

Copenhagen Business School
2013

Master's thesis

Department of Accounting
Cand. Merc. Msc Accounting, Strategy and Control



OBA in Inter Organizational Relationships

Author: Mario Francesco Ranieri
Supervisor: Sof Thrane

Character Count (including spaces): 144.721
Nr. Of Pages: 85

Signature:



14 May 2013

Table of Contents

ABSTRACT	3
1.0 INTRODUCTION.....	4
1.1 Structure of the Thesis.....	6
2.0 LITERATURE REVIEW	6
2.1 IORs And Accounting Systems through TCE	7
2.2 Control systems on IORs, a different perspective: ANT	11
2.3 Summary on OBA.....	13
2.4 Personal Relationships and IORs	14
Summary.....	16
3.0 RESEARCH METHOD AND DESIGN	16
4.0 THEORETICAL FRAMEWORK	17
4.1 Actor	18
4.2 Process Of Translation.....	20
4.2.1 Problematization	23
4.2.2 Interesement	24
4.2.3 Enrolment.....	25
4.2.4 Mobilisation.....	25
5.0 CASE DESCRIPTION	26
6.0 CASE ANALYSIS	29
6.0 PART 1: The first six months	30
6.1 STARTING PHASE: The idea of outsourcing and how J. Mons Problematized.	30
6.1.2 CENTRAL PHASE: Explanation of Interesement and Enrolment or how the	33
Partnership unfolds.....	33
6.1.3 Mobilisation.....	43
6.2 PART 2: The last six months.....	43
7.0 DISCUSSION.....	51
7.1 General considerations on OBA	51
7.2 Effects of personal Relationships.....	55
7.3 OBA as support for IORs.....	56
7.4 Summary of the findings.....	57
8.0 CONCLUSION	58
APPENDIX.....	62
Summary of interviews' transcript.....	62
CEO AGIF.....	62
CFO AGIF.....	66
COO AGIF.....	71
FORMER CEO AGIF	74
ENEP CEO	75
HEAD OF ENGINEERING DEPARTMENT AGIF.....	79
ACCOUNTANT AGIF.....	80
REFERENCES.....	81

ABSTRACT

This thesis is aimed at analysing new forms of control system in Inter Organizational Relationships. In particular this work is concerned with the particularities of the Open Book practice, which is normally considered an instrument for Cost management practices. For the purposes of the analysis, however, this control system will be considered more as a tool for the implementation of more harmonious Inter Organizational Relationships.

The study is based on an empirical case focused on two companies operating in the semiconductor industry. A series of semi-structured interviews with the executives of both companies and internal documents constitute the empirical data for this thesis.

The purpose of this paper is to shed light on the usefulness of the implementation of the Open Book Accounting (OBA) in Inter-Organizational Relationships; the influence that OBA and personal relationships have on the development of IORs; and at last the importance held by trust and commitment in the success of OBA.

To provide a more comprehensive answer to the problem formulation this thesis uses Actor Network Theory that ensures a more dynamic approach to the complex dynamics of a dyadic relationship, as opposite to structural and functional approaches such as Transaction Cost Economics that are weak in describing the ways in which relationships develop.

The analysis of the case led to the conclusion that OBA requires trust and commitment as prerequisite for a successful implementation, while personal relationship can affect the development of Inter Organizational Relationship in both positive and negative ways. Finally OBA has been found to be useful for the formation of an alliance only if the environmental situation is optimal for its adoption.

1.0 INTRODUCTION

Open Book Accounting (OBA) consists in a systematic disclosure of sensitive information between firms that are independently owned, but operationally linked (Seal et al., 1999). To date, accounting research analysed OBA mostly in dyadic partnerships (Kulmala and Kajueter, 2005; Mouritsen et al., 2001; Seal et al. 1999) and from a cost management point of view (Seal et al., 1999; Kulmala, 2002; Kulmala, 2004; Caglio and Ditillo, 2008). Because OBA is considered an important key in supporting Inter-Organizational Cost Management (despite little academic guidance), the analysis on this argument has often been carried out in relation with its capacity to affect cost policies (Kajueter and Kulmala, 2005). Empirical research however, brings conflicting results on this matter. In some cases has been shown that OBA, if not applied properly, can bring tremendous pressure on suppliers that are forced to reduce their costs to please the customers' needs (Munday, 1992; McIvor, 2001). In others, instead, OBA showed to reduce information asymmetry between buyer and supplier, helping companies in detecting inefficiencies along the supply chain, and concurring in the process of cost reduction (Dekker, 2003; Mouritsen et al. 2001).

Among the “auxiliary” effects that OBA can have on IORs, the possibility to enhance trust between the parties has been one of the most discussed. Accordingly, Kulmala (2002) underlined the ambivalent results on this issue arguing that while OBA showed to improve trust between two allied companies, a fundamental prerequisite for cost sharing between partner companies has been considered to be trust (Carr and Ng, 1995; Kulmala, 2002; Mouritsen et al. 2001). Since researchers focused more on issues related with cost reduction rather than looking at OBA in a comprehensive way, these collateral effects have only marginally been taken into account (Kajueter and Kulmala, 2005; Caglio and Ditillo, 2008). Consequently, Kajueter and Kulmala (2005) addressed OBA under a different perspective, trying to focus their analysis on the contextual factors that might lead to the success or failure of OBA. The two authors argued that a study concerned with the context in which OBA is implemented was necessary to derive new theoretical and managerial implications as opposed to previous research that mainly addressed OBA as a

cost data disclosure mechanism. On the basis of a contingency model, the researchers argued that OBA relies on a number of environmental and firm-specific factors (e.g. degree of competition, firm size) as well as on network-specific factors (e.g. mutual trust, type of network), concluding that for the management of networks both technical and social requirements are fundamental to achieve a complete Open Book practice. Accordingly, with their study on inter-organizational controls and organizational competencies Mouritsen et al. (2001) focused not only on the influence of OBA from a cost management perspective, but also on the general effects *“which follow the introduction of inter-organizational management controls”* (Mouritsen et al., 2001, p. 222). The different perspective comprises also a different theoretical angle. By using Actor Network Theory that *“underlines how relations unfold and how actors respond to each other”* (Mouritsen and Thrane, 2002, p.245), the authors were able to take into considerations different aspects of this control mechanism analysing how *“two systems of management control entered a set of translation processes. Such an endeavour involves looking at relationships between human actors and non-human actors such as open book/target analysis, which could turn their effects into various direction”* (Mouritsen et al., 2001, p.224).

Delimiting the analysis of OBA mostly from a cost accounting perspective, research has shown a gap, which has only partially fulfilled by Mouritsen et al. (2001) and Kajuter and Kulmala (2005). Following the intuition of Mouritsen et al. (2001) which state that the effects of inter-organizational control cannot be modelled through a static theoretical basis, the aim of this thesis is to look at OBA through ANT, trying to assess different aspects that characterize the introduction of OBA in an Inter-organizational Relationship (IOR).

To this end, the case of two companies in the semi-conductor industry, which entered into an outsourcing agreement, is analysed. AGIF and ENEP (pseudonyms) implemented a form of Open Book Accounting hoping that information openness would have facilitated the development of more harmonious Inter-Organizational Relationships. Through this case, the study tries to fulfil the gap existing in the extant research by analysing three aspects: 1) the importance of personal ties in the implementation of OBA; 2) the role held

by OBA in facilitating the development of an IOR; and 3) the relation between trust and OBA.

1.1 Structure of the Thesis

In the next section a review of the relevant studies on IORs and control mechanisms is provided, the section is divided in four parts. The different micro-sections focus on the several arguments that are related with OBA. The first part takes into consideration studies that analysed IORs and control mechanisms through Transaction Cost Economics. Section 2.2 brings to attention the relevant papers that used ANT to analyse IORs. Section 2.3 and section 2.4 extends the review to the most important studies on OBA and Relationships within IORs. Section 3 describes the methodology followed, while in section 4 a comprehensive Theoretical Framework based on Actor Network Theory is developed. Section 5 briefly describes the case; Section 6 and 7 provide respectively the case analysis and the case discussion. Finally in section 8 the conclusion of the paper is discussed. A transcript including the interviews carried out is present at the end of this work.

2.0 LITERATURE REVIEW

The decision to divide this section in four parts derives from the necessity to highline the different contributions that are congruent with the subjects in this thesis. The studies on TCE work as support to the idea of using ANT as theoretical basis and help in understanding the complexities and delimitations that rise in using a static framework as TCE. Furthermore, the first sub-section helps in introducing the earlier studies that assessed the importance of trust in IORs and control mechanisms. The remaining sub-sections review the most recent contributions to IORs, OBA and personal relationships, providing a summary of the studies that contributes at stressing the connection between trust, commitment and personal relationships.

2.1 IORs And Accounting Systems through TCE

The early studies of Inter-Organizational Relationships (IOR) were mainly influenced by the application of TCE (Williamson, 1975, 1985) and the use of incomplete contracts. The reasons of this widespread use of TCE have to be found in the characteristics of this theory that are helpful to determine which input will be acquired by the company through market exchanges and which will be produced within its legal barriers (Dekker, 2005). Gietsmann (1996), one of the earlier researchers of IORs, used TCE to argue and to determine that some adjustments in the traditional make-or-buy calculus are necessary to reduce opportunism and improve trust between companies. Accordingly, trust is fundamental, because is not possible to protect the company from every contingencies. In connection to the concept of “trust” developed by Williamson on his work on incomplete contracts, many authors tried to give their own interpretation, and among them, Seal and Vincent-Jones (1997), considered it as *“residual devices and refuges of last resort when all else fails”*(p. 427). As a matter of fact, in analysing an IOR, the authors preferred to use more a trust-based approach, rather than using the Williamson’s approach. Based on their empirical findings, Seal and Vincent-Jones, concluded that accounting can be viewed as an important player in the success of a relationship and that it might enhance trust. Deserves to be mentioned that the authors considered these conclusions related to the institutional and organizational conditions encountered in the analysis.

Accordingly, Seal et al. (1999), in analysing two UK (non-Japanese) manufacturing companies from TCE and organizational theory perspective, found the same empirical evidence in considering accounting to be an important player in the establishment of collaborative relationships. In particular, they concluded that accounting played a more symbolic role in building inter-firm relations based on trust and collaboration.

Similarly, Hakansson and Lind (2004), through an analysis of two companies in the Telecom industry, considered accounting important in building good relationships, even though no collective accounting system was used (e.g. Target Costing, Open Book Accounting, etc.). In short, accounting seems to play an important role in the building of a relationship, albeit not always in the same way. For instance Emsley and Kidon (2007)

studying a joint venture between two international airlines companies showed how management control systems could contribute to the development of trust. The two authors focused their analysis on the influence that the different kind of control systems (outcome, behavioural, social) have on the different types of trust (contractual, goodwill, competence-based). Their findings were that all the control system had effects on competence-based trust at operational level, while only social control is important in the development of goodwill trust at the executive level.

Tomkins (2001), instead, analysed the relation between trust and information in long-term relationships. He showed how the connection between trust and information could be explained by a U-Shape curve (Fig. 2.1). He produced evidence that the relationship between trust and information is different according to the stage of the relationships' development. At the initial stage both trust and information are low; at the next stage both tend to increase (positive correlation), while at the final stage as trust tend to increase, information tend to decrease because it becomes less important (negative correlation). The main assumption of Tomkins is that trust influence information, meaning that trust will determine the focus of the information system and the intensity of the information essential for the relationship. Consequently Tomkins distinguished between two types of information; Information Type 1 needed to create and support continuing trust and Information Type 2 needed for mastery of events. Type 1 will affect the degree of trust and then subsequently be influenced by it. Trust intensity will influence the focus of control behaviour, which, creates the demand for Information Type 2. Trust will be influenced by the experience provided by Information Type 2 and turned into demand for Information Type 1.

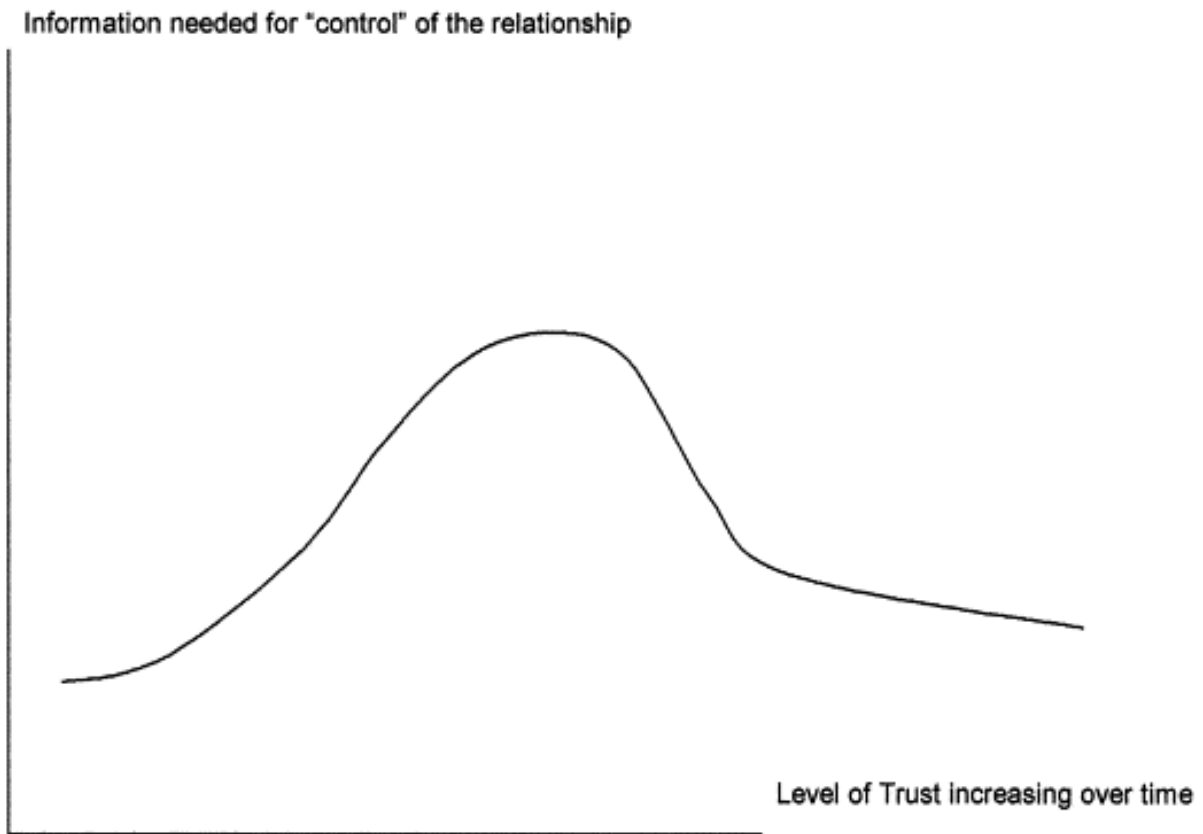


Fig. 2.1 (Source: Tomkins 2001, p. 170)

Trying to understand the complexities that lie behind the IORs, Van der Meer-Kooistra & Vosselman (2000) and Dekker (2004), implemented different theoretical frameworks, focusing on how the governance modes of structure and power influence the way relationships are built up and accounting is shaped.

Van der Meer-Kooistra & Vosselman (2000) designed a model based on TCE and Sako's types of Trust (Contractual, Competence-Based, Goodwill) to analyse the contingencies influencing the design of the control systems in IORs. According to the model there are three patterns to be considered: market based, where control derives from the market; bureaucracy based pattern, in which the presence of specified norms and rules is consistent, and a trust based pattern where trust plays as control mechanism. The authors found that the institutional environment and the power to negotiate were important players in the determination of the kind of control used. However, this model showed some flaws, since the analysis did not explain how opportunistic behaviour and poor performance led

to the establishment of a trust-based pattern as predicted by the model. Moreover, the model wasn't able to predict and didn't take into considerations other factors like the historical conditions and the organization's culture (Meira et al. 2010).

Similarly, Dekker (2004), explained which are the main characteristics of TCE and how it focuses on the potential opportunistic behaviour of a supplier, but underlined the incompleteness of TCE in taking into consideration other factors, such as the selection of a good partner, the social context of the alliance, and the intention to guarantee stability and continuity of the alliance. In his paper, Dekker analysed the management of appropriation concerns and the coordination of tasks that have to be handled through formal mechanisms (outcome and behaviour) or/and informal mechanisms (partner selection and trust). These issues will eventually influence the collaborating firms that, according to the author, need to invest more time in selecting a good partner and implementing formal control mechanisms. At last, the author argued that the presence of goodwill and trust reduces the possibilities of appropriation concerns. These findings, even though *"indicated associations between a range of variables and inter-organizational controls"* showed some bias that may have been generated from the *"way in which variables have been analysed"* (Caglio and Ditillo, 2008, p.876).

These studies based on TCE have made an important contribution and they contribute to our understanding of the phenomena in IORs, in particular they seem to focus on how inter-firm alliances may optimally be designed and managed using inter-organizational control systems, and on the relevance of trust even though its influence is difficult to understand and to measure (Seal et al., 1999; Hakansson & Lind, 2004; Van der Meer-Kooistra, 2000; Dekker, 2004, 2005). However, even those with complementary perspectives have raised controversial issues and offer a limited understanding of the complex dynamics that exist in larger networks with many connections. As Coad and Cullen (2006, p.343) stressed: *"whilst TCE supplied a valuable framework for early studies, it was found to have limitations regarding detailed exploration of IORs phenomena"*. In particular TCE seems too static to describe complexities such as institutional and cultural influences, which shape the way in which companies design their control mechanisms and relate with each other. On this matter Thrane and Hald (2006)

emphasized, *“the conception of interfirm relationships as hybrids in Williamson’s conception is basically static.”*(p. 310)

For these reasons in the next sub-section a summary of the contributions that looked at accounting in inter-organizational settings through the lens of actor network theory is provided, as to capture the unstable world of networks a theorisation that follows actors is necessary.

2.2 Control systems on IORs, a different perspective: ANT

Since the study by Preston et al. (1992) on budgeting in National Health Systems, ANT is being used to analyse changes in the accounting field. According to Mouritsen and Thrane (2006, p. 247) ANT is useful because *“it analyses not only whether accounting exists as a set of techniques, but also how accounting influences interactions in the network”*. Despite these characteristics few studies have been carried out analysing IORs and the influence of accounting on partnerships with ANT.

For example, Hansen & Mouritsen (1999) through a research on a high tech producer in Denmark argued that accounting had scarce influence in situations of “normality”, while was important in situation of “crisis”, granting a barrier between the company’s network and the external environment. On the same path, Mouritsen et al. (2001) analysed two Danish companies that decided to outsource. Each of the two companies was using a different IOCM, respectively OBA and Target Costing, coming to observe that the accounting systems can be related to different characteristics of organizational practices and that they serve as a guarantee to make things work. The control systems impacted the two companies in ways that were unpredictable beforehand, influencing strategic, technological and organizational aspects of the firms. Only following translations the authors argued that is possible to understand how new control systems can make things in motion, underlining the importance of target costing and open book accounting in influencing different strategies of a firm, not only cost management and awareness.

Some authors, instead, carried out some studies to understand the role of accounting in the building of interfirm relationships. Mouritsen and Thrane (2006) argued that transfer prices and intellectual capital might enhance the establishment of boundaries within a

network. For them, control mechanisms are helpful when it comes to give clarity on the way relationships should happen, claiming that accounting should be seen as an actor in the development of a network, either operating through self regulating or orchestration mechanisms. Role of a self-regulating mechanism is to make the money flow predictably in order to stabilise the interaction between the partners, an orchestration mechanism, instead, might lead to conflict, since is concerned with non-routine operations and demands a continuous renegotiation on the network partnership. In particular, Mouritsen and Thrane concluded that accounting is important when it comes to manage the conflicts that might rise in an inter-firm relationship, especially those that rise between the goals of a single company and the goals of a network as a whole. For the authors trust and fast communication are the basis for a healthy relation, even though they found evidence that trusting is problematic as it is not easy to trust someone within a network, especially when the individual goals contradict those of the network. That's the reason why according to the two authors, the only way to make a network to work is to use in the correct way the control mechanisms.

On the same path, Chua and Mahama (2007) observing the use of accounting control in a long-term supply-alliance tried to highlight how accounting numbers might be misleading. As Latour (1987) observed, accounting numbers sometimes are created for bending interests from different groups *“in order to influence organizational operations”* exactly as in the case of Chua and Mahama, where the control mechanisms seemed to be imperfect. Their arguments bring to the conclusion that accounting can lead to order or conflict, it depends on the way it is utilized: (p.33) *“accounting does not play a technical or a diagnostic role in the management of performance. Accounting control was very much part of processes of identity construction”*.

Finally, Thrane and Hald (2006) carried out a study on inter-firm relationships in supply-chain creating an ad-hoc framework based on both Transaction Cost Economics and Actor-Network Theory. The authors' conclusions not only confirmed the findings of Mouritsen et al. (2001) on the effects of inter-organizational control, but confuted the hypothesis that the relationships between accounting and context is only unidirectional:

“Accounting and context/boundary is a duality – they mutually condition each other in a dynamic, emerging processes shaped and developed by inter-dependencies, the structuring of field, accounting devices and local learning processes which structure relation within the supply field”(p.312).

This section underlines the greater efficiency that comes from the use of ANT in analysing IORs and Inter-organizational control. By using a more dynamic theoretical basis the implications that rise from interactions between two or more companies can be better understood. Literature often adopted a structural approach to explain the existence of forms of governance rather than analysing how the governance mechanisms develop (Mouritsen and Thrane, 2006). Little can be said about how control mechanisms *“initiate action, prohibit action, and therefore are involved in constituting the action that develops in the inter-organizational relation” (Mouritsen and Thrane, 2006, p. 242)* using a structural approach, while using ANT the focus of the analysis is how accounting is a force and how can be helpful in the development of inter-organizational relationships. Hence, the influence of trust and relationships, and the collateral effects of governance mechanism should be analysed using ANT, which deriving from social sciences has a more suitable structure to explain such complex phenomena.

2.3 Summary on OBA characteristics

This section briefly reviews the main contribution on contextual and relational factors that characterizes OBA. The research on this mechanism still lacks of an inclusive literature, since only recently accounting experts realised the necessity to extend their studies on the importance of information openness in inter-firm relationships (Caglio and Ditillo, 2008). Between the authors that focused on the prerequisites and impacts (besides cost impact) of OBA on IORs, Kulmala (2002, 2004) has been one of the most complete. Kulmala (2002) in his analysis on the characteristics of successful partnerships within a network underlined some interesting key points, taking into consideration trust and commitment. According to the author, commitment, intended as *“the willingness of trading partners to exert effort on behalf of the relationship” (Kulmala, 2002, p.159)*, is more likely to

happen in customer-buyer relationship, since this kind of relationship is able to ease the information sharing. Little empirical evidence, instead, has yet been found on trust, even though *“trust is mentioned to be both a requirement for and a consequence of open book accounting”* (p.173). Kajueter and Kulmala (2005) confirmed the findings that OBA requires trust. Through a contingency theory framework the authors analysed endogenous and exogenous factors that might influence the success of OBA in a network, and among them, mutual trust and commitment have been found relevant in the development of the mechanism. The analysis brings the conclusion that OBA is most likely to work in *“long term-hierarchical networks that manufacture functional products, provide a sound infrastructure for open-book practice and comprise trust-based network relationships”* (Kajueter and Kulmala, 2005, p. 202). Important in relation with the concept of mutual trust and OBA is the study of Seal et al. (1999) that underlined the importance of “desirability” as a prerequisite for information openness even though in the study *“a complete and detailed open book accounting”* (p.321) is not achieved.

Similarly, Moller et al. (2011) found relational factors fundamental for OBA implementation, and emphasized the importance of the suppliers’ commitment.

The review underlines some elements that frequently emerge as key points in the implementation of OBA, like mutual trust or commitment that not always have been taken into account extensively by researchers. Accounting research has often looked at OBA as an incentive for cost reduction and consequently analysed it in relation with this issue (Kajueter and Kulmala, 2005). However, OBA brings to attention a hidden potential that is poorly explored by existing literature. The latter emphasizes a gap in extant research on the effects that OBA might have on the development of IORs. It also shows the need for further research on the relation between OBA, trust and commitment in literature.

2.4 Personal Relationships and IORs

The review provided in this sub-section has the scope to evidence the main findings on the effects that personal ties have on the development of IORs. The existing literature on IORs put little attention on the relationships that exist and that influence an alliance (Abodor, 2006). However relationships seem to influence alliances in many ways, and

should be considered as core elements in the foundation of a partnership. As Abodor (2006) argued: *“It would be difficult for two firms to work well together if managers and key people at the boundaries of the firms do not get along; therefore, it is not surprising that firms entering into partnerships are often advised to encourage the development of strong friendships, and trust between people in their partner’s firm.”* (Adobor, 2006, p. 474.)

Seabright, Levinthal and Fichman (1992) found through their study that personal relationships have a major impact in the early phase of an alliance, while diminish in significance over time. These findings are consistent with the study of Adobor (2006) that underlined among the advantages of personal relationships in IORs a faster formation process of the alliance and a reduced relational risk. These findings assessed the validity of a similar study by Xin and Pearce (1996) that emphasized the role of inter-personal relationships when it comes to provide impetus on the formation of alliances.

Accordingly, the academic works of Volkoff, Chan, & Newson (1999) and Uzzi (1997) respectively on healthcare, education and research in Anglo-Saxons countries and garment industry in New York, found the same empirical evidence in determining personal relationships helpful when it came to initiating discussions among partnering firms.

Personal relationships can be also helpful when there’s the need to reduce relational risk, i.e., if a partner is trustworthy (Zaheer et al., 1998). According to Olk and Elvira (2001), personal ties are important in negotiating alliances as they reduce relational risk and provide the basis for strong initial trust.

Accordingly, Kanter (1994) found interpersonal ties important not only in the initial stage of an alliance but also in resolving conflicts that might rise during the cooperation. Spekman et al. (1996) instead argued that personal relationships could go over the mere resolution of small conflicts by acting as a safety net, which protect the IOR by self-destructing mechanisms. Another findings of this study was the recognition that personal relationships between leaders may be necessary to shape the collective vision of the alliance in which they are involved. On the other side the study underlined some downsides of personal relationships that might adversely affect an alliance. The authors gave as example the joint resignation of both the CEOs of Volvo and Renault that brought to the conclusion of the alliance between the two companies. When key actors are

replaced time is needed to forge new relationships and often there might be total absence of chemistry between the new actors. These could only affect an IOR negatively.

In conclusion as Abador (2006, p. 485) underlined: *“The key, it appears, is to strike a balance between the need to use social ties as an asset in economic exchange, and the recognition of the limits of such ties.”*

Summary

The literature review provided so far evidenced that trust, commitment and personal relationships are important in the development of both Open Book Accounting and IORs. Researchers recognised the need for literature to increase the number of studies that analysed these topics, and ANT seemed to individuate more than other theories the complex facets that are in relation with the development of alliances.

3.0 RESEARCH METHOD AND DESIGN

At the beginning of 2010 AGIF a company operating in the semiconductor industry and ENEP a leading provider of deposition equipment agreed for a strategic alliance for the supply and innovation of a particular transistor that would have helped AGIF in the development and production of LS01, a revolutionary product. Particularity of this case is the attempt to implement Open Book Accounting as a tool to improve the coordination between the parties.

Due to the difficulties of gathering in depth information and to the specifics of the case, the study has been built basing the analysis only on a single case study. Although as Halinen and Törnroos (2005) conclude:

“ A single-case study is an appropriate design for network research in many situations. The objective of providing holistic descriptions of contemporary business networks to learn about their nature, management and evolution is such a demanding task that a single-case study is often the only option.”

(p. 1291)

Case research is a research method, which starts from a complex real-life context and embarks on research in this complex reality on the basis of concepts and relations of existing theoretical frameworks that in our case is derived from Actor Network Theory.

In particular detailed analysis of the alliance's dynamics and development was made to provide empirical evidence of the theoretical framework. Furthermore the explanation of the governance is at the dyadic level of the analysis, the construct of interest and the interaction between the actors are studied from both perspectives. This kind of focus is preferable to better understand the influence that the different parties may have on the accounting mechanisms and to take into account the heterogeneity between the partners.

The research was based on semi-structured interviews and informal meetings held with several employees of both companies, the executives of AGIF and the CEO of ENEP. The data collection started one month after the conclusion of the first year of contract and took two weeks, some documents related to the design and trend of the alliance were studied. All the employees interviewed were directly involved in the alliance and in the development of OBA. All the interviews have been recorded and approved by the interviewees.

4.0 THEORETICAL FRAMEWORK

Due to its nature Actor Network Theory (ANT) is a difficult subject to summarize. From its beginnings the idea behind ANT was to redefine the concepts and the categories that have been part of the Western countries for Centuries. On this purpose Law said:

“Truth and falsehood. Large and small. Agency and structure. Human and non-human. Before and after. Knowledge and power. Context and content. Materiality and sociality. Activity and passivity... all of these divides have been rubbished in work undertaken in name of Actor Network Theory.”

(Law, 1999, p.3)

Despite its ontological complexity, ANT starting from the sociology of science and technology was able to spread across different disciplines, from geography to economics. The name ANT is often associated with the three writers that mostly contributed to the foundations of such an innovative approach: Bruno Latour, John Law and Michael Callon. In particular the Latour's work on the sociology and philosophy of technology (1988, 1991, 1992) and Callon's studies on the Scallops of St. Brieuc Bay (Law & Callon, 1986) and on the Electric car (1987) are significant for the ways they contribute to the development of the Theory. According to Latour (1987), the aim for ANT is to approach science and technology *in the making*, instead of studying to *a ready made science and technology*.

Methodologically, ANT is concerned with the processes by which disputes become closed, ideas accepted, tools and methods adopted. From here derives the idea of the oxymoron "actor-network". But what does actor network mean? The answer is that everything can be considered an actor and a network; it only depends on the perspective from which we are looking at it. Callon said on an actor-network:

"reducible neither to an actor alone nor to a network...An actor-network is simultaneously an actor whose activity is networking heterogeneous elements and a network that is able to redefine and transform what it is made of"
(Callon, 1987, p.93)

ANT is based on a large number of concepts that made it unique, and it's impossible to explain all of them in depth. For the purpose of our analysis, the concept of actor and the process of translation are described in the next sub-sections.

4.1 Actor

One of the most interesting and revolutionary concepts derived from ANT is the vision of an actor. ANT distinguishes itself from the classical sociotechnical studies by abandoning the distinction between human and non-human actors. Latour and Callon have developed

a framework, which does take into consideration non-humans as constitutive elements and forces capable of shaping and forcing relations. To better understand the role of actors in ANT, an explanation of the role of an intermediary is necessary. An intermediary is a tool by which a network is described. Intermediary could be a human being, an artefact, a literary inscription or money (Callon, 1986), which compose and give form to a network.

“ I have tried to show that intermediaries more or less explicitly and consensually describe their networks [...] These are defined by their roles and their identities and their program – which all depend on the relationships into which they enter. My argument has two consequences. The first has to do with the crucial role played by intermediaries in giving shape, existence and consistency to social links. I want to say that actors define one another by means of the intermediaries which they put into circulation.”

(Callon, 1987, p.139)

In the conception of ANT, an actor is an element capable of acting. To act, according to Callon (1987, 1989) means to combine, concatenate, mix, degrade, compute and so on. It is strictly correlated with the definition of intermediary. Basically an actor is an entity capable of transform and put into circulation an intermediary. As always in ANT, an actor can be a collectivity or it may be a single text, it depends on perspectives. Basically in this ontology actors have variable content and geometry. An actor can be successful or not, it depends on how they decide to act. And action, in ANT, works via the circulation of intermediaries.

“An actor is an intermediary that puts other intermediaries into circulation. Defined in this way, an actor is an entity that takes the last generation of intermediaries and transforms (combines, mixes, concatenates, degrades, computes, anticipates) these to create the next generation. Scientists transform texts, experimental apparatus and grants into new texts. In general then, actors are those who conceive, elaborate, circulate, emit, or pension off intermediaries.”

(Callon, 1991, p. 146)

4.2 Process Of Translation

In the most elementary sense, by translation, we intend the creation of an actor network. According to Callon (1987) the process of translation involves a translator (an actor), something that has to be translated, and a medium to process the translation (an intermediary).

An important concept for the sociology of translation is the process where actor and intermediaries weave themselves together, Callon talks of *convergence*. Two dimensions compose convergence: alignment and co-ordination. Obviously the level of alignment depends on the success of the translation.

“A successful process of translation thus generates a shared space, equivalence and commensurability. It aligns. But an unsuccessful translation means that the players are no longer able to communicate. Through a process of disalignment they reconfigure themselves in separate spaces with no common measure. Translation thus both flow through and are held in place by intermediaries.”

Callon (1987, p.145)

The process of alignment is not always successful, in the translation may rise some controversies or conflicts, and in this case we can talk of betrayal (*traduttore-traditore*)(Callon, 1987).

“Disagreements vary in scope. They may focus on an actor, or on an intermediary. They may lead to open controversy or simply to abstention. And they may or may not be overcome”

Callon (1987, p.145)

In Figure 3.1, we can see two basic processes of translation:

A-----B-----C

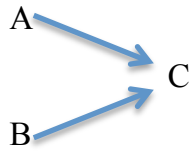


Figure 3.1. Basic processes of translation.

We can define the first as a transitive process, if A translates B which translates C, consequently A translates C. The second case instead is of substitutability, in which C is translated similarly by A and B (Callon, 1987).

“ A strongly aligned network is one in which the translations are successful and relatively similar.”

(Callon, 1987, p.146)

Definition of actors and intermediaries is an important part in the process of translation. Callon refers to such an issue speaking of *Co-ordination*. Co-ordination is about rules, written or un-written, these rules vary from a range that goes from official laws to customs. These rules can define who is an actor or not, or which intermediary belongs to a specific actor. For instance there are laws, which protect the right of authorship, as there are laws who attribute some products to specific companies. For the purpose of this thesis is not necessary go into further details on this subject, however, is important to underline that co-ordination can establish “*who may speak in behalf of whom*” (Callon, 1991, p. 146). It means that according to law, customs or conventions some actors are automatically designed as spokesperson for a community (e.g. politic elections).

Once we explained the concepts of co-ordination and alignment, we can introduce the last two attributes of the translation, which are Convergence and Irreversibilisation.

By convergence, we refer to how the actors in a network are able to behave despite their heterogeneity. It means that an actor in a perfectly convergent network can easily identify and organize, the skills within that network.

“A totally convergent network would thus be a kind of Tower of Babel. Everyone would speak their own language, but everyone else would understand them.”

(Callon, 1987, p.148)

It is common that a network is only weakly convergent. It means that the actors always question their position inside the network and that might be impossible to mobilise other parts of the network. The concept of convergence is directly linked with the irreversibility of a network.

We might say that the concept of irreversibility is a controversial one, as we are referring to the extent to which it is impossible to go back to a point previous the translation. This concept lays on two relational properties of a translation that are robustness and durability (Callon, 1987). Anyway it seems impossible to ensure that even the most secure translation cannot be reversible. In this study it is an important concept as it explains how it is possible to start new translations by undoing existing one.

“With the irreversibilisation of translation and its normalisation we enter a world familiar to economists (Akrich, 1989c). In effect it becomes possible to say that it would be expensive to challenge certain translations. This means that in order to establish other links and new translations you would first need to undo all these already in existence by mobilising and enrolling new alliances.”

(Callon, 1991, p.565)

Once explained the most important properties of a translation, we can continue the analysis by identifying and describing the different phases of a process of translation, as Callon did in his work on the Scallops of St. Brieuc Bay (1988).

Callon identified four “moments” of translation: Problematization, Interessement, Enrolment, and Mobilisation. It is of vital importance to underline that the four moments are not separated, but they can actually overlap.

4.2.1 Problematization

In this phase we assist to the actors' efforts to convince others to sustain their own view. The first moment of translation during which a focal actor defines identities and interests of other actors that are consistent with its own interests, and establishes itself as an obligatory passage point (OPP), thus "rendering itself indispensable" (Callon, 1986). It is about the determination of a set of actors and the definition of what they want.

“The problematization describes a system of alliances, or associations, between entities, thereby defining the identity and what they want.”

Callon

For this purpose is fundamental to define the obligatory passage point (OPP). It broadly refers to a situation that has to occur in order to satisfy the interests of the actors involved in the process. It's a duty of the focal actor to define the OPP through which the other actors must pass through.

Figure 4.2 will show how Problematization describes associations and alliances.

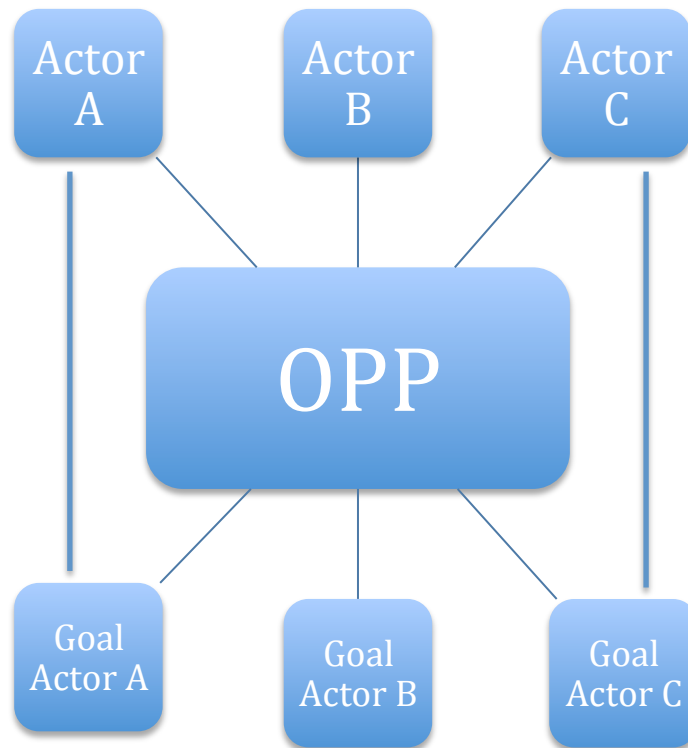


Fig 4.2. Representation of the moment of Problematization.

4.2.2 Interessement

The second moment of the process of translation is the moment of Interessement, and it involves the focal actor who tries to convince the others to support its definitions. He acts through the use of different devices. The role of the focal actor is to cut all the links that the other actors have with other entities to strengthen his position and achieve his goal (Callon, 1986). Callon defines this basic relationship the “triangle of interessement”. The devices or the mechanisms that can be used to carry on these interruptions are almost unlimited. According to Callon the shades can go from seduction to pure acts of strength.

“Is the group of actions by which an entity attempts to impose and stabilize the identity of the other actors it defines through its problematization.”

Callon, 1986

4.2.3 Enrolment

If interssment is successful leads to enrolment, which is the third moment of translation.

Enrollment involves a definition of roles of each of the actors in the newly created actor-network, such that the defined roles are aligned to the interest of the network. Since any enrollment is necessarily temporary, betrayal by an ally (i.e., enrolled actor), wherein it acts in contradiction to the interests it has agreed to support, is always a possibility. According to Callon, actors can be enrolled in different possible ways such as physical violence, transaction or seduction.

“It designates the device by which a set of interrelated roles is defined and attributed to actors who accept them. To describe enrolment is thus to describe the group of multilateral negotiations, trials of strength and tricks that accompany the intersement and enable them to succeed.”

Callon, 1986

4.2.4 Mobilisation

Mobilisation is the last moment of translation, during which primary actors assume a spokesman role for passive actors (agents) and try to *mobilize* them to action. The process by which the spokespersons are chosen can be considered as a perfect symmetry. A series of intermediaries and transactions are set up and conduct to the designation of a spokesperson.

In table 4.1 a brief summary of the concepts introduced so far is presented.

CONCEPT	DEFINITION
Actor	Is any elements which influence others
Intermediary	It's a transporter non-capable of modifying meanings or forces. Input=Output
Network	An actor does not operate on his own, but

Translation	under the influence of a set of forces, a network
Problematization	The process of forming a Network
Interessement	Problems and actors are defined by the focal actor
Enrolment	The focal actor recruit other actors
Mobilisation	The roles of each actor are defined and all the actors accept their role formally
OPP	The primary actors assume the role of spokesmen for others
Irreversibility	The way the focal actor become indispensable for the network
	It is not anymore possible to come back to a previous situation

Table 4.1. Summary of concepts

5.0 CASE DESCRIPTION

At the beginning of 2010 AGIF, a company operating in the semi-conductor industry recognized the need to restructuring as a consequence of the fast changing environment in which it operates. AGIF with more of 400 employees and annual sales of more than 100 million E¹, has the headquarter and the production facility located in Italy. The company is not a final assembler, but produces complex and sophisticated sub-assemblies for outside costumers, and in the last 3 years was under-going a period of huge changes. By 2010 an internal analysis identified that AGIF had higher cost of sales than average, resulting in lower gross profit and higher indirect costs. A poor administration of fixed and variable expenses negatively affected ROA that in 2010 was lower by 6% compared to 2009. This situation was worsening by low sales numbers in the same period.

¹ No precise figures are presented. However, the figures reflect the overall size of the company.

Furthermore, the debt/equity on book values ratio was almost the double of the average industry numbers.

In this period new techniques and systems, such as ABC and Balance Scorecard, together with a new Information System were implemented leading to huge changes in the company policy. According to J. Mons² (CEO) the company needed such innovations to better compete in the global market. Together with these changes, the executives and the Board of Directors agreed that outsourcing part of the production was necessary to cut unnecessary costs and to improve the production quality. Accordingly, outsourcing the production of a particular transistor brought to the company an enormous advantage. The latter was an important element of one of the most innovative products of the company, the LS1. This semi-conductor presented some important features, which according to the management was one of the options for the company to exit the crisis. The product was at the initial stage, and at the beginning of 2011 wasn't able to deliver any profit to the company (See figure 5.1). The decision to outsource resulted in the reduction of the number of workers employed by the company.

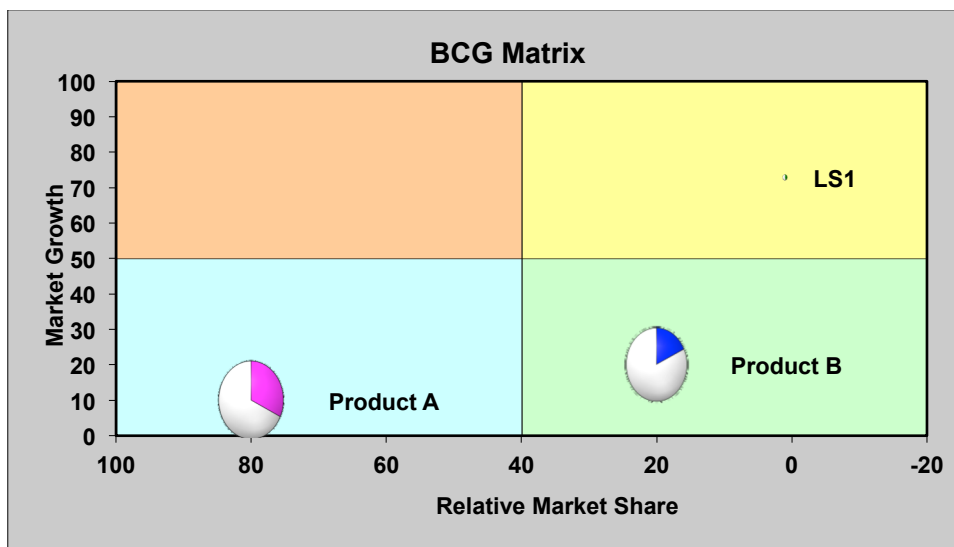


Fig. 5.1. Internal Source: BCG Matrix on product positioning. LS1 is positioned as a fast growing product with scarce market share.

² All the names used are pseudonyms.

At the end of 2010 negotiations started with ENEP, a company that had three important characteristics: 1) long time presence in the market, 2) strong financial position and, 3) orientation towards innovation. ENEP at the time was considered as one of the most reliable and solid company in the industry. The decision to contact ENEP to form an alliance was made easier by the personal relationship that the two CEOs, J. Mons (AGIF) and L. Garo (ENEP) had for a long time. Despite ENEP had solid relationships with a direct competitor of AGIF, the personal ties between the two CEOs made the alliance possible. After a short time of meetings and negotiations, the contract was signed. The agreement resulted in a contract of four years, with the option to rescind the contract after one year if one of the sides didn't respect the terms of the deal. ENEP agreed for a 4% cost reduction goal after 2 years. In the contract was decided to implement OBA to help the two companies in the development of the alliance.

The beginning of the cooperation was positive. The two companies were meeting each month and there was a good understanding between the two sides. The engineers from ENEP were explaining how their processes were working and there was an effective exchange of information and ideas between the parties. Taking into account the cost data, the company effectively had operating costs reduced and the clients experienced a more reliable product with the new transistor. The relationships with the partner were stable and fruitful, and there were no complaints between the employees. However, AGIF was suffering the Italian and European debt crisis, a lot of customers were in trouble and weren't able to pay. Comparing with the same semester of 2010 (by itself not a good year), the company reduced its profit by 20%. The board of directors wasn't happy of how things were going, and decided to replace the CEO.

At the beginning of June 2011, exactly six months after the project started, C. Rat was hired. At first, the new CEO fired the CFO and most of the executives except for the COO. After an in-depth analysis of the company situation and its position in the core markets the new CEO was sure that some products were useless for the company. Among these products, the LS1 was considered as part of un-core activities. The new CEO considered the huge investment on LS1 unworthy and as a consequence, the outsourcing contract useless. In the meanwhile he tried to apply a control system on OBA. He thought that two companies that were using different control mechanisms couldn't share correctly

the necessary information. That's why in cooperation with the CFO he implemented a complex system capable of translating the information that he considered necessary. This practice lasted short time. After six months, the employees were unhappy, the board was unhappy and the economic situation of AGIF wasn't improved. C. Rat was fired.

J. Mons was hired again and as first thing he tried to restore the old situation. At the end of 2011 a new contract was signed with ENEP but this time with different terms. First the Oba practice was totally abandoned, L. Garo didn't want to put his company in a situation like the one they had previously. Second they half reduced the cost reduction target of 4% per year. The new contract was of 5 year, characterized by heavy exit barrier for both companies, and with the cost for AGIF to have ENEP as supplier increased.

6.0 CASE ANALYSIS

The section analyses the difficulties and emergences that rose in the formation of an alliance through an ANT perspective. In this paragraph the notions explored in section 3 are applied. The aim is to evidence and describe the development of the case by applying the different concepts implemented in the theoretical framework. Hence, the different moments of translations are used to explain and analyse the development of an Inter-Organizational Relationship and in particular the implementation of an Open Book Accounting system. The case analysed brings to attention several themes, which are going to be explored in the different sub-sections. Following translation, means explaining how Problematisation, Enrolment, Interessement and Mobilisation have developed during the formation of the alliance and how the different actors interacted with each other. The different "moments" of the case perfectly fits with the different "moments" of translations, bringing to attention important aspects, such as the importance of personal relationships, commitment and trust. As already mentioned during this thesis, the decision to look at accounting systems in IORs under a different perspective comes from the observation that to investigate more in depth the complex dynamics that rose in an IOR a new point of view is necessary. As a matter of fact, in order to examine the development of an alliance it has been chosen to follow an actor, *"to follow his construction-deconstruction of Nature and Society"* (Callon, 1991, p. 202). The starting point consists

in the decision of the focal actor, in this case the AGIF's CEO, to outsource part of the production. Due to the peculiar nature of the study, the section is divided in two macro-sections that separate the development of the case between the first and the last six months. Each of the two sub-sections is further divided into several micro-sections, which are respectively three and two, to better capture the complex development of the alliance. The analysis of the first six months is focused on the aspects of how the alliance started, and how OBA worked in optimal conditions. The second part instead, is focused on the contingencies that led to the failure of the OBA. Hence the first part is based on the four moments of translation and on the beginnings of this control system, while the second part is related with the concept of betrayal and the failure of OBA.

6.0 PART 1: The first six months

6.1 STARTING PHASE: The idea of outsourcing and how J. Mons Problematicized.

“We felt we had to do more, we were late in our renovation and the gap with our top competitor was increased too much in the last few years. Our program was based on this simple concept; improved cost comprehension, improves cost reduction.”

J. Mons, CEO, AGIF

When J. Mons understood that AGIF needed huge changes in order to survive, immediately started meetings with his crew. The aim was to create an ad-hoc strategy to make the company more competitive. Once J. Mons and his executives realized that to increase competitiveness the company needed to find an ally to outsource, a question raised: is it possible to create a stable and innovative alliance with another company?

In the moment of Problematicization purpose of the focal actor (in this case J. Mons) is to determine a set of actors by defining their identities and interests to establish himself as an OPP in the network.

As can be deducted from the case description the actors are different. Actors in this case are the two different AGIF's CEOs, the executives, the Board of directors, the ENEP's

CEO and the IOR. They have different goals and different interests, and scope of the focal actor is to create a series of relations to obtain the role of OPP, e.g. the point of convergence of every heterogeneous interest. For the purposes of clarity, each of all the above-mentioned actors is defined and his interests described.

Board of Directors (AGIF): An entity that has the last word on each CEO's decision. The position of the board with regards to the partnership is of indifference. The main objective for the directors is to maximize their profit. They don't have a real position or opinion on the politics undertaken by the company, as soon as AGIF's profitability is not affected.

“At the time of the negotiations with ENEP, I was aware that it would be better for the IOR, if the company situation improved rapidly. I knew that the directors wouldn't have given to the partnership so much time to develop.”

J. Mons, CEO, AGIF

The words of the CEO perfectly summarize the thought of the Board, there's little space for mistakes, profitability is the first concern for this actor.

J. Mons (AGIF 1st CEO): Is the first actor that understands the lack of his company in competitiveness. He starts a radical change in the company's policy (e.g. ABC, Balance Scorecard) and then demands for a research to find the best partner. He understands that the success of the partnership is of vital importance and his main purpose is to make the alliance to last. As a CEO his concern is to make the company business sustainable in the long term.

“It was my duty to save the company. The partnership with ENEP was vital to me, I knew I was taking a huge risk for my carrier, but I thought and I think that my job is to take some risks for the good of the company.”

J. Mons, CEO, AGIF

Once interviewed the CEO showed how his concern was only aimed at granting the survival of the company through the survival of the partnership.

C. Rat (2nd CEO, AGIF): He comes into the game later than the other actors, and his positioning is different. The board nominated him as a substitute of J. Mons. He has a strong contraposition with the older CEO, as he thinks that the IOR and more in general the contract had to be broken.

“I was coming from an industry where investments in R&D were not under-estimated, however looking at the balance sheet of AGIF, it really didn’t make sense for me investing more than 6% of profits in research and development, in particular with their weak financial position.... I don’t even want to start talking about how useless was LSI for me.”

C. Rat, CEO, AGIF

CEO (ENEP): His objectives are similar to J. Mons’. As a CEO his main concern is to make the company’s business sustainable and profitable. The environmental situation of his company is different to the AGIF’s one. The financial situation is solid and the company occupies a strong position in the market. However, the contract is important as it guarantees a relevant competitive advantage compared to the other ENEP’s competitors.

“In the contract and with the idea of OBA, my company could have access to some knowledge that were in possession of AGIF that we found interesting. An example? Besides some productive procedures, I can tell that we found interesting exploring their interpretation of ABC...”

L. Garo, CEO, ENEP

IOR: It is the result of the alliance, the key for the success of the outsourcing contract, and the result of the interactions between the two companies. Lasting in the long term is the main objective for this actor. Only in the long term, an IOR can bring its positive result to the enterprises.

Other Executives (CFO, COO): They are the real representatives of the employees of AGIF. They seem to be the actors with most influence between the employees. They trust J. Mons and his ideas and accordingly they think that some sacrifices are necessary to save the company. Their aim is to pursue the goals that have been decided by J. Mons.

“After a conversation with the COO, I immediately saw the importance of this agreement and I accepted to make some sacrifices, he always told us the truth, and I didn’t have any reason to doubt of his word.”

Head of Engineering Department, AGIF

Hence, Problematization describes a series of alliances formed in order to make the IOR sustainable and profitable. The definition of the Obligatory Passage Point can now be deducted.

Each actor described so far is aiming at granting the survival of the Inter-Organizational Relationship. It seems evident that the invisible line that links all the entities is the possibility to make the IOR both sustainable and profitable. As a matter of fact, if the IOR survives, AGIF would improve its financial situation, ENEP would increase its position in the market, and the board of directors would take advantage of the gains that follow. Accordingly if the IOR is not able to survive in the long run, each actor will inevitably abandon the alliance. The OPP is thus: can IOR be sustainable and profitable?

The Problematization phase concluded after the first official contact with ENEP. The personal ties that existed between the two CEOs eased the bargaining. Personal ties eventually influenced the IOR and its survival.

6.1.2 CENTRAL PHASE: Explanation of Interestment and Enrolment or how the Partnership unfolds.

Outsourcing meant to AGIF’s executives a complete new strategy that they never had the chance to implement. Consequently the first challenge was to find a suitable partner for the alliance.

“When we decided to outsource, we had to deal with something completely new to us. We had to start a detailed research to find the best partner to our purpose.”

J. Mons, CEO, AGIF

The main point, for the executives of AGIF, was to organize and arrange a successful strategy around the LS1, by means of an innovative outsourcing strategy.

“The LS1 was our future. We scored poorly in sales, and we had to restructure our cost policy. By believing in the success of LS1 we were trying to improve our sales and in the same time experimenting new solutions for an improved cost cutting policy. We were conflicted because we had to fire a lot of people, but we didn’t have so much choice. I’d like to highline that we took the commitment to re-hire the same people as soon as the situation got better.”

COO, AGIF

The necessity to reduce costs and improve production and quality of the product, led to the decision to start negotiations with a bigger company. The Buyer Company had really clear ideas about the characteristics of the outsourcing contract. The main idea for J. Mons was to create a regime of full cooperation with the partner. He wanted to draft a contract that granted the opportunity to improve different aspects of his company, not just to outsource.

“We found that ENEP had all the necessary characteristics to implement our ambitious plan, ENEP was and still is, an innovative and fast growing company.”

N. Orza, CFO, AGIF

“...we were looking for something innovative, and I knew as a fact that ENEP was one of the most advanced companies in the industry.”

J. Mons, CEO, AGIF

Consequently, ENEP was considered in possession of all the necessary characteristics for a profitable partnership. In addition, personal ties already existed between the CEOs of the two firms. Accordingly, this guaranteed an easier negotiation.

“I was thrilled; L. Garo was a good friend of mine. I was sure the bargaining would have been much easier with him. Starting with a consolidated basis, built during years of cooperation between the two of us, was really what we needed at the time. Me and my executives thought that beginning negotiations with a solid base of trust was necessary to implement the plan we had in mind.”

J.Mons, CEO, AGIF

When it comes to seal an alliance, a lot of difficulties may arise. Once the actors are identified, it starts the process of Interestment. Before contacting officially ENEP, J. Mons needed to convince the board. As an experienced executive he knew that the only way to bring the directors on his side was to show them effective numbers.

“I asked my team to prepare in the most precise details the meeting, we needed the contract, and I would have pursued my goal in every possible way.”

J.Mons, CEO, AGIF

Forecasts (Examples in figures 6.1, 6.2) and experts' opinion were presented to show how effective and positive for the company would have been to outsource. The board almost immediately gave its consent; the first actor was then interested.

“I knew most of them (the directors) for a long time. They always left me a certain degree of independence, and I knew that if I showed them the correct numbers, they wouldn't forbid the transaction. Ultimately, it was faster than expected!”

J. Mons, CEO, AGIF

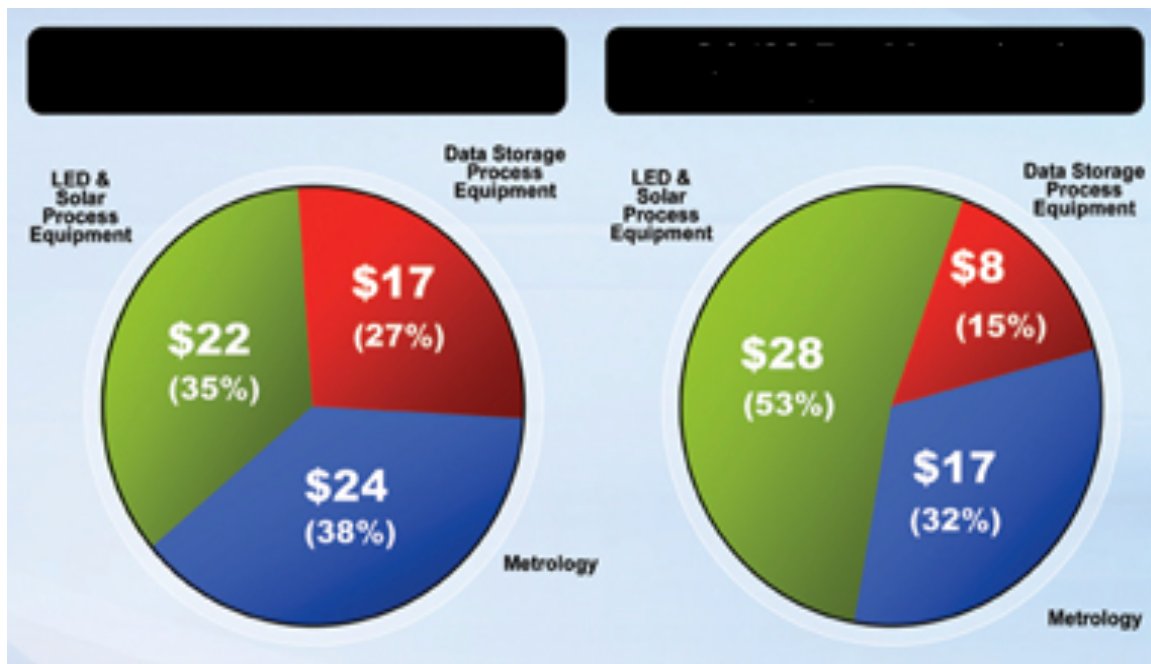


Figure 6.1. Cost composition of the LSI before (left circle) and after (right circle) the agreement.

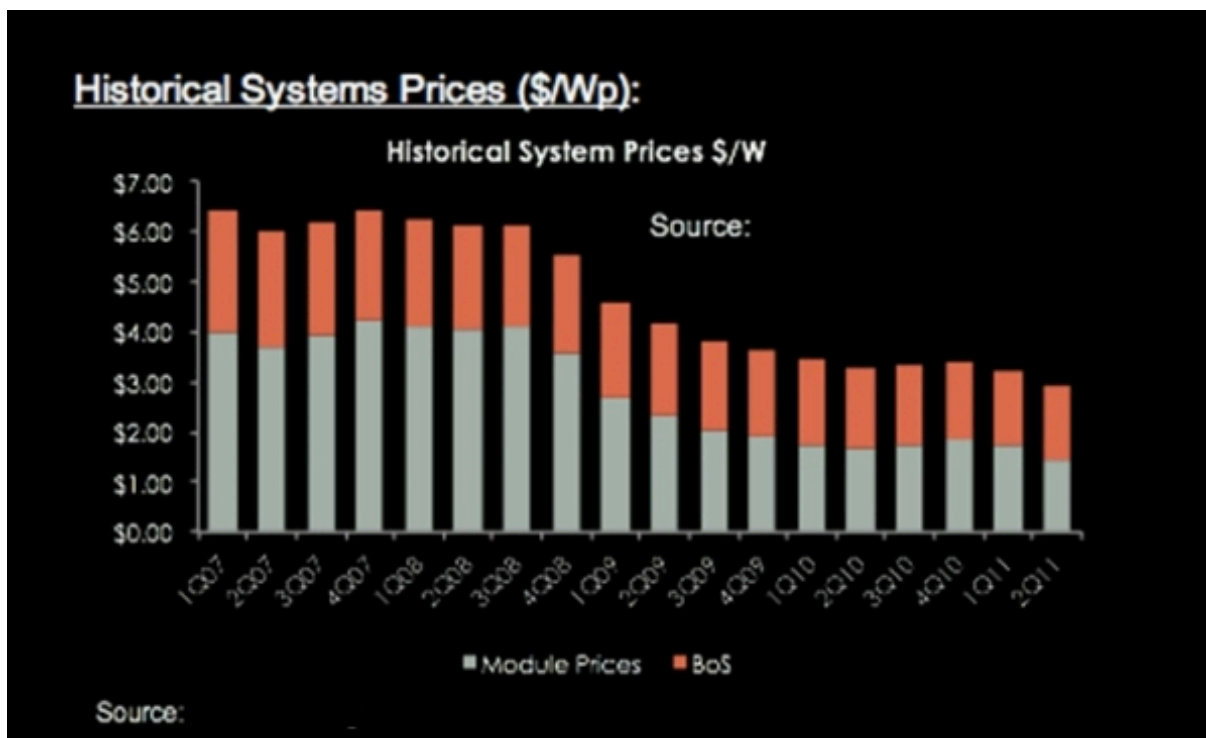


Figure 6.2. Historical prices for labour hours.

Once convinced the board, the CEO started negotiations with ENEP through a series of meetings and phone calls (intermediaries). J. Mons scheduled meetings and reunions with his staff to be well prepared and get ENEP's executives on board.

“ I was calling L. Garo two or three times a day. I had to push hard! I believed in this alliance!”

J. Mons, CEO, AGIF

After a series of phone calls between the two CEOs a first meeting was scheduled.

“I can still remember the first day we were waiting for ENEP's executives in the conference room. It seemed like we were preparing ourselves for a battle. We just couldn't fail, we put so much effort on that project!”

Accountant, AGIF

After the first meeting something was clear. The two companies were at opposite sides. AGIF was asking for a long-term partnership in which they could have a complete acknowledgement of the productive procedure of the partner, a certain degree of control on the production schedule and finally as a guarantee, a continuous cost reduction target of 4% per year.

On the other side ENEP was shocked by these demands. They were a bigger company, and such a contract wouldn't have made a huge difference for them, even though, in such a tormented market, ensuring another supplying contract wouldn't be a bad idea. ENEP was doubtful about the financial situation of AGIF and was concerned by the need of the potential partner to oversee their production procedures.

Besides, ENEP had advanced commercial relationships with a company that was an AGIF's direct competitor.

“ I said: - J. I'm your friend, but I need to warrant a good deal for my company... -

His company was in the recovery phase after a very bad period. They had to give me some guarantees. I couldn't cut all the interactions with Company X, only because J. was a good friend of mine."

L. Garo, CEO, ENEP

It seems obvious how in this specific case, the peculiar relationship between the two CEOs eased the Intersement phase. However, the acceptance from L. Garo wasn't immediate. As a matter of fact numerous meetings, phone calls and consultants' opinion were essential to persuade the CEO. Seduction was the right word to identify the way J. Mons and his executives convinced ENEP. Is documented how through their meetings AGIF's executives started a bargaining to interest the opposite side, and how it wasn't an easy task.

" I had more than one sleepless night, to prepare the first meetings. It was required to show how the deal will have affected our companies, and believe me, it wasn't an easy job."

N. Orza, CFO, AGIF

After a couple of meeting and a business dinner between the two CEOs, J. decided that there was no solution to their problems. The reasons of such reticence from ENEP's side were pretty evident. The deal that J. Mons was proposing, would have involved for ENEP a long-term commitment with a company that was going through a very delicate phase. Notwithstanding this reticence, J. Mons and his executives, through some "empirical" evidence (e.g. an estimate of the cost savings if ENEP agreed for the alliance)³ and a certain degree of "political skills" (seduction) were able to interest ENEP.

To better understand the hard work that J. Mons had to do in order to bring ENEP on his side, it has to be underlined that at that time, ENEP was conducting negotiations with another company that was a competitor with AGIF. This can be defined as what Callon calls the triangle of Intersement (Callon, 1991), where to interest an actor A (ENEP), a

³ It wasn't possible to assess the validity of such empirical evidence, even though some documents that were presented in one of the meetings have been analysed.

third actor C (AGIF) needs to break the links that exist between the actor A and a second actor B (Company X), not included in the original process of translation.

“From an economical point of view there was a scarce difference between closing a deal with AGIF or with company X. However, we had a history of good relationships with Company X and I wasn’t ready to renounce at a good partnership so easily [...] The solution arrived when J. came with a series of proposals that were more interesting for my company [...]”

L. Garo, CEO, ENEP

The control on the production and the cost reduction target were vital for a successful deal. When the outsourcing idea was going to be abandoned, the CFO, N. Orza, came up with an idea that sounded promising to J. Mons.

“ My reasoning was the following: - J. our problem is that we don’t trust them, and they don’t trust us. What if we decide for a total disclosure of our sensitive data? I wouldn’t mind so much about company X, we have a better market position, if we can convince them on our good faith, I think the deal will be closed in a short time period. -”

N. Orza, CFO, AGIF

When J. Mons exposed his new idea to the counter part, ENEP’s executives were more confident and available to discuss the agreement.

“When Open Book Accounting came up on the table, we were more available to believe in their goodwill and we agreed for a plausible cost reduction target. We already had an experience with Open book Accounting, and it was a success.”

L. Garo, CEO, ENEP

The personal ties that linked the two CEOs, the idea of an innovative alliance, and the possibility to create productive synergies, eventually convince ENEP that it was the case

to consider the alliance. In this case the introduction of OBA was a good way to show how much AGIF believed in this ambitious project.

Once all the actors were interested, the real contract phase started. The actors needed to be enrolled.

In the development of the alliance between ENEP and AGIF, it resulted difficult to distinguish between Interesement and Enrolment. As a matter of fact, the two moments are the same part of a continuum that constitutes the process of translation. However, due to the specifics of the case resulting in an informal bargaining, the distinction made is only for theoretical purposes. The meaning is that according to the personal relationships recurring between the sides, the process was less formal than the custom requires in processes of such importance. Hence, the distinction between the pre-signature moment and the signature moment delimits the end of Interesement and the start of Enrolment. From this moment AGIF moved from the art of “seduction” to the art of “negotiation”, respectively to interest and enrol.

“Once I decided to consider their proposal, we negotiated about prices, in-time delivery, product innovation. I have to admit that maybe we should have considered better the implications of this deal. I mean, I was so confident in J. Mons that maybe I might have undervalued the hazard of this agreement”

L. Garo, CEO, ENEP

“To make them consider the contract we spent two weeks, to make them sign the contract we spent two days...”

COO, AGIF

The final signature of the contract gave to each actor a specific role, and established the acceptance from each actor of the roles defined in the Problematization. The contract was the most important intermediary for this phase. In the contract were included all the specifics and the behaviour that each actor should have followed in the prosecution of the alliance. The main responsibilities for ENEP were: in time delivery, a high standard quality for the supplies and a target for cost reduction. AGIF instead was expected to make on time payments, to share some production processes and to explain to ENEP's

accountants how they implemented ABC and to show the effects that it had on the company cost awareness. Among the peculiarities included in the contract, a series of scheduled meeting were included in order to control the progress and the convenience of the alliance and high exit barriers were determined to make the contract more secure.

“Once I convinced L. Garo of the deal’s goodness, it actually didn’t take so much time for him to sign the contract, I have to admit that this was the easiest part in the process.”

J. Mons, CEO, AGIF

An important point of the agreement was the introduction of Open Book Accounting. As can be deduced from the case it was vital for convincing ENEP in accepting the deal.

It’s useless to say that in networks composed by heterogeneous actors the role of intermediaries become of major importance, and the intermediaries encountered in the case of AGIF and ENEP are not the exception. By means of meetings, phone calls and technical artefacts (e.g. presentations, forecasts) it was possible for J. Mons to interest and enrol the actors.

The most important intermediary, however, in the case was OBA. In this section its role is analysed and discussed in function of the different phases that the alliance has gone through. As already mentioned, an important incentive for the contract signature has been the idea to share in an open way the flows of sensitive information between the two sides. Historically, OBA born as a tool for efficient cost management, however in this case its role has to be seen as an incentive for more harmonious relationships. In accordance with the will of both sides, OBA had to be implemented for at least four reasons: 1) ENEP need to learn how AGIF developed ABC; 2) Efficient sharing of productive processes; 3) Incentive for Cost reduction; and 4) Opportunity to ease communication and trust between the actors.

“When N. Orza presented the idea to develop OBA, we weren’t enthusiast just because of the idea of OBA itself, we were more enthusiast on how it was presented. I mean, for us the opportunity to obtain insight information on how ABC worked for AGIF was

important. We were planning to change our cost system. Besides with OBA it seemed they want to show us their goodwill in making a good deal.”

L. Garo, CEO, ENEP

During the first period OBA seemed to show his fruits. Most of the employees (in particular engineers) were thrilled by the possibility to share their ideas with other colleagues that otherwise would have been considered as competitors. ENEP's accountants were learning from their colleagues the issues that AGIF encountered in implementing ABC, while there was a positive spirit of commitment and trust between the two sides.

“During the first meetings it was strange to share sensitive information with people you never met in your life, however after a fair amount of time I was happy when there was a scheduled meeting with ENEP!”

Accountant, AGIF

“It was funny to explain to other experienced Accountants how we successfully developed ABC. It was like being at university again!”

Accountant, AGIF

An analysis held on May 2010 by ENEP aimed at studying the possibility to achieve the targeted cost saving, showed how the trend was positive⁴.

“Before the change of CEO, I had a long phone call with my colleagues from ENEP. It was ensured that the cost for buying the transistor would have been reduced soon, thanks to some changes in raw material and processes.”

N. Orza, CFO, AGIF

⁴ Such data was not available, since it was an internal analysis of Enepe.

In short there were no clues that OBA was an obstacle in the development of the IOR. However in a process of translation things can change rapidly, and when the Board decided to change the CEO, the position of this control mechanism changed rapidly.

6.1.3 Mobilisation

The mobilisation in this case, is more likely the result of previous translations. The different spokesperson, namely L. Garo for ENEP, J. Mons and the other executives for AGIF, were already been elected before the start of this particular translation, as it is legally required to have representatives of the employees elected periodically. Callon (1991) refers to such issue as Co-Ordination. As a matter of fact, all the representatives (CEOs, COO, CFO, syndicates) have been elected through consolidated translation (*translation regimes*), regulated by both internal (company's statute) and external (Italian regulation) laws.

6.2 PART 2: The last six months

6.2.1 FINAL PHASE: Betrayal and how the OBA failed.

The beginning of the cooperation was positive. The two companies were meeting each month and there was a good understanding between the two sides. The engineers from ENEP were explaining how their processes were working and there was an effective exchange of information and ideas between the parties.

“From my point of view it was really funny. I had the chance to exchange my ideas and learn new things talking with other engineers. I have to tell you, at the beginning it helped me in my work, in particular we were able to speed up some of the production procedures just talking with our colleagues. Without such an agreement I would never have the idea to change these things.”

Head of the Engineering Department, AGIF

At the end of May the CFO tried to see how things were going with the outsourcing agreement. Taking into account the cost data, the company effectively had operating costs reduced and the clients experienced a more reliable product with the new transistor. The relationship with the partner was stable and fruitful, and there were no complaints between the employees.

“I was happy about our outsourcing idea. I wasn’t happy about our overall situation.”

CFO, AGIF

While in the alliance there weren’t any specific disagreement, and it can be argued that the translation was well aligned, AGIF was still struggling due to its financial position. At the half of 2011, the Board of Directors decided to hire a new CEO. Problematization eventually failed.

The mistake in the definition of each actor objectives was flawed. As a matter of fact it wasn’t took into consideration the time that the Board was willing to wait until the economical situation improved. For an agreement of this size the time was vital, and J. Mons did not think that he had a short time lapse to improve things. The betrayal started then from the Board. The translation failed, because with the new CEO, things radically changed. He immediately contacted the COO to have further clearings on the situation with ENEP.

“I tried to explain everything at my best. But after 10 minutes he just dismissed me. It was pretty clear that he was unhappy about that kind of contract.”

COO, AGIF

C. Rat had a lot of concerns about this contract. First of all, he didn’t think that the contract itself was well designed. He wanted to run out the production of the LS1 and he couldn’t because of the contract. Second he had a lot of concerns on Open Book Accounting.

“I asked them how could they measure the effective cost savings if we use two totally different cost allocation systems. They are anchored with a full cost system we use ABC instead! I couldn’t believe such thing. I had to do something. Everyone would have done the same in my shoes!”

C. Rat, Former CEO, AGIF

When he decided to implement a different control system he implicitly admitted that the alliance was worthless. A new process of translation started, but the process never passed the phase of Problematization. As a matter of fact it seems obvious how it was never intention of C. Rat to interest the other parties over his project of improving the implementation of OBA.

“Honestly I believe that only incompetents can use this method”

C. Rat, Former CEO, AGIF

“I was at that meeting, and believe me, Rat was furious. It was humiliating for everyone in the room. Even for the ENEP’s CEO!”

COO, AGIF

The only reason why he didn’t abandon the alliance immediately was that expensive exit barriers were fixed at the initial stage of the contracting phase. However, there were some actors, like L. Garo and the COO, which tried to save OBA until the end, respecting their role.

Convinced by the CFO, C. Rat agreed to not abandon the OBA, but he wanted some tool that gave him the chance to measure the exact performance of the outsourcing contract. Accordingly a control system on OBA was implemented.

To better understand the results of the partnership the directors of AGIF decided for a new system able to give them a better comprehension on how the alliance was performing. The CEO explained the concept behind this idea:

“If the inter-organizational framework is composed by two really different companies who decided to share a series of processes together, my issue was to detect in an understandable manner the real value of such processes and their contribution to our enterprise.”

C. Rat, former CEO, AGIF

They decided to do so by detecting the area interested by the outsourcing process, and by creating an ad hoc Strategic Business Unit, in few words they virtually divided the day-to-day activities of the company, from the resources held to the partnership, who were confined in a specific Strategic Business Unit (SBU). Each participating company chose each SBU independently, and the same definition of SBU was designed on the basis of internal criteria. The aim of using a SBU was to give to the economic space a common definition of costs. It means that each partner put in the SBU his share of costs, with a definition of cost that had to be the same of the other company. In this case both companies agreed to use the full costs⁵ since in the supplier company none ever used ABC. The communication of the results of each SBU was done with a segmental report. The definition of segmental report and the definition of SBU were taken from the IFRS8 – operating segments – who defines the concept of operating segments and regulates the bunch of information that the companies need to provide regarding the operating sector. Basically it was necessary that each company took from its general accountancy the information shared and from there translate such information in a “common language”. In Figure 6.3 a representation of the mechanism.

⁵ All fixed and variable costs, including manufacturing costs, are used to compute the total cost per unit.

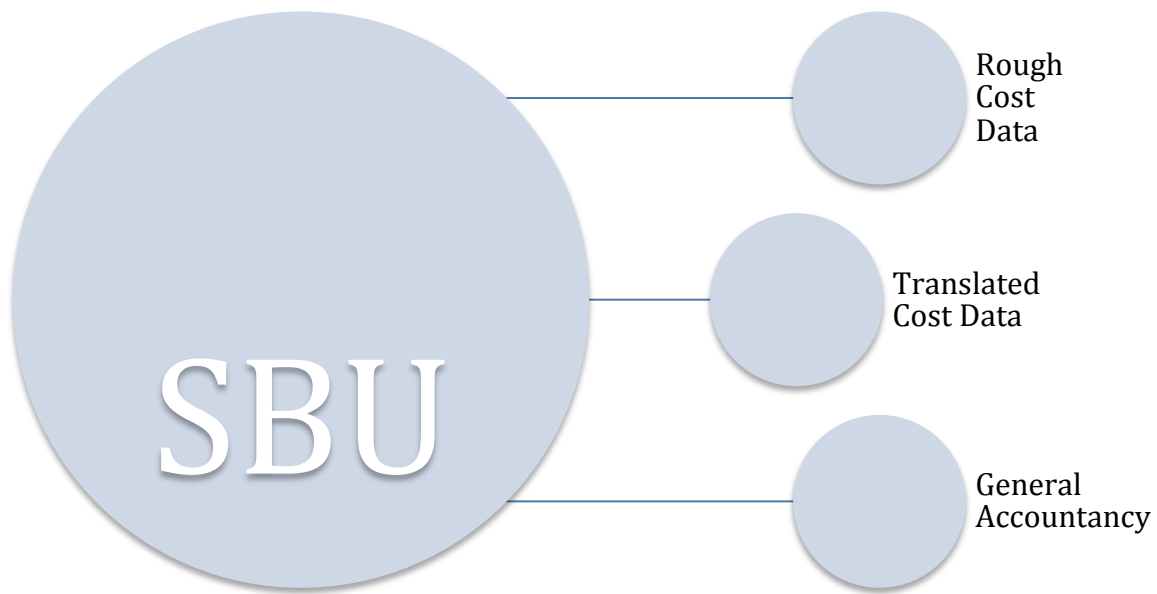


Figure 6.3. The process behind the control system on OBA.

“When they told me about this system I couldn’t believe there was someone who believed this would have worked.”

J. Mons, AGIF, CEO

As already mentioned in the case description and in the analysis the “OBA upgrade” didn’t work. The reasons were different. First its complexity undoubtedly affected its effectiveness, and second has been discussed that the implementation of a successful control system, and in particular of a system such as OBA, are trust and commitment, while in this case it seems that scepticism influenced most of the actors.

“Too complex to be implemented successfully.”

COO, AGIF

“I am sure that the purpose for C. Rat wasn’t to improve the implementation of OBA, I’m sure that his purpose was to see OBA and consequently the alliance to fail.”

Accountant, AGIF

After the system was presented, the situation was overheated. It seemed like all the parties were unsure of the success of the new deal. The accountants of AGIF were dubious they could handle the translation from ABC to Full Costing. On the other side ENEP's employees weren't sure that this kind of operation was feasible.

“ I decided to accept that, because I didn't have a choice. It didn't mean I was happy about that. I was sure it wouldn't work, and it didn't.”

L. Garo, ENEP, CEO

“My people were dubious. They told me that they didn't have time to handle such a complicated mechanism. I tried to convince them that it was a good solution, but I wasn't so sure about my speech.”

L. Garo, CEO, ENEP

“We started the alliance with ENEP even because they wanted from us some insights on ABC and then we had to come back to Full Cost? It was just crazy!”

Accountant, AGIF

It was clear to everyone that this solution would have been really complex to put in practice.

After one month when the first report came up and the two companies had a reunion to calculate the result of the common economic space, there was a huge fight between the parties. Everyone came up with his own results, there was no cooperation between the parties, and only the intervention of the CFO saved the situation. The employees of AGIF were complaining that they had no time to care about this cost translation, and that they had to overwork. Besides the relationship with the ENEP's employees was deteriorated and the goodwill and transparency that were dominating at the beginning of the relation were missing.

“The company wasn't doing better with the new CEO. We had another downturn that month. People weren't happy of the situation. I was concerned about the future of the

company, and at that time I was thinking to resign my demission. There was really no space to implement such a complex system.”

COO, AGIF

At the end of October things weren't going better. There was a total confusion; the employees of ENEP were accusing the other part of being unprofessional and incompetent. There was really little space for reconciliation.

With such a critical situation, the board decided to call back the old CEO J. Mons. The CEO convinced the Directors that they had to be patient if they wanted to save the company.

“When they called me back, I asked as first guarantee to be patient and to let me work in peace. I told them: Gentlemen there's no space for further indecision; or you trust me or you don't, this time we can't mess around otherwise the company will fail.”

J. Mons, CEO, AGIF

“Maybe the Board was expecting a superhero instead of a CEO. I didn't have time to put in practice my ideas. I shouldn't have accepted the job in the first place.”

C. Rat, former CEO, AGIF

With J. Mons back things changed again. He basically tried to restore the old translation, but things were definitely compromised and the situation irreversible.

“I came back just because I love the people in this company. I was really motivated. The first thing I did was to have a motivational speech with my employees. The second was to call L. Garo and try to fix the damage, this outsourcing arrangement was just too important for us.”

J. Mons, CEO, AGIF

The phone call between the two wasn't so great. L. Garo told that the uncertain situation that AGIF was living and the scarce economic advantage that this kind of agreement was giving to his company made him to think to break the contract at the end of the year.

J. Mons succeeded to schedule an appointment to talk in person about the situation. It was a long meeting between the two, at the end of which a complete new agreement was drafted. First the OBA practice was totally abandoned, L. Garo didn't want to put his company in a situation like the one they had after the change of executives. Second they half reduced the cost reduction target of 4% per year. The new contract was of 5 year, characterized by heavy exit barrier for both companies, and the cost for AGIF to have ENEP as supplier was a little bit increased. According to J. Mons he didn't have so much choice since he thought that this agreement was essential for the recovery of his company.

"Once you believe in something you can't abandon everything at the first difficulty. Besides, we put so much effort in this deal that was just unthinkable to implement a new strategy"

J. Mons, CEO, AGIF

"At this point finding a new partner was counterproductive. We missed the opportunity with Company X and now we just have to remain with AGIF, however this time with a more standardized contract."

L. Garo, CEO, ENEP

At the end of the year ENEP didn't respect the cost reduction target planned in the first contract. There is some evidence though that during the first five months, before the new control system was implemented the targeted cost reduction was on schedule.

Now the situation at AGIF is better, they went out the state of crisis, thanks to a couple of huge orders of LS1 that the company had from Russia. This gave the company the opportunity to increase the net profit. As a matter of fact, the cuts in the labour costs and the fresh money flowing from LS1 sales, gave to AGIF the opportunity to improve rapidly the financial position. The debt ratio is still higher than the market average, but at the second half of 2012 was decreased by 35%. J. Mons was right LS1 saved them.

None of the employees fired in 2011 has been re-integrated so far.

“Maybe we had it wrong. In such an uncertain situation we shouldn’t have to try OBA. I am still sure though that If I was the CEO for all the time, we would have a better outcome for the outsourcing contract. At the end of the 5 years I’ll try again with the OBA, you can be sure about it!”

J. Mons, CEO, AGIF

In the next section the main key points emerged from the above-presented analysis are discussed in the attempt to individuate a possible answer to the questions developed in the problem formulation. In addition the decision to look at OBA as an intermediary and not as an actor is explained in relation with the concept of trust and commitment as prerequisites for a successful implementation of Open Book Accounting.

7.0 DISCUSSION

7.1 General considerations on OBA

The empirical evidence presented above confirms that OBA is a controversial technique. Analysing the case through ANT, OBA emerged as an intermediary and not as an actor. In the few studies that analysed OBA through ANT, the control system has most likely been considered as an actor, however in this study Open Book Accounting doesn’t seem to have the power typical of an actor. In the case OBA is more likely a tool in the hands of different actors that use it to give consistency to social links. Historically the issues related with OBA are different: is this system a trust-builder or is trust a fundamental prerequisite? Is OBA an efficient tool to reduce costs? Does OBA put too much pressure on suppliers? (Kulmala, 2004)

Basing our considerations on the empirical study, the answers to these questions slightly differ from the Literature. At first trust seems to be fundamental for a successful implementation of this control system and as a matter of fact, trust is strictly related to the personal ties that link the two CEOs. This pre-existing connection eased the

communication between the two sides and speed up the development of OBA as confirmed by the study of Volkoff, Chan and Newson (1999). It is a fact that without the relationship existing between J. Mons and L. Garo the alliance wouldn't have started.

“If I didn't know J. Mons, most likely I would have never took into consideration to start a cooperation with AGIF. Just looking at their balance sheet I could have never trusted them.”

L. Garo, CEO, ENEP

The goodwill of the two CEOs to start the alliance inevitably influenced in a positive way the executives and the employees of both companies. It can be argued that pre-existing trust and consequently commitment affected consistently the decision to use OBA and facilitated its implementation. This is consistent with the theory of Kajueter and Kulmala (2005), which concluded that the combination between trust and commitment seems to be fundamental for the implementation of OBA. From these considerations derives the idea to look at OBA as an intermediary and not as an actor. This opinion partially conflicts with the findings of Mouritsen et al. (2001) which stated that accounting systems should be seen as actors capable of make things in motion and influence things. It is true that the mechanism once applied helped the two companies in increasing rapidly the degree of cooperation between employees, but it is also true that when the AGIF's CEO changed, OBA almost immediately ceased to be important for social links and become an obstacle. It has to be underlined however, that this statement is only related with this empirical case; hence it is probable that under different circumstances this control system could be seen as an actor.

The switch in the environmental situation that made OBA useless for purposes of cooperation fits with the study of Chua and Mahama (2007), which found control systems conflicting if not utilized properly. This is a typical characteristic of an intermediary, which is traditionally put in circulation by actors to give consistency to social links (Callon, 1991) and consequently becomes redundant if one or more actors consider it as an obstacle. This brings to the conclusion that the two statements on the dichotomy

between trust and OBA are true, however, in the case, due to its nature of intermediary it is far more important the presence of trust ex-ante.

For what concern the effects that OBA had on the cost reduction process, in the first 6 months (when the relationships between AGIF and ENEP were good) the trends showed a clear path that highline how operating costs were decreasing (see figure 7.1). However it is not clear how this data has been calculated. The truth is that the labour cost for AGIF was reduced because a high number of employees were fired due to the outsourcing decision. When asked in which way OBA could have possibly influenced the cost composition, the interviewees have provided no precise and comprehensive answer. In the alliance, however, OBA has not been applied for purposes of cost reduction, but most likely as a sponsor for more harmonious Inter-Organizational Relationships. Besides, the two parties were using different cost systems and at least in the first six months the sharing of cost data was meaningless. It is true that translating cost (as C. Rat wanted) from one method to another can be expensive and time consuming, but it is also true that the sharing of sensitive information based on different cost measures raises some questions on its usefulness. This could be one of the explanations of the difficulty for the different actors to provide a precise answer on that issue. Another reason for the announced cost reduction could be the constant presence of AGIF employees in the ENEP's production facilities and the continuous flow of information that influenced until a certain degree the efforts of ENEP to reduce costs. Finally in the contract was explicitly established that ENEP would have reached some bonuses if achieved a cost reduction target of 4%.

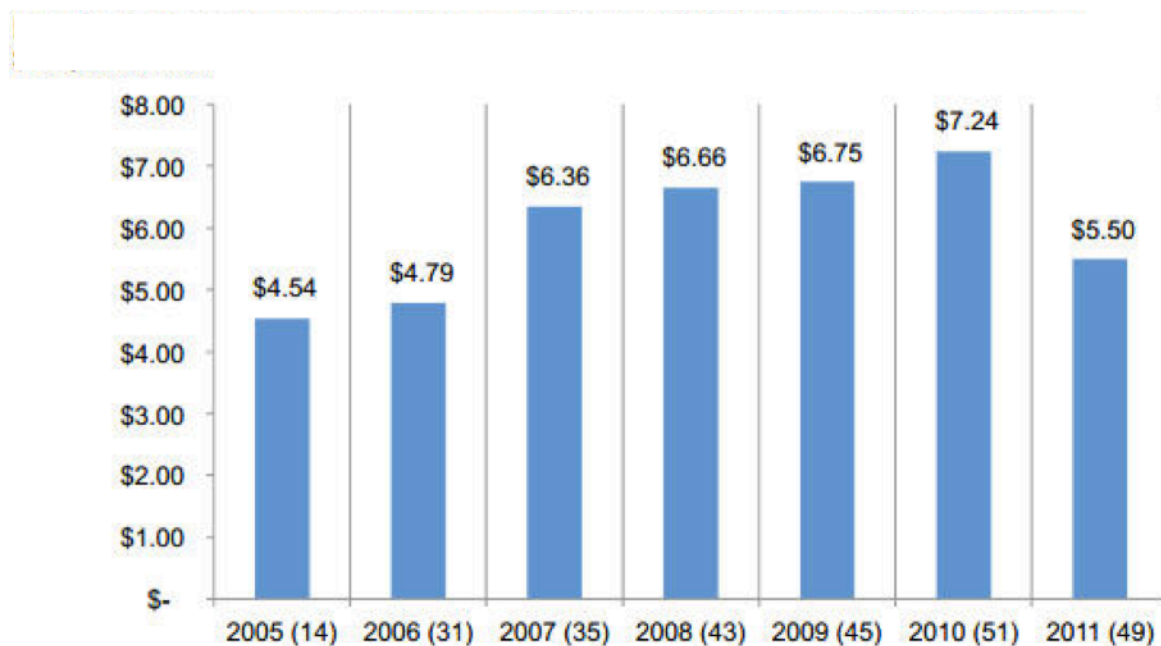


Fig. 7.1. Trend on operating cost at AGIF

This leads to the answer on the last question concerning OBA. In the specifics of the case, at least in the first six months there is no clue of an excessive pressure for the supplier as other authors emphasized (McIvor, 2001; Munday, 1992). Evidence suggests that the cooperation and the control of AGIF on ENEP were positive, granting an improvement that affected different aspects of the two companies. The positive influence could be related to the good relationships existing that permitted an effective cooperation and emphasized team spirit. This kind of cooperation was the first hope for both companies. As a matter of fact, both L. Garo and J. Mons wished that the alliance brought some improvement to their companies. For instance, an important aspect for ENEP was the possibility for their accountants to learn how AGIF implemented ABC, while AGIF was hoping to achieve an improved productive efficiency.

“In the contract was included a cost reduction target, however as I recall, OBA was never introduced to speed up this cost reduction goal.”

N. Orza, CFO, AGIF

7.2 Effects of personal Relationships

Taking into consideration the personal ties that influenced the cooperation some considerations deserve to be made. At first it seems clear how without the presence of pre-existing ties between the executives the alliance itself wouldn't have been possible. It is a fact that ENEP had strong commercial relations with an AGIF's competitor, and without a solid friendship between Garo and Mons, breaking such commitment would have been almost impossible. It has already been said how the social link between the two CEOs helped the implementation of OBA, however as Spekman et al. (1996) argued, such relations can also bring negative effects. For instance, two negative effects directly affected the alliance: 1) approximation in the negotiation of the alliance; 2) the foundation of the alliance was based almost exclusively on the social links between the two CEOs. Considering the situation merely from an economical perspective ENEP should have never embraced an alliance with a company in such difficult financial situation. Its consolidated alliance with Company X always held to positive results, and as a matter of fact Company X has always made in time payments, and at the time was performing better than AGIF.

According to L. Garo his decision was made because of the ambitious plan that J. Mons offered him, and when asked if he would have never took into consideration such an offer from another company, the answer was ambiguous.

"It's a situation that cannot be considered ex-ante. Every possible deal is different from the other, and an exact answer doesn't exist."

L. Garo, CEO, ENEP

On the other side AGIF decided to form an alliance with ENEP basing its decision not on objective criteria. Dekker (2004) argued that the choice of a partner should be the result of a thorough investigation, while in the case of AGIF and ENEP the choice of the partner seemed based only on personal considerations. In the interviews despite the official

declaration stating that the analysis of a possible partner was as much objective as possible emerged clearly how this wasn't the case.

“Of course ENEP was solid and reliable. But what convinced me is what J. Mons told me about L. Garo. They knew each other for a long time, and according to the CEO his ideas would have perfectly fit with our purpose.”

COO, AGIF

Furthermore, congruent with the findings of Spekman et al. (1996), the unexpected change of CEO during the development of the alliance brought to its inevitable failure. The reason is obvious, when personal ties are broken due to external contingencies an alliance based not on objective criteria is destined to fail.

This brings to the conclusion that even personal ties have their negative effects. It is a widespread opinion that when it comes to take decisions of such importance, the judgment should be made according to objective criteria. In the case, the research of a potential ally took less than a month, and the general impression that emerged during the interviews was that the decision to contact ENEP was already taken before the research. This is congruent with the opinion of Abodor (2006), which found personal relationships useful only if weighted properly.

7.3 OBA as support for IORs

For what concern the use of OBA to facilitate the formation of an alliance it can be argued that if implemented properly, the system can bring positive results. Its effectiveness is always related with commitment and trust. When there was a strong commitment the parties were happy to share information and this confirms the findings of Kulmala (2002), which stated that commitment and trust are fundamental in the development of OBA, in particular in the context of dyadic relationships. On the other hand when trust and commitment ceased to be high, the situation was opposite. For instance, employees were unhappy to meet the other part and considered the meetings with ENEP a waste of time. This situation was almost entirely due to the poor decision of C. Rat. Even if his opinion

on the whole contract wasn't as bad as it might seem, the decision to implement a "control system of a control system" was only an excuse to justify the end of the alliance. This attitude was risky considering the fragile financial situation of AGIF. The actions undertaken by C. Rat explicitly indicate a lack of trust and commitment that led inevitably to the failure of OBA, and this is consistent with the findings that look at OBA as a useful technique only when commitment and trust are a pre-existing condition, not vice versa.

"I don't know if OBA was good or bad. I have to admit, however, that none thought the Board would have changed the CEO. These are extraordinary circumstances that make difficult to judge its value."

J. Mons, CEO, AGIF

7.4 Summary of the findings

The implementation of OBA eventually was a failure. From the beginnings of 2010 until the end of the year, a series of unfortunate circumstances led to the poor conclusion of the alliance. The idea of creating a complex alliance based on a complete cooperation and sharing of sensitive information was interesting and ambitious. However too many contingencies were affecting the possibility of this alliance to prevail, starting from the critical financial situation that influenced from the beginning the behaviour and dynamics inside the partnership. In particular the scarce patience of the Board to wait for any positive result was directly affected by the dangerous financial position. This led to the poor decision of changing the CEO that might be considered too adventurous and not weighted properly. C. Rat took a series of decision that irretrievably worsen the spirit of the company, leading to a distinct separation between executives and employees. AGIF was a company that needed to be restructured in order to be competitive again, but one of the positive things was the exceptional team spirit that always influenced the cooperation between executives and employees. This was something that C. Rat did not take so much into account by changing too many things in a too small time lapse. This is congruent with the findings of Mouritsen and Thrane (2006), which argued that if the individual goals

contradict those of the network, a control system might be not capable of solving conflicts.

In addition to all the above-mentioned, the compatibility between ENEP and AGIF wasn't as good as the two executives thought. The decision to ally based only on subjective considerations and not on merit, inevitably led to some incongruence that in the long run have proved to be too big to be ignored.

All these contingencies bring to the consideration that OBA can be effective only in solid environmental situations, and that a control mechanism can be effective only if utilized properly.

In conclusion, the case evidenced three aspects that deserve to be mentioned: 1) OBA helped in building relationships as soon as there was a strong commitment between the two sides to respect the agreement; 2) Personal relationships speed up the formation of the alliance and the implementation of OBA, however they brought some counter-indications; 3) OBA can be a powerful tool, but environmental situation might effect its efficacy.

8.0 CONCLUSION

An illustrative example of Open Book Accounting in dyadic relationships was presented in the study. Questions about OBA were approached from the theoretical viewpoint of Actor Network Theory. The study was supported by an empirical study on Open Book practice in the implementation of an alliance based on an outsourcing contract.

Table 8.1 summarizes the findings of the study.

The first issue was to try to consider if trust is a requirement for or a consequence of Open Book Accounting. Even if the evidence on the issue is historically very limited (Kulmala, 2002), the case shows how trust is primarily a requirement for OBA. Accordingly, commitment seems to be related with this issue and as soon as trust is present between the parties commitment is relatively high, however further research is necessary on this issue.

The last two issues considered the influence of personal relationships on OBA and consequently the efficiency of the latter on the development of IORs. The empirical research showed how in presence of strong personal relationships between executives the implementation of OBA could be easier and faster, even though this could bring to the alliance some inefficiencies.

This study that tried to analyse OBA in a context detached from cost management. The evidence suggests that OBA might be helpful in facilitating exchange of sensitive information by making the formation of IORs more harmonious. However, trust, commitment and environmental contingencies might influence its implementation. In the case has been showed that despite good results in the first period, a rapid change in commitment declared its failure.

OBA seemed to be a powerful tool for the development of alliances, and accounting literature should continue the research on these issues without considering merely the cost perspective. Treating OBA only as a tool for cost management can be misleading and as underlined by many authors (Kulmala, 2002; Seal et al., 1999) the main findings relate with the possibility that this control system can bring tremendous pressure on suppliers.

The major limitation of the study is the low number of empirical cases analysed, this was due to the scarce presence of companies applying OBA and to the scarce relevance that Literature gave to this subject. Lately there is a wider consideration on this issue, however only few studies so far have conceptualized the issue or reported in empirical practices.

RESEARCH QUESTION	RESULTS FROM THE CASE
Are Trust and Commitment a prerequisite for OBA, or vice versa?	Trust resulted as a fundamental prerequisite for OBA, commitment is most likely a result of ex-ante trust, however OBA seems to increase the latter,
Do Personal Relationships influence the implementation of OBA?	Personal Relationships facilitate the implementation of OBA, even though can bring some inefficiency to the IORs
Is OBA a tool for facilitating IORs?	It is not clear until what degree OBA is helpful in facilitating formation of IORs.

	There are some variables that are difficult to consider in one single case study.
--	---

Table 8.1

APPENDIX

Summary of interviews' transcript

CEO AGIF

1) Please, can you briefly explain which is your company business, and how the idea of OBA was born?

Well... we are a company in the business of semi-conductors. We operated in the Italian and European market for almost 15 years. More or less 3 years ago we decided to change some organizational aspects of our company. I mean... that the changes involved many aspects of our company, from accountancy to daily operations. You see... we felt we had to do more, we were late in our renovation and the gap with our top competitor was increased too much in the last few years. Our program was based on this simple concept: improved cost comprehension improves cost reduction. That's why our structure needed a comprehensive revision of the organizational structure. By organizational structure I intend each aspect of our company, from cost management to logistics... First changes happened in the field of cost management with the introduction of ABC, and then we decided to implement a comprehensive system of performance measurement with the introduction of the Balance Scorecard... ah! I forgot to tell you about the difficult situation we had from a financial point of view... but you will understand more with your interview with the CFO!

For what concern our idea to implement OBA, it came consequently our decision to outsource. Everything came out with the decision to outsource a particular transistor, that me and my colleagues believed to be important for the future of our company, from there the idea of outsourcing came as necessity to reduce costs and improve quality...

2) The need to outsource derives from the necessity to be more competitive? Why did you decide to ally with ENEP?

Exactly, we thought this was a reasonable solution to our problems of competitiveness. Ex- Post we had a reduction of costs and an improvement of quality....

When we decided to outsource, we had to deal with something completely new to us. We had to start a detailed research to find the best partner to our purpose. The research of a potential ally was characterized by objective criteria. We were looking for a solid and reliable partner, with a propensity for innovation... Obviously the insight information I had on ENEP were due also to the personal relationships I had with their CEO.

3) Why this relationship influenced the alliance?

Our goal was to create a non-standardized alliance, we were looking for something innovative, and I knew as a fact that ENEP was one of the most advanced companies in the industry. We wanted something that guaranteed us a certain degree of control on products, and this would have been helped by the relationship existing between me and the other CEO. We knew each other from a long time; with this reciprocal trust the starting point was pretty good. I was thrilled; L. Garo was a good friend of mine. I was sure the bargaining would have been much easier with him. Starting with a consolidated basis, built during years of cooperation between the two of us, was really what we needed at the time. Me and my executives thought that beginning negotiations with a solid base of trust was necessary to implement the plan we had in mind.

4) Can you tell me something about the negotiations between the two companies?

First of all I had to convince the Board. I knew most of them for a long time and I knew how to convince them. They always left me a certain degree of independence, and I knew that if I showed them the correct numbers, they wouldn't forbid the transaction. Ultimately it was faster than expected. That's why I asked my team to prepare in the most precise details the meeting... we needed the contract and I would have pursued my goal in every possible way. At the end was easier than expected to convince them. At the time of the negotiations with ENEP, I was aware that it would be better for the IOR, if the company situation improved rapidly. I knew that the directors wouldn't have given to the

partnership so much time. You know... It was my duty to save the company. The partnership with ENEP was vital to me, I knew I was taking a huge risk for my carrier, but I thought and I think that my job is to take some risks for the good of the company.

5) And once convinced the Board?

I called ENEP to schedule a meeting. At first things didn't go as expected. They were reticent at accepting our proposals. They didn't agree with our needs and they required more independence, they had a good situation and they didn't need to close a contract no matter what! As a matter of fact they already had a partnership with one of our competitors. I was calling L. Garo two or three times a day. I had to push hard! I believed in this alliance... At the end a possible solution came out with the idea of our CFO that proposed to implement the practice of Open Book Accounting.

6) Why OBA was so important for the decision of ENEP to accept the alliance?

There was a problem of trust between the two sides. The introduction of OBA would have proved our good faith. Furthermore they already tried successfully OBA in the past. At the end, that's why our partners were more available to discuss after the introduction of OBA on the table... They guaranteed us a cost reduction of 4%, we had the permission to control the product quality, in exchange we had to guarantee in time payments, they had to check all our sensitive data and finally we had to teach them how we implemented ABC. The result of the agreement was as we intended it! Once I convinced L. Garo of the deal's goodness, it actually didn't take so much time for him to sign the contract. I have to admit that this was the easiest part in the process.

7) So...can you explain how the alliance developed and how OBA influenced the IOR?

I will be short. The development of the first year of alliance has to be divided in two parts. The first six months, and the last six. In the first part let's say that the things were going great... I can't recall any complaint from our employees, and the goals that we set seemed

perfectly achievable. OBA seemed to help in a positive way the development of the alliance. The point was that we hadn't so much time to improve our situation; you know...it requires time to improve a difficult financial situation. The problem is that we didn't have time. That's why the Board decided to fire me and part of the other executives, and another CEO replaced me. I can't give you much information on that period, since I wasn't there, but I can tell you that my colleague didn't believe in the success of the alliance. When they told me about this system I couldn't believe there was someone who believed this would work. With him the situation became so critical that only after six months I was called back. And I have to tell you... I came back just because I love the people in this company. I was really motivated. The first thing I did was to have a motivational speech with my employees...

8) What do you mean by "he didn't believe in the alliance"? And what did you do once you returned to your position?

I already told you that I'm not comfortable in judging the previous situation, you should talk with the COO, he wasn't fired at the time.

Once I came back the prospect was critical. I asked as first guarantee to be patient and to let me work in peace. I told them: "Gentlemen there's no space for further indecision; or you trust me or you don't, this time we can't mess around otherwise the company will fail. Our partner wanted to abandon the alliance. But once you believe in something you can't abandon everything at the first difficulty. Besides, we put so much effort in this deal that was just unthinkable to implement a new strategy. They were angry for how things went during my absence. I tried to do my best, but OBA was definitely abandoned, they didn't want anymore the alliance as it was.

9) Can you tell us your opinion on OBA?

When the situation was optimal, it worked. But I can't say much more, we didn't have so much time to implement this practice. I don't know if OBA was good or bad. I have to admit, however, that none thought the Board would have changed the CEO. These are

extraordinary circumstances that make difficult to judge its value... Maybe we had it wrong. In such an uncertain situation we shouldn't have to try OBA. I am still sure though that if I was the CEO for all the time, we would have a better outcome... Now that we are exiting the crisis I'm thinking to use it again... or maybe at the end of the 5 years...

10) Can you tell how you are exiting the crisis?

Our financial position is getting better, we are selling the product involved in the outsourcing project to outside costumers, and that's helped us. At the end I was right in my vision!

11) And what about the employees that were fired?

They are still fired...

12) Don't you think that in someway the alliance was negatively influenced by your personal relationship with the other CEO?

No! I don't think so...

CFO AGIF

1) How was the financial situation at the beginnings on 2010?

Well... it wasn't good! I remember that the cost of sales was higher than the average of our competitors. This obviously affected directly our gross profit that was characterized by higher indirect costs. You have to think that at that time we had a decrease of ROA by 6% compared to the same semester of the previous year. Finally the situation was worsening by a reduction in sales and by a debt/equity ratio higher than the average of our competitors!

2) What did you do to exit the crisis in 2010?

We decided to change the cost allocation system; we switched from full costs to ABC... We introduced the Balance Scorecard hoping that this tool would have helped our company in achieving our goals, and helped our employees in feeling more engaged with our company. It was absolutely a priority to increase our sales and improve our cost allocation... we thought that a better cost awareness would have reduced the final prices of our products without affecting their quality. Besides our financial position was pretty delicate, and required drastic solutions...

3) So you decided to outsource...

Yes exactly... We realized that our company had to be more flexible by reducing fixed costs... From there the idea to outsource part of the production, and in particular the LS1. Our idea was to reduce fixed costs without reducing quality...

4) How did you find the partner company?

We started a thorough investigation of potential partners that lasted more than a month. At the end we choose a company (ENEP) that satisfied all the requirements we settled at the beginning of our research....

5) Which were?

Well the company had to be innovation oriented, and highly reliable, in particular from a financial perspective! You see our idea was to create a partnership oriented in the long term, that was able to create synergies that would have affected our company at 360°.

6) And what about the personal relationships existing between the two CEOs?

There's no much stuff to say about it... it is true that a relationship exists between the two....but I don't think this was the reason why we allied with them!

7) At this point can you explain how the negotiations developed and how OBA influenced on the final decision of ENEP to sign the contract?

Negotiations weren't easy. Our partner wasn't very sure of forming the alliance... The problem was that they thought that our financial situation was too difficult and they didn't want to break the commercial relationship they had with one of our top competitors... I had more than one sleepless night to prepare the first meetings. It was required to show how the deal will have affected our companies, and believe me it wasn't an easy job.

8) But at the end only the introduction of OBA seemed to convince ENEP...

Exactly. I thought that considering the type of alliance we were discussing, OBA seemed to be an obvious choice... My reasoning was the following: " J. our problem is that we don't trust them, and they don't trust us. What if we decide for a total disclosure of our sensitive data? I wouldn't mind so much about company X, we have a better market position, if we can convince them on our good faith, I think the deal will be closed in a short time period"...You see I thought that this instrument would have showed them our good faith, and would helped the IOR in a positive way... at the end I didn't expect that once introduced OBA the negotiations moved forward so fast! Our partner already had a positive experience with OBA and that seemed to positively influence their final choice... Besides with OBA we had the chance to interact in a more responsive and faster way, by creating synergies useful for both companies...

9) An example of these synergies?

Well for example... they asked to have some insights on how we implemented ABC, since they were thinking to switch from full cost to ABC.

10) I understand...then what happened? I mean after the contract was signed...

It's difficult to say... At the beginnings everything was going in the right way. It seemed that the goals we set at the beginning were on schedule and that both sides were happy with the alliance... I have to admit that OBA was really helpful on that period...

11) Why?

I think that it helped in improving trust and accelerated the formation of bonds between the two companies... Besides before the change of CEO, I had a long phone call with my colleagues from ENEP. It was ensured that the cost for having the transistor would have been reduced soon, thanks to some changes in raw material and processes...

12) And then? What happened?

I was happy about our outsourcing idea. I wasn't happy about our overall situation... You see...Despite things were going better, the financial situation was still difficult, and as you may be aware of, the board in such moments is often impatient. So they decided to fire most of the executives, me and the CEO included... consequently with the environmental situation completely changed, all other things started to change!

13) What do you mean?

The new CEO didn't believe in the project... this means that the project was meant to fail! If a figure such as the CEO of a company didn't believe in the alliance there are few possibility for an IOR to survive! Obviously the same has to be applied for OBA... But on that period I can't say much more, I wasn't there...so... what I can tell you that most of the people who were fired now are back... and I think that it means something!

14) And what about the present?

At the beginnings of 2011 our partners didn't want to continue the alliance as it was planned initially... so a new contract was renegotiated, with different specifics. No more OBA, different cost reduction, higher costs etc etc... I can say the new contract is more standardized. In few words, they give us the product and we pay. Nothing more.

15) And what about your financial position?

I'm sure you know that the product interested by the outsourcing project is doing good, and that's improved our situation. We have to keep going on that track and I'm sure that soon we will definitely exit the crisis. Besides with this European crisis, the fact that we are improving our situation is per se a good sign!

16) In your opinion why your company is improving?

Definitely to all the difficult decision we took in 2010. Now we have a better cost allocation, and with the outsourcing contract we reduced costs too...

17) What is your opinion about Oba?

If applied correctly can be a powerful instrument. Of course our delicate situation and the difficulties that rose during the alliance led to its failure, but maybe in other circumstances could have worked for us too! I can tell that maybe in the future we will use it again!

18) Do you think that there are any chances to use it with your partners again?

I don't think that at the moment there is some space to implement it again... maybe in the future...

19) Do you think that the relationship between the two CEOs influenced in some way the alliance?

I don't think so...

20) Do you think that OBA affected in some way the cost reduction plan?

I don't think so. We were looking for something that had to help us in implementing the alliance... the introduction of OBA was never meant to be for cost reduction purposes. In the contract was included a cost reduction target, however as I recall, OBA was never introduced to speed up this cost reduction goal. I don't know if at the end this tool affected the cost policy, I can tell you that in one year and a half we had an impressive cost reduction!

COO AGIF

1) How the product interested by the outsourcing project helped your company?

We had to reduce cost and increase sales, and we thought that through this project we could have achieved both of these goals. We believed that this product, was one of the core elements for the future of our company, and by outsourcing we were trying to reduce cost by granting a high quality of the final product. The LS1 was our future. We scored poorly in sales, and we had to restructure our cost policy. By believing in the success of LS1 we were trying to improve our sales and in the same time experimenting new solutions for an improved cost cutting policy. We were conflicted because we had to fire a lot of people, but we didn't have so much choice. At the end our initial opinion on this particular transistor wasn't wrong at all!

2) The cost reduction you are referring to was due in particular to the reduction of the number of workers employed in your company...

It is only partially true... there are other elements that contributed to the cost reduction... besides we are committed in re-hiring all the fired employees.

3) I see... You were one of the few that wasn't fired during the change of CEO, how do you explain it and what happened in that period?

Honestly I can't explain why it happened... maybe the CEO liked me... I don't know what to answer...

4) So what happened on that period? In particular I'm referring to the implementation of OBA during that period...

The CEO didn't love this idea of the alliance and consequently of OBA. He didn't believe in the strategy adopted and didn't believe in the product. You see... his major critique to the project was that it was impossible to confront two different allocation systems within a process of sharing of sensitive data.

5) So he decided to implement a pretty complex system of control on OBA...

Exactly! I perfectly remember how much he was annoyed by this situation... he was upset by this alliance and his dream was to break the contract, but obviously he couldn't! I remember two anecdotes: the first happened when he just arrived, he called me in his office for further explanations on the contract, and I tried to explain everything at my best. But after 10 minutes he just dismissed me. It was pretty clear that he was unhappy about this kind of contract. The second instead was when we decided to renegotiate the contract, and he started to criticize all the participants at the meeting... it was humiliating for everyone in the room even for the ENEP's CEO.

The control system was structured as follows: each company had to create a specific SBU based on the business unit involved in the partnership, then we had to put all the resources involved in these SBUs and afterwards translating the costs in a common allocation system. It is useless to say how this was time consuming and expensive. It was too

difficult to put in practice. The company wasn't doing better with the new CEO. We had another downturn that month. People weren't happy of the situation. I was concerned about the future of the company, and at the time I was thinking to resign my demission. There was really no space to implement such a complex system.

6) How was the morale in the company at that time?

Not good. You see our company has always been characterized by a great relationship between employees and executives. At that time the situation was at the opposite. And I believe that this situation was due to the bad attitude of our ex-CEO! I think that this was one of the reasons why the Board decided to recall all the executives.

7) Can you tell me something about the influence on the alliance of the personal relationship existing between the two CEOs?

I don't know how to answer to that question. I can remember that at the beginning it wasn't easy to convince ENEP in getting on board. At the end we spent more than two weeks in convincing them...but if I have to be honest it is also true that it took only two days to let them sign the contract! That's the reason why I don't know how to answer to that question. But what I can tell you is that the CEO who told me that he knew ENEP and he knew their CEO convinced me in accepting the goodness of this alliance... They knew each other for a long time, and according to J. Mons his ideas would have perfectly fit with our purpose.

8) And what about the relationship between OBA and personal relationships?

I think that in this case the implementation of OBA was affected even by personal relationships. I think that without a solid base of trust this tool wouldn't have been implemented. It is a fact that after the change of CEO, OBA from a cohesive element became an obstacle!

9) So, what do you think about Oba?

An interesting element... but it requires a lot of patience and trust. This is my thought... I mean without a good environmental situation it is almost impossible for OBA to be effective!

FORMER CEO AGIF

1) Can you tell us something about the six months you spent at AGIF and some comments on OBA?

As you are aware of I can't tell you that it was a positive experience... I've been fired after only few months, and I didn't have so much time to develop my ideas. I can tell you that when I became CEO I found at AGIF a difficult situation. For example investments in R&D were too high. I always worked for companies that invested a lot in R&D, but at AGIF investing more than 6% of profits in such a difficult situation seemed to me a little bit exaggerated... and I'm not even considering how strange was the contract they signed with ENEP...

2) What can you say about this argument?

Only incompetents can develop a system like this... how can you compare costs if you use two different allocation systems? That's just absurd! They were using full cost, we were using ABC, it's ridiculous thinking that an honest confrontation was possible... I couldn't believe such a thing. I had to do something. Everyone would have done the same in my shoes!

3) So you decided to implement a more effective system of control...

Despite I didn't believe in the alliance, I couldn't rescind the contract, so I thought to create specific business unit helpful in translating the different cost measures, in a way

that was understandable for every one... I think we decided to use a common system of full costs... If the inter organizational framework is composed by two different companies who decided to share a series of processes together, my issue was to detect in an understandable manner the real value of such processes and their contribution to our enterprise.

4) But people weren't happy about this decision...

If you say so...

5) What do you mean?

I mean that I don't if people were happy or not, it's not and it wasn't my concern... Have you finished with your question? I'm a little busy right now!

6) Yes last question: Can you provide an opinion on Oba?

Well, I don't know which were the expectations of the Board; I'm not a superhero that can fix a dramatic situation in less than six months.... It seems obvious that I didn't believe in this OBA thing... and I can tell you that for sure I would have abandoned OBA. However, my concern was more on the conception that the other executives had on the all strategy, more than on OBA itself... now I really have to go... I shouldn't have accepted the job in the first place! Now...if you can excuse me...

Ok, ok. Thanks for your time.

ENEP CEO

1) I already mentioned you what this interview will be about. Can you explain why at the end your company accepted a partnership with AGIF?

It is complicated. At the time our company didn't have any problem from an economical point of view, the idea of forming this partnership born from different factors. It has to be mentioned that at the time we had a partnership with a company, let's call it company X, that was our client for a long time, and at the same time was a direct competitor with AGIF. You can understand now, that was difficult for us breaking all the relationship with company X, to start a partnership with AGIF... Besides we were concerned with the financial situation of AGIF that, as you may be aware of, wasn't so good...

2) But at the same time you are a good friend of their CEO...

Well, I can't deny it...

3) So, why you changed your mind about the alliance?

Nice question... I can say that OBA was one of the factors that helped us in changing our mind. When Open Book Accounting came up on the table, we were more available to believe in their goodwill and we agreed for a plausible cost reduction target. We already had an experience with OBA and it was a success. Proposing OBA, AGIF showed us its good faith, and gave us the opportunity to create a type of alliance that was more in our style... you see in these times you need to create innovative strategies in order to better compete in a difficult market... our companies at the end need to be competitive in the long run, and only with innovation this is possible.

4) What do you mean?

Well AGIF proposed us a type of agreement that gave the chances to our companies to create synergies helpful at 360°... it wasn't the usual partnership client-supplier...

5) From your point of view, did the relationships with the other CEO influence the alliance?

Maybe the initial negotiation was accelerated by our friendship, you see I have and I had a lot of faith for my colleague and this factor definitely speed up things. But I want to be clear on one point, this doesn't mean that I didn't pursue the interest of my company with this alliance... I can remember that I told him: "you are my friend, but I need to guarantee to my company the best deal possible"

For example I didn't abandon company X only because I was a friend of him... From an economical point of view there was a scarce difference between closing a deal with AGIF or with Company X. However we had a history of good relationships with Company X and I wasn't ready to renounce at a good partnership so easily..

6) Can you tell us which were the arguments of the negotiations?

In time delivery, payment methods, cost reductions...then thanks to OBA we discussed about the creation of synergies for product innovation, and we posed particular attention on their implementation of ABC, you see we were using full costs and we asked them to have some insights on their period spent in switching from full costs to ABC.... In the contract and with the idea of OBA, my company had access to some knowledge that were in possess of AGIF that we found interesting. An example? Besides some productive procedures, I can tell that we found interesting exploring their interpretation of ABC!

7) So from your point of view what went wrong?

The change of CEO definitely influenced the partnership. The new CEO tried to implement a complicated system to control more effectively the alliance. It was clear how he didn't believe in our project and for this reason he created a series of constraints that would inevitably held to the failure of the partnership.... unlikely I couldn't break the contract and I have to accept all these ridiculous rules. It didn't mean I was happy about that. I was sure it wouldn't work, and it didn't. My people were dubious. They told me that they didn't have time to handle such a complicated mechanism. I tried to convince them that it was a good solution, but I wasn't so sure about my speech...

8) Which rules?

I can't remember exactly, all of this happened almost 3 years ago! Besides even at that time I didn't understand all of these rules... the only thing I remember was that he wanted to translate all the costs in a common allocation system... it seemed immediately impossible to me!

9) Why you are still a partner with AGIF?

We didn't have so much choice... we didn't have time to find another customer to replace AGIF, and we broke all the contacts with Company X... so we accepted a continuation of the partnership with AGIF, even though with other specifics, and without open book accounting...

10) First you were happy with OBA, then you preferred to renegotiate without OBA... what happened?

It is simple, we didn't trust them anymore, and after what happened can you blame us?

11) Do you think that your personal ties with AGIF's CEO influenced the implementation of the alliance?

Yes, maybe. Once I decided to consider their proposal we negotiated about prices, in time delivery, product innovation. I have to admit that maybe we should have considered better the implications of this deal. I mean, I was so confident in J. Mons that maybe I might have undervalued the hazard of this agreement. We jumped into this alliance without considering objectively all the downsides of this kind of agreement... but who can say if we were right or wrong... Maybe if I didn't know J. Mons, most likely I would have never taken into consideration to start cooperation with AGIF. Just looking at their balance sheet I could have never trusted them...

12) An opinion on OBA?

The problem with OBA was that in this condition would have been dangerous to implement such a system... I think that this is a powerful tool, and I already experienced it successfully, but it requires time and patience to be effective... and we didn't have both!

HEAD OF ENGINEERING DEPARTMENT AGIF

1) Can you give us some feedbacks on the period you spent under a regime of OBA?

When first it was proposed to use this system I was sceptical. The COO convinced me that this was a good solution. After a conversation with him I understood the importance of this agreement and I accepted to make some sacrifices... he always told us the truth, and I didn't have any reason to doubt his word. You see this company has always been characterized by a strong engagement with its core values. This was due to an involvement of all the employees in the important decisions, at least at the beginnings of 2010 was still like that... but you know all the story right?

2) And what about OBA?

In the first six months it was a positive experience. From my point of view it was really funny. I had the chance to exchange my ideas and learn new things talking with other engineers. I have to tell you, at the beginning it helped me in my work, in particular we were able to speed up some of the production procedures just talking with our colleagues. Without such agreement I would never had the idea to change these things.

So for what concern the OBA I can tell you that this exchange of ideas was increased by this tool, but for what I can say this instrument should be implemented in better environmental conditions...

3) What do you mean?

Our difficult situation didn't give us the time to implement this instrument correctly, and this was clear in the second part of 2010...

ACCOUNTANT AGIF

4) Can you give us some feedbacks on the period under the OBA practice?

I can still remember the first day we were waiting for ENEP's executives in the conference room. It seemed like we were preparing ourselves for a battle. We just couldn't fail; we put so much effort on that project! During the first meetings it was strange to share sensitive information with people you never met in your life, however after a fair amount of time I was happy when there was a scheduled meeting with ENEP! It was funny to explain to other experienced accountants how we successfully developed ABC. It was like being at university again!

All my comments are inherent to the first six months.... After that OBA became a torture! It seems obvious to me how our former CEO did everything in his power to destroy the alliance... we started the alliance with ENEP even because they wanted from us some insights on ABC... and then we had to come back to full costs? It was just crazy!

In conclusion for me OBA is an interesting tool... I am sure we will adopt it in the future!

REFERENCES

- Abodor, H., 2006. The role of personal relationships in inter-firm alliances: Benefits, dysfunctions, and some suggestions. *Business Horizons*. 49, 473-486.
- Callon, M., 1986. The sociology of an Actor-Network: The Case of the Electric Vehicle. *Sociology of Science in the Real World*, 19-34.
- Callon, M., 1986. Some elements of the sociology of the translation: domestication of the scallops and the fishermen of St. Brieuc Bay. *Sociol. Rev. Monogr.* 32, 146-233.
- Callon, M., 1991. Techno-economic networks and irreversibility. In *A Sociology of Monsters: Essays on Power, Technology and Domination*, 132–165.
- Callon, M., 1998. *The laws of the markets*. Blackwell Publishers, Oxford.
- Carr, C., Ng J., 1995. Total cost control: Nissan and its U.K. supplier partnerships. *Manage. Acc. Res.* 6, 346-365.
- Cooper, R. Slagmulder, R., 2004. Interorganizational cost management and relational context. *Acc. Organ. Society* 29, 1-26.
- Das, T. K., & Teng, B., 1999. Managing risks in strategic alliances. *Acc. Manage. Exec.*, 13(4), 50-62.
- Dekker, H., 2003. Value chain analysis in interfirm relationships: a field study. *Manage. Acc. Res.* 14, 1-23.
- Dekker, H., 2004. Control of inter-organizational relationships: evidence on appropriation concerns and coordination requirements. *Acc. Organ. Society* 29, 27-49.

Gietzmann, M.B., 1996. Incomplete contracts and the make or buy decisions: governance design and attainable flexibility. *Acc. Org. Society* 21, 611-626.

Granovetter, M., 1985. Economic action and social structure: The problem of embeddedness. *Am. J. Sociol.* 91. 481-510.

Gulati, R., 1995. Does familiarity breed trust? The implications of repeated ties for contractual choice in alliances. *Acc. Man. Journal*, 38, 85-112.

Hakansson, H., Snehota, I., 1989. No business is an island. *Scand. J. of Manage.*, , 187-200.

Hakansson, H., Lind, J., 2004. Accounting and network coordination. *Acc. Organ. Society* 29, 51-72.

Hamel, G., Prahalad, C.K., 1994. Competing for the future. *Harv. Bus. Re.* November – December.

Hansen, A., Mouritsen, J., 1999. Managerial technology and netted networks: competitiveness in action – the works of translating performance in high tech firm. *Organization* 6, 451-471.

Hopwood, A. G., 1996. Looking across rather than up and down: on the need to explore the lateral processing of information. *Acc. Org. Society* 21, 589-590.

Kajuter, P., Kulmala, H.I., 2005. Open Book accounting in networks. Potential achievements and reasons for failures. *Manage. Acc. Re.* 16, 179-204.

Kulmala, H.I., 2002. Open Book Accounting in Networks. *Finnish J. Bus. Econ.* 51, 157-177.

Kulmala, H.I., 2004. Developing cost management in customer-supplier relationships: three case studies. *J. Purchasing Supply Manage.* 10, 65-77.

Langelfield-Smith, K., Smith, D., 2003. Management control systems and trust in outsourcing relationships. *Manage. Account. Res.* 14, 281-307.

Latour, B., 1986. The Power of Associations. In *J. Law Power, Action and Belief – A New Sociology of Knowledge*.

Latour, B., 1987. *Science in action: How to follow scientists and engineers through society*. Milton Keynes, Open University Press.

Law, J., 1992. Notes on the theory of the actor-network: ordering, strategy, and heterogeneity. *Syst. Pract.* 5, 379-393.

Mahama, H., Chua, W.F., 2002. Accounting inscriptions and framing devices: A field study of the placing and timing of financial and non-financial measures in the framing of “collaborative” supply relations. Paper presented at the European Accounting Association Conference, Copenhagen.

McIvor, R., 2001. Lean supply: the design and cost reduction dimensions. *Eur. J. Purchasing Supply Manage.* 7, 227-242.

Mouritsen, J., Hansen, A., Hansen, C., 2001. Inter-organizational controls and organizational competencies: episodes around target cost management/functional analysis and open book accounting. *Manage. Acc. Res.* 12, 221-244.

Mouritsen, J., Thrane, S., 2006. Accounting, network complementarities and the development of inter-organizational relations. *Acc. Org. Society.* 31, 241-275.

Munday, M., 1992. Accounting cost data disclosure and buyer-supplier partnerships: a research note. *Manage. Acc. Res.* 3, 245-250.

Olk, P., & Elvira, M., 2001. Friends and strategic agents: The role of friendship and discretion in negotiating strategic alliances. *Group and Org. Manage.*, 26, 124-164

Otley, D.T., 1980. The contingency theory of management accounting: achievement and prognosis. *Acc. Org. Society* 4, 413-428

Sako, M., 1992. *Prices, Quality and Trust – Inter-firm Relations in Britain and Japan*. Camb. Stud. in Manage. 18, Cambridge University Press.

Seabright, M. A., Levinthal, D. A., & Fichman, M., 1992. Role of individual attachments in the dissolution of interorganizational relationships. *Acc. Manage. J.* 35, 122-160.

Seal, W., Cullem, J., Dunlop, A., Berry, T., Ahmed, M., 1999. Enacting a European supply chain: a case study on the role of management accounting. *Manage. Acc. Res.* 10, 303-322.

Thrane, S., 2007. The complexity of management accounting change: Bifurcation and oscillation in schizophrenic inter-organisational systems. *Manage. Acc. Re.* 18, 248-272.

Thrane, S., Hald, K.S., 2006. The emergence of boundaries and accounting in supply fields: The dynamics of integration and fragmentation. *Manage. Acco. Res.* 17, 288-314.

Tomkins, C., 2001. Interdependencies, trust and information in relationships, alliances and networks. *Acc. Organ. Society* 26, 161-191.

Uzzi, B., 1996. The sources and consequences of embeddedness for the economic performance of organizations: A network effect. *Am. Soc. R.* 61, 674-698

Van der Meer-Kooistra, J., Vosselman, E.G.J., 2000. Management control of interfirm transactional relationships: the case of industrial renovation and maintenance. *Acc. Org. Society* 25, 51-77.

Volkoff, O., Chan, Y. E., & Newson, E. F., 1999. Leading the development and implementation of collaborative inter organizational systems. *Inf. and Manage.* 35, 63-75

Williamson, O.E., 1979. Transaction Cost Economics: the governance of contractual relations. *J. Law and Eco.*, 22, 233-261.

Williamson, O.E., 1981. The economics of organization: the transaction approach. *Am. J. Sociol.* 87, 548-577.

Williamson, O.E., 1985. The economic institutions of capitalism: Firms, markets and relational contracting. New York: Free Press.

Zaheer, A., & Venkatraman, N., 1995. Relational Governance as a interorganizational strategy: an empirical test of the role of trust in economic exchange. *Str. Manage. Journal*, 16, 373-392.