements A-Company's offering, as described by A-Company's CFO: "It does not make sense to come with a Mercedes when you want a Skoda. You have to differentiate them, and we believe we can do that in a good way by using [B-Company] when it is appropriate." Thereby the shelving products of the two companies have *low similarity/high complementarity*.

Studying a shelving transaction between the two companies, A-Company uses the shelving sourced as part of a larger customer solution, i.e. it is a necessary input for closing the customer deal. The shelving sourced are complemented with own production and shelves from other suppliers. For B-Company, the very same transaction is not as strategically important as the focus for B-Company not is on the end customer, but rather the mere sales of the shelves to A-Company. Thereby, the parties have *different goals* in connection with the shelving business – A-Company focusing on the end customer deal, and B-Company viewing it merely as a smaller transaction between them and A-Company.

All in all, the above implies that the relationship is of the type *Customer-Supplier* (Ross and Robertson 2007). For this relationship, comparing to the trolley-relationship, the power balance is more equal as A-Company can turn to other suppliers for shelving or produce shelving internally.

The governance package

Cultural controls for the shelving relationship also exist in the form of the gentlemen's agreement that geographically splits the market and confines A-Company to the Nordic region, despite that the agreement originates and refers to the sale of trolleys. Even though there is large quality difference between the two companies' shelving system, there is potential for competition between the two. Yet, as the Controller A-Company HQ states: "We don't go into Germany, there are some gentlemen's agreements that we don't compete against each other". Respectively, B-Company does not enter into A-Company's home market. This informal rule primarily applies when searching for new tenders and customers as both companies accept that either of them can follow a customer who chooses to expand into the other's geographical market. Further, the gentlemen's agreement is stated to have emerged through historical behavior: "I think the history said, the spoken rule, I would say, was that we didn't work so much outside [the Nordics] in Europe" (Sales Manager Segment 2 SE).

Personnel controls are in place through product trainings that are held also for certain shelving specialists, as commented by a Key Account Manager 2 SE for Segment 2: "We also have some education. I know that [the Sales Manager Segment 2 SE] has been to [B-Company] doing a product training". Similarly the segment's Sales Manager explains: "[B-Company] is very good at inviting us to [Germany]. We can come on conferences and product trainings or something [...] and that's really good". The importance of such visits for employees that usually have no link to trolleys is also stressed by the Sales Manager Segment 1 SE: "Some people here haven't been to [Germany] and they haven't met the people down there, they of course see them more as a supplier like everybody else. But I think most people who [went there] know that we have a closer relationship". Hence these educational visits also have a cultural dimension in that they lay the foundation for the positive connotation of the products and the potential in connection with B-Company.

Besides, for shelving-related inquiries to B-Company special communication channels are used by the Segment 2 employees. Similarly to what is followed when purchasing trolleys, these channels are the Product Manager in Denmark and the Sales Manager Segment 1 in Sweden, which is illustrated by the following quote from the corresponding key person within B-Company, the Area Sales Manager in B-Company, who describes the situation for both Sweden and Denmark as follows:

> "If someone at Specialist retail has a question regarding our [B-Company] product, [the Product Manager A-Company DK] will be asked. [In Sweden] there is [the Sales Manager] from the Segment 2, but I'm not in touch with him in the daily life because [the Sales Manager for Segment 1] is often translating."

Thus, in these cases, the Product Manager DK and Sales Manager Segment 1 SE handle price negotiations through the Area Sales Manager in B-Company, instead of the managers for Segment 2 being in direct contact with the Shopfitting unit in B-Company. "If there is something official we have to do [for the Segment 2 customer], then we have to go by [the Sales Manager Segment 2 SE]. But the other dialogue I have with [the Sales Manager for Segment 1]" (Project Assistant SE). Lastly, no staff with focus on shelving from Segment 2 ever attends the quarterly sales meetings held with [B-Company]. Rather, if there is anything to discuss this is handled by the Sales Manager Segment 1 SE or by the Product Manager DK in those meetings. "So I will go there [...] due to relations and knowledge about it and that the segment [Segment 1 with trolleys] has the biggest impact" (Product Manager DK).

Result controls for shelving transaction are deployed in a similar fashion as those for trolleys and entrance gates since the B-Company product budget and the reports compiled for B-Company also include a section for shelving. Therein the sales figures are monitored and forecasted on both overall and product level. However, the information gathering and analysis is not performed by the Sales Managers for Segment 2 that handle the shelving, but rather by the above-mentioned key persons, who eventually also forward the final result to the Area Sales Manager in B-Company. Even though the discussions during the sales report meetings concern overall sales, they primarily refer to the trolley sales why there is not any specific feedback given in relation to shelving unless there is a key account that involves both shelving and trolleys.

Action controls are primarily noted as being absent in the relationship for shelves, with the exception of the price list that also is sent to the Sales Managers in Segment 2. Otherwise, there is no standard product inquiry process in place in contrast to the trolley business. Instead inquiries are done via e-mail as the following statement of a Project Assistant shows: "I just write an e-mail [to B-Company] and ask the price and the delivery time and when the customer confirms that they want it, I place an order in my system and send it to [B-Company]". Secondly, several of the interviewees in contact with shelving noted an absence of any formal coordination or controls structures. An example being the Key Account Manager 2 SE saying: "We have products that we buy from them, but otherwise we don't notice anything about B-Company. What we report in the meetings via [Sales Manager Segment 1 SE and Product Manager DK] is let's say the only structure we have". The Head of Shopfitting in B-Company further explains the reasons behind the absence of specific structures: "It's not necessary to complicate things, to draw up everything, because it gets too bureaucratic".

	Cultural controls	Personnel controls	Result controls	Action controls
Imposed	Company visits	Product trainings	Budget Budget report Monthly follow-up Quarterly sales report	Price list
Emerged	Informal interaction processes Gentlemen's agreement	Informally selected key persons		

Table 3. An overview of the governance package for the shelving-relationship.

There are less controls imposed in the shelving relationship, yet those controls that can be found have a strong link to the practices in the trolley relationship in being almost an equal mix of formally imposed and emerged controls as seen in *Table 3*. Also for the shelving-relationship primarily informal controls govern. The informally emerged *personnel control*s, where all but the daily communication is handled by the key persons, also prevails in this relationship. Further, the *cultural controls* seen in the gentlemen's agreement referring to trolleys also guide behavior in regional choice of customers for the shelving relationship. Both *action* and *result controls* are seen to a lesser extent than in the trolley-relationship as no shelving-related personnel participates in the sales meetings and discussion of sales targets. Rather, the *result controls* are present due to the fact that they prevail in the trolley-relationship.

In conclusion, the governance package for the shelving relationship is almost identical to the governance package for the trolley relationship. Hence, the controls are not separately adapted for the shelving-relationship. Drawing upon contingency theory there seems to be a mismatch in the governance package for shelving, as the underlying relationship characteristics do not affect the choice of controls employed in the relationship (Chenhall 2003). The governance packages that govern the simple relationships are similar, yet the underlying relationships are different as seen in the simple relationship classification. *Personnel controls* together with the similarly prevalent *cultural controls* constitute an informal control package (Merchant and Van der Stede 2007) for both relationships. In the following section, we will illustrate how the governance package in place being the same for both relationships is the result of the trolley-relationship being a dominant relationship (Ross and Robertson 2007).

4.3 A dominant relationship

4.3.1 A long-lasting relationship

> "We have a long-term relationship with [B-Company] which counts for more than 50 years. So even back to [the founder of B-Company], which also knew the guy who started the company here, they have been friends and so on." (CEO A-Company HQ)

As the above quote illustrates, the relationship between A-Company and B-Company has developed over a significant period of time. The cooperation between the two companies started in the 1960s in relation to the supply of trolleys from B-Company to A-Company. Thereafter the range of B-Company products marketed and distributed by A-Company quickly broadened to also include entrance gates that was sold to Segment 1 chains. As a result of this the Danish company developed into being the sole distributor of B-Company shopping trolleys and entrance gates in the Nordic countries, functioning as a sales agency. Eventually also metal shelves were sourced from B-Company as the differences in measurement dimensions between the regions decreased and the Segment 1 market became more differentiated, which raised needs for premium products and alternative shelves that were not produced by A-Company.

In addition both companies are linked through strong personal relations, which – according to Managing Director 1 in B-Company – also have contributed to the success of the cooperation:

> "We have a strong personal network and I think this is a specialty between [B-Company] and [A-Company] that we have so trustful personal relationships to the local managers and our Export department. And this network is one of our success factors, I would say."

The strong personal link is based on two factors. Firstly, the founders of both companies developed a close friendship over their years in the companies, which was driven by a shared passion for metal-based innovations as well as frequent consultations on market developments. This friendship is still remembered among employees today that see the personal relationships between the former president of A-Company and the B-Company family as building the foundation for the relationship practices. The CFO of A-Company states: "[The former CEO of A-Company] has a more personal relationship to [B-Company], the [B-Company] family and people in [B-Company] group, where [the current CEO of A-Company] is more professional. But it has not changed anything in the daily business". Others refer to the company's former CEO as "an extended member of the [B-Company] family" (Sales Manager for Segment 1 SE). Secondly, there are employees with long tenures on both sides, which has led to a close familiarity especially between the key persons in Segment 1 and B-

Company Export as stated by the Sales Manager Segment 1 DK: "We have known each other for a lot of years, most of us". This enabled the establishment of informal routines and practices based on mutual understanding. "A word is a word and I know if they are saying 'It will be this and this', then it will be like this" (Sales Manager Segment 1 SE).

All in all, there is a strong *path dependency* (Ross and Robertson 2007) for the trolley-relationship in the compound relationship between A-Company and B-Company as the sourcing of trolleys enabled the initiation of the cooperation and the informal manners as well as personal links have evolved through the cooperation in trolleys.

4.3.2 Economic and strategic importance

Drawing upon Ross and Robertson (2007), the two simple relationships, i.e. the trolley- and the shelving-relationship, can be considered of different *economic and strategic importance* for A-Company.

As of 2011, 18% of A-Company's turnover was related to the reselling of B-Company products that thereby in terms of revenues is almost as important as A-Company's own production that represents 20% of the sales. Approximately two thirds of the turnover attributable to B-Company products arises from the trolley-relationship, whereas B-Company shelving products constitute one third of these sales (A-Company Sales Presentation 2012).

A-Company's CFO also mentions the pronounced financial importance of the trolley business: "Especially the focus on trolleys is important for us because it's a big part of the business we are doing with [B-Company]". Thereby the trolley relationship emerges as of more *economic importance* than the shelving relationship.

In addition the trolley-relationship is more *strategically important* than the shelving-relationship for A-Company, since trolleys represent the product area in A-Company which is most closely linked to the B-Company brand. For trolleys, business sales arguments are constructed based on that link to B-Company which is the world market leader. The perceived benefits from being able to offer highly recognized products are more precisely described by A-Company's CMO:

> "We of course have the strongest brand which you can have in, for [trolleys and entrance gates]. And of course that gives us a possibility in the market not to talk with them about quality issues because they know that the [B-Company] products are the number 1 in the market."

Moreover the trolley-relationship is described as beneficial due to the wide range of products it includes, namely entrance gates, shopping baskets and other metal store equipment. As the CMO of A-Company describes, these products are very useful when it comes to approaching new customers: "And actually, when we talk about opening doors, entering a new customer, then the [B-Company] product portfolio is very good because there we have some specific product areas which we can offer them". In the past the resale of individual trolley-related products to a customer has often led to a subsequent sale of a turnkey solution to that same customer.

4.3.3 A dominant governance package

Since all three factors of dominance discussed in the two previous sections point towards the trolley-relationship as being both historically and currently most important, this simple relationship can be considered – according to Ross and Robertson (2007) – *extremely dominant*. As such the trolley-relationship thereby influences the nature of the compound relationship to such a degree that it essentially defines the compound relationship. As expected by Ross and Robertson (2007), part of the norms of the dominating trolley-relationship are transferred to the compound relationships and through the compound relationship also to the shelving-relationship.

As illustrated by the case at hand, we find that also the complete governance package in the trolley-relationship is transferred and employed for the shelving-relationship as a result of the dominance. There seems to be a strong heritage of informal practices, reflected in emerged *cultural* and *personnel controls* that guide behavior in the trolley *Joint Partnership*, which also guides behavior in the shelving *Customer-Supplier* relationship. Thus, due to the dominance of the trolley-relationship, the compound control package in place for the two simple relationships is derived from the control practices of the trolley-relationship - i.e. the dominance is reflected also in the governance packages.

4.4 Tensions from the governance package in use

4.4.1 Sharing margins and alternative sourcing in the trolley-relationship

In relation to the governance package for the trolley-relationship, two tensions between A-Company and B-Company emerge, whereby one is related to splitting margins in connection with big tenders and another one concerns potential alternative sourcing.

Price negotiations

In general, when determining sales prices, A-Company uses the fixed price list from B-Company as a starting point. "The price [on the price list] is our purchase price, then we decide our margin" (COO A-Company SE). Thereby A-Company functions as a trading company and the price lists are referred to as not being subject to negotiations. "We are dependent on [B-Company] […] in terms of sales conditions, for example payment and such that influences our cost-price structure" (Product Manager DK).

Yet despite this, discussions around prices occur regularly, as described by the Area Sales Manager in B-Company: "Prices are the first thing. They are always a big routine in the daily work, discussing them". The increased negotiations are a result of A-Company's aim to become more competitive and more profitable as new market players from low-cost countries have emerged globally for trolleys and thereby also supply the Nordic market. The competition has severely affected A-

Company’s turnover and contribution margins to the extent of reporting overall losses (A-Company Annual Report 2011, COO A-Company SE).

The negotiations usually evolve around benchmark prices from competitors supplying the Nordic market, but the negotiations themselves are handled in an informal way. “The regular negotiations…it is more personal or informal, you... you make informal deals. I help you here, you help me there” (Head of Export B-Company). When the price is negotiated, this is always done with the Area Sales Manager in B-Company and either of the two key persons – the Sales Manager Segment 1 SE and the Product Manager for Segment 1 DK – and occasionally the Sales Manager Segment 1 DK, regardless if the customer belongs to the Segment 1 segment or the Segment 2 segment. A-Company’s CEO explains:

> “If we have for example a price from competition saying he can maximum pay 750 kroner, then of course we give in an indication of that we have to meet this sales price. But this is a very open dialogue with [B-Company] that I know [the Product Manager DK] has with them.”

For A-Company the possibility to negotiate despite the fixed price list is described as yielding more competitive prices that enable them to win additional turnover. Through being able to negotiate prices with B-Company, A-Company can target strategic customer accounts and even approach customers such as discounters, for which they otherwise would not have been included in the tender process due to the premium prices of B-Company products. “We have a much better chance of being competitive now in all customer groups” (Product Manager DK).

Also, the negotiation process itself is viewed comfortable as it does not require any bureaucracy and can be started immediately whenever a need comes up. The negotiations are made on a customer-by-customer-basis and thereby allow for non-recurrent discount rates. Hence all in all this solution is described as simple from both sides: “They are very easy to talk to. And they want that we shall success with our business and we have the same agenda” (Sales Manager Segment 1 SE). The Area Sales Manager describes it as that both she and the Sales Managers in A-Company “…prefer to call and then to discuss it in a quick way, and not sending big official requests by mail”.

When customers are to buy large amounts of trolleys, e.g. Coop ordering 20.000 trolleys, the need to negotiate sharp prices is even more pronounced. In such cases the negotiations are still handled in a similar fashion as described above, i.e. informally and via telephone, but with slightly different persons as on B-Company’s side the Head of Export is brought in. “For example now when we are going to negotiate with the Danish supermarket chain, then [the Sales Manager for Segment 1] is very much in charge of that, together with [the Product Manager] and [the Head of Export]” (CMO A-Company HQ). Furthermore, the companies for certain customers jointly hold a negotiation, as described by Managing Director 1 B-Company:

> "There is a common understanding especially when it comes to assisting one another in direct sales pitches. So if [A-Company] needs consulting somewhere then our Export people or product managers or so fly there quite spontaneously and one makes joint sales pitches. […] There are also no big discussions in relation to that, who pays the costs etc. and there is a natural support that requires no further regulations."

From A-Company's side, these joint negotiations are described as having acknowledged an increased focus on the end customers' needs in terms of both products and price level. The mutual negotiations are also seen as way to decrease the length of the price negotiations. "We don't have time to go back and call [Head of Export] and say 'Ah, they want 3% more', 'No, we can't do that'. And then I go back to the customer 'No, we can't get 3% more' and so…so forth and back. Also they think they are getting better prices now that they are talking directly to the producer." (Sales Manager Segment 1 DK)

In relation to both of the above scenarios, the discussions between A-Company and B-Company almost exclusively concern margins, given the price pressure exerted by the customer. Further, A-Company emphasizes to be very transparent with their margin in connection with the big tenders and practices resembling open-book accounting occur: "We are very open when we talk about business opportunities; we present where we are and what margin we have" (Sales Manager Segment 1 SE). Yet, the openness is primarily concerning information from A-Company, as illustrated by the following statements:

> "Transparency has improved, so for big tenders we discuss how much margin it is ok that we have. But we have never discussed how much margin it is ok that [B-Company] has." (Product Manager DK)

> "We are very open on what margin we are having on a [B-Company] trolley to [B-Company], but they are not that open the other way. I don't know exactly what the cost price is for B[B-Company] producing a trolley." (Sales Manager Segment 1 DK)

> "Naturally we do not tell and inform [A-Company] about everything." (Managing Director 2 B-Company)

For larger tenders, the one-sidedness is apparent in the way the final margin is split. "[T]hen we say our margin and they tell us 'Ok, if you take [X %] then we take [X %]'" (Sales Manager Segment 1 DK). Thereby, B-Company sets the selling price to the end customer and divides the margin between B-Company and A-Company yet the exact split of the margins is not shown to A-Company. From B-Company's point of view the way of handling the situation is described as follows:

> ”We analyze what is the price we need to meet to be interesting for the customer, and then we look into the pricing which we offer to [A-Company] – what is their margin and what is their need as a minimum margin and what is our need for a minimum margin. […] And if the result is positive, we go ahead – but if the result is negative, I just see how we can get this thing off the ice.” (Head of Export B-Company)

In relation to this A-Company has expressed a wish for more formal guidelines in the price negotiations. ”Maybe we could find some kind of structure where we say that ‘ok, producer gets 2/3 and reseller gets 1/3’ […]. But we have not come to that yet. And I do not know the [B-Company] structure, how it is, if there is... how their structure, cost-price structure is” (Product Manager A-Company DK).

The two companies have had discussions with regards to finding a standard solution for dividing margins and profits. Yet on B-Company’s side there is a wish for maintaining the operational freedom of A-Company that today is created through both the regularly occurring informal price negotiations as well as the negotiation for larger tenders. A standard solution is seen as potentially limiting A-Company’s ability to use their local market knowledge in choosing which customer accounts to target since many of the large key accounts won that today are of strategic importance in gaining additional tenders have special discounts connected to them with individual negotiations. This reluctance on B-Company’s side has thus inhibited the formulation of behavioral guidelines in connection with pricing.

Potential alternative sourcing

A further issue arises when price negotiations still do not yield a competitive price and tenders are about to be lost. As the CMO of A-Company HQ describes: “There is a challenge if we have a need for a trolley that the customer demands has a certain price level and we are not able to fulfill that need in the [B-Company] product portfolio, also not by negotiating […] are we free to find an alternative or do we stay loyal to [B-Company]?”. Consequently by exclusively sourcing B-Company trolleys that represent a premium brand on the market, which is reflected in the pricing, A-Company “says goodbye to some turnover and that is a schism in the sales department” (Controller A-Company HQ).

Discussions have been held internally within A-Company whether to also provide a low-cost alternative to the customers to protect the contribution margin for the premium B-Company products. The COO of A-Company SE further explains the reason for wanting to introduce a lower-cost alternative to customers: “We have been lowering our margins dramatically through the years but it's not only the margin has dropped, the sales have dropped meanwhile. So the total contribution from the trading goods has dropped dramatically too” (COO A-Company SE).

So far no low-cost producer brand has been introduced in A-Company and the loyalty to B-Company products for trolleys remains. Foremost, the sales managers drive the loyalty by choosing not to source other trolleys. "If you look at the shopping trolleys we don't have an alternative and we shouldn't have, I think" (Sales Manager Segment 1 DK). However, that the practices of staying loyal are unquestioned by the key persons handling the relationship to B-Company is questioned internally. However, during the pricing and sourcing discussions that are held with top-management and the sales management, the sales management is described as reluctant to impose a second brand. The CEO of A-Company HQ describes:

> "Then we are sitting discussing here, around the table in the sales management, and we are discussing 'Should we have a B-quality?' And the first thing which is brought on the table is 'but [B-Company] will never accept us to have a B-quality'. And then I say 'sorry gentlemen, I don't care what [B-Company] is saying about this, let's forget about that, then we talk it afterwards with [B-Company] about it'. […] But there is, due to the relationship they say 'no, we cannot do because [B-Company] will not accept it'. Then we say 'But listen, this is extra sales you can do, so please Mr. sales guy open be open and see that there are new possibilities'".

4.4.2 Price negotiations, souring and competition in the shelving-relationship

In the relationship for shelving, there are several tensions arising relating to price negotiations, sourcing of products and customer accounts outside of the Nordic region.

Price negotiations

The low-cost producers' entry on the market has also increased the price competition for metal shopfitting globally and in the Nordic region. As a result, the negotiations with suppliers in general in shelving have toughened, as illustrated by the Sales Manager Segment 2 SE: "We are sourcing more for the best price and be competitive in the sourcing. Because that is our problem today with this market situation. We have a lot of turnover but we have too many costs, too high costs in our purchase and that we need to improve".

The standard procedure when doing shelving business is the use of concept sourcing, where all individual shelves needed to create complete store solution are sent out as individual inquiries to potential suppliers. This enables a price comparison to what it would cost to produce the shelving internally and between suppliers as basis for price negotiations. If a shelf is sourced from B-Company, the price is obtained from the standard price list that is sent each year to A-Company, and these are in general not negotiated for shelving despite being negotiated for all other suppliers. "We get the prices from [B-Company], so it's not an open discussion" (Key Account Manager 2 SE). Thereby the procedure relating to the sales agency relationship in trolleys and entrance gates is applied also for shelving, despite A-Company not representing B-Company in that product category, but rather using B-Company products as one of many sourcing companies.

However, due to the almost daily contact held in relation to it between the Sales Manager Segment 1 SE and DK as well as the Product Manager DK, some price negotiations are possible also for the shelving transactions if the managers or purchasing personnel in shelving contact either of the two key persons. As the Sales Manager for Segment 1 SE describes: "[Segment 2] had a problem to make competition and then I told them 'ok, I will call [B-Company]' and I succeeded in getting a little bit of a better price due to my relation with these people".

For shelving, the price negotiations are viewed as important to be able to close the deal with the customer for the complete solution at a price both that the customer accepts and that allows A-Company to have a proper margin on the tender. Yet, as the negotiations are handled today, the pressure on the prices and obtained discounts are not always considered satisfactory. The Product Manager DK explains: "We are discussing better prices, because we need that. But we have done it in a softer way and not everyone understands it and accepts it". The partnership in trolleys is prioritized over obtaining the most competitive price for the shelving in question, as described by the Sales Manager Segment 1 SE: "The price negotiation is a little tricky because the main product that we sell from [B-Company] is the trolley and otherwise it's quite small volumes. If it was another supplier we would be more clear and tough in saying 'if we want to go there, we have to have these and these prices'. We are not that…tough".

In the sourcing of shelving the Supply Chain Manager SE emphasizes that to be competitive in the market "…[B-Company] should be treated, as I look at it, as a supplier to get the best pricing, lead time, delivery, routines, payment terms". Further, the pricing discussions include illustrating the purchase price obtained in relation to what margin A-Company has, as that is part of the price discussions for trolley and this is not the standard procedure for shelving in relation to other suppliers. "A normal supplier, I would never tell him which product that goes to which customer and what price I can get (Key Account Manager 2 SE).

Sourcing shelves for a joint trolley and shelving customer
At times, there are customers that purchase both trolleys and shelving within the same tender. Such customers are most frequently served within the Segment 2 segment, even if – due to the trolley ordering – usually a customer assistant or manager foremost dealing with trolleys assists in handling these accounts. The Sales Manager in Segment 2 SE explains: "I go through [the Sales Manager Segment 1 SE] and he gives me some trolleys that is suitable for this kind of customer. I haven't been in contact with [B-Company]. Then we do a mix of persons that I and [the Sales Manager Segment 1 SE] are going to meet the customer and discuss shopfittings and such things". For the serving of these customers, there is an ambiguity described in relation to the gentlemen's agreement concerning the exclusive sourcing from B-Company in trolleys. As A-Company sources the trolleys exclusively from B-Company, there are questions about whether the same behavior is expected in relation to shelving for such a customer. As the Sales Manager Segment 1 DK explains: "But if you

talk about shop systems…of course we are in a delicate situation sometimes. Should we sell our own produced system or should we sell a [B-Company] system?".

In relation to customers that are to purchase both trolleys and shelving, there is often an attempt made to sell shelving systems from B-Company. As the tender partly concerns trolleys, there are always salespeople for trolleys involved in handling the end-customer. Thereby, the tender passes either the Product Manager in Denmark or the Sales Manager Segment 1 in Sweden, who try to also make part of the shelving sourced from B-Company. "In Denmark the manager for [B-Company] products tries to put it in the concepts when they do total [shopfitting] concepts, to have [B-Company] in it if it is also trolleys there" (Controller A-Company HQ). The CEO of A-Company SE similarly states: "If we approach, let's say a medium-sized retailer, there we can sell in our solution and there we of course promote for the B-Company system". Also, the Sales Manager of Segment 1 SE states: "To me it is clear, if B-Company has a product, we sell that product, we don't sell anything else".

However, the price competition in the market causes the personnel of shelving sales to not see this as positive at all times. "The [B-Company] system that is very nice for interior, shelves and so […] but we like to take things from Vietnam because it is very much cheaper than if we construct it in Germany so then we can compete better" (Project Assistant). The COO in A-Company SE further explains: "The margin is quite low with the [B-Company] products, comparing with the products we are producing or components we are buying".

Glancing towards the market outside the Nordics

As the difference in standard measures for Scandinavian versus European shelving is decreasing, there are increased opportunities for A-Company to sell to customers outside of the Nordic region. "We want more to develop solutions; we want also to expand out of the Nordic area. That primarily means we are following customers" (CEO A-Company HQ). Yet, this is not seen as unproblematic in relation to B-Company, despite that the potential expansion concerns shelving and not trolleys. The COO in A-Company SE states: "If you look at it from outside it can easily be so that we have a shopfitting inquiry from a company that can be interesting for [B-Company] as well. But there is close cooperation… we have a history of having a cooperation with the trolleys, so it is difficult then".

As the shelving produced by A-Company has a lower price range than the shelving of B-Company, increasingly customers from outside the Nordic region are approaching A-Company directly with inquiries for shopfitting items. An example of this is the case with IBO[6], a German company with a network of stores in Europe that approached A-Company in relation to a remake of their stores in Germany. The tender concerned metal shelving that was to be produced according to the design

6 Fictional customer name

specified by IBO. Whilst the sales people in Segment 2 saw this as a great opportunity for increasing both turnover and profit, there were discussions held with the Sales Managers in Segment 1 and the Product Manager DK whether or not the inquiry should be forwarded to B-Company. The Sales Manager Segment 1 SE describes the duality: "What should we do with that inquiry? Should we go to [B-Company] and say 'should we do this together? Should you do it? Should we do it?' As I saw it we should talk to [B-Company] about it".

Usually, the managers from the trolley-relationship try to limit the answering to such tenders. Yet, for IBO it was decided after internal discussions within A-Company, that the company should construct samples for IBO and thereby answer to the inquiry. However, this was done without directly informing B-Company of the tender, as A-Company did not know whether or not B-Company also was involved in the tender process. The Product Manager DK explains: "Something like this can create tensions as they probably would like that customer for themselves". When discussing the inquiry, Key Account Manager 1 SE however states "But I associate [B-Company] with trolleys or something, the shelving we do. They know much more about what we do in Segment 1 internally in [B-Company], than with shopfitting".

5. Analysis

5.1 Sub-unit relationships and governance packages

This part further analyzes the case findings aiming to answer our first research question of how the presence of different sub-unit relationships affects the governance package of an inter-organizational relationship between two firms. Firstly, we summarize the main case findings representing step one and two in our theoretical framework (see section 2.3), and thereafter we further analyze the controls and control patterns present in the relationship, representing step three in the theoretical framework.

5.1.1 Summarizing the case findings

By adopting a compound perspective, the case findings show that the inter-organizational relationship between A-Company and B-Company consists of two simple relationships, the trolley-relationship and the shelving-relationship. These two relationships are identified to be of different types, i.e. *Joint Partnership* and *Customer-Supplier* (Ross and Robertson 2007), yet have similar governance packages in place to govern the interaction taking place. Similar to Cullen and Meira's (2010) reasoning we find one relationship with closer cooperation – the trolley-relationship – and one with more arm's-length transaction focus – the shelving-relationship.

The indifference between the governance packages despite the different underlying relationships, presents a mismatch according to contingency theory that would suggest that the specific circumstances and characteristics of each relationship should be taken into account in designing and implementing controls (e.g. Chenhall 2003). However, in the case at hand the similar governance packages can be explained by using Ross and Robertson's concepts (2007) – path dependency as well as economic and strategic importance – which reveals an extremely dominant simple relationship, the trolley-relationship. The extreme dominance of the trolley-relationship is not only seen in the relationship per se, but also in the governance packages that reflect the specific needs and circumstances of the dominant simple relationship. Consequently our findings support the observation of Ross and Robertson (2007) that "many firms focus solely on the simple relationships" (p. 110). Moreover, this study indicates that in the case of an extremely dominant relationship and only one other simple relationship, the focus can even lie only on one simple relationship, which in this case would be the trolley-relationship.

As starting point for our further analysis we identify and classify the controls according to the framework of Ouchi (1979) and the control patterns according to the categorization described in the study of Van der-Meer Kooistra and Scapens (2008). For a summary of the tools and archetypes present in the compound governance package, see *Table 4*.

	Social controls	Outcome controls	Behavioral controls
Hierarchical practices	Product trainings	Budget Budget report Monthly follow-up Quarterly sales report	Standardized sales inquiry Standardized order process Open-book tendencies
Relationship practices	Sharing of financial information Informal interaction processes Gentlemen's agreement Product and brand identification Informally selected key persons Company visits	Nordic sales meeting	
Market practices			Price list

Table 4. An overview of the control tools present in the compound governance package.

5.1.2 Sub-unit relationships and controls

When applying a compound perspective on the governance package, this study illustrates how the controls, even though being the same in both governance packages, can have different effects on different sub-unit relationships, in terms of effectiveness and mode of function.

The controls in the governance package to govern the relationship between A-Company and B-Company are a mix of social, outcome and behavioral controls (Ouchi 1979). Especially, emerged social controls are what governs the relationship – the gentlemen's agreement as well as the informal ad-hoc handling of both daily problems and price negotiations has become an embedded part of the behavior between the two parties and the same holds for the informal selection of key employees in A-Company to handle the contact between A-Company and B-Company. We see a potential explanation for this in the long duration of the relationship as this has yielded continuous interaction (Van der Meer-Kooistra and Scapens 2008). Another potential explanation could be the relatively smaller size of the transactions and case companies compared to what is found in other studies such as the railway alliance in Dekker's (2004) case that would require more formal controls in place to structure the coordination.

The tools interact with each other and are used in combination, similar to what is found in previous studies (e.g. Kraus and Lind 2007). The formally imposed tools mainly refer to outcome controls in terms of the budgets, budget follow-ups and sales reports and behavioral controls in terms of the price list. However, contrary to Dekker's (2004) suggestion, formal accounting controls in terms of outcome or behavioral tools do not play a significant role in the governance of the relationship. Rather, social controls primarily govern the relationship and seem to, in line with Dekker (2004) impact on the need for formal tools. In the relationship between A-Company and B-Company the social controls cause the outcome controls to invite for joint discussions rather than strictly monitor performance. Similarly, the sales targets set are meant to be more guiding and are used more for motivation than for strict control of achievements, and the behavioral tool of the price list invites for further discussions rather than dictates the terms of interaction. Thus, this is similar to what Langfield-Smith and Smith (2003) find in terms of the adoption of a market-based practice in a relational pattern. Also, similar to what is the case in Carlsson-Wall et al.'s (2011) study, emerged social controls have a high level of influence on the governance of the inter-organizational relationship. However, this study illustrates by applying a compound perspective that the impact of such emerged social controls differs for the different sub-relationships.

To illustrate, as A-Company lately has experienced performance problems, top-management has pressured sales managers for increased turnover and improved margins. Whilst the suggestion of introducing a low-cost brand parallel to the B-Company trolleys was rejected by the trolley-relationship's sales managers due to the gentlemen's agreement, the shelving-tender from the German customer IBO was replied to by the shelving managers despite the gentlemen's agreement guiding for a rejection of the tender. Thereby, the social controls did not impede the potential competition between A-Company and B-Company in the latter case. Thus, even though the same emerged social tool prevails in both sub-unit relationships, it appears to have a different impact on the behavior of the relationship participants. Similarly to Carlsson-Wall et al.'s (2011) study, the above illustrates how the internal financial situation of one of the partners affects the prioritization of actions in the inter-organizational relationship. However, by taking on a compound view we identify that the effect is merely found in one of the relationships – the shelving-relationship – rather than overall.

A reason for this seems to be that the trolley-relationship exhibits a stronger identification with B-Company as a brand, which causes them to stay loyal. Whilst trolley-personnel view themselves as almost part of B-Company, the shelving-personnel view themselves as more independent from B-Company. Similarly to the findings of Håkansson and Lind (2004), the trolley-relationship managers and the Self-Service unit in B-Company have developed shared norms and values and have a stronger shared view on the two companies as being one, compared to the employees handling shelves and the Shopfitting unit in B-Company. Therefore, the emerged social control of both brand identification and the gentlemen's agreement govern more strictly in the trolley-relationship compared to the shelving-relationship. The mismatch of the governance package to the underlying relationship causes the tools in place to be less effective in governing for the shelving-relationship, as the emerged social controls are not as pronounced compared to the trolley-relationship.

The difference in mode of function of the tools in place becomes apparent when studying the tensions arising in the relationship between A-Company and B-Company. Van der Meer-Kooistra and Scapens (2008) discuss how a governance package of a lateral relationship can cause firmness or flexibility. This study illustrates that if there is one governance package imposed on two different underlying relationships, emergent controls in the governance package can cause flexibility for one relationship yet firmness for the other.

In general, when setting the price of the products being sourced by A-Company from B-Company, there is a clear starting point, the standard price list. This price list provides the exchange between the two parties with an *economic structure* in the sense of Van der Meer-Kooistra and Scapens (2008). However, there is also always the option to make this list the object of further informal discussions if considered necessary as the emerged social control of informal negotiations through the key persons is present. Hence the combination of price list and negotiation option constitutes a *minimal structure* within which both sides can maintain their autonomy, whereby the price list provides firmness, yet the negotiation option creates room for maneuver to adapt to new situations (Van der Meer-Kooistra and Scapens 2008). Yet, this holds true foremost for the trolley-relationship.

For the trolley-relationship, the negotiations create flexibility in being able to target any type of customer with regards to pricing requirements. The key persons that handle the price negotiations for trolleys can make use of their direct and close link into B-Company. Besides, in their negotiations they are supported by the high goal congruence on both sides with regards to the partnership in trolleys that causes the governance to be in a cooperative way. An inherent feature of such cooperative coordination is that the entities involved align their plans and interact to seek an appropriate solution (Håkansson and Lind 2004).

When looking at the shelving-relationship, the negotiation option rather induces firmness. As the shelving employees choose among several suppliers and mainly look at the sales price, they employ a market logic when interacting with B-Company. Yet, the shelving employees do not hold the price discussions themselves, but have to go through the key persons with a trolley focus as this is the emerged practice for being able to negotiate at all. As a result, the prices are not negotiated as aggressively as wished for by the shelving employees. Therefore, the negotiation option that causes flexibility and room for maneuver for the trolley-relationship becomes essentially a firmness for the shelving-relationship due to the fact that the dominant trolley relationship filters the communication to B-Company and the key persons handling the negotiations prioritize the cooperation within trolleys. Thereby, the emerged social tool of the informally selected spokesmen and informal price negotiations has different modes of function for the two relationships.

We reflect upon the fact that both of the different effects described above primarily relate to emerged social controls. Studying the imposed tools, the case is similar to what Anderson et al. (1994) state in their paper; A-Company and B-Company only actively manage one relationship, the trolley-relationship. All formal controls but the price list are put in place to foremost govern the trolley-relationship – both those implemented by B-Company such as the quarterly sales report and Nordic Sales meetings and those implemented by A-Company such as the monthly budget. For example neither A-Company nor B-Company focus on the shelves when discussing the financial reports; rather the trolley-relationship is in focus. The presence of these tools in the shelving-relationship rather becomes a procedure to perform for the accounting department. Thus, the imposed formal tools are primarily developed to govern the trolley-relationship and therefore have a limited governing effect in the shelving-relationship. However, the emerged social controls, despite stemming from the trolley-relationship, have an effect in both sub-relationships, even though the effect is sub-relationship specific.

5.1.3 Sub-unit relationship and control patterns

When comparing our case findings with inter-organizational studies employing a perspective of control archetypes or control patterns that implicitly constitute governance packages, several points for discussion emerge. Firstly, similar to other research in the area (e.g. Van der Meer-Kooistra and Vosselman 2000, Langfield-Smith and Smith 2003; Håkansson and Lind 2004; Van der Meer-Kooistra and Scapens 2008) we find traces of all three control patterns in the governance package in place between A-Company and B-Company. There is the price list indicating market practices, the B-Company budget and product trainings being hierarchical practices and the gentlemen's agreement being a relationship practice (Van der Meer-Kooistra and Scapens 2008). With regards to the pricing of B-Company products even a combination of all three governance practices can be seen in connection with one activity. Here the starting point is the product catalogue and a standard price list, which is mainly used by salespeople in the shelving relationship to compare price and offering with other suppliers, i.e. a market pattern. However, there is the option to seek informal negotiations with B-Company through the key persons, which hence falls under the relationship pattern. Yet, in the case of large tenders, B-Company decides the margin for A-Company, which indicates hierarchical practices.

Despite the fact that the governance package for the relationship between A-Company and B-Company exhibits traces of all three patterns, the clear majority of practices is related to the relationship pattern, e.g. sales meetings and company visits, gentlemen's agreement, coordination through key persons, and mutual sharing of sales information (Van der Meer-Kooistra and Scapens 2008). Further, mainly social forms of control as well as intensive communication characterize the alternative pattern in the case at hand, similar to the alternative archetype described by Van der Meer-Kooistra and Vosselman (2000) and Langfield-Smith and Smith (2003). From A-Company's side this is a way to create less rigid structures with room for negotiations, which resembles the findings of Cäker (2008) that "social mechanisms work to complement or bypass these bureaucratic mechanisms if they are considered problematic to coordination" (p. 248).

In addition to the classification of governance practices and packages, several of the management accounting studies on control archetypes develop models indicating of which contingency factors influence the choice of the pattern used (Caglio and Ditillo 2008). Such studies often take on a firm-wide perspective why we see that taking a compound perspective could add another dimension to such models.

For example the studies of Van der Meer-Kooistra and Vosselman (2000) and Langfield-Smith and Smith (2003), where the latter builds upon the former, study management control patterns based on contingency factors relating to characteristics of the transaction, the environment and the parties. Applying these models to the case of A-Company and B-Company, and disregarding potential effects of the differences in the setting, the contingency factors for the shelving-relationship and trolley-relationship differ. The shelving-relationship has many suppliers to choose from with low switching-costs which indicates a market-based control pattern, whilst the trolley-relationship has a high interdependency and long-term cooperation with B-Company which indicates a trust-based control pattern. In such a case the model proposed by Van der Meer-Kooistra and Vosselman (2000) used with a firm-wide perspective would potentially capture only the dominant relationship's contingent factors on the overall level and thereby overlook the non-dominant relationship. If however a compound perspective is applied and the shelving-relationship is identified as a separate relationship, another control pattern for governing the relationship would be described by the model.

Thus, the above illustrates that in a dyadic relationship with a dominant sub-relationship, the mix of control patterns found on an overall level – i.e. the compound level – can be traced back to the contingent characteristics of the dominant relationship. The compound mix of governance patterns present between A-Company and B-Company – foremost including aspects from an alternative pattern such as trust and communication, complemented with market and hierarchical practices – can clearly be linked to the practices that are developed for the trolley-relationship.

To conclude, this case illustrates how the presence of different sub-unit relationships not necessarily has implications for the governance package in place if there is a dominant relationship. The governance packages for both the trolley-relationship and the shelving-relationship are similar with regards to imposed controls, emerged social controls and the mix of control archetypes. However, given that the sub-unit relationships are different, this study illustrates how the controls within the package can have a different impact on the sub-unit relationships both in terms of how effective the controls are in governing what they aim to govern and also in terms of their mode of function in creating firmness or flexibility. Hence in light of our first research question the above implies that in a compound dyadic setting with different types of sub-relationships, there can be different effects of the controls within a governance package despite their design being the same.

5.2 Balancing between controlling and enabling

This part of the further analysis of the case findings corresponds to step four in our theoretical framework (see section 2.3) and aims at answering our second research question regarding what affects companies' ability to balance between enabling and controlling use of the controls in the governance package. Applying Mundy's (2010) concepts in an inter-organizational setting calls for adaptation as the controls in an inter-firm governance package cannot only be formally imposed, but also emerge over time, and the governance in general involves managers from both sides of the relationship (Van der Meer-Kooistra and Scapens 2008, Kraus and Lind 2007).

Firstly, this section shows that when taking such a wider perspective, not only the use of the imposed controls matters, but also the *employment* of emerged social controls. Secondly, we will show how internal consistency and logical progression (Mundy 2010) seem to play an important role in balancing between enabling and controlling also in an inter-organizational setting, and in our case how this was heavily influenced by both suppression and dominance/historical tendency. Thirdly, we suggest that in a compound dyad the ability to balance between enabling and controlling also is affected by the presence of *dispersion* and *absorption* by managers participating in the relationship exchange.

5.2.1 Imposed and emerged controls

The governance package in place for the relationship between A-Company and B-Company has both imposed controls as well as emerged social controls that have arisen due to the continuous interaction during the long history of the relationship. This is in line with Van der Meer-Kooistra and Scapens' (2008) argumentation that governance packages are "evolving through the experiences of the parties in the relationship" (p. 382). The case findings illustrate how not only the imposed controls are used in enabling or controlling ways. Rather, also the emerged social controls contribute to the balance between enabling and controlling as they also form part of the governance package.

Exemplifying with the trolley-relationship, both A-Company and B-Company stay within their informally assigned geographical regions, as this is perceived as what is appropriate to maintain the partnership in trolleys. The gentlemen's agreement overall has a controlling function in limiting which regions to go into and which trolleys to source, despite not being actively used by the managers in a controlling way. Rather the emerged social controls can be argued to be *employed* in a controlling way. The controlling effect is caused by the social group pressure to behave in line with what the emerged social control calls for. There is therefore a self-regulating aspect in the emerged social controls, rather than the control being used in a controlling way by a manager.

The same phenomenon can be observed with regards to another emerged social control in the governance package – the informal price negotiations. The informal approach in handling the price negotiations on a customer-by-customer basis enables A-Company to target any type of customer account as they can negotiate their cost price with B-Company, thereafter add their margin and still obtain a competitive selling price towards the customer. Thereby the emerged informality is *employed* in a way to go around the fixed prices in the price list, which enables A-Company to search for strategic customer accounts.

Thereby there is a balance between controlling and enabling employment of the emerged social controls that managers do not influence other than by interpreting how to behave in the relationship. As a result, the balance between enabling and controlling in an inter-organizational setting must take into consideration not only the balance between an enabling and controlling use of the formally imposed controls, but also the employment of emerged controls. Thus, as a governance package consists of both formally imposed and emerged controls (Van der Meer-Kooistra and Scapens 2008), the enabling and controlling aspect must take both types of controls into account. Thereby, the original definition of the ability to balance between enabling and controlling (Simons 1995; Merchant and Van der Stede 2007; Mundy 2010) must be extended to include both use and employment of controls.

5.2.2 Internal consistency and logical progression in an inter-organizational setting

Reviewing the governance of daily operations from the perspective of the trolley-relationship, there is a mutual emphasis on keeping the relationship on an equal hierarchical level – despite the power imbalance – and mutually benefiting from the partnership in terms of winning tenders.

Formally imposed tools, such as the company visits and product trainings, emphasize the strong link between A-Company and B-Company in trolleys through the brand and product identification that has developed over the years of cooperation. Further, the emerged informal practices of communication emphasize the informal, equal way of dealing with each other. This is also seen in how the gentlemen's agreement guides both parties' search for customers and both honor the exclusivity between them. The emerged and employed control in having the key persons communicate with B-Company from A-Company's side re-emphasizes the informal ways of cooperating and the importance of maintaining personal relations. All this is further reflected in the use of budgets and reports that has a primary informational rather than controlling purpose in the discussions regarding market development. However, whilst Van der Meer-Kooistra and Scapens (2008) find such practices in an early stage of development of social structures, this is in our case found after a significant amount of years of cooperation. Targets developed are jointly agreed upon, yet there is no punishment or rewards connected to the achievement of those targets. The formal price list serves more as a point of departure for negotiations that are conducted on a customer-by-customer basis. Thus, there are both enabling and controlling features present, yet together the controls – both used and employed – ensure that the equality in the partnership is maintained and tenders are won.

Emerged social controls are employed and imposed outcome controls are used and they jointly communicate a coherent message, which indicates that *internal consistency* is present (Mundy 2010). Yet, similar to the cases Mundy (2010) describes, the internal consistency is withheld by the *suppression* of certain controls, in this case behavioral controls. A-Company calls for more behavioral tools such as regular phone conferences and setting joint plans in order to reach sales targets, yet neither B-Company nor A-Company impose any behavioral tools as this is seen as potentially limiting the operational freedom of the parties. Thus, there is an active suppression to ensure that the internal consistency is upheld.

There is a mix of enabling and controlling aimed at keeping the behavior of both parties within the aims of the relationship – the gentlemen's agreement, the standard price list and joint sales monitoring and targets – but also supporting the search for new opportunities – the informal approach allowing for flexibility in price negotiations and the use of budgets primarily for discussions. However, the message communicated causes an emphasis on enabling and decision-managing rather than decision-controlling (Sánchez et al. 2012), in line with de-emphasizing the power imbalance and ensuring a mutual partnership that is competitive in the marketplace. Thereby the internal consistency does affect the balance between enabling and controlling also in an inter-organizational setting, as the aim for a coherent message affects how the imposed controls are used and the emerged controls are employed.

Turning to *logical progression*, i.e. the order of use of the formal controls, Mundy (2010) in her case study finds cycles of enabling or controlling use of controls. Contrary, the case of A-Company and B-Company illustrates a constant *dominance* of emerged social controls as a result of the *historical tendency*. The relationship has a long history of being built upon friendship between owners and personal relations have always played a large role in the interaction between the two parties. Further, this view on the relationship is still found within the organizations and causes enabling social controls to influence the order and use of all other controls. Thereby, the relationship's origination from a friendship still influences the governance practices today and the logical progression has not evolved with the relationship as Mundy (2010) suggests, but rather has been reinforced over time. This contributes to the enabling focus of the controls used and employed in the price negotiations and sales target discussions.

However, whilst the logical progression and internal consistency create an enabling emphasis on the controls for the trolley-relationship, the same does not apply for the shelving-relationship. As illustrated in section 5.1, what creates the enabling aspect in the trolley-relationship's search for customers creates controlling factors for the shelving-relationship in how to conduct negotiations. The message communicated in the controls refers to the trolley-relationship and the importance of maintaining a partnership there, yet the shelving-relationship does not incorporate such a partnership. The internal consistency in the governance package in communicating the importance of the partnership thereby creates a controlling focus in the governance of the shelving-relationship.

Similar to how Mundy (2010) finds that the control package studied was internally consistent in the short-term but not in the long-term, the governance package between A-Company and B-Company appears internally consistent in daily operations but not when negotiating larger tenders for trolleys. When studying joint price negotiations with large customers, the governance package appears to be internally inconsistent. The partnership is still emphasized in the mutual presence at customer locations, yet if the prices cannot reach competitive levels without B-Company significantly lowering their margin, B-Company formally imposes temporarily behavioral tools in deciding the margin to be split and requiring A-Company to agree. Thereby the equality is no longer emphasized, but rather the power-imbalance is made visible. Firstly, similarly to what Kajüter and Kulmala (2005) find, the dominating organization – B-Company – forces the dominated counterpart – A-Company – to show their books and reveal their cost structure. Thereafter, B-Company takes an executive decision on the margin towards the customer and how it is to be split between the companies. Thus, the internal consistency in the governance package is distorted as this temporal behavior tool dominates all the other tools used (Mundy 2010) in order to win the tender. There is no longer a focus on an equal partnership.

The situation described is in line with the findings of Donada and Nogatchewsky (2006) illustrate that customer firms with dominant suppliers often want to impose behavioral tools whilst the dominant supplier do not accept that and thereby the customer-firm has to rely on social controls such as developed personal relationships. This is highly visible in the case findings of this study. We acknowledge that the equity-link between the companies, and not only the market-power of B-Company, might have an impact on the way this is handled. However, the suppression of behavioral tools from B-Company's side in both of the daily operations and the larger tenders is viewed by B-Company as an active choice to not limit the enabling aspects of the partnership for A-Company.

Thereby, internal consistency, logical progression, dominance/historical tendency and suppression also apply in an inter-organizational setting as affecting the ability to balance between controlling and enabling use and employment of controls. In a compound setting, the impact of these factors can be observed in both sub-relationships, yet if only focused on the dominant relationship they can cause reverse effects in terms of enabling or controlling on the dominated sub-unit relationship.

5.2.3 Dispersion of control and absorption of tensions in a compound setting

Van der Meer-Kooistra and Scapens (2008) find that specific individuals play an important role in the interfaces between the relationship parties and that this affects the accounting practices as well as both formal and informal information flows. Similarly, this case study shows that the two key persons from A-Company's side have significant impact in maintaining the interface between the two corporations. They handle all price negotiations, participate in all sales meetings, enable an informal approach to targets through their personal relationship with the Export department in B-Company and act as the spokesmen for A-Company in the relationship overall. This occurs despite them not being formally assigned to handle the compound relationship. This is therefore contrary to the case describe in Håkansson and Lind's (2004) study where there are officially assigned managers for the overall relationship. We see a potential explanation for this in the relatively smaller size of the cooperation between A-Company and B-Company compared to the cooperation between the units of Ericsson and Telia.

As a result, these managers have a key role in affecting the balance between enabling and controlling uses and employments of controls in the governance packages for both simple relationships. Yet, the key persons in A-Company are in fact only serving and safeguarding the interests of one sub-relationship, the trolley-relationship. With the aim of protecting the partnership in trolleys, they are employing the emerged social controls from the trolley-relationship to the shelving-relationship and thereby *disperse* the governance practices. Doing so creates tensions between the A-Company managers of the shelving-relationship and the governance package in place, for example with regards to the limitation of promoting the products they want for joint trolley and shelving customers. However, these tensions are only apparent within A-Company as the key persons by prioritizing the aims of the partnership in trolleys *absorb* the tensions and manage them internally.

This is visible in all three tensions described for the shelving-relationship. In the price negotiations, the key persons act in the interest of trolleys and handle the negotiations for shelving as they deem appropriate, i.e. dispersing the prioritization of the partnership as communicated by the controls in the governance package for trolleys. This is done regardless of the managers responsible for shelving wanting otherwise, and thereby the key persons absorb the pricing tension in the interface to B-Company. When there are joint customers, the key persons aim at incorporating B-Company shelves, despite the managers for shelving preferring other suppliers – thereby dispersing the sourcing loyalty and absorbing the conflict that would arise if not aiming to source B-Company products. When foreign customers approach A-Company, the key persons disperse the norms of the gentlemen's agreement in reminding managers of the geographical split and absorb the risk of a dissolution of the agreement.

Hence, when studying dynamics of governance packages in a compound dyadic setting with a dominant relationship, there can be dispersion of controls by managers from the dominating relationship. Yet, these managers absorb resulting tensions that arise between the internal aims of a dominated relationship and the aims of the governance package foremost taking the objectives of the dominant relationship into account. Both absorption and dispersion are however dependent on the presence of specific individuals that handle the interface between the two parties in the relationship. Both these practices ensure that the stability created in the dominant relationship and the balance between enabling and controlling uses and employments of controls are maintained for the dominant relationship.

6. Conclusion

This study aims at providing insights into the complexities and dynamics of control in dyadic inter-organizational relationships acknowledging that they can consist of a portfolio of sub-relationships, in line with current research (e.g. Håkansson and Lind 2004; Cullen and Meira 2010). Two main research questions have been addressed. Firstly, we aimed at understanding how the presence of sub-unit relationships affects the governance package of a dyadic inter-organizational relationship. Secondly, we aimed at shedding light on what affects organizations' ability to balance between enabling and controlling uses of the controls in an inter-firm governance package, acknowledging sub-unit relationships. Thereby, this paper contributes to inter-organizational accounting literature by acknowledging the presence and effects of sub-unit relationships and dynamics when studying control in a dyadic relationship, subjects that have received limited attention in this area of research.

This study illustrates how the presence of sub-unit relationships not necessarily causes any effects with regards to the control tools or control patterns found within the governance package. By mapping the individual sub-unit relationships and their respective governance packages, using compound theory (Ross and Robertson 2007) combined with the framework of Merchant and Van der Stede (2007) and allowing for emerged social controls, we find that in the case of a dominant sub-unit relationship the controls present in the governance package were the same for both sub-unit relationships. Thus, the governance practices in place for the dominant sub-unit relationship are found to also govern the other sub-unit relationships.

However, when further analyzing the different controls present we find that they can have different effectiveness and mode of function for each sub-unit relationship. This effect is primarily found in relation to social controls (Ouchi 1979) that have developed over the years of interaction between the two case companies, i.e. emerged social controls.

In relation to the ability to balance between enabling and controlling use of the controls in a governance package, this study shows how Mundy's (2010) concepts – internal consistency, logical progression, dominance/historical tendency and suppression – are of importance also in an inter-organizational setting. However, we recognize that in an inter-organizational setting not only the use of controls has to be studied but also the employment of emerged social controls, as they become part of the governance package over time (Van der Meer-Kooistra and Scapens 2008).

Lastly, similar to Van der Meer-Kooistra and Scapens (2008) we find that the interface between the two firms in this study to a large degree is dependent on specific individuals. In connection with this, we find that in a compound setting the ability to balance between enabling and controlling uses and employment of controls also depends on the degree to which such key persons *disperse* control practices from the dominant relationship to other sub-unit relationships and *absorb* resulting tensions.

All in all, our study demonstrates that the perspective of compound theory (Ross and Robertson 2007) can serve as a mean to conceptualize some of the complexities found when studying the governance of inter-firm relationships.

6.1 Limitations and suggestions for further research

In light of having presented our findings, some limitations must be acknowledged. Firstly, even though A-Company and B-Company operate independently, B-Company owns shares in A-Company, which may have impacted the governance practices and behaviors observed. However, we believe that the potential impact is limited as there is a general power-imbalance between the two case firms due to the exclusivity in sourcing and dominant market position of B-Company that would have been present regardless of the equity-link. Yet, we still cannot disregard this as a potential factor of influence on our findings.

As previous research on governance packages in compound relationships and the balance between an enabling and controlling use of controls within such is limited, the single-case method was chosen to generate first insights within this area of research. However this methodological approach causes the findings to be derived under the specific circumstances of the study object and thus caution must be taken in generalizing them.

The maturity of the relationship studied is significant as the cooperation started over 50 years ago. Thus, the results of this study may not be applicable to more recently established compound dyadic relationships, especially with regards to emerged social controls. That differences in social situations must be taken into account is also highlighted by Cäker (2008) who similar to this study investigates both formal and informal controls. Also, our conclusion regarding the limited impact of sub-unit relationships on the governance package itself was derived in a setting characterized by the presence of a dominant relationship. Therefore, we see a need for considering and exploring this conclusion further in empirical settings with more equal simple relationships.

Overall, we also see potential for studying relationships of three- or four-role types where particularly the presence of a competitor relationship seems interesting from a governance package perspective. Further, as complexities in terms of sub-unit relationships within a dyad can also be found crossing different functional units (Håkansson and Lind 2004), compound relationships involving several functions also provide an avenue for further research.

Finally, as the role of key persons seems to be of importance in lateral relationships (Van der Meer-Kooistra and Scapens 2008) this could be explored further in terms of investigating the consequences of dispersion of control practices and absorption of tensions, for example with regards to the performance of the relationship.

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CEO A-Company SE, Chief Executive Officer, A-Company AB, 2012/10/16.

CFO A-Company HQ, Chief Finance Officer, A-Company A/S, 2012/11/07.

CMO A-Company HQ, Chief Marketing Officer, A-Company A/S, 2012/11/07.

Controller A-Company HQ, A-Company A/S, 2012/10/16.

COO A-Company SE, Chief Operating Officer, A-Company AB, 2012/10/16.

Customer Assistant SE (Segment 1), A-Company AB, 2012/10/25.

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Appendix

Interview Guide

Below the themes that served as a basis for the semi-structured interviews can be found.

General questions

- Main responsibilities
- Years in the company
- Description of the operations of the organizational unit in question
- Objectives and targets of the unit

The relationship to B-Company/A-Company

- General description of the cooperation and relationship
- Main processes/activities where interaction with B-Company/A-Company occurs
- The interviewee's role in the relationship between A-Company and B-Company
- The nature and content of interaction in the relationship
- Contact of other staff in team/unit with B-Company/A-Company
- Interrelations between the different units in B-Company/A-Company

Control tools for governing the relationship

- The process of a transaction with B-Company/A-Company
- The process of daily work in relation to B-Company/A-Company
- Formal tools: Accounting procedures, Shared data, Contracts, Targets, Defined responsibilities, Policies, Meetings, Means of communication
- Informal tools: Values and goals, Personal contacts, Unspoken business practices

Handling problems

- Typical issues that arise
- Problems relating to other organizational units
- Potential spill-over effects from other units
- Persons involved in the handling of problems
- Structures in place for the handling of problems
- General solutions