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Inter-organizational control and firm boundaries in close relationships: Evidence from car sales in Sweden

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Addressing two separate but related research gaps, this study contributes to the field of inter-organizational control (IOC) in the contextually distinct dealer setting, exploring the relation between IOC and different forms of firm boundaries. Building on prior research on market-based, hierarchical and relational control patterns and on theories of firm boundaries, we develop an analytical framework. Using a qualitative case study of the inter-organizational relationship between a premium car brand and its dealer network in Sweden, we first find that the dealer setting puts specific demands on relational control patterns to mitigate hierarchical rigidity. Second, we apply our analytical framework and conclude that the combination and integration of control patterns is driven by the need to set strategic firm boundaries that permeates legal boundaries, stressing the importance of boundary spanning actors and forums.

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1. Introduction

"With independent dealers it's more like a live game every day, instead of just ordinary practice. They lean forward and try harder" (Sales Director Premium Sweden) *"It has gone from being an entrepreneur […] to being more of a franchisee. I can't do whatever I want. It has become much tighter"* (Dealer Director)

In today's industry, firms are increasingly engaging in inter-organizational relationships (IORs) in order to stay competitive (Meira, Kartalis, Tsamenyi and Cullen, 2010; Mahama, 2006). Historically, the development of IORs have been driven by globalization and technological transformation, as these factors have led to increased competition and made it difficult and inefficient to maintain non-core expertise (Kraus and Lind, 2007). Instead, by extending the firm's boundaries through collaborating with other organizations, core competencies can be focused on (Kajüter and Kulmala, 2005; Langfield-Smith and Smith, 2003; van der Meer-Kooistra and Vosselman, 2000). However, as two or more organizations form a relationship, coordination across firm boundaries is required (Dekker, 2003; Hopwood, 1996; Tomkins, 2001), and due to limited information, the relationship inhibits risk (Busco, Giovanni and Scapens, 2008; Das and Teng, 2001). Thus, inter-organizational control (IOC) is recognized as imperative in making the business relationship successful (Dekker, 2004; van der Meer-Kooistra and Vosselman, 2000). However, as accounting and traditional management control frameworks are constructed for intra-firm settings (Caglio and Ditillo, 2008; Dekker, 2016; Håkansson and Lind, 2004), and the IOR blurs the legal boundaries of the individual firm (Håkansson and Snehota, 1997; Coad and Cullen, 2006), IOC becomes an important and complex topic.

The growing literature on IOC has primarily studied two categories of IORs, namely the vertical and traditionally upstream relationship between a buyer and a supplier, and the horizontal strategic alliance or joint venture (JV) relationship (Caglio and Ditillo, 2008; Dekker, 2004). In the first category, bargaining power is often asymmetric and concentrated to the buyer firm, and IOC is focused on cost efficiency in product development or manufacturing (see e.g. Caglio and Ditillo, 2008; Cooper and Slagmulder, 2004; Seal, Cullen, Dunlop, Berry and Ahmed, 1999; Thrane and Hald, 2006). In the latter category, spanning from the merely intention-based strategic alliance to the investment-based JV, bargaining power is typically more symmetric and task interdependence lower. This means parties can generally choose to exit the relationship without risking their core operations (Das and Teng, 1998; Langfield-Smith and Smith, 2003). However, apart from these two typical IORs, less attention has been given to downstream relationships in the distribution part of the value chain, constituting a distinct context in which to exercise IOC (Caglio and Ditillo, 2008). In the few extant papers discussing IOC in a downstream setting, the focus is thus far on understanding the role of specific control systems, e.g. open book accounting (Caglio and Ditillo, 2008).

In their review, Caglio and Ditillo (2008) structure the literature on IOC by classifying it *"on the basis of inter-organizational control solutions, seen in terms of different breadths of analysis"* (p. 866). Resulting in three levels of analysis, the authors designate the categories as control archetypes, management control mechanisms and cost and accounting controls. Within the stream of control archetypes, research has drawn on transaction cost economics (Williamson, 1975, 1985) to characterize three control patterns present in an IOR: market-based, hierarchical and relational. One conclusion from this research is that in an IOR there will be a combination of control patterns to govern the relationship (Håkansson and Lind, 2004; Langfield-Smith and Smith, 2003; van der Meer-Kooistra and Vosselman, 2000). This has particularly been studied by Håkansson and Lind (2004), showing how the overall control of a relationship is based on a complicated structure involving hierarchies, relationships between sub-units and market characteristics. However, as Håkansson and Lind (2004) also emphasizes, previous research has provided little understanding of how the control patterns are combined and integrated, and what drives this dynamic.

Currently the automotive industry is at an all-time-high in terms of vehicle volumes, with yearly revenues from sales of new cars totaling roughly USD 2,75 trillion. At the same time, it continues to be characterized by fierce global competition, threatened by technological development and changing consumer behavior, making the future market increasingly uncertain for large incumbent car manufacturers (McKinsey & Company, 2013, 2016). Within this structurally important industry, the aim of this study is to examine IOC in a car dealer setting. More specifically, we study how control patterns are combined and integrated in a context where relationships are rigid and maintained over a long period of time. Particular focus is given to the role of dynamic firm boundaries, using a wider theoretical perspective on what is demarcating the organization and its environment. We argue that firm boundaries play a critical role in understanding IOC at a holistic level and have been overlooked in prior research. Focusing on the Swedish subsidiary (referred to as *Premium Sweden*) of a global premium car manufacturer and its relationship with independent dealers, we look at IOC in the distribution part of the value chain of the automotive industry. Addressing both the empirical gap of the dealer setting and the theoretical gap of how control patterns are combined and integrated, we put forward two separate research questions:

1. *How does the distinct characteristics of the dealer setting influence the control patterns used in an inter-organizational relationship?*
2. *How does the need for different forms of firm boundaries affect the combination and integration of control patterns in inter-organizational relationships?*

To answer these research questions, we have conducted an exploratory qualitative case study based on 19 interviews conducted at both sides of the IOR, as well as practical pre-study work. Drawing on prior research on control patterns within IOC and theories of firm boundaries, an analytical framework is developed and subsequently applied in the analysis of the case.

In conclusion, our findings show that contextual circumstances and dynamic firm boundaries are important in explaining how control patterns are combined to govern an IOR, contributing to the scarce research about the combination and integration of control patterns. First, there is a need for relational control to handle a relationship that is not exited easily, that is characterized by activities dependent on motivation and energy, and that entails applying a standard agreement on a heterogeneous dealer network. Second, focusing on firm boundaries, the consequence of adopting certain efficiency and power boundaries drives a need for relational control patterns to draw boundaries of competence and identity in order to attain balanced control of the IOR. Here, the use of actors and forums that can act as boundary spanners are significant in achieving the required relational control patterns that blur the less strategic market-based boundaries of efficiency across the IOR.

The remainder of this study is structured as follows: in the next chapter, an account is given of the forms of inter-organizational arrangements that prior IOC research has focused on. Subsequently, a literature review on IOC is presented, followed by an account of theories on firm boundaries. Thereafter, we develop a theoretical framework based on control patterns and firm boundaries. In the third chapter, the methodology of the study is presented. The fourth chapter describes the empirics of the case study, while the fifth chapter contains our analysis based on our empirics using previous research and the theoretical framework. The sixth and final chapter outlines our conclusions and contributions, as well as limitations and suggestions for future research.

2. Theory

This chapter presents prior research that is relevant in order to answer our research questions, namely IOC and firm boundaries. We start off by elaborating on the forms of inter-organizational arrangements that this research has focused on and highlight how the dealer setting is different. In the next section, we distinguish between the different control solutions that IOC has been categorized in, with an emphasis on control patterns. In the second section of the chapter we introduce the boundaries of the firm as an alternative theoretical perspective. Building on these two sections, we then develop a theoretical framework in the last section of this chapter.

2.1 Literature review

2.1.1 Forms of inter-organizational arrangements

Organizations typically engage in buyer-supplier IORs in order to outsource tasks to be able to focus on core competencies (Baiman and Rajan, 2002; Seal et al, 1999). The partner selection process is often carried out through competitive bidding and IOC is commonly focused on enhancing product development, cost reduction, manufacturing and product quality (Cooper and Slagmulder, 2004; Baiman and Rajan, 2002; Seal et al, 1999). In such IORs, the engagement is often initiated by the buying organization, which is characterized as the focal firm of the IOR, having the ability to direct and arrange different suppliers in a network and possessing an information advantage (Baiman and Rajan, 2002; Seal et al, 1999). In this type of relationship there is commonly an underlying dimension of opportunism, as independently controlled organizations are expected to act in accordance to their own agenda (Seal, Berry and Cullen, 2004). This can result in constantly evaluating potential new partners and thereby shorter time frames of the IORs (Seal et al, 1999, 2004; Tomkins, 2001).

On the other hand, a strategic alliance is characterized as a longer-term relationship focused on strategic topics, e.g. jointly exploiting resources in order to achieve a competitive advantage (Coletti, Sedatole and Towry, 2005; Kraus and Lind, 2007; Langfield-Smith and Smith, 2003). As the relationship is engaged in on a mutual basis with the aim of collaborating to achieve a joint goal, there is seldom a focal organization with sole decision power (Kraus and Lind, 2007; Tomkins, 2001). Due to an underlying dynamic of exploring mutual benefits, it can be argued that if one organization is not satisfied with the IOR it will terminate the relationship (Das and Teng, 1998). Furthermore, a common problem in alliances is the lack of authority and different profit motives (Anderson, Christ, Dekker and Sedatole, 2014). Hence, it becomes important for IOC to handle the allocation of joint profits, but also to craft a common purpose and alignment for the members of the alliance organization (Dekker, 2004, 2016).

In contrast to the buyer-supplier and strategic alliance, the dealer IOR has more in common with a franchising setting, as described by Frances and Garnsey (1996). In similarity to their description, the dealer setting is characterized by a focus on sales and marketing, demanding IOC that facilitates motivation and energy. This contrasts the buyer-supplier IOR, where IOC is commonly focused on cost management and the strategic alliance where IOC often is centered around handling appropriation concerns. Also, while there is often a focal organization, owning e.g. a brand, facing limitations in switching partners may make the power balance more dynamic or equal, as the alternative to part from each other is mutually unattractive. Thus, it becomes clear that the dealer setting has different demands on IOC compared to the buyer-supplier and strategic alliance IOR. Even so, this distinct context in the distribution part of the value chain has previously been scarcely studied (Caglio and Ditillo, 2008), providing us with an empirical area ripe for in-depth IOC research. The above categorization of inter-organizational arrangements is summarized in Table 1 below.

Table 1. Characterization of inter-organizational arrangements

	Buyer-supplier	Strategic alliance	Dealer
Common purpose of arrangement	Outsourcer focus on core competencies, cost control	Leverage joint resources and knowledge, innovation	Sales and marketing, sharing of risk, focus on core competencies
Characteristics of partner selection and power structure	Competitive bidding, common to have one focal firm	Strategic choice of partner, mutual division of power	Legacy and strategic partner selection, dynamic power
Common focus of IOC and time frame of arrangement	Cost control and manufacturing, constant partner evaluation	Profit allocation and alignment, time frame based on perceived mutual benefits	Sales and marketing – motivational, longer-term – mutually unattractive to exit

2.1.2 Inter-organizational control at three levels of analysis

The research on the most detailed level of analysis of IOC is centered on the form or function of a single or a few accounting and cost controls (e.g. target costing and open book accounting) and tries to explain what role these systems play in an IOR (Caglio and Ditillo, 2008). Applying activity based costing as a mechanism for IOC, Dekker (2003) finds that formal control leads to increased information and knowledge sharing as well as higher interdependence and trust, thus enhancing cooperation. Similar conclusions are drawn by Kajüter and Kulmala (2005), arguing that open book accounting results in increased trust and that more information sharing and joint tasks results in blurred firm boundaries. Furthermore, Mouritsen and Thrane (2006) acknowledge that management control systems can constitute boundaries of the firm and be both legal and strategic.

Within the second level of analysis, a number of articles (e.g. Baiman and Rajan, 2002; Coletti et al, 2005; Das and Teng, 1998, 2001; Dekker, 2004; Tomkins, 2001) study IOC in relation to contingent variables and/or with regard to consequences of employing different IOC mechanisms (Caglio and Ditillo, 2008). A common theme in these studies is the relationship between formal[1] and informal[2] control (Caglio and Ditillo, 2008). Here, researchers have found that the relationship between formal and informal control is relevant in IOC, particularly as trust as an informal control mechanism can mitigate risk (Das and Teng, 1998, 2001) and as activities span across firm boundaries, formal management control also has to do so (Tomkins, 2001).

[1] *"Formal control consists of contractual obligations and formal organizational mechanisms for cooperation and can be subdivided into outcome and behavior control mechanisms"* (Dekker, 2004, p. 31)
[2] *"Informal control, also referred to as social control and relational governance, relates to informal cultures and systems influencing members and is essentially based on mechanisms inducing self-regulation"* (Dekker, 2004, p. 31)

The three control patterns: Market-based, hierarchical and relational

Drawing largely on transaction cost economics, research categorized within control archetypes study IOC in relation to specific contextual variables, e.g. asset specificity, task programmability and task uncertainty (Caglio and Ditillo, 2008). The underlying logic of these variables is that increased uncertainty and asset specificity demands more complex forms of IOC (Håkansson and Lind, 2007). Distinguishing an IOR in three the phases contact, contract and execution, van der Meer-Kooistra and Vosselman (2000) study how IORs are designed and controlled based on the three control patterns – market, hierarchical and trust[3] – building a model that indicates which control pattern will be used at each phase. Through case study research on the outsourcing and management of maintenance activities in the industrial sector, the authors recognize that there will be a combination of all control patterns in an IOR (van der Meer-Kooistra and Vosselman, 2000). Furthermore, the use of control patterns will be dependent on contextual variables, hence specific control patterns are expected to exist in different environments (Langfield-Smith and Smith, 2003; van der Meer-Kooistra and Vosselman, 2000).

According to van der Meer-Kooistra and Vosselman (2000), competitive bidding will be the control mechanism used in both the contact and execution phase in a market-based control pattern. Here, specific investments are not required and hence many external organizations are able to compete for the contract. Furthermore, in the execution phase, allowing for competitive bidding from new external organizations puts pressure on the current contract holder to enhance efficiency. As a consequence, the barriers to terminate the IOR are lowered and established IOC mechanisms are seldom required (Caglio and Ditillo, 2008). In the contracting phase, the control mechanism used is the price of the transaction, assumed to reflect all relevant information and making detailed contracts unnecessary (van der Meer-Kooistra and Vosselman, 2000). In contrast to the market-based pattern, the hierarchical pattern of control is characterized by surveillance and direction, where the outsourcing organization selects candidate partners based on an elaborate process with formal checks and routines. In the contracting phase of this pattern, detailed contracts are designed to govern the IOR. The supplying organization is then supervised through performance measurement in the execution phase, where detailed information processing and direct intervention is common. Lastly, in the trust-based pattern of control, trust itself is the single most influential control mechanism (van der Meer-Kooistra and Vosselman, 2000). In the contacting phase, suppliers are selected on the basis of trust stemming from previous relations and experiences, while in the contracting phase no detailed contracts are necessary since trust will facilitate cooperation. In the execution phase, IOC is process and cultural based with the aim of building goodwill and competence trust (van der Meer-Kooistra and Vosselman, 2000), whereby frequent personal interaction becomes important to develop trust (Langfield-Smith and Smith, 2003).

[3] Researchers have used different terms in naming the third control pattern (trust, relational, relationship-based, clan coordination, alternative pattern), but principally, all terms refer to the same control pattern

In distinguishing between forms of trust, goodwill trust is defined as the willingness to act in the best interest of the IOR, where commitment is open and the parties are willing to perform more than what is formally expected (Sako, 1992). Competence trust on the other hand is concerned with the other organization's competence or ability to perform tasks with a certain skill and quality (Sako, 1992). Van der Meer-Kooistra and Vosselman (2000) recognize trust as an important control mechanism in governing an IOR, especially when the IOR involves essential tasks with high interdependence, where specific investments have been made into the relationship and close cooperation is necessary, as these factors increase the cost of switching partner.

Based on the model developed by van der Meer-Kooistra and Vosselman (2000), Langfield-Smith and Smith (2003) study the design of IOC, with a focus on trust. Through a study on the outsourcing of IT services, the authors find that a trust-based pattern of control is used rather than a hierarchical or market-based one, partly due to difficulties in output measurability and the importance of goodwill trust to handle risks. However, as performance measurement became more standardized, hierarchical forms of control grew, and the authors observed how trust increased by the use of formal IOC. As goodwill trust was perceived to be low in the IOR at inception, the development of it was salient since the tasks outsourced were strategic and entailed sharing of sensitive information (Langfield-Smith and Smith, 2003). Effective communication around expectations and continuous positive interactions were recognized to enhance goodwill trust. Furthermore, Das and Teng (2001) show that mutual interests, building personal trust and establishing ways of resolving disputes, are other factors that facilitate goodwill trust. Here, mutual interests were established through joint meetings and communication, e.g. the joint development of performance indicators facilitated a forum for discussions. Langfield-Smith and Smith (2003) further find that developing competence trust is less important because it is ascertained before the IOR is established, in line with Dekker's (2004) discussion of partner selection. The authors further show that due to an incomplete contract, outsourcing managers expressed that the lack of an established base of requirements and a way of handling the flow of money resulted in frictions. Because of task complexity, too detailed contracts could not be written without tradeoffs. However, the resulting conflicts and negotiations resulted in more shared values and a common understanding of objectives, building trust.

Drawing on Ezzamel (1992), Håkansson and Lind (2004) explore the connection between accounting and the control patterns through an in-depth case study of a close buyer-supplier relationship in the telecom industry. Similar to van der Meer-Kooistra and Vosselman (2000), they argue that in a market-based control pattern, prices incorporate all relevant information and will thus control the transaction. In a hierarchical control pattern, accounting facilitates budgets and performance measurements, which serve as systems providing managers with information useful in enacting control and power from the center. In the relational control pattern, the role of accounting is in facilitating common values and beliefs, resulting in more mutual control (Håkansson and Lind, 2004). Importantly, Håkansson and Lind (2004) reveal that all control patterns are present in a complex network relationship and argue that in an IOR there has to be exit alternatives, hence a certain degree of market-based dynamics is needed. Without exit alternatives, the IOR will resemble vertical integration and be dominated by hierarchical control. The authors also find that with increased flows between the organizations, the firm boundaries are blurred. Moreover, Håkansson and Lind (2004) in similarity to Mouritsen and Thrane (2006) find that accounting can create new boundaries of the firm that are not the same as the boundaries determined by legal ownership.

Summarizing the discussion of control patterns, previous research show that all control patterns will be present in an IOR, where special attention has been given to the role of trust in relational control (Håkansson and Lind, 2004; Langfield-Smith and Smith, 2003; van der Meer-Kooistra and Vosselman, 2000). Based on contextual variables, van der Meer-Kooistra and Vosselman (2000) argue theoretically that separate control patterns are present in the different phases of an IOR, however recognizing empirically that there will be a combination of control patterns in all phases. Paying special attention to trust, Langfield-Smith and Smith (2003) illustrate the importance of goodwill trust and show that the control patterns used in an IOR change over time. Lastly, Håkansson and Lind (2004) show that the control patterns are used in a complex structure and that the legal boundaries of the organizations become blurred. Previous research has however not paid particular attention to explaining how the control patterns are combined and integrated, as highlighted by Håkansson and Lind (2004). In addressing this research gap, and in acknowledging the important role of firm boundaries in IOC, we will in the following elaborate on theories of what demarcates the organization from its environment. This is a perspective not previously adopted in research that can provide a profound analytical foundation for understanding IOC. More explicitly, we argue that to analyze IOC at a holistic level, a theoretical perspective on firm boundaries is necessary since they are what effectively separates IOC from traditional intra-organizational management control (Dekker, 2016).

2.2 The boundaries of the firm

The boundaries of the firm have been of interest to researchers for many years (Holmström and Roberts, 1998; Araujo, Dubois and Gadde, 2003). Ever since Coase's (1937) study on firm boundaries, researchers have been trying to understand how the boundaries of the firm are determined. Coase (1937) explained the boundaries of the firm from an efficiency perspective, arguing that firms should focus on core activities and place non-core activities outside the firm. Later, Penrose (1959) viewed the boundaries of the firm based on the range of managerial and administrative responsibilities. Replacing these concepts, Richardson (1972) viewed the boundaries of the firm based on capabilities and the activities carried out, building on the concepts of hierarchy, market and relation to illustrate how capabilities are coordinated. More recent research by Araujo et al (2003) has built on the capabilities perspective by viewing the multiple boundaries of the firm in relation to other actors, further developing the concept of capabilities from Richardson (1972).

Since Hopwood's (1996) call for studies on the subject of accounting across firm boundaries, the concepts of accounting and management control in IORs have been widely studied (Caglio and Ditillo, 2008). In a recent review, Dekker (2016) emphasizes the role of boundary spanners in IOC, as these individuals and systems work across firm boundaries and facilitate information sharing and processing (Ireland and Webb, 2007). In doing so, boundary spanners facilitate integration, cooperation and a stable environment between organizations (Ireland and Webb, 2007; Zaheer, McEvily and Perrone, 1998), and play an important role when trying to influence other organizations as contractual control might not be sufficient (Wilson and Barbat, 2015). The determination of firm boundaries can hence play a strategic role since it defines what resources the firm has possession of (Poppo and Zenger, 1998). And as argued by Lorenzoni and Lipparini (1999), close relationships with other firms can allow a lead firm to strategically shift the boundaries of the firm in order to mobilize external capabilities.

To broaden the perspectives on organizational boundaries, Santos and Eisenhardt (2005) draws on a broad spectrum of theories to develop four boundary conceptions: efficiency, power, competence and identity. According to their discussion, the efficiency conception takes a legal view on boundaries, the power conception focuses on the sphere of influence, the competence conception focuses on resources and the identity conception takes a cultural and "who we are"-perspective on firm boundaries. More generally, the efficiency conception is associated with transactions while the remaining conceptions imply a strategic focus (Santos and Eisenhardt, 2005). In the following, a more elaborate discussion of these boundary conceptions is presented in order to deepen the understanding of what can demarcate an organization from its environment.

2.2.1 Conceptions of firm boundaries

Theoretically, the efficiency conception is closely associated with the legal boundary of the firm and implies that the boundary is determined by the cost of conducting a transaction internally, governed hierarchically, or externally, governed by market prices (Coase, 1993; Hart and Moore, 1990; Santos and Eisenhardt, 2005). Where the vertical efficiency boundary is drawn becomes a make-or-buy decision to achieve low costs of governance, since problems of information availability are diminished within an organization and thus the cost of governance is lower (Barney, 1999; Santos and Eisenhardt, 2005). Although the cost of governance is lower within the organization, maintaining extended legal boundaries can result in lower organizational flexibility, especially in uncertain environments (Barney, 1999). Furthermore, as individuals within the same organization possess different knowledge, they will have different views on how to coordinate a task. Although this can be mitigated hierarchically through authority relations, it results in higher costs of coordination (Santos and Eisenhardt, 2005).

Building on both resource dependence (Thompson, 1967; Pfeffer and Salancik, 1978) and industrial organization (Porter, 1980), the power conception concerns strategic relationships with important actors that enhances organizational performance. Thus, in the power conception, the boundaries of the firm are determined as the sphere in which an organization has the power to control other organizations or activities (Santos and Eisenhardt, 2005). Hence, power boundaries can extend past efficiency boundaries, either vertically or horizontally, through ownership but also through non-ownership mechanisms such as alliance boards and incentive contracts (Pfeffer and Salancik, 1978; Santos and Eisenhardt, 2005). This way, the power boundary can be drawn outside the legal boundary of the firm in order to gain strategic control of important external actors and activities (Pfeffer and Salancik, 1978; Santos and Eisenhardt, 2005). Thus, the focus shifts from a specific transaction to strategic relations which can enhance organizational flexibility (Santos and Eisenhardt, 2005). Exploring this dynamic in a study on strategies for integrating distribution channels, Rangan, Corey and Cespedes (1993) observed how organizations increase control over a relationship through non-ownership mechanisms such as increased support and incentives. Thus, by extending the power boundary, organizational performance can be enhanced without demanding ownership (Santos and Eisenhardt, 2005).

Focusing on how actors in organizations create and utilize specific resources or knowledge (Penrose, 1959; Chandler, 1977), the competence conception of firm boundaries is centered around what resources the organization should have in order to seize opportunities and gain competitive advantages (Santos and Eisenhardt, 2005). This implies a dynamic view of firm boundaries where the organizational resources are fitted with the external environment through access without acquisition (Santos and Eisenhardt, 2005). Here, activities demanding similar resources should be internalized while activities that demand different resources should be externalized (Argyres, 1996). In the competence conception, market dynamism is key and affects how resources are combined, typically being more loosely coupled in more dynamic, fast-paced environments (Bingham and Eisenhardt, 2008). Moreover, Eisenhardt and Martin (2000) argue that organizations can have dynamic capabilities through taking advantage of resources of other firms. This way, competence boundaries do not have to match the vertical boundary of the firm, i.e. firms can possess knowledge of processes or products that they do not internalize in order to stay flexible (Lichtenthaler and Lichtenthaler, 2009; Santos and Eisenhardt, 2005), potentially leading to vertical and horizontal boundaries mismatching.

Drawing from theoretical bases of managerial cognition (Walsh, 1995; Weick, 1995) and organizational identity (Albert and Whetten, 1985; Dutton and Dukerich, 1991), the identity conception of firm boundaries takes a holistic approach and is concerned with creating a social context and beliefs for organizational members (Santos and Eisenhardt, 2005). Thus, Santos and Eisenhardt (2005) argue that the identity boundary creates a *"coherence between the identity of the organization and its activities"* (p. 500). According to Weick (1995), organizational members conduct sense-making which translates into cognitive frames that reduce uncertainty and facilitate decision-making by providing guidance. When these cognitive frames are communicated by organizational leaders, they can create an organizational identity through interaction between individuals (Porac, Thomas, Wilson, Paton & Kanfer, 1995; Santos and Eisenhardt, 2005). Furthermore, Rindova and Fombrun (2001) observe how organizational identity can create commitment and emotional attachment to a firm for both internal stakeholders such as employees and external stakeholders such as customers. Thereby, the identity of the organization extends the perceived boundary of the firm (Santos and Eisenhardt, 2005), which can be managed through e.g. having control over a brand in a network (Holmström and Roberts, 1998).

In summary, the boundaries of efficiency take a transactional view, where the organization is demarcated by its legal boundaries and organizations outside that boundary constitutes the environment. Second, in the power conception of boundaries, the organization is bounded by the sphere of influence dictated by both ownership and non-ownership mechanisms, and the organizations that are part of the efficiency-based environment can thus be part of the same organization. Third, boundaries of competence focuses on the resources used in activities among organizational members, making custom organizations possible that can span boundaries of both efficiency and power. Lastly, the boundary conception of identity provides a holistic view, demarcating organizations from environments by a sense of belonging, notwithstanding other conceptions of boundaries.

The four boundary conceptions are not static as they can be coevolutionary, synergistic and dominate each other (Santos and Eisenhardt, 2005). The power conception often overlaps the efficiency conception, building upon its foundation. Furthermore, the competence conception has more of a strategic focus and will in most cases dominate the efficiency boundary. However, the competence and efficiency conception can also be synergistic, meaning using one conception can leverage the use of the other conception. Similarly, the competence and power conceptions can also be synergistic, but the power conception will likely dominate if competing. The identity conception will often dominate all the other conceptions, although the power conception can overrule in critical situations. Furthermore, the identity and competence boundary conceptions can coevolve, indicating their similarity in not having their base in legal or contractual arrangements.

In order to utilize the above theoretical elaborations on firm boundaries in understanding IOC and addressing our research gap, we will now proceed to explore the conceptual relationship between the different forms of firm boundaries and the control patterns. In doing so, we examine the theoretical viability of our proposition that IOC and firm boundaries are interconnected notions that need to be considered in conjunction. In the following, we will therefore develop a framework that incorporates these theoretical concepts through an analytical discussion, aiming to provide predictions of the roles of firm boundaries in exercising IOC.

2.3 Theoretical framework

In their study, Håkansson and Lind (2004) show that in a long-term, interdependent IOR with many interfaces, all control patterns are used. This can be a result of the contexts of the relationship having varied characteristics, demanding all control patterns to be applied (Langfield-Smith and Smith, 2003; van der Meer-Kooistra and Vosselman, 2000). The control patterns can furthermore blur the legal boundaries in an IOR, giving rise to strategic forms of boundaries (Håkansson and Lind, 2004; Mouritsen and Thrane, 2006). Equivalently, the boundaries between actors and groups in the relationship will likely play roles in determining the control pattern package that most effectively governs the relationship, since there often are contextual reasons for forming a specific type of boundary, e.g. to increase trust (Kajüter and Kulmala, 2005) or to compensate for an incomplete contract (Langfield-Smith and Smith, 2003). Also, since the complexity of IOC increases with environmental uncertainty and asset specificity (Håkansson and Lind, 2004), the complexity of firm boundaries should also increase. The subsequent question is that if control patterns and firm boundaries are thereby fundamentally connected and essential in understanding control and coordination in IORs, how should their relationship be theoretically described? To answer this, we will assess the meaning of the conceptions of firm boundaries through the lens of the control patterns. By doing this, we elaborate on how control patterns conceptually emerge and interact with the conceptions of firm boundaries in an IOR. This theoretical discussion will provide a perspective on how we should expect the combination of IOC patterns to develop, extending the focus on contextual variables affecting IOC solutions (as discussed by e.g. Langfield-Smith and Smith, 2003; van der Meer-Kooistra and Vosselman, 2000) to issues concerning boundary management.

2.3.1 Managing boundaries through control patterns

As Santos and Eisenhardt (2005) argue, the boundary conceptions are based on a notion that boundaries are the demarcations of organizations and their environments, implicitly making room for other theories and views of firm boundaries than the classical transaction-based. This basic notion of an organization and its environment provides us with a perspective on boundaries, in which the form and purposes of organizations and environments must be allowed to diverge and change, particularly since close relationships can allow firms to shift their boundaries (Lorenzoni and Lipparini, 1999). Drawing on the separate views of what demarcates the organization and what is the resulting environment, we can conclude that the conceptions of firm boundaries must be combined in order to cater for complex flows – especially in IORs characterized by a multitude of activities, interdependencies and interests. Importantly, increased flows should lead to organizational boundaries blurring, as argued by Håkansson and Lind (2004). Also, since strategic boundaries are separate from legal ones (Mouritsen and Thrane, 2006; Santos and Eisenhardt, 2005), a combination should be desired. Thus, governance strategies that enables the use of boundaries of efficiency, power, competence and identity have to be present simultaneously and in a balanced combination, as accounting (Håkansson and Lind, 2004;

Mouritsen and Thrane, 2006) and arguably control patterns, can construct these forms of boundaries.

Starting from a basis of legal boundaries, it is control patterns that make these clear which will facilitate utilization of the efficiency conception of boundaries. Here, control mechanisms that enables market-based coordination are governing the relationship and managing the boundary, as market-based coordination takes place outside the legal boundary (Hart and Moore, 1990; Santos and Eisenhardt, 2005). The efficiency boundary is put in focus by negotiations of primarily costs and contracts between an organization and its environment, where there can be no vagueness of legal boundaries. Drawing on van der Meer-Kooistra and Vosselman (2000), in the execution phase of an IOR, market-based controls such as competitive bidding will be present, setting an efficiency boundary between organizations. Providing a base for more strategic control and coordination, the efficiency boundary needs to be clear when it comes to making use of classical market dynamics. Establishing a legal boundary that makes this possible is a basic requirement, but this needs to be reinforced through facilitating a market-based control pattern between the organization and its environment, which can be done through both organizational and structural components in the IOR. Otherwise, without an element of market-based control, the IOR will resemble vertical integration (Håkansson and Lind, 2004), where the use of different boundaries will diminish.

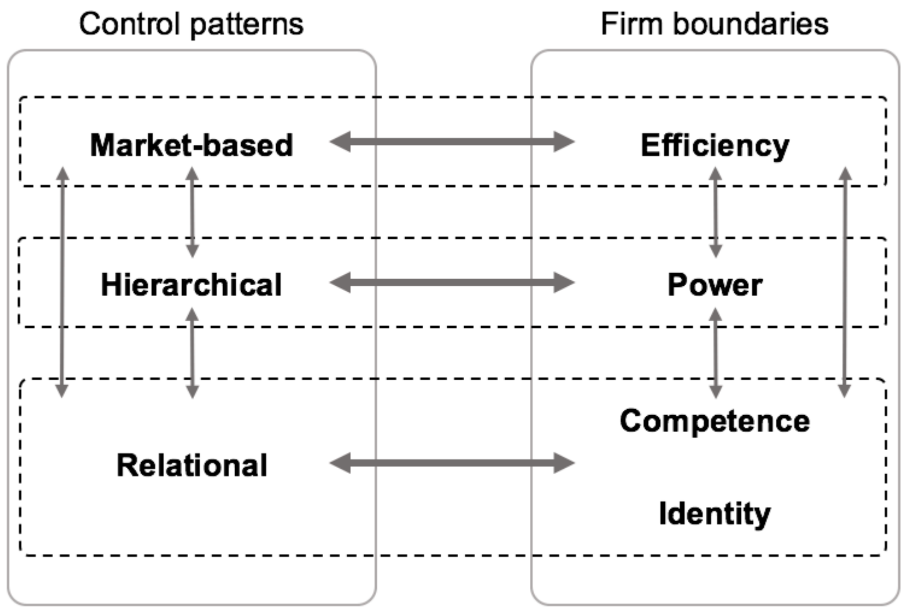
Through a hierarchical control pattern, boundaries of power can be drawn as they dictate the sphere of influence an organization has, articulating where that influence ends and transcends into a surrounding environment (Santos and Eisenhardt, 2005). Non-ownership mechanisms such as contracts that include incentives for reaching targets will thereby facilitate a power boundary that extends into parts of the legally demarcated environment (Pfeffer and Salancik, 1978; Santos and Eisenhardt, 2005), creating an organization that is hierarchically bounded from its environment rather than legally. At the same time, complexity of tasks means there will be incomplete contracts within an IOR, and as these can lead to tensions (Langfield-Smith and Smith, 2003), there will be a need for relational control patterns to set other forms of firm boundaries. Power boundaries makes strategic control and influence over external forces possible while maintaining strategic flexibility, and provides access to not only dyadic forms of IORs but can facilitate a central network position through acquiring a sphere of influence that permeates boundaries of several external organizations. Furthermore, through adjusting the hierarchical control pattern managing the power boundary, an organization can achieve a balance between what should constitute the environment, having flexibility, and what actors or activities should be inside the power boundary, thereby being controlled.

For boundaries of competence, organizations and environments are demarcated according to how resources are combined and directed rather than which entity owns or controls them, similar to Araujo et al's (2003) development of Richardson's (1972) concept of capabilities determining firm boundaries. Thus, the relational control pattern needs to be applied where boundaries of competence are demanded, as neither a market-based or hierarchical control pattern is capable of facilitating such boundaries. A relational control mechanism that can facilitate boundaries of competence is through developing competence trust, as it relates to the other organizations' competence and ability in performing a certain task (Sako, 1992). Instead of allocating costs or determining influence, the focus is on achieving outcomes through combining resources or competencies across boundaries of both efficiency and power. However, as the competence conception of boundaries is also related to boundaries of efficiency (synergistic) and power (complementary), the relational control pattern has to be applied with regard to how and where the market-based and hierarchical control patterns are used. This reinforces the notion that control patterns need to be thought of as a package tailored to the environments faced by an IOR, rather than seen as adopted in separate parts of a relationship. That is, neither the conceptions of boundaries or the control patterns applied can be considered in isolation, as they interplay constantly.

Lastly, boundaries of identity are perhaps most clearly facilitated through a relational control pattern that enables an understanding of the mutual and collective purpose of the IOR, not least since relational control is characterized by creating common values and beliefs (Håkansson and Lind, 2004). Furthermore, the characteristics of identity boundaries closely relates to Sako's (1992) concept of goodwill trust, and since trust is a mechanism of the relational control pattern (Håkansson and Lind, 2004; Langfield-Smith and Smith, 2003), it facilitates boundaries of identity. Following Langfield-Smith and Smith (2003) we also argue that through trust, identity boundaries will form around relational control mechanisms that facilitate discussions. Further, referring to Das & Teng (2001), developing mutual interests, building trust and establishing ways of resolving disputes through discussion and communication should reinforce the identity boundary. Therefore, every part of an IOR that adheres to a consistent image of "who we are" also belongs to a common organization bounded by this identity, and it can evolve over time across boundaries of efficiency, power and competence through interactions (Porac et al, 1995). Achieving control through developing a shared identity in a relationship reinforces what the identity-bounded organization stands for, and can thereby be useful in environments where market-based or hierarchical control patterns prove inadequate, such as when trying to influence another organization on a strategic level (Wilson and Barbat, 2015).

Summing up the theoretical approach presented above in an illustrative framework (see figure 1 below), we make explicit the connections between the conceptions of firm boundaries and the control patterns. Through our discussion of how boundaries of different forms are required in parallel depending on the nature of the IOR, we see that control patterns need to be combined and integrated to facilitate setting these boundaries. Furthermore, the dynamic exchange across different boundaries and control patterns is emphasized.

Figure 1. Illustration of the relation between control patterns and firm boundaries



3. Method

In this chapter the methodology applied in the study is outlined and discussed. In the first section the research design is explained, with a focus on the qualitative approach and case study design. In the second section the case company is introduced. In the third section, the process of gathering data is described, with a focus on the interview process and structure. Lastly, the credibility of the study is discussed in terms of reliability and validity.

3.1 Research design

3.1.1 Combining an exploratory perspective and qualitative approach

In this study, we aim to develop a deeper understanding of IOC in the IOR between Premium Sweden and the Swedish dealer network, in doing so studying how different control patterns are used to control the sales and marketing of cars. In order to get a thorough understanding of the relationship and its dynamics, an exploratory approach is adopted (Saunders, Lewis and Thornhill, 2009). The exploratory approach allows us to have a broad perspective in the beginning of the study in order to narrow the scope as a deeper knowledge of Premium Sweden and the dealers is gained during the research process (Saunders et al, 2009). This allows for a flexible methodology that can be adjusted as our data is collected (Eisenhardt, 1989; Otley and Berry, 1998). This approach has been useful for the studied IOR, since the relationship is complex with different business units and organizational members interacting on different levels and with different frequencies. Furthermore, as much is dependent on the different actors' subjective understanding, the flexible methodology has allowed for a dynamic research process.

Since this study investigates *how* control patterns are integrated, Ritchie, Lewis, McNaughton Nicholls and Ormston (2014) as well as Silverman (2010) argue that a qualitative approach can be beneficial since it is flexible and allows for in-depth investigation. Furthermore, a qualitative approach allows us to explore nuances, the different organizational members' perceptions and the context of the studied phenomena (Barbour, 2014; Ritchie et al, 2014), which has been important in conducting this study since our empirical setting is relatively unexplored in terms of previous research in IOC.

3.1.2 Case study research approach

The case study research approach is a method that allows for the use of both qualitative and quantitative data (Eisenhardt, 1989; Yin, 2014). As explained above, this study will focus on qualitative data. Otley and Berry (1998) contend that a case study approach is useful when trying to acquire a thorough understanding of the relative importance of accounting controls and understand them in their wider context. This has been important in our case since both market-based, hierarchical and relational control patterns are present in the IOR to different extents and in different situations. With a case study approach we have been able to capture the less salient dynamics, which have turned out to be of importance in controlling the IOR. Furthermore, a benefit of the case study approach is that it allows for using multiple data sources (Eisenhardt, 1989; Yin, 2014). As the relationship studied involves subjectivity in terms of emotional embeddedness and interviewees' individual understanding, using multiple sources has been useful in order to triangulate the data and acquire a foundation of knowledge to build from in the interview process.

In this study we focus on a single case, namely the IOR between Premium Sweden and the dealers. Although representing a single case study, more than one dealer organization has been subject for interviews. Due to the differences in size and structure of the dealers, it has become evident during the research process that the IOR is perceived differently and that different dynamics play out in the separate dyadic Premium Sweden-dealer relationships. By limiting our research to a single case study we could get a deeper understanding during a relatively short research period (Dyer and Wilkins, 1991), which is fruitful when the case represents a unique setting or is scarcely studied (Saunders et al, 2009). It is recognized that it cannot be argued that IOC is scarcely studied, however the empirical setting in our case study portrays a context that has received limited attention within previous research of IOC.

Although we argue that a single case study is the most useful research approach to study IOC in our empirical setting, we admit that our approach entails certain limitations. This mainly regards the level of generalizability[4] (Saunders et al, 2009). As it foremost relates to the lack of making

[4] *"[...] whether your findings may be equally applicable to other research settings, such as other organisations"* (Saunders et al, 2009, p. 158)

statistical inferences to generalize the results on a wider population (Dubois and Gadde, 2002). However, our contributions aim to develop current research on IOC and the understanding of the dealer setting, in contrast to explaining a phenomenon over a wider population. Using a quantitative approach, implying greater generalizability, would entail a drawback in not getting the level of depth we believe is necessary for our study. Hence, we argue that the cost of generalizability outweighs the benefits for this study. A middle ground would be to conduct a multiple case study, as this yields a higher level of generalizability (Saunders et al, 2009). However, the scope of this study is not to provide a comparison between different organizations, and such an approach would also constrain the ability to achieve the level of depth needed considering the time frame of the study.

3.1.3 Developing a theoretical framework

Two common approaches to conducting research is the deductive and inductive process (Saunders et al, 2009). With a deductive process a theoretical framework is first developed from which hypotheses are then constructed, and these hypotheses are then tested with empirical data (Saunders et al, 2009). An inductive approach implies that empirical data is gathered and analyzed, and from this empirical base a theoretical framework is developed that can explain the empirical findings (Saunders et al, 2009).

Combining the deductive and inductive approach, Dubois and Gadde (2002) present a process fruitful in case study research, called an abductive process. The abductive approach implies that the process of developing a theoretical framework and the gathering of empirical data is an intertwined process. This is the process that has been deployed in this study. We first developed a general literature review and framework on IOR and IOC as well as the different forms of inter-organizational arrangements, in order to acquire a basis of knowledge. As data was gathered and a deeper understanding of the Premium Sweden-dealer IOR was established, the literature review could be revised and developed further. During this process the analytical framework was developed, which is suitable in case study research (Barbour, 2014). A benefit of this approach is that both the empirical investigation and the analytical framework can be further explored and better understood as both theory and empirics are developed in parallel (Dubois and Gadde, 2002). Moreover, both the interview questions and the research questions could be refined during the research process.

3.2 The case of Premium Sweden and the dealers

The importance of IOC in the IOR between Premium Sweden and the Swedish dealer network was first experienced in the fall of 2015, when one of us worked at Premium Sweden. During the time spent at the case company, the dynamics of the IOR was discovered. Alongside working at the case company, a smaller study was conducted where the IOR was further explored and the use of different control patterns in the relationship became evident, laying the ground for conducting this study. Due to the established relationship between one of us and Premium

Sweden, it has been possible for us to dig deep into the organization and interview employees both at Premium Sweden and the dealer organizations. Furthermore, knowledge of the points of entry could be leveraged and access to the case company was ensured.

3.3 Data collection

3.3.1 The gathering of data

There are several established ways of collecting data when conducting a case study, such as interviews, observations and archival sources (Eisenhardt, 1989; Yin, 2014). In this study, our primary source of data is direct interviews. As one of us has temporarily worked at Premium Sweden and observed the IOR between Premium Sweden and the dealers from the inside, this has provided an initial understanding of the IOR. In addition to this, agreements have been examined to get a better understanding of certain processes and an objective understanding of the more formal hierarchical control mechanisms. Interviews have been conducted at both parts of the IOR, i.e. Premium Sweden and the dealers. Interviewing both parts of the IOR has provided a more nuanced description of the significance of the different control patterns, which we believe results in a more objective and theoretically relevant depiction.

Our initial contacts for this study was with the CEO and the Sales Director of Premium Sweden. During the first interview with the Sales Director the organizational chart of Premium Sweden was investigated in order to identify which parts of Premium Sweden have direct contact with the dealer organizations and in what way. Thus, the gathering of data started in Premium Sweden and then moved into the dealer organizations. Although the influence from the CEO and Sales Director could imply a bias, this has been mitigated through scrutinizing early data in the light of later knowledge. Interviews have been conducted at four different dealer organizations, in which two are larger dealer groups within the network and the other two represent medium sized dealer groups. In total 19 interviews have been conducted of which 11 with representatives from Premium Sweden and 8 with representatives from the dealers. The direct observations consist of day-to-day work at Premium Sweden during the four-month period in which one of us worked at the company and pre-study interviews. The direct observations relating to dealer organizations consists of site visits at the dealerships and attendance at an executive education programme for directors and managers of the dealer organizations. Furthermore, the document that stipulates the incentive structure for the dealers (the Bonus Bible) has been examined.

3.3.2 Interview methodology

The interview methodology applied has been a semi-structured interview approach (Saunders et al, 2009). The semi-structured approach has allowed for flexibility at the same time as certain topics have been covered in all interviews. A benefit of the semi-structured interview approach is that the interviewees have been able to express what they feel is most important regarding IOC in the relationship and these paths have then been explored, as compared to following a strict interview questionnaire. At the same time, as certain topics that are important from a theoretical perspective have been covered in all interviews, this has provided a holistic and nuanced description of the IOR. Furthermore, as interviews have been carried out at more than one business unit of Premium Sweden and with representatives of different dealer organizations, the semi-structured interview process has allowed us to vary the questions to some extent in order for them to be relevant and capture the specific setting relating to each interviewee.

All interviews have been carried out from February 2016 to May 2016, and all but one has been conducted physically. Both of us have been present at the interviews in order to limit misinterpretations and to build trust with the interviewees. The interview setup has followed Eisenhardt's (1989) suggested approach, where one of us acted as the main interviewer and the other as a more passive note taker that intervened with questions when appropriate in order to pick up on interesting subjects. Each interview lasted around 65 minutes and a majority was recorded conditional on approval from the interviewee. The recorded material has allowed us to go back and check facts and circumstances and make a balanced analysis of the material. Furthermore, we have had the possibility to get back to the interviewees by phone or email in order to clarify misunderstandings and ask follow-up questions. The collected material is of a strategically sensitive nature both externally and internally, e.g. in relation to competitors and due to it containing information about individuals' opinions. Therefore, all interviewees have been anonymized and the case company renamed.

3.3.3 Structuring and analysis of data

Following the suggestion by Eisenhardt (1989) to overlap the process of data collection and analysis in order to get familiar with the case material and findings, each interview has been discussed subsequent to the actual interview. In doing so, key themes and takeaways regarding IOC and tensions in the IOR have emerged. As indicated by Saunders et al (2009), this approach has given us a good grasp of the material. Following this, the interviews have been transcribed and further discussed in more detail. In this process, special attention has been given to recognizing nuances in what the interviewees say and to look for signs relating to market-based, hierarchical and relational control patterns as well as the conceptions of firm boundaries. As suggested by Eisenhardt (1989), the interview material as been cross-examined in order to go beyond any immediate impressions. By constantly relating the interview material to our theoretical basis, we have been able to structure interviewees' answers according to what control pattern they correspond to, and how these control patterns relate to the boundary conceptions. By structuring the analysis in this way, underlying connections have become more evident and the interview findings easier to work with (Saunders et al, 2009).

3.4 Credibility of the study

3.4.1 Reliability

The concept of reliability refers to the extent in which our research approach will yield consistent results if the same study is performed by another researcher (Saunders et al, 2009; Yin, 2014). Although a recognized strength of the chosen research design of this study is flexibility, it can to some degree inhibit reliability as the context is not constant and the interviewees' perceptions can change (Saunders et al, 2009). Thus, in order to enhance reliability, the original audio recordings from the interviews have been saved together with the notes taken from the interview sessions and the transcribed interviews. Furthermore, the interview questionnaires used have also been saved. These measures taken should enhance reliability, as it will enable us and other researchers, to go back and review our process in order to discover how and in what way the findings of this study could be drawn (Yin, 2014). Furthermore, as both of us have been present at the interviews, any bias relating to the relationship one of us had with some of the interviewees due to previously working at Premium Sweden is mitigated.

3.4.2 Validity

Validity refers to if the findings made in this study are actually related to the studied phenomenon, i.e. a causal relationship (Saunders et al, 2009). One concern relating to validity when conducting semi-structured interviews is if the interpretations made by us from the language used by the interviewees is what the interviewee actually intends to convey (Saunders et al, 2009). This issue was confronted early in the process of gathering data as the language used by us initially was academically colored in relation to subjects like IOR and IOC. As we realized that this did not yield the answers or mutual understanding that was sought, the language was changed from using conceptual notions to talking about the relationship as a part of day-to-day work in a more general sense. When an interesting topic was revealed and mutual understanding established, more direct questions could then be asked. From this material we could then relate to theory.

We argue that this approach has enhanced internal validity, i.e. the objectivity of the study (Yin, 2014), since it captures reality in a fair way. Multiple sources have been used in order to get a clear and objective understanding of the IOR, control patterns and firm boundaries, and the interview material has been transcribed and cross-analyzed in order to confirm that the picture portrayed in this study replicates reality in an honest way. This confirmatory process can help construct internal validity (Yin, 2014). In line with Yin (2014), arguing that research questions relating to *how* increases external validity, this has been taken into account when developing the research questions of this study. External validity also relates to the level of generalizability of the study (Yin, 2014). It is recognized that the generalizability of this study concerns analytical generalizability, i.e. in relation to theory, and not statistical generalizability, i.e. to a wider population (Yin, 2014). Hence, the results should be interpreted in relation to theory on IOC.

Finally, the gathered information has been triangulated, which increases the construct validity in qualitative research and the general credibility of the study, since the phenomenon is looked upon from different perspectives (Ritchie et al, 2014; Yin, 2014).

4. Empirics

In this chapter, the empirical findings of the case study are presented, where focus is on IOC of the sales and marketing of cars through the IOR between Premium Sweden and the dealers. First, an introductory description of the background and context is presented. Second, a description of the different functions and activities between Premium Sweden and the dealers is provided. Subsequently, two categories of control are described in more detail, namely contractual and organizational control.

4.1 Background and context

Premium as a car brand is one of the largest manufacturers globally of cars in the premium segment. Headquarters are based in Germany, where power is concentrated and most of the development and manufacturing of cars is located. However, since automotive markets worldwide are quite different in terms of e.g. customer demands, government regulations and market maturities, sales and marketing is managed by regional and national market organizations, supported by central resources. While headquarters determine overall, longer-term business strategies, what products to develop and when as well as investments in markets on an aggregate level, decisions about how to manage business in a certain region is largely decentralized to the market organizations.

Premium Sweden has been present in the Swedish market for several decades, initially wholesaling cars through an independent dealer acting as the brand's national sales center (NSC) in Sweden. The distribution has since developed into Premium Sweden operating a wholly-owned subsidiary having the responsibility for wholesaling cars to authorized dealers in the entire Swedish market. Although having previously operated their own Premium Sweden dealers parallel to being the wholesaler, the Premium Sweden organization is today solely a distributor of cars to the circa 40 independent dealers. Historically, the dealers have mainly been operated by single owners, however there are today several dealer groups consisting of more than one dealership, often operated by an owner with some regional home base or by a larger corporate group. There are a couple of dealer groups that command considerable influence in the network as they account for large shares (>15%) of total volumes for Premium Sweden. The Sales Director clarifies that the decision to only have independently owned and operated dealers was a conscious one: *"We partly chose a different strategy than some of our competitors. We wanted more entrepreneurial and passionate thinking, developing together through cooperation. A live game every day instead of just ordinary practice"*. The CEO also says treating internally owned dealers in the same way as independent ones can be difficult: *"The question is then if they are on* *the same team, or will it be 'A and B teams'? Making sure that you're not giving special opportunities to your own dealer's or treating them differently is probably hard"*. Furthermore, there is an economic perspective going into the decision of having independent dealers, a Dealer representative argues: *"The capital needed to run a dealer business easily gets quite big and return levels are low, so that makes it hard to keep it in-house for car manufacturers since they demand high returns"*.

4.1.1 Functions and activities in the IOR

The Premium Sweden organization is principally set up to manage, coordinate and control the dealer network, but it also has broader responsibilities directly toward end customers in areas such as marketing and customer services. The organization primarily consists of functions to cover the main business areas of the dealers (sales of new cars, used cars, spare parts and services) and to manage and drive operations and campaigns nationally. Within sales of new cars, after sales services, spare parts and financial services there are regional managers taking care of the recurring contacts with dealers. In other parts and functions, like marketing, product management and business development there are less formal contacts and interactions are rather on a per-need basis, however often across functions at Premium Sweden and formal organizational boundaries. The CEO of Premium Sweden points out that although there is a lot going on simultaneously between Premium Sweden and the dealers, issues of different kinds have their natural place in the hierarchy of the relationships: *"There is an indirect allocation of issues based on their level of importance. If it's about bigger things like HR strategy or investments, you normally approach me"*.

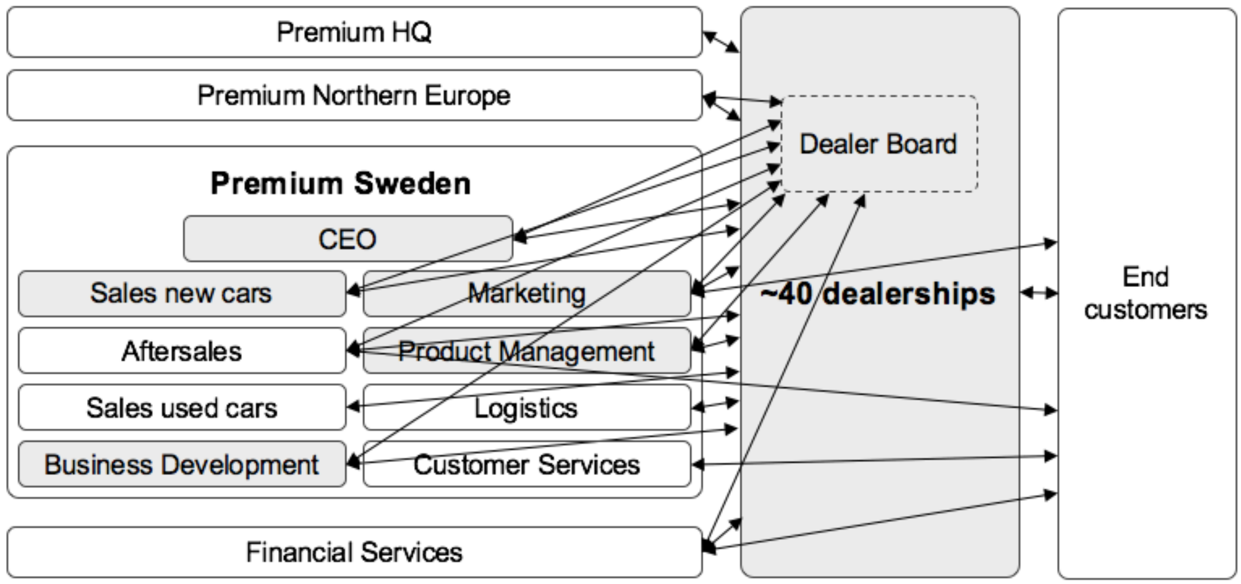
Sales of cars to end customers can be achieved in different ways commercially. A customer can visit a dealer and order a custom made version of a car directly from the factory at list price, which is usually rather expensive. Instead, working with centrally coordinated campaigns of pre-configured and discounted "edition" models enable less cumbersome sales and allows salespeople to close deals at a higher pace. Campaigns are put together quarterly and planned by Premium Sweden in a process that involves proactive discussions with dealers, and several dealer representatives express their satisfaction with the campaigns: *"We provide our view of the market to Premium Sweden, and they often deliver good campaigns that fit the market and are well-priced against competitors"*, a Dealer Manager says. To support the dealers in the market with information about the campaigns, the Sales Director of Premium Sweden distributes a quarterly campaign program to inform dealers with the details on the structure of campaigns, like packages and discounts. He mentions that spreading information in the dealer network is a challenge: *"At the end of the day, one of the biggest challenges for me is to reach out to the sales people with the right information about our campaigns and offers – because they are not in my organization"*.

The dealers are effectively acting as the Premium brand's interface toward end customers, which primarily entails a focus on the treatment of customers in the sales process and effective servicing of cars. The retail channel is in this way quite different from the wholesaling responsibilities of Premium Sweden, a Regional Sales Manager says: *"It is not easy to understand their operations, it's completely different from ours. Our primary job is to make sure we deliver the volumes set by Premium HQ, while dealers have issues like delivering the right customer experience and handling customer complaints"*. A Dealer Manager agrees in this regard and emphasizes that dealers should run the retail business: *"The importing organization is right in not running their own dealerships, because what we do is a whole different business"*. A Regional Sales Manager with experience from working at a car dealer says it is a strength to know their situation well, but sometimes also a challenge to convey the dealers' realities back into the Premium organization: *"It can be hard to implement things decided on by Premium HQ that you know will not work well with some dealers, and sometimes I feel like I'm 'complaining' for dealers' sake internally"*.

The dealer organizations differ depending on the scale of operations and ownership structure, and contact points for Premium Sweden's managers are typically either owner-CEOs at smaller dealers and professional CEOs or Sales or Aftersales Managers at larger ones. The differentiation among dealers poses a challenge to Premium Sweden, as their individual operations demand a certain way of working, a Regional Sales Manager says: *"I don't know if anything's similar […]. Some dealers have professional organizations while others work more traditionally and that has a huge impact on how I work with them, what kind of issues we talk about"*. Dealers in some cases also have separate managers or teams for marketing, working with marketing of the cars and brand of Premium Sweden but also with their own separate dealer brand. This creates a tension in the need for control of the dealers independent marketing activities, as the Marketing Director of Premium Sweden argues: *"Even if we would like to, we cannot tell dealers not to develop their own dealer brands since they are independent and often have a legacy in their local markets, and because we want their engagement in local marketing for central campaigns we don't want to be too hard on them. Getting them to invest more in the marketing of our brand as if it was their own is the goal, but that's not as obvious to the dealers"*.

Figure 2 below illustrates the organization of Premium Sweden and how different units interact with the dealers. Different IOC mechanisms are used to control the relationship. A Dealer Agreement running for five years stipulates the terms and requirements for being an authorized Premium dealer as well as the incentive structure through a document called the Bonus Bible. Each year the Bonus Bible is negotiated, through which the financial returns of being a Premium dealer is determined. Within the Bonus Bible, several categories (e.g. the Action Plan, Mystery Shopping, Retail Standards and training of employees) along with several other measures are used to monitor and evaluate dealer performance. The Dealer Agreement together with the Bonus Bible provides a basis for cooperation and interaction between Premium Sweden and each dealer. To represent the dealers as a group, there is a Dealer Board that interacts with Premium Sweden on a continuous basis. Parallel to this there are recurring forums that allow for interaction between Premium Sweden and the dealer organizations.

Figure 2. Illustration of flows in the IOR (focus areas highlighted)



4.2 Contractual control

4.2.1 The Dealer Agreement

Authorized Premium dealers are committed to an agreement with Premium Sweden which is the same across the whole network, meaning the demands on groups of several dealerships selling thousands of cars each year are the same as on small, sole dealers selling a couple of hundred cars per year. The contractual model used by Premium Sweden means that every 5th year, all Dealer Agreements are terminated across the whole network in order to initiate a renegotiation process and signing of new five-year agreements. A Business Development Manager says it is uncommon that contracts are broken: *"It almost never happens, that would be if the dealer has abused it over a long period of time"*. A Dealer Director emphasizes the flexibility the five-year termination contracts actually give Premium Sweden: *"They can of course choose to stream-line their network every five years, phasing out dealer's they don't like or that don't 'behave' the right way"*. One Dealer Director comments on the agreement's dynamic: *"If you are a Premium 'good guy', then your contract will be renewed, there is a 'silent agreement' on that"* and he further explains that although Premium Sweden command power over the dealers through the agreements, they rarely take advantage of it. Another Dealer Director also points to his edge compared to less developed dealers: *"Many dealerships are lagging behind; they haven't made the investments we have. So they wouldn't even think about throwing me out"*.

The Dealer Agreement principally stipulates how an authorized Premium dealership should be set up in terms of e.g. real estate specifications, furniture at the sales desks and tools used in the workshops, requirements referred to as the Retail Standards. The Retail Standards are categorized into the three levels *essential*, *contractual* and *optional*, and to get the bonus percentage connected to these requirements, 100% of essential standards need to be met while 80-90% of the contractual ones are to be met over time. The Retail Standards are compulsory for everyone: *"Sometimes when the dealers try to do their own thing you have to say no to them, you are part of Premium and if you want to be part of the 'Premium club' these are the terms that apply"*, a Business Development Manager says. However, even if a dealer does not achieve the essential part, it can still receive the bonus connected to it, the Business Development Manager continues: *"If you don't meet the requirements, you get to motivate how and when you will meet them, so it's not like you go out the door immediately. We solve the problem together"*. Historically the agreements have focused on volumes, however with time other measures have increased in importance and today the demands on the dealers are more comprehensive. Still, dealers express their satisfaction with the structure of the agreement, exemplified by one Dealer Director: *"In general I can tell you that I'm 98% satisfied, but I'm disappointed in the last 2% of the business terms"*.

There has been a trend of consolidation in the dealer network over the past decade, driven by a combination of expanding dealer groups and Premium Sweden not awarding renewed contracts to a small number of dealers. A Dealer Group Director says you need to manage your relationship with Premium Sweden to avoid being thrown out: *"I sometimes say it's like playing for Real Madrid: As long as you produce and behave, you're worth something. When you're not a star, you're on your way out and put on some kind of list. I realized early on that this is the game you need to play as a dealer – and today I have a great relationship with Premium Sweden"*. Another Dealer Group Manager describes this dynamic with regard to an obsolete type of dealer: *"You're not surprised to see who's out, because those guys have lived in an outdated world where the business is about exploiting the NSC for money. They become outmaneuvered pretty quickly, perhaps without really realizing it"*. A dealer that exits the Premium network does so either by simply "taking down the sign", continuing business with other car brands or used cars, or by being acquired by another Premium dealer that takes over the dealership. The second alternative is the preferred one for Premium in order to maintain market reach, but needs to be maneuvered delicately since a Premium dealer's value is conditioned on contract renewal. A buyer could therefore potentially wait for a dealer not to get a renewed contract and then acquire the dealership at scrap value from a pressured seller. However, this has historically been avoided by Premium Sweden and the dealers and exiting dealers have gotten paid reasonable prices, a Dealer Manager says: *"If they'd like, they could arrange for someone to take over my outlets for zero kronor at contract renewal, but that hasn't really happened. They try to warn those who are in that zone and say 'maybe you should consider selling now' "*.

4.2.2 The Bonus Bible

The part of the Dealer Agreement that specifies the financial incentives that dealers adhere to is called the Bonus Bible. In practice, a new car that has either already been sold to a customer or is going to be a stock car at a dealership is first bought by a dealer at a price from Premium Sweden that includes a base margin compared to the end customer price, that the dealer can use to either give a customer some extra discount or keep as margin. On top of this base margin, the dealer is then awarded a number of percentage points of its gross revenue as additional "bonus" margin, allocated at the end of each month. These additional percentages are calculated based on performance in the previous quarter. The additional percentage points of margin allocated this way is what actually provides dealers with potential for bottom line profitability, as the base margin as such does not cover the costs of operating a fully-fledged dealership, a Business Development Manager explains: *"Actually if you want to simplify things, if they don't achieve the bonus they won't earn any money. They might be able to break even"*. However, he further mentions the accommodative nature of the incentive system: *"if they do not achieve the Customer Satisfaction target, we can tell them to bring in a coach that they have to pay for themselves, so that they will not lose that part of the bonus"*.

The Sales Director says that the way the Bonus Bible is set up means volumes still make the biggest difference to dealers: *"Given that the volume target bonus is quite large compared to other measures, achieving volumes at the expense of base margin becomes reasonable for a dealer, since it hurts not to get that bonus payment at all"*. Even if volume bonuses are paid out in stages and not completely either/or, achieving a certain hurdle percentage of the volume target is demanded to get any volume bonus at all. A Dealer Director reflects on this in his reasoning around how Premium Sweden measures the dealers: *"They are really focused on volumes, even if there are other measures"*. The CEO of Premium Sweden also admits this is the case and connects it to the availability of information: *"The car sales business works that way since we can measure everything all the time; registrations, orders, markets, segments. The focus on this is immense"*. A majority of the measures and guidelines in the Bonus Bible originate from Premium HQ but the ways of operationalizing the measures can be adjusted by Premium Sweden. To some extent, they can also be negotiated with the Dealer Board. One Regional Sales Manager comments on adjusting the Bonus Bible: *"We can fine tune some, then we check with the Dealer Board, and then we might adjust something but it is not a long negotiation"*. One Dealer Director comments on receiving the targets: *"The thing is to get them to tell us how, how have you been thinking now, how are we going to achieve these goals. If they don't spend time on explaining how, if they just set the goals but are not part of the journey, then it's doomed [...] the anchoring process is important"*. Below is a simplified example using fictional percentages to illustrate how the cars are transacted.

Table 2. Typical margin composition (numbers for illustrative purposes)

List price of car to customer (SEK)		**400 000**
Base margin (based on model)	*-9,0%*	-36 000
Additional margin based on performance in previous quarter:		
Volume	*-2,5%*	-10 000
Mystery Shopping	*-0,5%*	-2 000
Action Plan	*-0,5%*	-2 000
Retail Standards	*-1,5%*	-6 000
Other measures	*-1,0%*	-4 000
Total (to pay for car to NSC)	***-14,0%***	**340 000**

Although volume is at the core of performance measurement, the measures used to build up bonus percentages have increased over the years (approximately 20 measures now), a Regional Sales Manager says: *"Historically, we basically only had volume targets to steer dealers. Now we have put a lot more into the Bonus Bible, things that control operations at dealers in more detail. For example, that any sales person should contact a customer at a certain point in time after a test drive, and monitoring it using Mystery Shopping"*. This increasingly detailed control of the dealers' operations through contracting and bonuses is also seen in that more requirements are included in the Retail Standards, clarified by the Business Development Manager: *"Today, requirements on the dealers are more comprehensive, and these drive costs and investments for the dealers"*. Recently, Premium Sweden increased demands on physical dealer properties like architecture and surface materials, driving large dealer investments in refurbishments or even constructions of entirely new dealerships. In most of these cases, Premium Sweden co-invests with the dealers through providing financial support to a certain degree without acquiring any ownership. One Dealer Manager comments on the development of being an authorized Premium dealer: *"It has gone from being an entrepreneur that had a certain attitude towards the wholesale organization, to being more of a franchisee. We run our business independently, but we're in reality franchisees, so I can't do whatever I want. It has become much tighter. But Premium is such a sharp company, so most of the things they say is in my world fundamentally correct"*.

4.2.3 The Action Plan

A recent addition to the Bonus Bible is a requirement to provide an Action Plan for the upcoming year, in which each dealer director specifies what he/she is going to do to improve operations and how. This concerns e.g. hiring of personnel, customer satisfaction and marketing plans. In the planning process, the dealer directors present their Action Plan to the Premium Sweden managers in order to receive feedback and approval, making it a joint effort. During the year there are then quarterly follow-ups by Regional Sales Managers and the goal is to achieve the objectives at year end, or to have started activities to address them going forward. The introduction of the Action

Plan was partly preceded by critique from dealers on the control of customer satisfaction, in which the target had been put at a static percentage level that was hard to relate to, a Business Development Manager says: *"Now we focus on what the dealer is actually doing, rather than a specific number, so it's softer but we try to make it concrete. The important thing is that the dealer does something to improve"*. In commenting the new Action Plan as part of the Bonus Bible, a Dealer Manager says it is a welcomed initiative, even though they already work with business plans: *"The Action Plan is a good thing and we already have our own operational planning, so it drives the discussion with Premium about what we should do and how to improve rather than focusing on the punishment if not achieving a certain percentage in customer satisfaction"*. There are however some doubts about how the Action Plan should be evaluated, another Dealer Manager points out: *"We have sent them our plan but haven't heard much since. The idea is fantastic, but I think it will be hard to manage the coaching and follow-ups for them"*. A consequence of Premium Sweden managing the dealers to develop themselves is that in some areas, the dealers are now ahead of Premium Sweden and do not get the level of support they require: *"They are the same size as when we sold half as many cars as we do today, while they are encouraging us to improve and develop our organizations"*, a Dealer Director says.

4.2.4 Mystery Shopping

Another control mechanism that Premium Sweden uses to steer the dealers as part of the incentive system is Mystery Shopping, which is measured in the Bonus Bible and therefore contributes to the dealers' margin. The compulsory Mystery Shopping service is completed quarterly and paid for by the dealers themselves, and entails random visits by actors disguised as a customers interested in buying a car. In going through the buying process, the Mystery Shopping representative checks so that the salesperson acts according to Premium Sweden's requirements (e.g. being welcomed when entering the dealer's facilities and offered a test drive of the model of interest). As explained by a Regional Sales Manager, the Mystery Shopping is a practice that often leads to tensions because Premium Sweden is getting involved in how the dealers run their business: *"We get very involved in the operations of each dealer. This is how you should do it, this is what it should look like, this is how a test drive should be performed, this is how to sell"*. One Dealer Director expresses the pressure Mystery Shopping has put on his organization: *"We had huge problems with Mystery Shopping with sales people feeling very uncomfortable from the pressure, since if they missed one parameter it could cost the company half a million kronor. And then we're talking about volume sellers, some of the best"*. Another Dealer Manager says: *"The Mystery Shopping is horrible, it's terrible [...] people actually quit because of it. But it's also a good idea, I understand that"*. In contrast, one Dealer Director expresses satisfaction over the Mystery Shopping process and says jestingly that the others are just being *"faint hearted"*. On an aggregate level, several Dealer Directors and Managers express that Mystery Shopping as a control mechanism is reasonable, but the threat of losing bonus percentages if not successfully completed is problematic, since small mistakes can be damaging to the business.

4.3 Organizational control

4.3.1 The Dealer Board

One important actor in the IOR between Premium Sweden and the dealers as a group is the Dealer Board, consisting of five representatives elected by the dealers in Sweden. The Chairman of the Dealer Board is a retired dealer that is employed by the Board, while the remaining four are present Dealer Directors. This group has the mandate to represent all dealers toward Premium Sweden, and thereby acts as a collective voice that safeguards dealers' interests, similar to a trade union. For example, the Dealer Board negotiates the level of performance targets and Retail Standards as well as signs off on marketing campaigns that involve the dealers' commitment. As an executive voice, the Dealer Board takes part in recurring formal and informal meetings with the management team of Premium Sweden, especially the CEO. Approximately 4-5 scheduled meetings take place each year, apart from ad-hoc meetings and telephone calls primarily between the Chairman of the Board and the CEO of Premium Sweden. Here, longer-term issues and strategies are discussed before proceeding with broader communication and implementation in the dealer network.

In describing the relationship with the Dealer Board, the CEO of Premium Sweden stresses the importance of trust: "*When it comes to the strategic issues discussed with the Dealer Board, you have to have their trust in your intentions and competence. We need to go forward together, and they need to feel that we want them to succeed".* The CEO says that the Dealer Board facilitates an invaluable forum for communication where the informal nature of dialogue collapses distance and mitigates conflicts between Premium Sweden and the dealers: *"We don't want to end up in a fight with the dealers, that is not a good place to be in even if we have the last say at the end of the day. Through the relationship with the Dealer Board, we can be honest and avoid conflicts through open discussions and early buy-in on decisions"*, and he further elaborates on the dialogue with the Dealer Board: *"It is important to make clear what is up for discussion and what is not [...]. Let us work on what can be changed and make it really good, and just fix what is required centrally"*. A Dealer Board member emphasizes that a good relationship between Premium Sweden and the Dealer Board is key: *"We're not in agreement on a lot of things, but now we have a good relationship with Premium Sweden and that is much because of the CEO of Premium Sweden. There is a solution-focused discussion instead of a boxing match"*. Another Dealer Board member says the good relationship is not a given: *"We have established this climate together, in Germany for example the tone is not friendly at all"*.

It has not always been the case that the discussions with the Dealer Board has centered on longer-term and strategic issues, the CEO of Premium Sweden explains: *"We want high level discussions with the Dealer Board, not argumentations about the small stuff that does not really affect the big picture. Earlier, we had more of those discussions about minor and very short-term issues"*. However, emphasizing the need for some healthy debate and the risk of becoming too satisfied in the relationship, both the CEO of Premium Sweden and a Dealer Director says it is essential with some friction to facilitate the right kind of communication. *"You should have conflicts even in a good relationship, otherwise nothing happens and you become fat and happy"*, the CEO says, and the Dealer Director elaborates on the same subject: *"You need some 'positive friction' in the relationship, so that both sides stay on their toes. So disagreeing is not necessarily a bad thing, the key is to quickly resolve the issues that arise […] sometimes we have to agree on that we do not agree and then move on. It's not personal anyway"*.

A recurring discussion that can create tensions between Premium Sweden and the dealers is the yearly negotiations of volume targets for the upcoming year. In these negotiations, the aggregate volume target is set in discussions with both Premium HQ and the Dealer Board. The allocation of sales volumes to the dealers is done based on previous year's sales, external projections of next year sales, and the desired market share of car registrations in the local market. This largely makes it a calculative exercise that has been developed jointly by Premium Sweden and the Dealer Board. Thereby, the levels are set fairly across dealers, but it does not mean they are well received amongst all of them, since some often view themselves as having special reasons for lower volume demands. This balance is evident in that some dealers persistently perform above their targets, while others consistently fall short, a Dealer Board member says: *"We see signs of some dealer's always performing, which could mean they have easier targets in their market, while others continuously struggle. That is of course not optimal, but here the dealers need to argue for their own case. We cannot assist individual dealers in getting lower targets"*. This dynamic can result in tough discussions, especially for Regional Sales Managers, since they have to deliver the targets and get buy-in from their respective dealers: *"The yearly target discussions can be difficult. We set the targets, and the dealers need to accept. But they will not always get on board easily, which is understandable since higher targets makes it harder for them to achieve their bonus percentages. So we need to 'sell the targets' that have been set with the Dealer Board, so that we have a common view that the targets are reasonable and can be met with our help"*. The Regional Sales Manager further explains that as they get a target from Premium HQ that they have to achieve, in the end they will have to distribute the volumes across the dealer network, and then it becomes clear that they are not on the same side as the dealers. In these situations, there can be differing views on how to achieve agreed targets, a Regional Sales Manager says: *"Sometimes we need to push through decisions, so it's not like we're always on the same page. Even if there is still a shared view on what the target is, there can be different views on how we should get there and what resources to put on it"*.

As an offer to develop the dealers' managerial skills, Premium Sweden has together with the Dealer Board recently arranged for Dealer Managers to partake in an executive education programme at a business school. Initially, a programme was suggested by Premium HQ, but this demanded considerable remodeling by Premium Sweden and the Dealer Board, one Dealer Board member says: *"They suggested something that was far too comprehensive, so we said no and worked up something that would actually work"*. The programme was voluntary and the dealers paid for their own place in the programme. The CEO of Premium Sweden expresses that he is proud of the programme as it has increased the focus among dealers on improving their businesses. A Dealer Director comments positively on the programme but also expresses some concern regarding Premium Sweden's organization: *"I have developed enormously as a business person over the years, especially with the Executive Programme, but at Premium Sweden there is a lot that has been standing still for a long time, they have the same organization as ten years ago"*.

4.3.2 Boundary spanning actors and forums

During the year, managers from several units of Premium Sweden meet with dealer representatives either at the dealerships or at recurring conference days. It is about creating forums for the right types of interaction and discussions, the CEO of Premium Sweden says: *"The dealer conferences are fantastic forums for communication, not only in what is said on stage but in the informal interactions around it and on the evenings"*. The conferences enable anchoring of sales and marketing initiatives on a broader basis, like during the marketing conference where all marketing managers from the dealers are assembled to get an overview of Premium Sweden's plans for the coming year and can discuss their own ideas in workshops. One Dealer Director comments on the social dynamic during the conferences: *"When Premium presents something on a conference, you keep quiet. Then you walk up to the CEO and tell him how this affects your business and how it can be solved. Then there are those guys that stand up in front of the crowd and express their thoughts publicly, and you can tell that they don't like that"*. The Sales Director comments on the opportunity to credit ambitious dealers: *"We can inspire the dealers to compete and engage in improving their businesses through highlighting those guys that have performed or done something we have appreciated"*.

Physical presence from the Premium Sweden personnel at dealerships is important in order to make the relationship function smoothly, a Regional Sales Manager emphasizes as he says communication via telephone is not enough: *"We need to get out there and be seen and heard at the dealerships, and also see what's actually going on. Phone and email is good for informing and answering simple questions, but when you're talking about organization, strategies, customer segments and so on, it's hard to get both an understanding and a real commitment over the phone"*. He further argues that there often is a blurred line between having the role of a business partner or colleague between him and dealer employees: *"It's hard to say when I'm more of a colleague or when I'm more of a counterparty in a business relationship, especially since we really work to make money together, not off each other"* and a Dealer Manager agrees with this: *"We're like colleagues, absolutely. In the end, we all have the same purpose: make money on selling and servicing cars"*. This dynamic is further exemplified by the CEO of Premium Sweden: *"When I go out to the dealers, the managers present me as their boss in front of their personnel, even if that's formally not the case. That is a choice they make, and I think it's a sign of their trust in us"*.

The Regional Sales Managers are in contact with their respective dealers on a recurring basis, and at least once a quarter they have a more comprehensive sit-down with the management teams of the dealer organizations to discuss everything from sales to business development, one Regional Sales Manager comments: *"My role is to make sure that the dealers do what we want them to do, and to make sure it happens. In principle it should be about reaching the sales targets, but there is so much more work behind reaching the targets. It's about organizational set-up, leadership […]. This implies that sometimes I am more of a dealer than part of the wholesale organization".* The same Regional Sales Manager also clarifies that by reaching the targets each month, focus can be shifted from constantly pushing sales to working with more longer-term questions like improving operations. One Dealer Director also calls for more engagement: *"Honestly, they could come visit us more. They know we want that, and I understand that they need to prioritize their time, but it's not enough as it is today. We would like to be given more attention and have more discussions on what to do next"*.

Trust is brought up by all interviewees as being important in several aspects of the relationship, and the CEO of Premium Sweden says building trust is a matter of being transparent and patient: *"A key learning is that transparency is key in a long-term relation. Being mutually upfront about the things that are troublesome builds trust between us as partners"*. A Dealer Director further stresses the importance of the relationship: *"It's crucial for us to have a great relationship with Premium Sweden, and I believe we have that. We really work on that, and one way of doing that is by performing"*. The need for trust in the competence and delivery of the Premium Sweden personnel is vital with increased control, a Regional Sales Manager says: *"When we start dictating how they should act, that's where we need their trust. As long as we have trust capital and deliver on what we promise, keeping them profitable, then we can more easily dictate terms. But it's really dependent on that we can help them feel good and achieve a good result by being a partner instead of just a 'setter of conditions'"*. At the same time as the Regional Sales Managers have to deliver the sales targets to their respective dealer organizations they do not have the authority to change the targets, a Regional Sales Manager describes the process: *"It's a lot about relations, being encouraging and saying 'come on guys let's go for this'"*. A Dealer Director comments on the process: *"That's the thing, it's a bit like playing for the gallery, when the targets have been up for discussion and set with the Dealer Board […] the Regional Sales Managers still visit all the dealers to deliver the targets although they are already determined"*. Another Dealer Director questions the need for Regional Sales Managers to come out to deliver the targets when they cannot really have a negotiation about them: *"I guess they could just send me the targets [...] but at the same time it's nice to have a chat"*.

Although not being a stated purpose of the Premium Sweden organization, several of its employees view themselves as catalysts whose main purpose is to support the dealers. As expressed by the Product Manager: *"My job is to help the dealers, because they pay our salaries"*, and regarding the campaigns for new cars that he puts together, he emphasizes dealer involvement: *"I need to make the dealers feel involved in that process, because then they are likely to agree with our work"*. The Product Manager also credits his position of not having to put demands on the dealers as favorable: *"My job is easier than some others' since I don't have as much negotiations and demands, I'm mostly there to help"*. A Business Development Manager at Premium Sweden that has strong relationships with several dealer managers argues down the same line regarding his role, and focuses on his position of not being a director: *"I can come in from the side and talk more openly with dealers about their issues than our CEO can do in some ways. That takes the edge off a bit and facilitates a good discussion"*. The Product Manager says he has developed a way of working where he always tries to be approachable and responsive to dealers, but this is not necessarily the mind-set of the whole Premium Sweden organization: *"Our position is also to manage the relationship with Premium HQ, so there is a need to focus inward here that affects the behavior and roles toward the dealer network"*. There is an understanding of this position among dealer representatives, who acknowledge the pressure Premium HQ puts on the Premium Sweden employees: *"You can tell they are controlled by the Germans, somewhere someone has put their foot down and then you need to be tactical and just accept it"*. Overall, several dealer representatives express their appreciation of employees from Premium Sweden engaging in their operations and showing interest in them: *"[Person X] is fantastic, he knows both the products and campaigns and we bring him here to 'preach' and everybody loves that. He is humble toward everyone and always tries answer our questions"*, a Dealer Manager says. The perceptiveness of the Premium Sweden organization is important and mostly well-regarded, another Dealer Manager says: "*They listen and we can have real discussions, they are reasonable that way"*.

5. Analysis

In this chapter, an analytical discussion leading to our conclusions and contributions is outlined. First, we consider how control is related to the dealer setting, using the case study empirics to assess how control patterns are adopted in this context. Second, we explore how our theoretical framework holds up in relation to the case study IOR, analyzing the relation between boundary conceptions and control patterns. Lastly, in summarizing our analysis, we briefly discuss the connection between these two contributions.

5.1 An organizational structure to support heterogeneous IORs

Fundamentally, we can conclude that the Premium Sweden organization is both positioned and composed to manage a business centered around IOC in an IOR, or several IORs in parallel, with a main purpose of delivering higher sales volumes together with the independent Premium dealer network. This is inherent to the dealer setting and contrasts prior studies on IOC where the organizations are not primarily set up to center around an IOR (Håkansson and Lind, 2004; van der Meer-Kooistra and Vosselman, 2000; Langfield-Smith and Smith, 2003). The wholesaler part of the value chain is far from independent of the retail operations and performance of the dealers, as these must be both controlled and supported actively to compete and ensure the Premium brand's market share. This way the relationship bears similarity to the buyer-supplier IOR having a focal firm (Baiman and Rajan, 2002; Seal et al, 1999), however a difference is that Premium Sweden consistently avoids taking advantage of its power or acting opportunistically (Seal et al, 2004). And even if the Premium Sweden organization wanted to it cannot reasonably integrate forward to get rid of the dealers, further emphasizing that the context is different from a classical buyer-supplier setting where the possibility to change partners is an important and viable option, as described by Seal et al (1999, 2004). Drawing on Håkansson and Lind's (2004) reasoning that without alternatives to exit the IOR will resemble vertical integration, this is therefore partially the case in the IOR of Premium Sweden and the dealers. Furthermore, the dealer setting is colored by the nature of its business activities – driving sales and marketing, where motivation and energy is essential for IOC – in contrast to a buyer-supplier relationship focused on cost management (Cooper and Slagmulder, 2004; Baiman and Rajan, 2002; Seal et al, 1999). Having this perspective on the relationship between Premium Sweden and the dealers is key, since it facilitates an understanding of the need for a close and interdependent IOR with both the dealers as a group and the individual dealerships, resulting in an IOC package that entails adopting all control patterns.

The organizational implications of being legally delimited to partially controlling the downstream value chain becomes clear in Premium Sweden's case. Facing limitations in incomplete contracts and formal authority, the relationships within our case study are characterized by building trust to improve IOC through boundary spanning activities, actors and forums. This confirms van der Meer-Kooistra and Vosselman's (2000) findings that in the execution phase of an IOR, building trust as a mechanism for IOC is important in cases where specific investments have been made and cooperation is necessary. Furthermore, in order to sustain an increased contractual pressure driven by Premium Sweden, both the Premium Sweden and the dealer organizations recognize the need for an accompanying increase in relational control, where an alignment of interests and an establishment of common ground through dialogue proves essential to maintain a benign climate. Therefore, a basis of a hierarchical control pattern cannot go without leveraging relational control, managing the blunt character of contractual control. Interestingly, in contrast to Langfield-Smith and Smith (2003) who find that competence trust was ascertained at inception, the case of Premium Sweden and the dealers illustrates how competence trust is continuously developed and maintained in the relationship. Rather, it seems that it is goodwill trust that is ascertained at inception, as Premium Sweden over time can commit to only renew Dealer Agreements with partners they prefer and have made sure will behave in the interest of the IOR.

The tension between increasing control on the one hand and fostering motivation in sales and marketing on the other is important in the dealer setting. While having independent dealers is in itself an IOC mechanism that distributes responsibility for sales volumes, Premium Sweden interferes substantially in dealers' operations through contractual control. The increasingly franchise-like agreements stand the risk of becoming detrimental to motivation in the emotionally driven and short-term focused sales activities, as exemplified by the mixed reception of Mystery Shopping. Although the idea of Mystery Shopping seemed reasonable on paper, it caused stress and emotional damage in several dealer organizations. Premium Sweden could however adjust the contractual consequences of non-performance in the Mystery Shopping to not result in burdensome losses for the dealers through relational control. Thereby, Premium Sweden acted accommodating and leveraged the relationships with both the Dealer Board and individual dealers. This shows that the consequences of detailed contracts can facilitate cooperation and build relationships, developing the findings of Langfield-Smith and Smith (2003) that incomplete contracts create tensions that require relational control. It also follows the findings of Dekker (2003) and Kajüter and Kulmala (2005) that formal control leads to more interaction and thereby facilitates trust and cooperation, resulting in blurred boundaries between organizations.

Lastly, adding to the IOR centered environment, it is clear that the heterogeneous nature of dealers based on ownership structure, size, local market characteristics and managerial competence becomes a difficult challenge in the light of the static Dealer Agreements used to control all dealerships. That is, the formal controls in the Dealer Agreement are general across the network and does not account for the varying resources or capabilities of different dealers. By definition, the individual dealers will react differently to the hierarchical requirements of e.g. investments in operations. Maintaining balanced and fair IORs across the dealer network based on the Dealer Agreements must then largely be reliant on utilizing a relational control pattern, which is also the observed dynamic. But as the upper limit of professionalism and competence is raised among consolidating dealer groups, the spectrum of issues to be managed by the underdeveloped Premium Sweden organization widens and pressures the resources and personnel allocated to support the IORs. A consequence of this can be seen in dealer organizations, which are adapting to the organizational interface provided by Premium Sweden through developing their own organizations, introducing new line managers that can handle part of Premium Sweden's monitoring responsibilities. In some cases, these managers prove more competent than their Premium Sweden counterparts, signifying that the pressure on dealers to develop is also proving an IOC challenge for Premium Sweden, both regarding organizational structure and competence.

5.2 Firm boundaries and the combination of control patterns

5.2.1 Contractual control facilitating dynamic boundaries

The Dealer Agreement represents a market-based control pattern as it is terminated every fifth year, giving Premium Sweden the recurring possibility to rearrange the dealer network. Consequently, the dealers need to constantly perform on a high level and compete with each other to ensure contract renewal, making it clear where the legal boundaries of the IOR are drawn. With this set-up, the Dealer Agreement thus emphasizes where the efficiency boundary is set (Santos and Eisenhardt, 2005). However, the Dealer Agreements also indirectly enable hierarchical control patterns that create power boundaries through the accompanying requirements and incentives. For example, the Retail Standards are compulsory for dealers, thus providing Premium Sweden with hierarchical control over them. Drawing on Santos and Eisenhardt (2005) and Rangan et al (1993), this illustrates how a non-ownership mechanism sets a power boundary that extends through the efficiency boundary, giving Premium Sweden a larger sphere of influence.

In the application of the Dealer Agreements, Premium Sweden acts accommodating and allows for flexibility when evaluating dealer performance. This non-hierarchical dynamic requires a layer of relational control that establishes identity boundaries around the whole IOR, dominating other boundaries, in line with Santos and Eisenhardt (2005). Relational control is also important from a dealer perspective, since without a mutual understanding and strategic alignment, the risk of not receiving the support needed from Premium Sweden increases. The Dealer Agreement and its negotiation process thereby indirectly extends comprehensive power and identity boundaries, providing Premium Sweden and the dealers with strategic flexibility (Rangan et al, 1993; Santos and Eisenhardt, 2005). Thus, as argued by Lorenzoni and Lipparini (1999), through a close relationship based on the Dealer Agreement, Premium Sweden can strategically shift the boundaries of the IOR to leverage capabilities of the dealers, confirming Poppo and Zenger's (1998) view that firm boundaries have a strategic role.

As an incentive system, the Bonus Bible represents a hierarchical control pattern through the performance measurement and surveillance it exercises (van der Meer-Kooistra and Vosselman, 2000). The powerful characteristic of the Bonus Bible is illustrated by the Business Development Manager: *"Actually if you want to simplify things, if they do not achieve the bonus, they will not earn any money. They might be able to break even"*. This strongly forces the dealers to adhere to the content of the Bonus Bible and consequently sets a power boundary that permeates the efficiency boundary in the IOR. Drawing on Pfeffer and Salancik (1978), this illustrates how Premium Sweden can control activities in the dealer organizations without ownership. However, although the Bonus Bible is hierarchical, the measures in it also drive relational control patterns through follow-ups and monitoring, creating boundaries of competence and identity through interactions (Porac et al, 1995). This is commented on by a Dealer Director: *"The thing is to get them to tell us how, how have you been thinking now, how are we going to achieve these goals. If they don't spend time on explaining how, if they just set the goals but are not part of the journey, then it's doomed [...] the anchoring process is important"*, further illustrating how creating a common belief (Håkansson and Lind, 2004) is vital and how an identity boundary can dominate a power boundary (Santos and Eisenhardt, 2005).

As a part of the Bonus Bible, presenting an Action Plan for their operation is mandatory for the dealers and as Premium Sweden controls the process, it in many respects follows a hierarchical control pattern. However, the construction of the Action Plan requires interaction between the organizations using relational control patterns, making the Action Plan a hybrid control mechanism. In similarity to Håkansson and Lind (2004), the Action Plan illustrates how a control mechanism provides Premium Sweden with control from a central network position. Through hierarchical control, this provides them with the ability to influence strategic development at the dealer organizations (Santos and Eisenhardt, 2005). The relational control part is also evident, as expressed by a Dealer Manager: *"It drives the discussion with Premium Sweden about what we should do and how to improve rather than focusing on the punishment if not achieving a certain percentage in customer satisfaction"*, and it thus sets competence and identity boundaries around the IOR by creating a social context (Santos and Eisenhardt, 2005) in which both organizations collaborate on business development. Drawing on Håkansson and Lind (2004), this results in more interaction and more mutual control in the form of discussions, which blurs the efficiency and power boundaries. Furthermore, relating to Wilson and Barbat (2015), the design of the Action Plan illustrates how formal control is not sufficient when trying to influence across organizational boundaries on a strategic level and that relational control is required. Our findings are thus consistent with prior research on IOC in that it shows that there will be a combination of the control patterns in an IOR (Håkansson and Lind, 2004; van der Meer-Kooistra and Vosselman, 2000; Langfield-Smith and Smith, 2003), but also provides insights as to how control patterns are combined, and to what end.

5.2.2 Organizational control through boundary spanning actors and forums

In its structural position, the Dealer Board as an inter-organizational actor facilitates a distinct demarcation of the legal boundary that separates the Premium Sweden organization from the dealer network as a collective, and thereby all of the individual dealer organizations. This way, it symbolizes market-based control in that it serves as an interface to set the prices of the transactions made across the legal boundaries of Premium Sweden and the dealers. This illustrates the transactions-based efficiency boundary (Hart and Moore, 1990; Santos and Eisenhardt, 2005), where interests can be opposite about how to allocate costs, margins or investments associated with the business of selling Premium's cars in Sweden. However, on top of this transactional characteristic of the Dealer Board, and as emphasized by both sides of the IOR, it also serves as a platform for open and strategic discussions and initial goal alignment, leading to commitment through relational control (Rindova and Fombrun, 2001; Santos and Eisenhardt, 2005). Thereby, it facilitates both an identity boundary that encompasses the entire dealer network through ensuring a trusted relationship between decision makers, and a delimited competence boundary in that the business decisions and initiatives draw from the collective knowledge of both Premium Sweden's managers and the Dealer Board representatives.

The Dealer Board as an elected group effectively consolidates the negotiating power of all dealers into one concentrated interface. This provides dealers with a basis for gaining influence on Premium Sweden's decisions and strategies, effectively moving the power boundary of dealers into Premium Sweden's organization. This is however dependent on maintaining a good relationship with Premium Sweden, since influence on the Premium Sweden organization will most effectively be attained by the Dealer Board if they can maintain a climate that allows for their agenda to be heard. To compensate for the dealers' subordinate position, building relationships to enable a transparent dialogue with mutual respect is therefore facilitating an increased influence, as expressed by a Dealer Manager: *"There is a solution-focused discussion instead of a boxing match"*. The interplay between the boundary conceptions and the control patterns becomes clear in this regard: in the forum that is principally constructed to handle negotiations across efficiency boundaries through market-based control, both hierarchical and relational control patterns are mutually exercised through building trust and a constructive debate, setting strategic boundaries of power, competence and identity in a dynamic way. Instead of focusing on conflicting interests in transactions, a common ground for working together is established in the IOR, similar to Das and Teng's (2001) discussion of the importance of mutual interests. Building on the findings of Håkansson and Lind (2004), this boundary-blurring dynamic shows how not only a complex structure of control patterns is present in an IOR, but how a foundational IOC mechanism facilitates and gives rise to other control patterns as well as boundaries.

On all levels of both Premium Sweden's and the dealers' organizations, the embedded nature of different boundaries is also apparent in the yearly volume target discussions, where the hierarchically determined target is regarded as non-negotiable since it already has been agreed upon between Premium Sweden and the Dealer Board. Even so, Regional Sales Managers communicate the targets in person at the dealerships, motivating their levels and discussing strategies on how they can be achieved with individual dealerships or dealer groups. The boundary of power is thereby blurred for the sake of the IOR, in an attempt to emphasize that Premium Sweden supports the dealers in their business, even though they have to make demands. Effectively removing the bargaining room from the equation this way reduces the risk of tensions arising because of the actual efficiency boundary becoming clear between the actors. Instead, relational control in the form of discussions of how to achieve targets together is in focus, which is rather characterized by an organization demarcated by boundaries of competence and identity. Again, in similarity to Håkansson and Lind (2004), this shows how relational control patterns blurs the legal boundaries between the firms, while also bridging the tensions of power boundaries.

The importance of physical interaction between Premium Sweden and the dealers to strengthen relational control and to reinforce identity and competence boundaries is further evidenced through the boundary spanning actors and forums, facilitating integration between the organizations (Ireland and Webb, 2007). Ways of controlling, working and exchanging information across legal boundaries emerges as a result of the need for cooperation, like the recurring dealer conferences. This depends on the partners mutually viewing themselves as collaborating colleagues rather than counterparts, allowing for constructive discussion. Furthermore, trust between the partners in the IOR is a prerequisite for control and coordination, similar to findings by Langfield-Smith and Smith (2003) and van der Meer-Kooistra and

Vosselman (2000). Trust is thereby important to build commitment and engagement in strategic development of the dealer organizations, influencing partners beyond formal power boundaries. The significance of delivering performance and showing transparency to build and maintain competence and goodwill trust in the IOR is clear, and the boundaries of competence and identity that are created complement the less collaborative market-based and hierarchical control patterns, illustrating how contractual controls are not sufficient (Wilson and Barbat, 2015). This shows that as activities across legal and contractual boundaries increase, control patterns that match these flows are required, in line with Tomkins' (2001) discussion of the need for management control across firm boundaries.

Lastly, the emergence of unofficial and integrative boundary spanners in Premium Sweden's organization that support dealers through being approachable and free from authority further points to the importance of actors that blur legal boundaries and disregard hierarchies through relational control. These actors are appreciated by the dealers in that they are clearly acting in the interest of the IOR, recognizing the need for a shared purpose even if they belong to separate entities. Thereby, boundary spanners are creating boundaries of identity that dominate other forms of boundaries, or coevolve with boundaries of competence (Santos and Eisenhardt, 2005). This behavior is also reciprocated by several dealers in their ambition to be unofficial "good guys" that understand the challenges facing the members of the Premium Sweden organization. These cooperatively inclined dealers deliberately act in the common interest of both Premium Sweden and themselves to reinforce stability in the IOR, choosing to fundamentally view their relationship as mutually interdependent, in line with Zaheer et al (1998). The subtle relational control pattern of this dynamic serves as a catalyst for effective IOC in both directions and reinforces the boundaries that demarcates Premium Sweden including the dealers as the actual organization.

5.3 Summary of findings

In the above analysis of IOC in the IOR between Premium Sweden and the dealers, we find that contextual parameters and dynamic firm boundaries are important in explaining how control patterns are applied to govern an IOR. First, we show that there is a need for relational control patterns to handle a relationship that is not exited easily, that is characterized by activities dependent on motivation and energy, and that entails applying a standard agreement on a heterogeneous dealer network. In short, the deliberate split of responsibilities in the distribution part of the value chain creates tensions in exercising IOC. Second, focusing on firm boundaries, the consequence of adopting certain efficiency and power boundaries through market-based and hierarchical control drives a need for relational control patterns to create boundaries of competence and identity in order to attain balanced control of the IOR, underpinned by trust. Third, the use of boundary spanning actors and forums prove essential in achieving the required relational control pattern to establish boundaries of competence and identity that blur the less strategic, market-based boundaries of efficiency. Consequently, our analytical discussion of the case study largely confirms the theoretical predictions made in our analytical framework, as the findings point to a clear relationship between the required boundaries mix and control pattern package in a close IOR. In connecting the findings related to context with those related to boundaries, we argue that they have an inherent relationship and cannot be thought of separately since the distribution part of the value chain itself entails managing a tension of leveraging independent dealers and achieving the desired control. Thus, in choosing to legally occupy a delimited part of the value chain, the need for integrating control patterns to control the resulting IORs and set strategic boundaries is key.

6. Conclusion

In this thesis, we have studied IOC in the scarcely researched dealer setting (Caglio and Ditillo, 2008) through an in-depth case study of the IOR between the Swedish wholesaling subsidiary of a global car manufacturer and its independent car dealer network. Aiming to contribute to two separate but interrelated research gaps, our first research question asked how the distinct dealer context affects control patterns in IOC, while the second question considered how IOC and the integration of control patterns is explained by the need for adopting different forms of firm boundaries. Using an abductive process in a qualitative case study, 19 semi-structured interviews with representatives at both sides of the IOR and at different levels of the organizations have provided a basis to answer the research questions. Based on previous research in the fields of IOC and firm boundaries, we developed a theoretical framework describing how the four boundary conceptions are related to the three control patterns. In the subsequent analysis, the findings of the case study were assessed using this theoretical foundation.

First, our findings show that the dealer context has implications for how control and coordination is enacted in the IOR. The market-based and hierarchical foundation of the Dealer Agreement demands relational control to handle the high interdependence and remote alternative to exit, the tensions of controlling sales and marketing, and the heterogeneity in the dealer network. Confirming previous findings by van der Meer-Kooistra and Vosselman (2000) and Langfield-Smith and Smith (2003), it is evident that the dealer context demands high levels of trust since specific investments tie the partners together and make cooperation a must. Drawing on this, the findings also reflect Dekker (2003) and Kajüter and Kulmala (2005) in that control and context drives further interaction to build trust and cooperation and to handle the tensions of incomplete contracts (Langfield-Smith and Smith, 2003). A contrast to Langfield-Smith and Smith's (2003) discussion is furthermore that instead of being established at inception, competence trust is developed as the relationship matures while goodwill trust is argued to be assured through the termination-based structure of the agreements.

Second, further acknowledging the need to combine control patterns in a complex IOR, the analysis of the case study using our theoretical framework shows that firm boundaries of all conceptions are adopted in the IOR through leveraging the control patterns. More specifically, what is part of the organization and what is part of the environment shifts depending on what is required. We also show how market-based and hierarchical control patterns reinforce the legally and contractually governed efficiency and power boundaries, while providing a platform to exercise relational control. Building on this, we identify the importance of boundary spanning actors and forums that facilitate relational control and the setting of boundaries of competence and identity. This allows these boundaries to coevolve and dominate and thereby blur the boundaries of efficiency and power to create new demarcations of the organization. These conclusions develop Håkansson and Lind's (2004) argument that relational control blurs the legal boundaries of the firm to create strategic boundaries, focusing on the need for integrative actors and forums to tie separate entities together, complementing hierarchical controls (Ireland and Webb, 2007; Wilson and Barbat, 2015).

Our work largely confirms previous research and points to two contributions regarding how IOC is exercised in a close relationship. First, one contribution is that the distinct contextual properties of the dealer IOR are integral in explaining the control patterns used, derived from the control challenges of utilizing a standard agreement from a central network position. This implicates that in leveraging a legally delimited position in the value chain, managers have to consider how the contractual foundation requires viewing cooperation as a purpose in itself and demands an appropriate organizational composition. Second, we contribute to an increased understanding of how control patterns are combined and integrated to manage and blur the different boundaries of an IOR, proving how a need for different forms of boundaries drives the use of control patterns. Moreover, this emphasizes the inherent interdependence between the notions of IOC and firm boundaries, both theoretically and empirically. We argue that an implication for practice is the importance of understanding what forms of boundaries certain IOC mechanisms blur or reinforce, and how these alter the resulting organization and its environment. Extending on this, for control and coordination purposes in IORs, members of separate *legal entities* should not necessarily view themselves as part of different *organizations*.

In addressing the limitations of this paper, we would first like to point to the specific nature of our case study, which is partially unique to the automotive industry and limits the generalizability of our contributions. A comprehensive comparison to other industries may well offer additional depth to the analysis of how control patterns are combined and relate to context and firm boundaries. We however maintain that the in-depth nature of a single case study provides an appropriate starting point when beginning to explore the combination and integration of control patterns. Furthermore, as our basic analytical framework of firm boundaries and control patterns can be considered to be a theoretical suggestion for holistic IOC analysis, we also encourage future researchers to develop more exhaustive theoretical models. Here, a fruitful direction could involve focusing on specific boundary conceptions and IOC mechanisms to further advance the understanding of the relationship between firm boundaries and IOC. Lastly, we acknowledge that by studying a business that is deliberately constructed to split responsibilities in a value chain through an IOR, we are exploring an environment that is different from more sequential ones. In such environments, forms of firm boundaries may not be as central to the analysis. On that note, we encourage future researchers to develop the understanding of the effectiveness and performance of different IOC structures and boundary configurations. We further propose research to focus on how industry dynamics and maturity shapes IOC and firm boundaries, focusing on how to optimize the inherent tension between control and flexibility in value chains.

7. References

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7.2 Interviews

Sales Director, Premium Sweden	2016-02-19
Chief Executive Officer, Premium Sweden	2016-02-22
Head of Business Development, Premium Sweden	2016-03-01
Special Sales and Business Development Manager, Premium Sweden	2016-03-01
Regional Sales Manager, Premium Sweden	2016-03-17
Director, Dealer group X	2016-03-31
Regional Marketing Director and Site Manager, Dealer group X	2016-04-05
Director and Dealer Board Member, Dealer group Y	2016-04-06
Business Development Manager, Premium Sweden	2016-04-06
Managing Director, Financial Services Premium Sweden	2016-04-06
Manager Project and Process Development, Financial Services Premium Sweden	2016-04-06
Marketing Director, Premium Sweden	2016-04-07
Director and owner, Dealer group Z	2016-04-07
Sales Director, Dealer group Y	2016-04-08
Salesperson, Dealer group X	2016-04-11
Product Manager, Premium Sweden	2016-04-13
Director and owner, Dealer group V	2016-04-14
Market Analyst, Premium Sweden	2016-04-21
Chairman of the Dealer Board	2016-05-03