Enactment Of The Organizational Cost Structure In Value Chain Configuration

A Contribution To Strategic Cost Management

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A CONTRIBUTION TO STRATEGIC COST MANAGEMENT

The PhD School of LIMAC

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‘Enactment of the Organizational Cost Structure in Value Chain Configuration’

‘A Contribution to Strategic Cost Management’

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PhD Thesis

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The LIMAC Doctoral School

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PREFACE

I am accountable for this PhD Thesis.

I am accountable for every letter, word, sentence, section, page and chapter. However, one thing is to acknowledge such accountability in accordance with the regulations contained in the Ministerial Order on the PhD Course of Study and the Doctoral School. That is of course obvious. It is quite another thing to mobilize the ability to openly claim such accountability as to the research approach in general and the result in particular; which, though stated in all modesty, suggests contribution to Strategic Cost Management situated within the realm of Management Accounting.

This has required major support. Without this, I doubt that I would have accomplished the research endeavor.

In that respect, I am deeply indebted to my supervisors, Professor Allan Hansen and Professor Jan Mouritsen, who both strongly supported, thoroughly advised, inspirationally urged as well as moderately pushed me during the entire research period. PhD students, who will benefit from their supervision in the future, are indeed very privileged.

Likewise, I am genuinely obliged to the Confederation of Danish Industry; and in particular Jens Kristian Jørgensen, Manager Leadership development and productivity, and Annette Thornberg, Senior advisor Leadership development and productivity. They have among others enabled the contact to the case organizations and accompanied me in the field introducing the research to the organizations. Without their sincere interest and supportive participation I am hesitant that the access to top management and their management context had been achieved in the way it is.

My colleagues at CBS have similarly supported me research progress. This accounts not least for my close colleague and next door office neighbor Associate professor Eric Bentzen, who cheered me up in times of anxiety and stood partaken in for me, while I was away on PhD courses.

The same accounts for my old and good friends. They have all accepted my obligations, listened to my concerns and made me smile and laugh during the entire period. They have accepted that I have not participated in all social activities. They are still there for me. Thanks and hugs to all of you.

The same goes to my beloved family; whether it is my mother, brother, sisters and brothers in law and their close ones, nephews and nieces and all those, who surround us year round. Two special and heartfelt hugs go to my two sons, who have without any blame made sacrifices to support me.

In terms of sacrifices and support I have, however, no one to remember more than my wife. She unselfish carried me forward during periods, where she herself experienced personal challenges that, beyond any sensible comparison whatsoever, exceed those associated with the provision of an ordinary PhD Thesis.

I will never be able to justly compensate her. I hope that my sincere gratitude and true love will do.

SUMMARY

This PhD Thesis researches into Strategic Cost Management with a general research interest in, how top management makes sense about the organization's cost structure in strategic decisions about the configuration of the value chain. The empirical setting is among other confined by organizations' outsourcing and relocation ventures, where 'cost reduction' is a prominent argument behind the decisions. The overall research purpose is to develop explanatory propositions about, how Strategic Cost Management practices might be '*enacted and given meaning*' (Baxter and Chua, 2003, p. 112) by top management.

Such understanding is suggestable of scholarly interest. It is well-known to academia that extant contributions from the literary realms of Supply Chain Management and Management Accounting irradiate that decisions to reconfigure the organizations' value chains can encompass substantial investments and embed pivotal organizational tradeoffs. Thus, it is of centrality in relation to the organizations' competitive positions. Secondly, contemporary contributions within Supply Chain Management or in close juxtaposition hereto increasingly question decision making schemes based on '*pure cost efficiency considerations*' (e.g. Kinkel, 2012, p. 696). These contributions progressively advocate for a broader view upon organizations' approaches to value chain configuration. This perspective on cost management within the realm of the value chain is shared by Management Accounting researchers (e.g. Anderson, 2007; Anderson and Dekker, 2009ab).

These Management Accounting situated researchers, thirdly, direct attention to a disproportionate research emphasis on cost management issues with a focal point of that of improving cost performance given a certain strategy and cost structure, i.e. executional cost management, opposed to research into the cost structural choices associated with the design of the value chain, i.e. structural cost management (e.g. Anderson and Dekker, 2009ab). This is perhaps surprising, when the centrality of the cost structural choices in relation to the competitive position is considered. These scholars do, fourthly, stress the amble opportunity to understand the more '*complex economic and social forces*' (Anderson, 2007, p. 483) that govern the management of the structural costs.

Strategic Cost Management is coined by Anderson and Dekker's definition and as the '*deliberate decision making aimed at aligning the firm's cost structure with its strategy and with managing the enactment of the strategy*' (Anderson and Dekker, 2009a, p. 202). This research takes academia's conceptual proposition that a strategic approach to cost management is unfolded in the intersection between the concept's three key tenets; namely 'value chain', 'cost driver' and 'strategy formation' (e.g. Shank and Govindarajan, 1993; Anderson, 2007; Ellram and Stanley, 2008; Anderson and Dekker, 2009ab). Thus, the research mobilizes these three tenets simultaneously and intertwined.

In that light, and although, Strategic Cost Management is situated within the realm of Management Accounting, academia (e.g. Anderson and Dekker, 2009ab) suggests to leverage research by contributions in other literary areas; e.g. Supply Chain Management, Economics and Strategy.

This research applies such an interdisciplinary approach to inform the theoretical domain and the empirical execution.

In fact, the research is in the first place motivated by contributions from in particular the two literary realms of Supply Chain Management and Management Accounting. They, together, add to both the aforementioned, perceived centrality and in turn the significance of the research.

In addition, more contemporary contributions within Supply Change Management are perhaps even signaling an altered trend in terms of global outsourcing and relocation (e.g. Kinkel, 2012; Tate, 2014). Literature even advocates that perhaps '*the pendulum is finally starting to swing back*' (Tate, 2014, p. 66). The centrality and the potential shift in the global trend is likewise the reason, why the Confederation of Danish Industry is paying interest in this research and has been supportive in the mobilization of the case organizations.

The empirical exploration into how top management enacts the organization's cost structure in value chain configuration is based on a qualitative methodology with a philosophy of science stance in Pragmatism. The research utilizes the sensemaking perspective (e.g. Weick, 1995 and 2005) conceived as '*organizing*' (e.g. Weick et al, 2005; Czarniawska, 2008) as an explorative 'lens'. It applies abduction (e.g. Fuglsang and Bitsch Olsen, 2007) as the mode of reasoning theoretically informed and mobilizes the narrative mode of knowing, which exhibits plausible explanations articulated in emplotted narratives (e.g. Czarniawska, 2004a). This is conducted in an empirical setting that embeds cost structural alteration of the value chain.

The iterative research approach deploys a multiple case design (e.g. Yin, 1994) with an empirical setting that, more specifically and among other, is confined by Danish organizations' outsourcing and insourcing activities. This research's deployment of an interdisciplinary approach and the applied methodological execution in that particular empirical setting seems novel to the domain.

In sum, this particular research offers insight into top management's enactment informed by among others the mobilization of cost driver theory and taxonomy, i.e. the causes of costs, to confine the structural cost choices and to understand the intertwined nature of the various effects and actions, the asymmetry of the various actions and effects and the subsequent management situations. Thus, this research becomes, among others, a contribution to extant literature that highlights the catalytic creeds of cost drivers. Literature for instance suggests that the cost drivers act as catalysts for leveraged executional efficiency and for reengineering processes to create altered cost structures, and the two modes are connected by the catalytic '*feedback path between executional and structural cost management*' (Anderson and Dekker, 2009a, p. 204).

In that respect and in light of the literary claimed importance of the causes of costs, i.e. the cost drivers, it is interesting to note that the executive management level in a study of cost structures in relation to competitive advantage (EIU, 2007) signifies '*a focus not on the nature of costs but on their root causes*' (EIU, 2007, p. 5). This has an explicit relation to the value creation processes and organizations' drivers of costs, which additionally positions the importance of such understanding.

Hence, this research becomes of overall importance for two reasons.

It will potentially strengthen knowledge about the '*complex economic and social forces governing the practice of structural cost management rather than a narrow group of executional cost management tools*' (Anderson, 2007, p. 483). This is less understood within the realm. It will, likewise, add to the understanding of the intertwined cost driver actions and effects, which in an '*organizing*' perspective tests, perhaps contests, the literary notions about 'best fit' and rationality in decision making. This will in turn illuminate the substantiality of the cost argument in cost driven outsourcing events in the empirical setting of value chain configuration. This will, in sum, address the instituting literary calls that all steam from the realm of Supply Chain Management and Management Accounting.

Thus, this research into the cost management practices exhibits explanations for causes and effects of cost management in a strategic perspective. It irradiates plausible explanatory propositions as to for instance the asymmetric mobilization and conception of for instance cost drivers. It exhibits the intertwined notion of various cost effects and the altered management situations, they give rise to. The research, in addition, develops explanatory propositions regarding the substantiality of the cost argument, the ongoing creation opposed to, and despite, the assumption of a 'best fit' as well as the ideas of mobilizing opportunities and the opportunity sets within the organizations' top management context.

The research among others concludes that top management's enactment of the cost structure in organizations' value chain configuration involves and materializes in multiple causes and management effects, where it is proposed that this is both highly contextualized and more asymmetric, thus significantly more complex, than literature in general suggests.

This will hopefully be perceived sufficiently interesting and distinct (e.g. Davis, 1971; Barley, 2005).

SUMMARY IN DANISH

Denne Ph.d. afhandling behandler strategisk omkostningsledelse (Strategic Cost Management) og med en overordnet forskningsmæssig interesse i, hvordan topledelsen skaber mening om organisationens omkostningsstruktur. Det empiriske domæne er blandt andet konstitueret ved organisationers outsourcing-beslutninger, hvor ”omkostningsreduktion” er et hovedargument bag de strategiske beslutninger om at ændre organisationernes værdikæder.

Det overordnede formål er at udvikle mulige forklaringer på, hvordan topledelsen ”*iværksætter handling, tolker effekterne og skaber mening*”[1] (Baxter and Chua, 2003, s. 112) i deres strategiske ledelse af omkostningsstrukturen.

Sådan forståelse har forskningsmæssig interesse. Det er velkendt, at eksisterende forskningsbidrag indenfor felterne Supply Chain Management samt Regnskab og Økonomistyring tydeliggør, at beslutninger om at ændre organisationernes værdikæder kan indebære store investeringer og rumme ledelsesmæssige afvejninger med afgørende betydning for konkurrenceevnen. Det er dermed centralt i forbindelse med organisationernes konkurrencemæssige position. Samtidig stiller nyere forskning indenfor Supply Chain Management i stigende omfang spørgsmål ved eksempelvis outsourcing-beslutningsgrundlag, der alene baserer sig på snævre omkostningsbetragtninger (e.g. Kinkel, 2012, s. 696). De selvsamme forskningsbidrag opfordrer derfor til et bredere perspektiv i tilgangen til værdikædekonfigurering. Samme perspektiver på omkostningsledelse deles af forskere indenfor Regnskab og Økonomistyring (e.g. Anderson, 2007; Anderson and Dekker, 2009ab).

Disse forskningsbidrag (e.g. Anderson, 2007; Anderson and Dekker, 2009ab) gør samtidig opmærksom på en uforholdsmæssig stor interesse i omkostningsledelsestemaer med vægt på omkostningseffektivitet givet en valgt strategi og omkostningsstruktur (executional cost management) i forhold til forskning, der behandler omkostningsstrukturelle design og valg vedrørende organisationers værdikæder (structural cost management). Det kan måske virke overraskende i betragtning af, at de omkostningsstrukturelle beslutninger har afgørende betydning for organisationers konkurrencemæssige position og definerer rammerne for organisationernes operationelle manøvremulighed (e.g. Anderson and Dekker, 2009ab). Der peges således på oplagte muligheder for at bidrage til viden om de mere ”*komplekse økonomiske og sociale kræfter*”[2] (Anderson, 2007, s. 483), der omgrænser disse omkostningsstrukturelle design og valg.

Denne Ph.d. afhandling søger at bidrage hertil og anvender Anderson og Dekker’s definition og generelle konceptualisering af strategisk omkostningsledelse (Strategic Cost Management). Strategisk omkostningsledelse (Strategic Cost Management) defineres dermed som “*bevidst beslutningstagen med det mål at tilpasse*”[3](Anderson and Dekker, 2009a, s. 202).

[1] Oversættelse med reference til SUMMARY på engelsk: how Strategic Cost Management practices might be ‘*enacted and given meaning*’ (Baxter and Chua, 2003, p. 112) by top management

[2] Oversættelse med reference til SUMMARY på engelsk: the more ‘*complex economic and social forces*’ (Anderson, 2007, p. 483)

[3] Oversættelse med reference til SUMMARY på engelsk: ‘*deliberate decision making aimed at aligning the firm’s cost structure with its strategy and with managing the enactment of the strategy*’ (Anderson and Dekker, 2009a, s. 202)

Ph.d. afhandlingen tager med denne definition og Anderson og Dekker's (2009ab) deraf følgende konceptualisering det udgangspunkt, at den strategiske tilgang til omkostningsledelse udfoldes i feltet mellem de tre centrale temaer: Værdikæde, omkostningsdriver og strategi (e.g. Shank and Govindarajan, 1993; Anderson, 2007; Ellram and Stanley, 2008; Anderson and Dekker, 2009ab). Det vil dermed sige, at Ph.d. afhandlingen mobiliserer disse tre områder simultant og sammenhængende.

I det lys, og på trods af, at strategisk omkostningsledelse (Strategic Cost Management) er literært forankret indenfor domænet Regnskab og Økonomistyring, tilskynder forskere (e.g. Anderson and Dekker, 2009ab) at trække på viden fra andre områder og eksempelvis Supply Chain Management, Økonomi og Strategi. Ph.d. afhandlingen anvender en sådan interdisciplinær tilgang i etableringen af det teoretiske domæne og den empiriske eksekvering. Ph.d. afhandlingen er fra begyndelsen motiveret af netop bidrag fra både Supply Chain Management samt Regnskab og Økonomistyring.

Begge områder bidrager således til den føromtalte centralitet og forskningsbidragets potentielle relevans.

I tillæg hertil er det i øvrigt interessant at notere sig, at nyere forskningsbidrag indenfor Supply Chain Management signalerer en måske spirende ændret global trend, hvad angår organisationers outsourcing og omplacering af produktion, hvor dette til at begynde med har været drevet af "omkostningsargumentet" (e.g. Kinkel, 2012; Tate, 2014). Der gøres eksempelvis opmærksom på, at måske er "*pendulet endelig ved at svinge tilbage*"[4] (Tate, 2014, s. 66).

Den oplevede organisatoriske centralitet, forskningsbidrags stigende udfordring af et for snævert "omkostningsargument" og det potentielle skift i den globale trend er tilsvarende baggrunden for at DI (Dansk Industri) er interesseret i denne Ph.d. afhandling og har været meget hjælpsom i etableringen af samarbejdet med caseorganisationerne.

Den empiriske eksekvering af hvordan topledelsen iværksætter handling, tolker effekterne og skaber mening omkring organisationernes omkostningsstrukturer i forbindelse med konfigurering af deres værdikæder er baseret på kvalitativ metodologi med en videnskabelig position i Pragmatisme. Ph.d. afhandlingen anvender sensemaking perspektivet (e.g. Weick, 1995 og 2005) og sensemaking som "organisering" (e.g. Weick et al, 2005; Czarniawska, 2008) som eksplorativ linse. Der anvendes abduktion som slutningsform, teoretisk informeret og med plausibilitet som gyldighedskriterie. Der mobiliseres narrativer til at artikulere viden. Narrativerne udtrykker dermed plausible forklaringer i narrative plot og er dermed "emplottede narrativer" (Czarniawska, 2004a). Det gør de i et empirisk felt, der konstitueres af omkostningsstrukturelle ændringer i værdikæderne

Der anvendes en iterativ tilgang imellem teori og empiri i skabelse af viden baseret på et multipelt casestudiedesign (e.g. Yin, 1994) i et empirisk domæne, der mere specifikt er konstitueret af blandt andet danske organisationers outsourcing og insourcing begivenheder.

[4] Oversættelse med reference til SUMMARY på engelsk: '*the pendulum is finally starting to swing back*' (Tate, 2014, p. 66)

Denne Ph.d. afhandlings interdisciplinære tilgang og metodologiske eksekvering synes ny indenfor strategisk omkostningsledelse (Strategic Cost Management) som domæne.

Ph.d. afhandlingens forskningsbidrag giver dermed indsigt i topledelsens handling, tolkning af disses effekter og skabelse af mening om omkostningsstrukturerne. Bidraget er skabt blandt andet ved mobilisering af omkostningsdriverteori og taksonomi. Det benyttes for eksempel til at definere de omkostningsstrukturelle valg og til at forstå og forklare de forskellige effekter og handlinger, asymmetrien mellem de forskellige handlinger og effekter samt de nye og ændrede ledelsesmæssige situationer, disse handlinger og effekter giver anledning til.

På den måde bliver denne Ph.d. afhandling et særligt bidrag til den litteratur, der foreslår, at ledelsens forståelse af omkostningsdrivers virker som katalysator for både potentielt øget omkostningseffektivitet (executional cost management temaer) og omkostningsstrukturelle design og valg (structural cost management temaer) samt, at de to ledelsesmæssige temaer er knyttet sammen i form af ”*katalytisk feedback fra omkostningseffektiviserende handlinger og effekter til omkostningsstrukturelle design og valg*”[5] (Anderson and Dekker, 2009a, s. 202).

Med den litterært beskrevne vigtighed af den grundliggende forståelse for hvad der er driver omkostninger, det vil sige omkostningsdrivers, i mente, er der i øvrigt interessant at erfare, at topledere i et studie omkring omkostningsstrukturer og konkurrencemæssig position (EIU, 2007) indikerer ”*et fokus på hovedårsagerne til omkostninger snarere end omkostningers natur*”[6] (EIU, 2007, s. 5). Det har eksplicit relation til organisationers værdiskabelse og deres omkostningsdrivers, hvilket yderligere positionerer vigtigheden af forståelsen heraf.

Denne Ph.d. afhandlings bidrag bliver dermed vigtig af to årsager.

Ph.d. afhandlingens bidrag kan potentielt styrke viden om de ”*komplekse økonomiske og sociale kræfter der styrer praksis omkring den omkostningsstrukturelle ledelse snarere end en snæver gruppe af operationelle omkostningsledelsesværktøjer*”[7] (Anderson, 2007, s. 483). Det er mindre behandlet indenfor domænet strategisk omkostningsledelse (Strategic Cost Management). Bidraget vil i forlængelse heraf øge forståelsen af de sammenflettede handlinger og effekter, som i et organiseringsperspektiv tester, måske udfordre, en litterær opfattelse af et muligt ”best fit” mellem strategi og omkostningsstruktur samt rationaliteten i beslutningstagen i forbindelse hermed.

[5] Oversættelse med reference til SUMMARY på engelsk: the two modes are connected by the catalytic ‘*feedback path between executional and structural cost management*’ (Anderson and Dekker, 2009a, p. 204)
[6] Oversættelse med reference til SUMMARY på engelsk: signifies ‘*a focus not on the nature of costs but on their root causes*’ (EIU, 2007, p. 5)
[7] Oversættelse med reference til SUMMARY på engelsk: the ‘*complex economic and social forces governing the practice of structural cost management rather than a narrow group of executional cost management tools*’ (Anderson, 2007, p. 483)

Dette vil potentielt synliggøre vægten bag ”omkostningsargumentet” i omkostningsdrevet outsourcing i et empirisk felt med ændrede omkostningsstrukturer og værdikæder samt dermed adressere de tidligere nævnte forskningsmuligheder, som foreslås af bidragsydere indenfor områderne Supply Chain Management samt Regnskab og Økonomistyring.

Denne Ph.d. afhandlings vægt på omkostningsledelse viser dermed plausible forklaringer på årsager til omkostninger og dermed effekter af omkostningsledelse i et strategisk perspektiv. Disse plausible forklaringer gælder for eksempel den asymmetriske mobilering og forståelse af blandt andet omkostningsdrivers. Ph.d. afhandlingen viser og ekspliciterer tilsvarende de sammenflettede omkostningseffekter og handlinger samt de nye og ændrede ledelsesmæssige situationer, som disse handlinger og effekter giver anledning til. Samtidig giver Ph.d. afhandlingen plausible forklaringer vedrørende vægten af ”omkostningsargumentet”, den løbende skabelse af mening vedrørende sammenhæng mellem strategi og omkostningsstruktur – snarere end en antagelse om ”best fit” – i relation til organisationernes muligheder i en topledelseskontekst.

Ph.d. afhandlingen konkluderer blandt andet, at topledelsens iværksættelse af handling, tolkning af effekterne og skabelse af mening om omkostningsstrukturer i værdikædekonfigurering involverer og materialiserer sig i multiple årsager og effekter, og Ph.d. afhandlingen foreslår, at dette er både særdeles kontekstbestemt og mere asymmetrisk, og blandt andet derfor betydeligt mere komplekst, end litteraturen for nærværende synes at kommunikere til både praktikere og akademiske miljøer.

Dette vil forhåbentligt blive opfattet tilstrækkeligt interessant og distinkt (e.g. Davis, 1971; Barley, 2005).

Table of Content

1. INTRODUCTION

'*Over the past 40 years factory jobs of all kinds have migrated from high-cost to low-cost countries'* (Tate, 2014, p. 66). This exodus is among other explained by organizations' decisions to outsource and relocate their production activities.

Literature informs of multiple reasons behind these decisions. The potential to reduce operational costs due to for instance regional differences in wage levels is among the more noticeable ones (e.g. Kinkel and Maloca, 2009; Drauz, 2013). However, these decisions to outsource and relocate production activities might considerably alter the organizations' value chains (e.g. Porter, 1985; Johnson et al, 2005). This can encompass considerable investments and embed even critical decisional tradeoffs between expected cost reductions and other competitive means such as flexibility and control (e.g. Anderson and Dekker, 2009ab).

This is by no means new to academia, who also acknowledges that literature suggests 'cost reduction' in broad as a prominent argument behind the decisions to outsource and relocate production activities (e.g. Kakabadse and Kakabadse, 2002; Kinkel, 2012; Arlbjørn et al, 2013).

Scholars are, however, increasingly reporting lack of achieved benefits from outsourcing arrangements and are in that respect problematizing decision making schemes based on '*pure cost efficiency considerations*' (Kinkel, 2012, p. 696). Here, authors refer to among other narrowly confined investments appraisals based on potential savings in direct operating costs.

Such claims seem perhaps enforced by a possible shift in the global trend. Contemporary literature informs that the migration of not least blue-collar jobs is slowing down. Literature perhaps even signals an emerging reverse tendency. Kinkel (2012), for instance, reports that relocation activities from the home country '*have declined significantly, whereas the level of backshoring*[8] *activities has remained stable*' (Kinkel, 2012, p. 696). Tate (2014), who contributes with the opening remark, quotes other contributors and suggests that perhaps '*the pendulum is finally starting to swing back*' (Tate, 2014, p. 66).

This might, of course, be explained as counter reactions to a '*discrepancy between expected and realized costs*' (Larsen et al, 2012, p. 534) in these outsourcing and relocation ventures. These discrepancies could, for instance, materialize in unanticipated cost incurred due to quality breaches in production and product deliveries (e.g. Kinkel and Maloca, 2009) or unexpected costs incurred due to increased coordination and monitoring efforts (e.g. Kinkel, 2012).

Hence, academia's problematization of the effectiveness of for instance cost driven outsourcing and the literary calls to challenge pure cost efficiency cost based decision making schemes might, per se, contest organizations' cost calculative practices.

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[8] The analytical object of 'backshoring' covers in Kinkel's research (i.e. Kinkel, 2012) backshoring from locations abroad to the organization's home country, whether the 'backshored' activities are still placed external to organizations or insourced

However, literature seems progressively to advocate for a broader view upon organizations' approaches to cost management within the value chain.

Such suggestions rest among other upon the notion that a possible reverse tendency might not only be due to the aforementioned discrepancies between expected and realized costs. It might also depict altered cost efficiency possibilities such as adaptation of new technology that assists competitive production in the organizations' home countries (e.g. Arlbjørn et al, 2013).

However, a potential reverse tendency, for instance depicted by insourcing, might likewise portray reasons, which are not necessarily attributable to cost within literature; though they could indeed have cost implications. The loss of knowledge is an example (e.g. Drauz, 2013). A perceived knowledge-loss could for instance be assumed to jeopardize the long-run improvement of production efficiency. This could likewise have anticipated revenue implications, if a potential loss of knowledge is associated with the loss of capabilities in product development.

These scholarly queries are brought even further within literature, as such potential tendency could, even, represent the '*seizure of an opportunity*' (Young and Macinati, 2012, p. 777). This could be enabled by numerous, though altered, internal and external conditions, which might give rise to, for instance, a strategic growth theme rather than more explicitly cost related issue. Even though, a cost issue might have been the main reasons behind the organizations' decisions to alter their value chains in the first place. This would irradiate explanatory themes such as change in strategy.

These potential explanations behind literature's questioning of cost driven outsourcing and relocation ventures reinforce that decision making regarding the configuration of the value chain should not only take a broader perspective on costs as such. It should likewise raise awareness and integrate '*dynamic considerations*' (Kinkel, 2012, p. 696).

The aforementioned reasons constitute only a limited part of the literary explanations behind a potential emerging reverse trend. However, this problematization of cost driven decision making schemes in the context of outsourcing and relocation, carved out in light of the potential shift in the trend, has been among the inspirational and constitutive sources behind this research.

It is also the main reason, why the Confederation of Danish Industry is paying supportive interest in this PhD Thesis; a research endeavor which strives to offer insight into cost management practices in an empirical context that is curbed by organizations' decisions about the configuration of their value chains.

1.1 The topical domain and the contextualized research interest

Scholars, in broad, recognize that organizations' outsourcing and relocation undertakings embed re-designs and, subsequently, alteration of the organizations' value chains.

It is, equally, acknowledged that such reconfigurations of the value chains can encompass even substantial investments, where organizations take onboard the associated risk inherited in capital outlay and budgeting (e.g. Salvatore, 2007; Hirschey and Bentzen, 2014). In addition these decisions encompass even pivotal decisional tradeoffs (e.g. Anderson and Dekker, 2009a).

Thus, while such decisions to outsource and relocate production activities portray organizations' deliberate pursues of their strategic objectives – it would be unwarranted to claim that the decisions were non-deliberate or taken deliberately in contradiction to the organizations' strategic objectives – these decisions do indeed put organizations' competitive positions at stake.

If '*the pendulum is finally starting to swing back*' (Tate, 2014, p. 66), the re-alterations, e.g. by insourcing of activities, clearly embed novel re-design and investment events. This equally embeds investment risk and actualizes considerations about the multiple decisional tradeoffs.

Accordingly, research communities' call to challenge decision making schemes in cost driven outsourcing and relocation ventures, thus a call for an enhanced understanding of the organizations' cost management approaches, is of obvious importance to organizations.

1.1.1 The topical domain inspired by an interdisciplinary research call

This literary problematization and the perceived organizational relevance is likewise known to academia. It is for instance observed by research communities and researchers within the domain of Supply Chain Management. These researchers, in particular, will also acknowledge that the propositions and literary calls unfolded on the previous pages by large steam from contributions promoted within their literary realm or in close juxtaposition hereto.

However, organizations' cost management approaches that, among other, materialize in the deliberate decision making related to '*organizational design*' and '*process design*' within the entire '*value chain*' (Anderson, 2007, p. 481) have similarly inspired researchers within Management Accounting. Actually, Management Accounting rooted research '*highlights the value chain as the domain for cost management*' (Anderson and Dekker, 2009a, p. 204).

These research contributions situated within Management Accounting irradiate similar propositions in relation to the configuration of the value chain. This, for instance, contains a call for enhanced substantiality in the calculative practices by including all '*relevant costs*' and a call for a broadened understanding of the incorporation and the translation of risk '*into costs*' (e.g. Anderson and Dekker, 2009a, p. 208).

Hence, scholarly contributions from the literary realms of both Supply Chain Management and Management Accounting do, in sum, constitute an interdisciplinary body of knowledge, which instigates researchers' attention to the organizational importance of risks and tradeoffs embedded in decisions to, for instance, outsource and relocate production activities.

In fact, this claimed organizational centrality has across these two literary realms encouraged the problematization of the underlying decision making schemes and advocated a need to elevate the understanding of, how the value chain configuration actually is formatted within organizations. Thus literature calls among others for a broader strategic perspective on cost management.

Such an approach to organizations' cost management with among other a management perspective that stretches beyond the formal organizational boundaries and the existing value chains has been brought forward by Management Accounting research communities. They have among others curbed this notion by '*Strategic Cost Management*'.

'*Strategic Cost Management*' is the topical domain and conceptual onset in this research. This research coins Strategic Cost Management by the mobilized definition by Anderson and Dekker (2009ab). They by large build upon the seminal work by Shank and Govindarajan (e.g. 1993), who introduced the concept more than two decades ago.

Anderson and Dekker (2009ab) extend Shank and Govindarajan's work (e.g. 1993) and define Strategic Cost Management as the '*deliberate decision making aimed at aligning the firm's cost structure with its strategy and with managing the enactment of the strategy*'[9] (2009a, p. 202).

This is how Strategic Cost Management is defined in this research.

1.1.2 The topical domain and puzzling conceptual issues

Strategic Cost Management is quite manifest within Management Accounting literature '*but has not been widely utilized elsewhere*'[10] (Ellram and Stanley, 2008, p. 181).

Likewise, since the literary emergence and initial conceptualization of Strategic Cost Management by Shank and Govindarajan (e.g. 1993) researchers and scholarly communities have debated about, for instance, the relevance of the 'phenomenon'.

Both observations might perhaps be perceived as slightly puzzling; at least for two reasons.

[9] Anderson and Dekker (2009a) slightly rewrite the definition by Anderson (2007), as they write '*managing the enactment of the strategy*' (Anderson and Dekker, 2009a, p. 202) instead of '*optimizing the enactment of the strategy*' Anderson (2007, p. 481)

[10] By '*elsewhere*' Ellram and Stanly (2008) imply other areas such as the literary realms of Strategy and Supply Chain Management

Shank and Govindarajan (e.g. 1993) as well as other scholars have, very explicitly, advised upon Strategic Cost Management's conceptual deployment of three noticeable key themes or tenets. These are '*value chain*', '*cost driver*' and '*strategy formation*', whereas 'strategy formation' associates both to a process as well as a particular strategy and labeled 'strategy' in the remainder of this section[11].

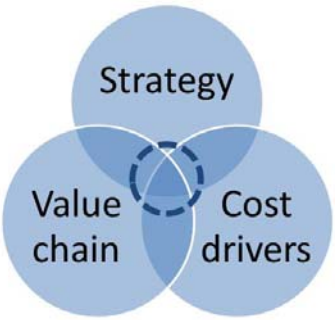
These three key tenets are all prominent to academia within a broad set of areas. Thus, it might, a priori, be expected that Strategic Cost Management should be more broadly recognized and conceivable in literary areas outside that of Management Accounting. This is not the case.

Secondly, the three key tenets, i.e. 'value chain', 'cost driver' and 'strategy', together embed a broadly accepted intertwined and, perhaps even, an interdisciplinary conception. Academia recognizes, for instance, that the strategic position of an organization conceived as a delineation of organizations' pursued competitive advantages (e.g. Porter, 1985), for long, has been associated with among other the organizations' cost positions and and activities in the organizational value chain. This clearly irradiates the intersection.

In that respect authors such as Shank and Govindarajan (1993), Ellram and Stanley (2008) as well as Anderson and Dekker (2009a) also unambiguously convey that it is the simultaneous mobilization and intertwined utilization of the three key tenets, which constitutes Strategic Cost Management. Thus, Strategic Cost Management is unfolded in the intersection between these key tenets.

This research takes the conceptual position in the simultaneous mobilization and intertwined utilization of the three key tenets, e.g. 'value chain', to comply with the academic advises. Accordingly, this research is conducted in the intersection between Strategic Cost Management's key tenets as conveyed in Illustration 1.1 and enforced by the dashed circle in the center.

Illustration 1.1 The conceptual intersection between strategy, value chain and cost drivers



[11] As to the key tenet of 'strategy formation' Shank and Govindarajan (e.g. 1993) focused both on various stages in the strategic management process as well as a strategic position (e.g. Porter, 1985); thus 'strategy formation' is here initially used to cater for both a management process and a particular organizational strategy

This initial research conception might appear valid, even obvious, and in compliance with the central theme in Strategic Cost Management. However, and despite academia's appreciation of the three key tenets' prominence in their own right and their interrelatedness, these key tenets also represent '*a broad set of practices, which makes it difficult to provide a concise definition* [of Strategic Cost Management]*'* (Ellram and Stanley, 2008, p. 181).

This might have hampered the development of the area. This associates not as much to a more general conception or to the generally perceived relevance of the key tenets in decision making in relation to for instance outsourcing and relocation ventures.

However, and notwithstanding a perceived relevance, some would perhaps argue for common sense, then the notion of the '*broad set of practices*' might have challenged research communities' dissemination and advancement in terms of the understanding of organizational practices and in turn the concept's applicability (e.g. Tillmann and Goddard, 2008).

Thus, one thing is the perceived relevance. The understanding of the actual deployment is something else.

In line with this notion literature irradiates several other, perhaps inducing, explanations for academia's puzzles about Strategic Cost Management; some might even suggest scholarly controversies as to the conceptualization and practical applicability.

These explanations seem, among other, to steam from the immense conceptions and interpretations of 'strategy', or the term 'strategic', as well as that of 'management', which partly denotes the concept (e.g. Lord, 1996; Tomkins and Carr, 1996; Cinquini and Tenucci, 2007). Hence, there is some uncertainty of the term itself (e.g. Guilding et al, 2000).

Other contributions suggest explanations such as the lack of mobilization of areas 'outside' that of Management Accounting, although these can support advancement in the field given the advisable intertwined mobilization of the aforementioned three key tenets (e.g. Ellram and Stanley, 2008; Anderson and Dekker, 2009a) in an enhanced interdisciplinary approach.

Scholars within Management Accounting, likewise, suggest a literary traced emphasis on cost management issues with a focal point of that of improving cost performance given a certain cost structure opposed to academia's interest in cost structural choices (e.g. Anderson, 2007; Anderson and Dekker, 2009a), whereas a structural choice confines the executional maneuverability.

The debates that arise due to the taxonomical queries and immense interpretations of 'strategy', 'strategic' and 'management' will of course not surprise any researcher.

However, the lack of research's mobilization of areas outside that of Management Accounting might be surprising, as this has been advocated since the very emergence of the concept more than two decades ago.

This, of course, does suggest a theoretical execution, perhaps even an interdisciplinary underpinning, which mobilizes areas that can support the research in the intersection between 'value chain', 'cost driver' and 'strategy' as suggested in Illustration 1.1 to support the advancement of Strategic Cost Management. The particular extent and approach, of course, depends on the specific research agenda and purpose, which will be outlined in short.

However, and although scholars do suggest scarce research that more profoundly mobilize areas outside that of Management Accounting, this does not in itself explains the potential research gap and the literary call for among others an elevated understanding of, how the value chain configuration actually is formatted within organizations.

It is perhaps rather the notion that there has been the disproportionate emphasis on research into issues of improving cost performance given a certain cost structure opposed to academia's interest in cost structural choices, which explains and eventually informs of a potential research gap. This has apparent affiliation to the call for enhanced understanding of the decision making schemes associated with for instance outsourcing and relocation ventures as outlined in the beginning of this Section 1.

The reason is that such outsourcing and relocation ventures can alter the organizations cost structure significantly. In that respect, both Anderson's (2007) as well as Anderson and Dekker's (2009ab) mobilize Shank and Govindarajan (e.g. 1993), who suggested that Strategic Cost Management consists of '*structural cost management*' and '*executional cost management*'.

An understanding of these ideas will not only add to the centrality of the academic calls for research into organizations' cost management in relation to outsourcing and relocation ventures. It will also illuminate the potential research gap additionally. This justifies the possible significance and thus the potential for relevant contribution.

This will inspire the formation of the research question and research purpose and in turn act as a leverage of both the theoretical as well as the empirical execution in the intersection of the concept's key tenets.

1.1.3 The topical domain and the suggested research gap

While the notion '*executional cost management*' associates to the managerial efforts in relation to the '*improvement of cost performance*' within the frames of a '*given strategy and cost structure*', a central theme in '*structural cost management*' encompasses the '*design of an overall cost structure*' coherent with the organization's strategy (Anderson and Dekker, 2009a).

In terms of '*structural cost management*' the authors advocate their central interest in the value chain and the centrality of cost management issues in value chain configuration. They convey that the purpose of '*structural cost management*', among other, is to '*create a supply chain cost structure that is coherent with firm strategy*' (Anderson and Dekker, 2009b, p. 289).

Academia in broad recognizes that 'costs' take up a pivotal position within economic theory. 'Costs' are, for instance, manifest within the instituting core economic concepts such as the principal idea of the 'Theory of the firm' and its conception of value creation (e.g. Salvatore, 2007; Hirschey and Bentzen, 2014). The term 'cost structure' is likewise prominent within the literary realms of Management Accounting and Economics[12], which in general define 'cost structure' with emphasis on the types of costs, their relationship and relative proportions. As an example, Balakrihnan et al (2014) recap a well-known suggestion that '*cost structure is the relative proportions of fixed and variable costs*' (Balakrishnan et al, 2014, p. 92).

Although, this and similar conceptions of 'cost structure' definitely offer value insight in various contexts, authors, among other, within the realm of Strategic Cost Management argue that the organization's costs and its cost position, e.g. cost position relative to competitors and in turn competitive advantage (e.g. Porter, 1985), are better explained and managed by the understanding of the causes of costs. That is the '*cost drivers*' (Anderson and Dekker, 2009ab). Hence, in terms of the understanding of the organizations' Strategic Cost Management in this research a focal point becomes the cost drivers and, how these are understood in the creation of a '*cost structure that is coherent with the firm strategy*' (Anderson and Dekker, 2009b, p. 289).

In that respect and in light of the literary claimed importance of the causes of costs, i.e. the cost drivers, it is interesting to note that the executive management level in a study of cost structures in relation to competitive advantage (EIU, 2007) signifies '*a focus not on the nature of costs but on their root causes*' (EIU, 2007, p. 5). This has an explicit relation to the value creation processes and organizations' drivers of costs, which additionally positions the importance of such understanding.

Anderson and Dekker (2009ab), again, mobilize Shank and Govindarajan (e.g. 1993), when they suggest that it is the cost drivers, which are among the key entities in the management of organizations' costs. Thus, and in line with the conception of structural and executional cost management in mind. They as well as several other scholars do make a distinction between '*executional cost drivers*' and '*structural cost drivers*'.

They suggest that '*two types of cost drivers are the basis for strategic cost management: structural cost drivers that reflect organizational structure, investment decisions, and the operating leverage of the firm, and executional cost drivers that reflect the efficacy and efficiency of executing the strategy*' (Anderson and Dekker, 2009a, p. 202).

[12] By 'Economics' is here referred to the literary realms such as that of Microeconomics

The subsequent literary notion is that the understanding of these cost drivers acts as catalysts for leveraged executional efficiency, i.e. the executional cost drivers, and for reengineering processes to create altered cost structures, i.e. the structural cost drivers. Literature further informs that the two modes are connected by the catalytic '*feedback path between executional and structural cost management*' (Anderson and Dekker, 2009b, p. 292). Thus, an alteration of the organizations' 'cost structures' would be portrayed in altered structural cost drivers. This conception is the vehicle for the further elevation of the research gap and in turn the empirical confinement as well as the subsequent exploration of the value chain configuration decisions.

Among the structural cost drivers are '*scope*' and '*scale*' of the operation (e.g. Shank and Govindarajan, 1993, p. 20). '*Scope*' is generally defined as the degree of vertical integration (e.g. Johnson et al, 2005). This can, in turn, be conceived '*as the share of in-house production of a company in the total value creation related to a final product*' (e.g. Drauz, 2013, p. 346).

Thus, as it could be inferred, it is decisions about among others '*scope*' and '*scale*' that drive organizations' costs on a structural level; and that according to Shank and Govindarajan embed and give rise to '*strategic choices*' (Shank and Govindarajan, 1993, p. 20).

This relates explicitly back to the literary calls to challenge cost driven decision making schemes in outsourcing and relocation ventures, in as much that for instance outsourcing of activities and processes definitely can alter for instance the organization's '*scope*' significantly and have cost structural impact, because such alteration drives cost on a cost structural level.

However, as mentioned literature within the realm of Management Accounting suggests a disproportionate research attention to executional cost management issues and, for instance, with particular research interest in specific costing approaches; e.g. activity based costing as an analytical object. Thus, it underpins the potential for elevated understanding of the structural cost management approaches and the related decisions, how they, and subsequently the value chain configurations, are formatted within organizations, the decisional implications and the altered management situations, which this might give rise to.

This disparate research prominence might, also, puzzle academia in terms of organizational centrality and importance. The structural cost decisions of the process design (e.g. Anderson, 2007) impose, per se, the overall constrains on the cost executional maneuverability of the organizations. In fact, Anderson and Dekker makes it clear, when they convey '*that structural cost drivers*' associated with for instance organizational structure and investment decisions '*define the playing field for strategic cost management*' (Anderson and Dekker, 2009a, p. 204).

This, of course, again reminds and reinforces researchers about the centrality of the aforementioned literary calls that steam from the realms of both Supply Chain Management and Management Accounting in the intersection between 'value chain', 'cost driver' and 'strategy'.

In that respect, Strategic Cost Management has, however, since its conceptual appearance and despite a specific research interest in either structural or executional cost management themes, mainly been researched and elevated in quantitative studies, which have taken the position of a given strategy and cost structure.

These contributions, and not least those associated with research into cost structural management themes, are often informed by contingency studies that could infer adaptation and perhaps even suggest a 'best fit' contingent on various influences and conditions. Such studies seem to prevail opposed to studies that offer elevated insight into, for instance, how the cost management practices might be '*enacted and given meaning*' (Baxter and Chua, 2003, p. 112).

While Baxter and Chua's comment (2003) ascends from a more general commentary to Management Accounting research, the same notion is brought in the realm of Strategic Cost Management as it is rooted within Management Accounting.

Anderson (2007) directs academia's attention to an opportunity to strengthen research around the '*complex economic and social forces governing the practice of structural cost management rather than a narrow group of executional cost management tools*' (Anderson, 2007, p. 483). This seems not only a comment to the disparate attention to executional cost management as already mentioned. Likewise, it entails, if not a critique of prior research approaches, then definitely a perspective for coming research.

Summarizing, this research will, subsequently, not follow a debate within a particular research stream, which takes strategy and cost structure for given[13]; nor will it take the starting point in questioning previous researchers' conceptions as to the aforementioned taxonomical disputes regarding for instance 'strategic' and 'management'.

The research interest is, instead, Strategic Cost Management unfolded in an empirical context that, per se, embeds cost structural alteration in relation to outsourcing and relocation ventures. Hence, this research will take the focal starting point in the '*design of an overall cost structure*' coherent with the organization's strategy; thus that of '*structural cost management*' in particular (Anderson and Dekker, 2009a) and portrayed in decisions that affect the structural cost drivers in the organizations.

[13] Anderson and Dekker (2009a) propose, building on Anderson (2007) who in turn builds upon Lord (1996), two research streams. In the first research stream emphasis is, and quoting Tomkins and Carr (1996), on examining, whether and how organizations configure accounting data to support value chain analysis. The second research stream focuses on deriving a relationship between an organizational strategy and cost structure, and they suggest somewhat summarizing that '*the focus is on the causal relation between activity levels and the resources that are required (i.e. 'cost drivers')*' (Anderson and Dekker, 2009a, p. 202). When doing so they include thoughts from among others Ittner et al (1997). Anderson and Dekker also suggest that these research streams take as given the firm's strategy and structure and focus on, whether accounting records are capable of '*reflecting*' or '*detecting*' the economics of the chosen strategy (Anderson and Dekker, 2009a, p. 202). Anderson and Dekker (2009a) continue by conveying that they take Shank and Govindarajan's (1992 and 1993) broader perspective '*that much of what constitutes strategic cost management is found in choices about organizational strategy and structure*' (Anderson and Dekker, 2009a, p. 202)

The illuminated research gap in that of structural cost management, and how it is enacted and given meaning in organizations seems, per se, to suggest an opportunity to contribute within the area and address the important literary calls to challenge for instance decision making schemes based on pure cost considerations in relation to outsourcing and relocation ventures.

This research, also, acknowledges the aforementioned proposition that research into cost management practices in a strategic perspective requires the mobilization of all three key tenets intertwined and as depicted in Illustration 1.1; both theoretically and empirically. This, per se, situates this research within the area of Strategic Cost Management. Secondly, the research proposition is that the research efforts could potentially leverage areas outside that of Management Accounting due to the three key tenets' literary origins.

This particular research conception of Strategic Cost Management and its three key tenets implies that the initial mobilization of the concept builds on the proposition that it serves as a guiding research agenda. This accounts not only in the establishment of the theoretical domain and its relevant theoretical informed underpinnings.

This conceptual deployment also reinforces that the establishment of the theoretical domain should be seen in close proximity to the establishment of the empirical domain and its subsequent exploration, where the empirical setting knits the key tenets. Hence, it also emphasizes the research proposition of an iterative theory-informed exploration and contextualized theorizing.

Such research conception has the instituting implication that the empirical context accordingly serves as a resilient leverage in the formation of the theoretical domain for the study of organizations' approach to Strategic Cost Management. Thus, it also contextualizes the subsequent theoretical contribution.

These propositions are brought forward in the next subsection 1.2, which irradiates the general research question and the perceived relevance. Subsection 1.2 also suggests, how this research becomes of elevated scholarly interest theoretically in its empirically contextualized setting as well as it articulates this research's principal contribution.

1.2 The research question: The theoretical relevance in the empirical setting

Subsection 1.1 among other suggests research opportunities in the area '*choices about organizational strategy and structure*' (Anderson and Dekker, 2009a, p. 202), which encompasses the '*design of an overall cost structure*' coherent with the organization's strategy (Anderson and Dekker, 2009a). These activities of structural cost management embrace among other the central decisions about, for instance, the organization's scope and scale.

This is of significant importance to organizations, as these decisions among others embed investments, confine the executional maneuverability and determine the competitive position of the organization. Such decisions can, more specifically and among other, embed decisions to outsource. This can alter the organizations' scopes and value chain configurations.

Thus, it instigates researchers' attention to, for instance, the investments, risks and decisional tradeoffs and the literary notion that for instance cost driven outsourcing decisions and its implications are increasingly problematized by Supply Chain Management and Management Accounting academia.

1.2.1 The deduced research gap and general research question

However, and despite the organizational centrality and the scholarly problematization, literature posits the aforementioned, perhaps surprising, disproportionate research attention to executional rather than structural themes.

Thus literature, for instance, calls for the elevated understanding of the design and alteration of the cost structure in value chain configuration. Hence, the creation of a cost structure that is coherent with the strategy and portrayed by cost drivers becomes an object of obvious research interest.

Strategic Cost Management and not least the area of structural cost management has, however, mainly been research with a quantitative approach; often informed by the aforementioned contingency studies that could infer adaptation and perhaps even suggest a 'best fit' between for instance cost structure and strategy contingent on various influences and conditions. Although, these contributions have offered valuable insight to the area, limited attention has been given to the development of plausible explanatory propositions as to, for instance, the formation of meaning about the cost structure in value chain configuration.

Top management plays presumably a central role, as these decisions to alter the value chain configuration can entrench even significant investments and embed pivotal organizational tradeoffs. Hence, the understanding of, for instance, how top management's meaning is formatted in such a context becomes, per se, of elevated relevance in the framing of the analytical object and research purpose.

In that respect, it is even less understood within the realm of Strategic Cost Management, how cost structural issues are enacted and attributed meaning. Accordingly, research communities suggest research opportunities into the '*complex economic and social forces governing*' (Anderson, 2007, p. 483) these Strategic Cost Management practices.

This brings into the forefront the relevance of this PhD Thesis's general research question:

How does top management enact the organization's cost structure in value chain configuration?

This research question and subsequent research undertaking is both literary and empirical relevant given the perceived state of the field, its suggested research gaps as well as the literary calls for the potential advancement of the area. The configuration of the organizational value chain can embed significant investments and tradeoffs, thus the research also becomes of centrality to organizations.

The overall purpose of this particular research is to explore and contribute to this knowledge opening in relation to top management's enactment associated with this important structural cost management endeavor, which significantly affects the competitive position of the organizations. The mobilization of cost driver theory and taxonomy to portray the enactment of the organization's cost structure will in particular add to the ideas about cost drivers' catalytic creeds, where the root causes of costs is literary advocated as a prime focal cost management issue by top management

This, however, raises two scholarly important research issues, which must be addressed prior the outline of the general contributing argument. The first issue is the conceptualization of '*enactment*' and the derived elevated research object and purpose. This supports the articulation of, what is researched in particular and in turn, how such knowledge gains from research into top management's enactment can contribute to the domain Strategic Cost Management. Secondly, this has implications for the constitution of the empirical setting and actual execution, which is similarly important to preview prior to the promotion of this research's contribution. These issues are outlined in subsection 1.2.2.

This becomes in turn a springboard to illuminate this research's contribution and interest to academia, which is conveyed in subsection 1.2.3.

1.2.2 Instituting 'enactment', the elevated research purpose and the empirical setting

The notions of 'cost structure' and 'value chain configuration' as part of the research question of '*how does top management enact the organization's cost structure in value chain configuration?*' are initially explained. However, the term '*enact*', hence top management's '*enactment*', requires a theoretical conception of the explanatory perspective.

1.2.2.1 'Enactment' and the elevated research purpose

'*Enactment*' is in this research defined based on Weick's significance to Sensemaking theory (e.g. Weick, 1995 and 2001).

Weick suggests that '*enactment is first and foremost about action*' (Weick, 1995, p. 36). Thus, '*action*' takes up a central position. '*Action*' is used interchangeable with '*practice*' in this research.

Weick emphasizes along this vein enactment's key creed in the reciprocity between action and the environment; e.g. the reciprocity between top management's actions and the contextualized empirical setting of, for instance, various outsourcing events in the intersection between the understanding of the organizations' strategies and cost structures.

This Weickian conceptualization advocates that organizations' actions create their environments '*that subsequently constrain their actions*' (Weick, 2001, p. 179). This suggests that top management's ability to manage the cost structure '*is to take action in respect to it*', and that these '*actions become the raw materials from which a sense of the situation is eventually built*' (Weick, 2001, p. 183). Thus, action and environment is inseparable, and top management directs attention to, for instance, received cost driver '*stimuli as a result of their own activity, which is suggested by the word enactment*' (Weick, 1995, p. 32).

The '*enacted environment*' becomes an output of an instance of '*sensemaking*' (Weick, 2001, p. 189) and is '*something that the organization's'* top management *'momentarily 'know' or feel they 'understand''* (Weick, 2001, p. 190). The reciprocal exchange between the enacted environment and the subsequent actions continues, where enactment is triggered by, for instance, top management noticing alteration of experience, variances or discrepancies. Hence, this becomes occasions to commence changing '*flux of circumstances into the orderliness of situations*' (Weick et al, 2005, p. 414). The research implication is that this notion implies an ongoing process of invention and interpretation in top management's creation of sense about the cost structure.

Indeed, '*enactment*' is in Weick's perspective part of the conceptualization of sensemaking as '*organizing*' (e.g. Weick et al, 2005, p. 414), which is conceived as the ongoing sensemaking process of reciprocal exchange between Ecological change – Enactment – Selection and Retention (e.g. Weick et al, 2005). The number of possible meanings that arises from Enactment gets reduced by Selection and in turn preserved by Retention.

This '*organizing*' process is additionally informed in Section 3 that irradiates the methodological approach and its research implications. It will for instance be illuminated that this relates explicitly to Czarniawska (2008). Czarniawska suggests that the main question in studying '*organizing*', when the purpose of research is to understand practices, then, broadly speaking, becomes the question of '*How is a given version of the world constructed?*' (Czarniawska, 2008, p. 6). However, it is initially important to notice that 'enactment' is a center piece in this conceptualization of sensemaking and organizing. '*Enactment drives everything else in an organization. How enactment is done is what an organization will know*' (Weick, 2001, p. 187).

This literary conceptualization of '*enactment*' as well as that of '*organizing*' is to be mobilized and researched within the realm of Strategic Cost Management.

It is here important to note that the reciprocal exchange between '*ecological change*' and '*enactment*' includes top management activities of '*sensing anomalies'* and *'being shaped by externalities*' (Weick et al, 2005, p. 414), and as suggested above enactment is for instance triggered by top management noticing alteration of experience, variances or discrepancies.

This notion, and in straight line with the perceived research gap and the research question, suggests a potential in the leveraged understanding of, how the structural cost management approaches might be primed by externalities. This is linked to the actual decisional events and how they, and subsequently the value chain configurations, are enacted and given meaning within organizations as well as the implications of these events. Thus, this also becomes research into the organizational effects and the altered management situations and subsequent actions, which it might give rise to in the perspective of top management.

This research, which is conducted in the intersection of the three key tenets, suggests as conveyed in subsection 1.1 that this can be understood by the mobilization of cost driver theory and taxonomy. This will be mobilized to portray for instance the perceived discrepancies, the actual events and actions as well as the subsequent effects and altered management situations, this might give rise to.

In sum, this particular research therefore offers insight into top management's enactment informed by among others the mobilization of cost driver theory and taxonomy to understand the intertwined nature of the various effects and actions, the asymmetry of the various actions and effects and the subsequent management situations. Thus, this research becomes among others a contribution to extant literature, which suggests that these cost drivers acts as catalysts for leveraged executional efficiency and for reengineering processes to create altered cost structures. The extant literature suggests, as mentioned, that the two modes are connected by the catalytic '*feedback path'*. This research endeavor is pursued in an empirical setting that embeds cost structural alteration of the value chain.

Hence, this research becomes of overall importance for two reasons. It will generally strengthen knowledge about the '*complex economic and social forces governing the practice of structural cost management rather than a narrow group of executional cost management tools*' (Anderson, 2007, p. 483). This is less understood within the realm. It will, likewise, add to the understanding of the intertwined cost driver effects and actions, which in an '*organizing*' perspective tests, perhaps contests, the literary notions about 'best fit' and rationality in decision making. This will in turn illuminate the substantiality of the cost argument in cost driven outsourcing events in the empirical setting. This will, in sum, address the instituting literary calls.

The suggested contribution is as mentioned previewed in subsection 1.2.3. Prior however, the confinement of the empirical setting and empirical execution is illuminated in subsection 1.2.2.2. This contextualizes the research in compliance with the conception of Strategic Cost Management, the general research question, the research purpose as well as this research's particular conception of 'enactment' as initially outlined in this subsection 1.2.2.1.

1.2.2.2 'Enactment's' methodologically implications for the empirical setting

As conveyed, the unit of analysis becomes top management's enactment (e.g. Weick 1995 and 2001) as the focal hub in the aforementioned conception of the organizing perspective (i.e. Weick et al, 2005; Czarniawska, 2008).

The contextualized setting is confined by altered value chain configuration in the intersection with strategy and cost structure, whereas cost structures and actions confined and understood by cost drivers. Thus, this becomes the more specific contextualization of this research's theorizing about Strategic Cost Management.

Top management's enactment is researched by a qualitative research approach that initially mobilizes nine and in turn, more thoroughly, six organizational cases in a multiple case study design (e.g. Yin, 1994; Eisenhardt and Graebner, 2007). The exploration takes the constitutive starting point in outsourcing and relocation events, where access to top management is made possible by the research interest from the Confederation of Danish Industry.

While this starting point for the empirical setting is theoretically warranted, and the general research question and the research purpose seems central and significant, the research interest and mobilization of the sensemaking perspective in such an empirical setting calls, however, for some additional reflections regarding the empirical execution. This requires an initial iteration of the theoretical domain and the empirical setting given the research interest.

In the sensemaking perspective, enactment is part of the conceptualization of '*organizing*' (Weick et al, 2005, p. 414), which, as outlined, is conceived as the ongoing process of reciprocal exchange between Ecological change – Enactment – Selection and Retention (e.g. Weick et al, 2005). However, as Weick et al (2005) suggest '*these exchanges will continue only if the preserved content* [i.e. preserved in the Retention] *is both believed (positive causal linkage) and doubted (negative causal linkage) in future enacting and selecting*' (Weick et al, 2005, p. 414). They continue and suggest that: '*The reciprocal relationship between ecological change and enactment includes sensemaking activities of sensing anomalies, enacting order into flux, and being shaped by externalities*' (Weick et al, 2005, p. 414).

This implies – it could perhaps be suggested that it requires – a research setting that embeds change and transformation to concretely accommodate for the exploration of 'organizing'. This could cater for sufficient tension in the empirical field that enables it to talk back to the researcher (e.g. Blumer, 1969). Here, it becomes additionally relevant to mobilize an interdisciplinary research conception.

While Strategic Cost Management and in particular that of structural cost management offers the onset for the constitution of the theoretical domain, as it is fostered within Management Accounting, extant contributions from the realm of Supply Chain Management or in close juxtaposition hereto offer valuable insight into the understanding of outsourcing and relocation ventures.

This understanding can elevate the constitution of the empirical setting along the veins of change and transformation. It even suggests an opportunity to additionally justify the significance of the contextualized contributing argument.

The contextualized theorizing is accordingly confined by an empirical setting, which embeds such cost structural choices through the alteration of the organizational value chain. The starting is value chain configuration instigated by outsourcing, where the cost argument behind the decision is profoundly represented in each of the case organizations. This depicts cost driven outsourcing decisions that among other embed organizational tradeoffs.

However, and turning to the contributions within the realm of Supply Change Management in particular, literature increasingly reports a lack of achieved benefits from outsourcing and relocation ventures. Literature also posits that the outsourcing decisions as to its dogmata, reasons and their effects could be illuminated further in connection with for instance insourcing. This would subsequently underpin probing into the effectiveness of outsourcing ventures and meet the scholarly call to challenge present decision making schemes and practices based on '*pure cost efficiency considerations*' (Kinkel, 2012, p. 696). This is within literature related to calls for among others research into decisional tradeoffs and calculative practices.

This idea of the potential to illuminate the effectiveness of, for instance, outsourcing activities seems, perhaps paradoxically, to steam from an emerging body of literature with a scholarly interest in, for instance, insourcing. This stock of literature also posits that insourcing decisions as well as the underlying drivers and effects are perhaps best understood in connection to previous decisions to outsource organizational activities and processes (e.g. Kinkel and Maloca, 2009; Horn et al, 2013[14]).

In more contemporary research it is repeatedly convey that the reasons for insourcing are not, at least yet, research in a way and to an extent as to those of outsourcing[15]. It is for instance suggested: '*Compared to outsourcing, the motives for re-insourcing have been far less researched*' (Drauz, 2013, p. 346), although that literature convey that the phenomenon is '*quite common*' (e.g. Kinkel et al, 2007) and '*increasing*' (e.g. Young and Macinati, 2012).

Literature seems also to be quite homogenous in the suggestion that there is a lack of literature and empirical well-founded research '*that helps to generally elucidate and understand the decision*' [i.e. the decision to insource previously outsourced organizational activities and processes] (Young and Manicati, 2012, p. 772 referring to the research by Whitten and Leidner, 2006).

[14] Horn et al (2013) build their findings on change in 'sourcing practice', where the change relate to a shift in supplier; hence not insourcing of previously outsourced activities and processes. However, the inter-textual findings are bridged by notions of for instance offshoring and outsourcing. This will later be placed in a conceptual research context, though it should in that respect be noted that the existing literature is not characterized by a single, distinct taxonomy

[15] In this respect literature quite often makes the same comparison and analogy in terms of offshoring and backshoring; i.e. suggesting that the area of backshoring is not researched as extensively as that of offshoring

This sequential interconnectivity seems not only to cater for change and transformation understood by the application of the sensemaking perspective (e.g. Weick, 1995 and 2001). It seems suggestable that such interlinking will potentially enable a, perhaps more, insightful understanding of enactment of the cost structure in ‘*organizing*’ (e.g. Weick et al, 2005; Czarniawska, 2008); thus in structural cost management as an ongoing process.

The empirical setting is, thus, overall confined by among others outsourcing and insourcing events in Danish organizations and entails the alteration of the organizations’ cost structures. Hence, the development of plausible explanations as to ‘*how does top management enact the organization’s cost structure in value chain configuration?*’ is theorized in an empirical setting with among others sequential events as presented in Illustration 1.2.

Illustration 1.2 Example of the contextualized empirical setting

These decisions, thus the actual events, are constitutive as to the empirical setting, which seems if not empirically novel to research communities then at least not that explored. The research interest is, however, not in the actual outsourcing and insourcing events themselves.

They are, indeed, confining the empirical setting. However, the research interest is in the Strategic Cost Management practices understood as actions related with these events and the ongoing process of ‘*organizing*’ (e.g. Weick et al, 2005; Czarniawska, 2008) in this sequential empirical setting on a top management level.

The next subsection 1.2.3 previews this research’s general contributing argument and conclusion. This offers both confirming as well as contributing theoretical relevance and interest to the empirical setting and to the literary conceptualization of Strategic Cost Management. Thus, the suggested implications and perspectives are previewed as well.

1.2.3 The theoretical contributing argument and preview of the conclusion's implications

Strategic Cost Management is defined as the '*deliberate decision making aimed at aligning the firm's cost structure with its strategy and with managing the enactment of the strategy*' and among its constitutive conceptions is the '*choices about organizational strategy and structure*' (Anderson and Dekker, 2009a, p. 202).

In that respect, this particular research does exhibit plausible explanations, which propose that the organizations' cost structural decisions and their subsequent actions associated to, for instance, the outsourcing and relocation of production are both '*deliberate*' and aimed at '*aligning*' the organizations' cost structures and strategies.

1.2.3.1 The theoretical contributing argument

However, this particular research also exhibits plausible explanations, which in conjunction seem to propose that structural cost management is conditioned by and subject to an ongoing construction. In that respect, top management's enactment with its key creed of the reciprocity between action and environment both involves and materializes in a complex interrelationship between structural and executional cost factors and cost drivers. This interrelationship is both highly contextualized and more asymmetric, thus significantly more complex, than Strategic Cost Management literature in general suggests.

This does not in itself contradict or question the usefulness of the definition of Strategic Cost Management as the '*deliberate decision making aimed at aligning the firm's cost structure with its strategy and with managing the enactment of the strategy*' (Anderson and Dekker, 2009a, p. 202). Their contribution does not exclude the possibility of an ongoing construction. In addition, this research also exhibits explanations that confirm that executional cost drivers act along a catalytic '*feedback path*' (e.g. Anderson and Dekker, 2009a) in top management's enactment and formation of meaning about the cost structure. Hence, this research confirms that cost structural alteration embeds a literary conveyed asymmetry in as much that it gives rise to subsequent executional cost management issues. This is well-established within Management Accounting and Economics, where both literary realms also convey that this, in turn, might catalyze managerial attention to cost structural themes. This particular research also exhibits this.

However, this research also exhibits plausible explanations that propose a more intertwined relationship between for instance executional cost effects and structural cost actions, where cost structural actions not only impose multiple executional effects but also give rise to cost structural issues interweaved. This can create a priori unexpected altered management situations.

Thus, this leads to the explanatory proposition that this asymmetry does not only come to the forefront. It becomes significantly more complex in the enactment of the cost structure due to the multifarious interrelationship subject to an ongoing construction and exhibited in the reciprocity between top management's actions and the dynamics of, and the priming by, the contextualized setting. This research subsequently suggests a more prominent articulation of this within the literary realm of Strategic Cost Management.

This is among others due to this research's exhibited explanations, which for instance irradiate that multiple management interventions do have cost implications, although organizations do not necessarily, a priori, relate these directly to costs management actions.

This notion co-explains the exhibited insubstantiality in cost calculative practices in outsourcing decisions. However, it also relates to the interplay between cost structure and strategy, which on a top management level interweaves with multiple internal and external conditions. The implications of these internal and external conditions are profoundly subject to, how these are noticed and bracketed by top management. This is among other conditioned by, how top management mobilizes and brackets the sets of opportunities of the organizations.

This contributing argument, which builds upon this research's exhibited plausible explanations and its subsequent confirmative as well as contributive propositions captured in the Conclusion in Section 6, has suggestable implications and perspectives for cost driven value chain configuration as well as for Strategic Cost Management's conception. This is previewed in the following two subsections, which are discussed and elevated in this research.

1.2.3.2 The implications and perspectives for cost driven value chain configuration

A significant onset for this research, and a main reason for the interest by the Confederation of Danish Industry, is the empirical setting of for instance outsourcing in light of among other the literary calls to challenge decision making schemes and practices based on '*pure cost efficiency considerations*' (Kinkel, 2012, p. 696) as well as the potential shift in the outsourcing trend.

The contributing argument to Strategic Cost Management, which is outlined prior in this subsection 1.2.3, suggests that top management's enactment and organizing is highly contextualized. Likewise, the research exhibits various plausible explanations regarding for instance the calculative practices. It accordingly also becomes potential contribution to the contextualized outsourcing and insourcing problems and dilemmas.

Literature, situated within the realm of Supply Chain Management, directs attention and informs about several reasons for the potential shift in the outsourcing and relocation trends. When they are seen as a whole, they constitute a broad set of reasons behind organizations' outsourcing decisions; as well as for the insourcing ventures. The 'cost arguments' and the 'notions of costs' play a significant role in the outsourcing decisions. However, contemporary literature also informs about the aforementioned need for, in particular, further research into insourcing and in particular insourcing of previously outsourced activities and processes[16]. This accentuates research into the decision making schemes as to its mobilization of tradeoffs and calculative practices, which underpinned outsourcing in the first place.

[16] The same is observed in literature as to a call for research into backshoring of previously offshored activities and processes, Academia's literary contributions to the area, for instance within the realm of Supply Chain Management, have partly made distinctions between for instance outsourcing and offshoring, while partly seen a purpose in a non-distinctive taxonomical research approach. This is conveyed in Section 2 as to its research implications

The reason is among other that literature increasingly conveys lack of achieved benefits for outsourcing arrangements. Although, this research exhibits that this does not necessarily steam solely from cost issues in terms of incurred, though a priori unanticipated costs, but likewise, for instance, emerge from changes in industry environments, the cost element is prominent.

This research into the cost structural alterations of the value chain illuminates for instance organizational tradeoffs between various cost structures and organizations' operational execution. This problematizing and subsequent theorizing contributes with explanatory propositions that also theorize and inform as to substantiality of the cost argument.

In that respect, this research exhibits incompleteness in the calculative practices in cost driven outsourcing. It relates to both to ignored costs and miscomprehended cost behavior, which in terms of the exhibited insubstantiality draws researchers attention to the call for research into for instance calculative practices by including all '*relevant costs*' (e.g. Anderson and Dekker, 2009a, p. 208) and a call for a broadened understanding of the incorporation and the translation of risk '*into costs*' (e.g. Anderson and Dekker, 2009a, p. 208).

The insubstantiality in the calculative practices surrounding the decisions to alter the value chain configuration is exhibited to partly emerge due to a disregarded interrelationship between structural and executional cost drivers and partly explained by the notions of transaction costs economics (e.g. Williamson, 1979), total cost of ownership (e.g. Zimmerman, 2011) and 'hidden costs'[17]. Thus, the research is also confirmative to research contributions that mobilize these concepts.

This is exhibited among others as explanations, where these outsourcing decisions arguably build upon explicitly cost related arguments. However, and equally interesting is the detected organizational claims that are not explicitly related to costs within literature. These non-explicit cost drivers; i.e. 'non-explicit' based on core contributions within Strategic Cost Management, do incur costs. That relates for instance to arguments associated with product development.

The insubstantiality in the calculative practices is further enforced by a notion of 'fragility' of the cost argument. The reason is that the enacted relationship between cost structure and strategy alters over time portrayed, which is for instance portrayed in new enacted environments. Thus, the research emphasizes the explanatory proposition of the ongoing creation (e.g. Weick, 1995 and 2001), while the initial cost perceptions do, for instance, not necessarily cater for organizational value drivers such as experience and knowledge. Thus, it does not incorporate and translate this risk '*into costs*' (e.g. Anderson and Dekker, 2009a, p. 208).

Hence, these decisions to outsource are, certainly, aimed at 'aligning' the organizational cost structures with the strategies.

[17] The term 'hidden costs' is not a theoretical Management Accounting and/or Economics based construct. However, and as it will be conveyed in Section 2, this taxonomy has been mobilized in contributions

However, and keeping in mind the exhibited complexity of the interrelatedness of various cost drivers, the opportunities of the organizations as well as the ongoing creation, the cost argument is 'fragile' per se. If this remains unrecognized, a limited incorporation and translation of for instance risk into costs might under certain conditions even enact a 'hampering approach' in outsourcing ventures. If it is selected and retained (e.g. Weick, 1995 and 2001), it can encumber unforeseen tradeoffs between for instance flexibility and quality on one side and the organizations' strives for cost savings on the other. This impedes performance and in turn the organizations' pursue for their strategic objectives.

1.2.3.3 The implications and perspectives for Strategic Cost Management

The previously outlined contributing argument taps into the ongoing scholarly discussions surrounding Strategic Cost Management by, for instance, exhibiting the complex asymmetry. This research seems also to exhibit plausible explanations and elevate explanatory propositions that accentuates Anderson's (2007) comment about the opportunity to strengthen research around the '*complex economic and social forces governing the practice of structural cost management rather than a narrow group of executional cost management tools*' (Anderson, 2007, p. 483).

In that respect, this research exhibits plausible explanations about the enactment of the organizations' cost structures in value chain configuration. This research suggests that this is, even profoundly, contextual to the single organization. It should here be noted that the cases in the multiple case study design are mobilized with theoretical sampling purposes, and they for instance share homogeneity[18]. Thus, the enactment of the cost structures and organizing processes are suggestable highly contextual.

This is exhibited in terms of multiple internal and external conditions, which spans from specific costing approaches to the differences in the noticing and bracketing of external priming conditions such as prevailing institutionalized industry discourses.

This might propose that Strategic Cost Management and, perhaps, in particular the approach to structural cost management is not only highly complex and contextual. It is significantly more complex and contextual than it is advocated within literature.

Thus, this perhaps further enforces that an adaptation of an, a priori, assumed ability to suggest a best fit contingent on various influences and conditions signals a rationality and means-to-ends-reasoning in cost structural decision making, how compelling it might be, which is not necessarily portrayed in top management's enactment of the cost structure. Thus, this is not necessarily portrayed in the organizing and the creation of sense in Strategic Cost Management's literary intersection between strategy, cost position and value chain configuration.

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[18] The cases organizations have, for instance, the quite similar cost arguments behind the initial outsourcing decisions. They alter initially all their scope. They are all within manufacturing of tangible products, and their essential product provisions are unchanged

Summing up these exhibited plausible explanations and explanatory propositions, the general contributing argument, which is outlined in the beginning of this subsection 1.2.3, proposes that the implications of these internal and external conditions are profoundly subject to, how these are noticed and bracketed by top management.

The research exhibits plausible explanations and informs that this is among other conditioned by how top management mobilizes and brackets the sets of opportunities of the organizations.

This infers this research's additional proposition that Strategic Cost Management as a concept should, more explicitly, acknowledge the potential of revenue and opportunity costs within its realm. In terms of revenue, this does not in any way make cost management with a confined cost focus insubstantial in the intersection between value chain, cost drivers and strategy.

However, the research exhibits explanations that 'revenue' is an interweaving aspect in top management's enactment of the organization's cost structure. Anderson and Dekker (e.g. 2009a) seem to push this suggestion as well.

Thus, while the multiple set of structural and executional cost management considerations are exhibited inseparable in the structural decisions, and this should perhaps be articulated additionally within the realm of Strategic Cost Management, the concept could impose the articulation of opportunity sets, for instance in accordance with the strategic intent (e.g. Hamel and Prahalad, 1989). This will then more explicitly represent the decisional tradeoffs and more profoundly acknowledge the complexity and the asymmetry, which seems highly contextual and more complex and asymmetric than extant Management Accounting literature seems to suggest.

1.3 Outline of content

This PhD Thesis is structured in these subsequent main sections

- **Section 2** elevates the theoretical domain of Strategic Cost Management. This section exhibits how the concept is conceptualized and researched. This conveys the research opportunities and in turn, how it is mobilized and with what implications in this particular research. This is briefly illuminated in **subsection 1.3.1**, which irradiates the connection between the main theoretical themes that are deployed in this particular research

- **Section 3** constitutes the qualitative methodological approach, which in this research has its philosophical position in Pragmatism, which is coined by Charles Sanders Pierce (e.g. Hookway, 2004; Bernstein, 2010), and Symbolic interactionism (e.g. Blumer, 1969). This research utilizes the sensemaking perspective (e.g. Weick, 1995 and 2005) that offers an understanding of both enactment and that of organizing (Weick et al, 2005; Czarniawska, 2008); thus as the explorative 'lens'. This Section 3 suggests abduction (e.g. Fuglsang and Bitsch Olsen, 2007) as the mode of reasoning theoretically informed. The empirical execution mobilizes the narrative mode of knowing, which exhibits plausible explanations articulated in emplotted narratives, though claiming openness to other explanations (e.g. Czarniawska, 2004a). Section 3, equally, conveys the implications in the constitution of the research design and irradiates its practical empirical execution of the research in a multiple case design (e.g. Yin, 1994). This is briefly illuminated in **subsection 1.3.2**

- **Section 4** presents the emplotted narratives as the mode of knowing, thus as the precepts of theorizing (Czarniawska, 2004a). This is briefly illuminated in **subsection 1.3.3**

- **Section 5** contains the discussion, where the theorizing acknowledges and iteration between the emplotted narratives in Section 4 and the theoretical domain in Section 2. The discussion is conducted both across the cases and for each particular case. This is briefly illuminated in **subsection 1.3.4**

- **Section 6** provides the conclusion, the suggested limitations and the research perspectives

1.3.1 Introducing the establishment of the theoretical domain in Section 2

Section 2 presents the theoretical domain of Strategic Cost Management and for instance that of structural and executional cost management, as it is originated within the realm of Management Accounting. Thus, Section 2 unfolds the key tenets of Strategic Cost Management, which associates explicitly with other management areas.

The key tenets are 'value chain', 'cost driver' and 'strategy'.

This constitutes the foundation for the perspective on the strategic approach to cost management practice and its subsequent exploration within the empirical setting. This is elevated and instituted among others with supporting cost management theoretical themes from the area of in particular Economics, Strategy and Supply Chain Management. Thus, this particular research approach suggests and utilizes an interdisciplinary research approach.

The purpose of Section 2 is to present the state-of-the-field in terms of among others research communities' constitutional thoughts and queries about the notion of Strategic Cost Management. This is based among other on, what is being research and, how it is being research.

Section 2 likewise constitutes the concept in this particular research. Thus, it is also conveyed, how Strategic Cost Management and its key tenets are perceived, confined taxonomically and mobilized intertwined within this research process. Hence, Section 2 also conveys key elements in the previous and contemporary debates that are perceived relevant for this particular research.

Section 2 commences with a short introduction to Strategic Cost Management in subsection 2.1. The subsequent subsection 2.2 informs readers about its conceptually perceived origin within that of Strategic Management Accounting. There are several reasons for that. One is that this concept has nurtured the important creeds of Strategic Cost Management in terms of '*time and organizational boundaries*'. Hence, it informs and elevates the understanding of for instance the overall cost management perspective.

The awareness of the research into cost management in the analytical context is, among others, inspired by the conceptual tenet of value chain analysis; not least given the importance conveyed previously. However, the shaping of the analytical context is likewise encouraged by two other observations.

It is quite profound that researchers and research communities for instance convey the impression that an explanation as to the state-of-the-field of Strategic Cost Management is the immense interpretations of the notion and meaning of 'strategy'. Secondly, literature's as well as academia's perceived emphasis on executional cost management (e.g. Anderson and Dekker, 2009ab) and in Economics' terms on operational short-run production economics themes (e.g. Hirschey and Bentzen, 2014), rather than that of more fundamental structural cost management issues, equally pointed to the valuable deployment of organizational outsourcing and insourcing that alters the 'scope' and operating leverage as the empirical setting.

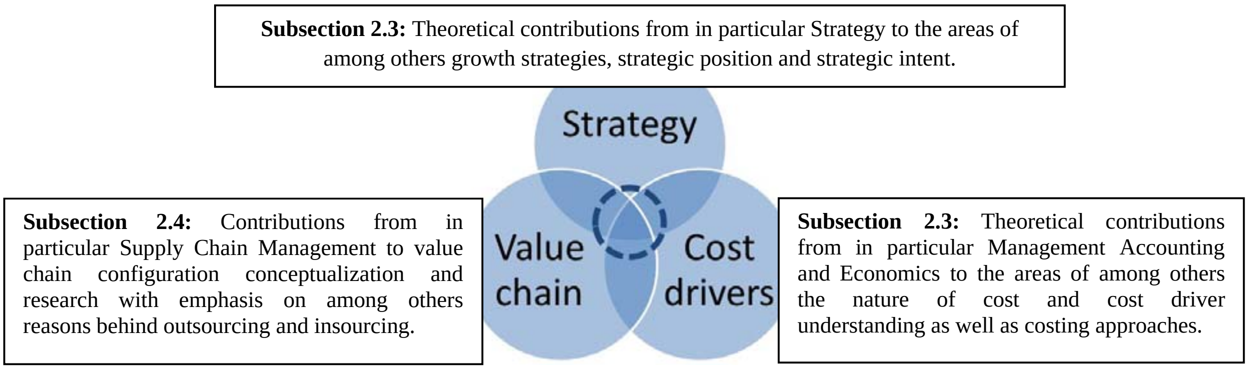
Thus, and combining the two notions of 'taxonomical uncertainty' and 'disproportionate attention to executional cost management themes', the idea is to contextualize this research effort, where it can be advocated that the management decisions embed, what could be considered as cost structural implications. This has likewise a claimed central element of organizational strategy per se thus faithful in nature to the origin of the Strategic Cost Management concept and the simultaneous mobilization of the key tenets.

This is perhaps somewhat overlooked in literature. Hence, the same accounts for the subsequent intertwined notion of the key tenets in theorizing the more complex processes of, how for instance top management enacts the organization's cost structure and the subsequent endeavor to contribute to knowledge. This will be addressed continuously through Section 2.

Therefore, it is deemed essential and quite natural to illuminate and elevate the initial theoretical domain of cost management with among others research contributions from the realm of outsourcing and insourcing to comply with the scholarly advice to mobilize Strategic Cost Management's three key tenets.

In that respect the previous Illustration 1.1 is elevated here and now indicating in which subsections the theoretical contributions are addressed.

Illustration 1.3 The conceptual intersection between strategy, value chain and cost drivers with reference to the specific subsections, where contributions to the key tenet are addressed in particular



Thus, Section 2, and more specifically subsection 2.4, presents the theoretical notions of outsourcing and insourcing and contemporary research contributions to for instance the reasons behind the decisions and the prominence of the costs argument in that respect.

This offers theoretically informed insight into the empirical exploration in the sense that this subsection 2.4 unfolds the possibility of the multiple sets of arguments behind organizational alteration of the cost structure. Thus, it does not only act as leverage in the establishment of the multiple case study design. It also supports the actually probing in the empirical setting, as costs might be related implicitly to other arguments behind of the decisions.

This means that this particular research undertaking does not only contribute to knowledge about the field of Strategic Cost Management practice as such. The empirical execution and subsequent theorizing offers in particular cost management theoretically informed and contextualized insight into the area of that of managing the supply chains.

The latter is important in the elevation of the main arguments and contributions, as the research among others builds on the mobilization of structural change empirically in compliance with the general conceptualization of Strategic Cost Management.

The research implication is that value chain configuration is thus a confining construct that staunchly, along the lines of the simultaneous mobilization of all three key tenets, i.e. ‘value chain’, ‘cost driver’ and ‘strategy’, enables the claim of a coherent theoretically informed empirical execution, which supports elevation of the area of Strategic Cost Management practices.

This is mainly informed by theoretical contributions from the literary realm of Supply Chain Management with an offset and an attentive application of Strategic Cost Management in the exploration of top management’s enactment of the organization’s cost structure as the topical domain. Actually, and as it will be conveyed in Section 2, contemporary contributions advocate the relevance of mobilizing other fields than those only situated within the area of Management Accounting to elevate and research organizational cost management strategically. That is for instance Supply Chain Management, Economics and Strategy.

While subsection 2.4 unfolds academia’s contributions to outsourcing and insourcing, and it illuminates arguments behind the reconfiguration of the value chain as such, these reasons behind outsourcing and insourcing are also carved out with attention to arguments that relate to ‘strategy’ and ‘costs’. This is possible due to the content of subsection 2.3.

Thus, Section 2 also addresses the notion of ‘strategy’ and ‘cost’. This is done in subsection 2.3. Although, the literature review will offer insight into strategic frameworks, the primary position is that ‘Strategy’ or being ‘Strategic’ is depicted by actions, hence what organizations do (e.g. Whittington, 2006) and that this understanding of strategy as practice and praxis bridges to the notion of this research into cost management.

In line with the mobilization of the sensemaking perspective (e.g. Weick, 1995 and 2001) the common denominator is the enacted understanding of the ‘strategic intent’ that is materialized in for instance the understanding of the perceived core competences (e.g. Prahalad and Hamel, 1990) and the boundaries of the organization, as well as it infers the organizational aims and directions. Hence, this research is not a question of the detection or the assessment of a ‘best fit’ or ‘alignment’ to a particular ‘strategy archetype’ in relation to Strategic Cost Management, which is actually a core focal theme in contingency studies[19].

‘Strategy’ is instead understood as a notion of strategic intent in relation to that of organizational sensemaking processes and depicted, for instance, in actual cost management actions that among other enables the establishment of the empirical setting.

[19] The majority of studies into Strategic Cost Management seem to apply a quantitative methodology researching contingencies, which is conveyed in Section 2

The theoretical domain will, of course, an in line with Strategic Cost Management's key tenet of 'cost drivers' trace and mobilize costs based on its root causes, explore the theoretical construct of cost drivers, convey costing approaches and mobilize somewhat unexplored trajectory of costs in this particular empirical and theoretical setting. That is for instance opportunity costs.

This is conveyed in subsection 2.3, though the prominence of costs and Strategic Cost Management is of course the pivotal concern in the entire Section 2.

While, the mobilization of cost driver theory and taxonomy is not used to research a specific cost driver and for instance its relative importance compared to another cost drivers in numerical terms, the cost driver theory and taxonomy from for instance Management Accounting has been profoundly supportive. It is mobilized with the intent to for instance carve out the effects, which create altered management situations and actions, based on the plausible explanations that are exhibited in the emplotted narratives as a representation of a discussion framework in Section 5. This among other enables the understanding of the intertwined notion of the cost drivers.

It is here interesting to notice is that the Management Accounting and Economics literature on cost drivers actually interweaves very explicitly with the Supply Chain Management rooted literary reasons behind decisions to alter the value chain configuration by outsourcing and insourcing.

1.3.2 Introduction to the methodological approach in Section 3

The primary interest in this research is as outlined in the general research question top management's enactment of the organization's cost structure in value chain configuration. This brings, as conveyed, action and the reciprocity between action and the context to forefront in this qualitative research approach. 'Enactment' is as outlined in subsection 1.2 conceptualized by the social science theory of organizational Sensemaking (e.g. Weick, 1995 and 2001).

This concept is presented in Section 3, which establishes the entire methodological approach. Sensemaking theory serves as a theoretical lens and is deployed as a perspective on organizing (e.g. Weick et al, 2005; Czarniawska, 2008). This is seen in juxtaposition to the epistemological conception and in line with the mode of reasoning and knowing. Likewise, this research's elevation of structural cost management seems somewhat less noticeable within prior and contemporary research agendas; the actual management processes of organizing in relation to the organization's cost structure seem even less visible; even though it clearly impacts organizations' strategic positions.

As it would be expected based on subsection 1.2 the process of sensemaking as organizing can in such a perspective be portrayed as Illustration 1.4, where enactment is part of the conceptualization of '*organizing*' (e.g. Weick et al, 2005, p. 414). This is overall confined as the ongoing, sequential process of reciprocal exchange between Ecological change – Enactment – Selection and Retention (e.g. Weick et al, 2005) with important properties such as cues in sensemaking.

Illustration 1.4 The relationship among enactment and in turn organizing as sensemaking

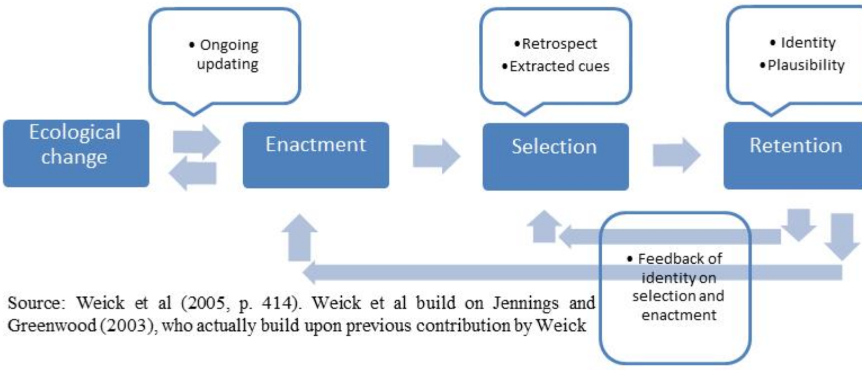


Illustration 1.4 is unfolded further in Section 3, where also the properties of sensemaking such as 'Grounded in identity construction' and 'Driven by plausibility rather than accuracy' (e.g. Weick, 1995), as indicated in the illustration above, are irradiated and elevated as to its application and research implications.

It is enforced that this, and as previously conveyed, relates explicitly to Czarniawska (2008), who suggests that the main question in studying '*organizing*', when the purpose of research is to understand practices, then in somewhat broader terms becomes the question of '*How is a given version of the world constructed?*' (Czarniawska, 2008, p. 6).

Enactment is, thus, part of a meaning formation process that mobilizes the theoretical domain in Section 2 and the sensemaking perspective (e.g. Weick, 1995 and 2001), which conceptually among others highlights '*the invention that precedes interpretation*' (Weick, 1995, p. 14).

Thus, the Strategic Cost Management related actions instituted among other by cost drivers are inter alia studied both as to its inventive interplay and interpretive effects in the empirical setting. This can be complementary ideas[20] (Weick, 1995, p. 15).

This relates to notion that '*The reciprocal relationship between ecological change and enactment includes sensemaking activities of sensing anomalies, enacting order into flux, and being shaped by externalities. The organizing process of enactment incorporates the sensemaking activities of noticing and bracketing. These activities of noticing and bracketing, triggered by discrepancies and equivocality*' (Weick et al, 2005, p. 414) and is, within this research realm, associated to the exploration of the enactment of the organizations cost structure in value chain configuration.

[20] Weick (e.g. 1995) elucidates that meaning is also an 'outcome' of the ongoing process of sensemaking. It relates to the distinction between, but also intertwined conception of, invention and interpretation. Weick informs: '*People discovers their own inventions, which is why sensemaking understood as inventions, and interpretations understood as discovery, can be complementary ideas*' Weick (e.g. 1995, p. 15). It in turn illuminates the notion of sensemaking as an ongoing process

This means that the focus is on action as level of analysis. Thus, the particular research interest and its subsequent theorizing relate to cost structural events and actions rather than a place or an organization (e.g. Czarniawska, 2004b). The organizational sensemaking with cost management' inventive interplay and interpretive effects is conceived as an ongoing process. This for instance means that cost cues as illuminated in Illustration 1.4 continuously have inventive effects.

The mobilization and application of the sensemaking perspective (e.g. Weick, 1995, 2001 and 2002; Weick et al, 2005; Weber and Glynn, 2006) has two obvious research implications. 'Cost management' as strategic practice (e.g. Whittington, 2006; Fenton and Langley, 2011) is researched as for instance to its 'inventive cues' in organizational sensemaking through the process of Ecological change, Enactment, Selection and Retention. However, sensemaking as the '*feedstock*' of institutionalization (e.g. Weick, 1995, p. 36; Weber and Glynn, 2006) also suggests that cost management also has interpretive effects.

While the former for instance relates to exploration into cost as perceived cues as properties of sensemaking, hence in that of 'organizing', the latter materializes for instance in the research into the experienced substantiality of the cost argument. This is then research into materialized tradeoffs and potentially, and perhaps another, enacted understanding of the organization's cost structure in the empirical setting. However, it also implies research as to how cost notions might for instance trigger, prime and bracket top management's enactment (e.g. Weick et al, 2005).

Secondly, and building on the argument above it is not the specific decision to for instance outsource and later insource as events in a specific spatial setting that becomes of interest. It is rather and in line with the conception of sensemaking as an ongoing process (e.g. Weick, 1995 and 2001) and as '*organizing*' (e.g. Weick et al, 2005; Czarniawska, 2008) the actions in relation to enactment that have the primary attention in the elevation of knowledge about Strategic Cost Management in organizations.

Section 3 presents not only Sensemaking (e.g. Weick, 1995 and 2001) and, how that is mobilized in the theoretical context and with what research implications in the empirical execution in the research. Section 3 also suggests the research stance in terms of the combined methodological approach. The mobilization of the sensemaking perspective is 'only' part of that.

By the 'methodological approach' is here to be understood as the general, guiding principles of studying the research topic and for instance the practical empirical execution of the research scheme. In this perspective the 'methodological approach' refers to the entire and, hopefully scientifically acknowledged, coherent social science research approach (e.g. Silverman, 2010).

This means that Section 3 will convey the philosophical positions reflected in the ontological and epistemological stances and assumptions; the means and issues of reasoning, knowing and theorizing; the perception and conception of reliability and validity or in this particular research context the notion of plausibility; as well as the specific research design and method.

The implications in terms of for instance entering the empirical field and the mobilization of theory in the subsequent theorizing are outline during the various parts of Section 3.

The research applies a research design and method that mobilizes a multiple case study (e.g. Yin, 1994). The cases are chosen for theoretical reasons with the purpose of contribute to Strategic Cost Management and its importance in the empirical setting.

Section 3 commences with a subsection regarding the iterative nature of this research, where iterations have been overwriting between the multiple cases and between the empirical field and the theoretical domain. This is among other to bode for a theory-informed and contextualized exploration in the research.

1.3.3 The emplotted narratives exhibit plausible explanations in Section 4

The research methodology has as mentioned its philosophical scientific roots in the realm of Pragmatism (e.g. Bernstein, 2010) and Symbolic interactionism (e.g. Blumer, 1969). The research undertaking is qualitative in nature and adapts abduction as the mode of reasoning with the purpose of developing plausible explanations about the empirical observations.

Abduction as a mode of reasoning is mobilized through a theory-informed narrative mode of articulating the empirical findings and the narrative mode of knowing (e.g. Czarniawska, 2004a). This research mobilizes emplotted narratives as the precept of theorizing. In that sense, events are related to '*action*', where '*action*', used interchangeable with '*practice*', is confined as '*an event that can be interpreted, made sense of, by attributing intention to it*' (Czarniawska, 2004a, p.8).

The theoretical informed approach to the empirical setting as presented in the literature review in Section 2 will consequently be unfolded in the emplotment within the narratives in Section 4, which illuminates top management's enactment of the organization's cost structure.

While the notions of abduction, plausibility and explanatory propositions is supported by the sensemaking perspective and the narrative mode of knowing and explicating the observations based on the theoretical informed domain and position, sensemaking is among others characterized as an ongoing process.

Obviously, a process leading for instance to decisions regarding insourcing could have been studied; and that it will be. However, as mentioned in subsection 1.2 contemporary contributions to research and literature among others posit that insourcing, and in turn the Strategic Cost Management practices, is perhaps best understood in connection to previous decisions to outsource organizational activities and processes (e.g. Kinkel and Maloca, 2009).

The opposite, i.e. the understanding of the effectiveness of outsourcing could be leveraged in connectivity to insourcing ventures, is similarly conveyed within literature.

To comply with this understanding that per se confines a process setting; a key task has been to present organizational cases that contain both alteration and later re-alteration (e.g. outsourcing and later insourcing) of organizational activities and processes. That embeds the necessary change and sufficient tension that enables the field to respond to the theoretical and empirical probing. This theoretical sampling of such cases has been achieved as well.

The empirical execution commenced with nine case organizations, whereas six cases are mobilized more thoroughly. This is conveyed in Section 3. It is possible to elucidate the top management's enactment in connection to each other based on the theoretical domain and methodological approach to study Strategic Cost Management. Hence, but also however, and in terms of Strategic Cost Management it should be underlined that the decisions as such are constitutive as to the empirical domain. What is of particular research interest is the ongoing process of how top management enacted the organization's cost structure in value chain configuration.

The case organizations have been located with the valuable support from the Confederation of Danish Industry, who shows particular interest in the research efforts.

Section 4 contains the emplotted narratives based on the empirical field and the mobilization of the theoretical domain. The emplotted narratives embed a theory-informed approach to the empirical field, and this research develops for each emplotted narratives for each case organization. This substantiality of each of the emplotted narratives is the reason for presenting some exhibited key explanations after each emplotted narrative and prior to the discussion in Section 5.

1.3.4 The discussion in Section 5

Section 5 contains the discussion, which builds upon the emplotted narratives in Section 4 and the theoretical domain in Section 2.

The discussion is conducted both across the cases and for each particular case. The discussion that theorizes as to the effects and the way in which they materialize intertwined in top management's enactment of the organization's cost structure in value chain configuration, is commenced by carving out representative effects across the emplotted narratives.

This has been inspired by Gehman et al (2013), though these effects are not new 'antenarratives' as understood in Gehman et al (2013), who build explicitly on Boje (2001). Instead they constitute a representative palette of effects across the emplotted narratives generated by the mobilization of for instance cost driver literature and the other contributions elevated in Section 2. The way to combine these effects and the altered management situations, they give rise to, is among others inspired by Mouritsen et al (2000).

This is also applicable for each organization and enables this research to carry forward the emplotted narratives as a precept of theorizing (e.g. Czarniawska, 2004a) to elevate the exhibited plausible explanations and in turn provide constituency for the explanatory propositions.

1.4 Invitation

The theoretical relevance with the prime focus and the elevation of knowledge about Strategic Cost Management practice by the mobilization of an ‘alternative’ methodological approach (e.g. Baxter and Chua, 2003) is of course to be demonstrated.

In that respect the combined methodological approach, e.g. the modes of knowing, reasoning and theorizing as well as the practical research design implication for the empirical execution, is carved out in Section 3, with its emplotted narratives in Section 4 and the discussion in Section 5.

It is already conveyed that the research approach builds on the ontological and epistemological positions and propositions of Pragmatism and Symbolic interactionism; whereas the latter term was coined by Blumer (e.g. 1969).

Scholarly communities are of course aware that among Blumer’s various creeds was the idea of creation of sufficient tension, which enables the empirical domain to ‘talk back’ in the exploration and probing (e.g. Blumer, 1969).

The establishment of the empirical setting and analytical elements associated to events and actions that constitutes the value chain alterations seems to bode for this criterion. This tension steams explicitly from the empirical setting, which together with the research interest in Strategic Cost Management practices seems perhaps somewhat new to in the realm of Strategic Cost Management.

The perceived newness is clearly not in itself a potential contribution.

However, the work based on the domain-related perception that is driven by both theory and the methodological approach seems to be able to develop plausible explanations that stated as explanatory propositions can confirm and perhaps contribute to knowledge about Strategic Cost Management.

Along the, slightly rewritten, lines of Blumer (1969) this PhD Thesis hopefully creates the sufficient interest for valuable ‘talk back’ to the realm of Strategic Cost Management.

2. LITERATURE

This section 2 outlines the key concepts of the theoretical management domain and, how these are conceived and defined within this particular research. Likewise, the Section 2 for instance irradiates the state of the field how the area is being research.

The beginning of Section 2 is structured in the following subsections:

- **Subsection 2.1** introduces Strategic Cost Management more thoroughly and elevates some of the more contemporary scholarly puzzles
- **Subsection 2.2** positions Strategic Cost Management in relation to Strategic Management Accounting, within which it is conceptually originated. There are two reasons for introducing this perceived connectivity. Strategic Management Accounting, which was introduced a decade prior, offers some key constitutive creeds. They are carried forward and mobilized within the realm of Strategic Cost Management. In addition, it is observed that researchers and research communities quite often either use the two concepts interchangeable or to inform research in one realm with contributions from the other

As outlined in the introductory Section 1 Shank and Govindarajan (e.g. 1993) as well as other scholars (e.g. Ellram and Stanley, 2008; Anderson and Dekker, 2009a) explicitly advised upon Strategic Cost Management's conceptual deployment of three noticeable key tenets; namely 'value chain analysis', 'cost driver analysis' and 'strategy formation'[21].

The introductory Section 1 also irradiates that the overall research proposition is that research into cost management in a strategic perspective requires the mobilization of all three key tenets intertwined; both theoretically and empirically. This research conceptualization constitutes the guiding research agenda. This approach has embedded the structure of the following subsections:

- **Subsection 2.3** elevates the domain as to 'strategy' and 'costs', as well as the subsection initially indicates, how this is related to the third key tenet, i.e. 'value chain'
- **Subsection 2.4** addresses Strategic Cost Management in relation to value chain analysis and configuration

Both these subsection will mobilize areas outside that of Management Accounting in accordance with scholarly contributions and conceptions (e.g. Shank and Govindarajan, 1993; Anderson and Dekker, 2009a).

[21] As to the key tenet of 'strategy formation' Shank and Govindarajan (e.g. 1993) focused both on various stages in the strategic management process as well as a strategic position (e.g. Porter, 1985); thus 'strategy formation' is here initially used to cater for both a management process and a particular organizational strategy

The suggested deployment of the concept of Strategic Cost Management and the methodological approach suggests as previewed in the introductory Section 1 that the establishment of the theoretical domain should be seen in close proximity to the establishment of the empirical domain and its subsequent exploration. Hence, the research embeds a research proposition of an iterative theory-informed exploration and contextualized theorizing.

The implications for the empirical mobilization as well as the empirical settings iterative co-constructive implications for the theoretical domain are likewise conveyed in subsection 2.3 and 2.4. This is briefly recapped in subsection 2.5.

However, as this is seen in close proximity and in a constitutive interplay with the methodological approach to the empirical field and subsequent mode of reasoning and knowing hence in turn theorizing Strategic Cost Management practice, the application is further elevated in Section 3. This is done together with the elevated understanding of the applied social science theory and the construction of the emplotment as the precept of theorizing.

2.1 Introduction to Strategic Cost Management

2.1.1 The mobilization of a broad 'phenomenon' Strategic Cost Management

More than 20 years ago Shank and Govindarajan suggested a definition of Strategic Cost Management as '*the managerial use of cost information explicitly directed at one or more of the four stages of strategic management*'[22] (Shank and Govindarajan, 1993, p. 8).

Taking a merely pragmatic viewpoint, the notion of cost information to support strategic management, broadly defined, seems both scholarly straightforward and apparent to practitioners. Although, the creation, dissemination and deployment of information of course is researched and debated in terms of for instance cost representations, academia would not contest the use of cost information per se in the formation of for instance organizational strategy.

However, and even though Shank and Govindarajan (e.g. 1992 and 1993) suggested the quite noticeable three key tenets of that of 'value chain analysis', 'cost driver analysis' as well as 'strategy formation'[23] in their conceptualization of Strategic Cost Management, literature is not in any way distinct concerning the 'phenomenon' Strategic Cost Management.

While Strategic Cost Management has increasingly been conveyed and research in various empirical settings and with different research aims within the realm of Management Accounting, the construct is virtually imperceptible in other management areas (e.g. Ellram and Stanley, 2008).

This may neither surprise management accounting researchers and research communities as such, nor is it a critique of the constitution and the elevation of other management areas.

What may puzzle academia, is the observation that although the suggested key tenets of the construct, e.g. 'value chain', are all prominent in a broader literary management context and widely researched, the mobilization of several intertwined theories outside the realm of Management Accounting is in general rare in the research efforts to understand and add to the area of Strategic Cost Management (e.g. Ellram and Stanley, 2008; Andersen and Dekker, 2009a).

Such scholarly puzzles may perhaps be amplified, when research contributions also inform that '*it is the combination of the three* [i.e. the above mentioned key tenets] *that constitute strategic cost management*' (Ellram and Stanley, 2008, p. 182). This clarification it not in any way new to scholarly environments.

It essentially recaptures and evokes, what was already posited by Shank and Govindarajan (e.g. 1993). They suggested with direct reference to the key tenets that Strategic Cost Management is the '*blending of* [the] *three underlying themes*' (Shank and Govindarajan, 1993, p. 14).

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[22] By the four stages Shank and Govindarajan (1993) refer to various stages of the strategic management process, e.g. strategy formulation

[23] As to the key tenet of 'strategy formation' Shank and Govindarajan (e.g. 1993) focused both on various stages in the strategic management process as well as a strategic position (e.g. Porter, 1985); thus 'strategy formation' is here initially used to cater for both a management process and a particular organizational strategy

This particular research endeavor constitutes, as conveyed, Strategic Cost Management in the spirit of this intertwined notion of the key tenets of the strategic management of costs in organizations. The research implication is first of all that this particular research approach into organizations' cost management in relation to organizational decision making mobilizes all three key tenets.

However, such an overall conception of a guiding agenda is of course not in itself a sufficiently theoretically underpinning for a thorough investigation into Strategic Cost Management practices. Even though it offers an overall notion and domain-related proposition of how to conceptualize Strategic Cost Management; it is literally still a guiding agenda. Hence, it requires thorough theoretical underpinning as to the underlying conceptions and intertwined mobilization of theoretical constructs. This enables the pursuit of the research aims. Section 2 will suggest these.

Secondly, as these theoretical and in turn empirically mobilized concepts are deployed intertwined, this will of course require not only considerations as to the empirical setting that could co-construct the theoretical domain. It also suggests that the mobilization of areas primarily mobilized outside that of the realm of Management Accounting offers intertwined leverage and interconnectivity that enables sufficient theorizing in compliance with the origin of Strategic Cost Management.

As such, the notion of the intertwined mobilization of the three key tenets is not in any way new and already conveyed by Shank and Govindarajan (e.g. 1992 and 1993). Maybe, and perhaps more noteworthy, these authors as well others (e.g. Anderson and Dekker, 2009ab) mobilized underlying theories and concepts profoundly inspired by contributions from other management areas that than of Management Accounting. Hence, this approach is not contradicting the original concept. It is rather perceived staunchly hereto.

The point among others being that already in their original conceptualization, Shank and Govindarajan (e.g. 1992 and 1993) rooted for instance their cost driver conception and taxonomy primarily within the strategic management literature. In addition, more contemporary literary contributions have elevated that particular area for instance in research situated in the realm of Management Accounting. The theoretical underpinning of cost, e.g. theories regarding cost drivers, is thus admittedly further informed and elevated by the interdisciplinary mobilization. Thus, and despite the noticeable body of cost-informed constructs within the area of Management Accounting, this particular research also mobilizes other management areas to support the development of the particular cost theoretical informed approach into the empirical setting; e.g. Economics, Strategy and Supply Chain Management.

The areas of 'value chain' and 'strategy' will likewise be mobilized to support the research process; hence used intertwined with the cost theoretical informed qualitative research approach. These two management themes, i.e. the concepts of value chain and strategy, are deployed for various purposes and in line with the original suggestion by Shank and Govindarajan (e.g. 1992 and 1993). This is done to theorize and elevate the understanding of the practice of cost management strategically in the intersection between strategy, cost structure and value chain configuration.

The concept of value chain and in turn value chain analysis (e.g. Porter, 1985) is used to clarify and constitute the decisional events within the empirical research setting of for instance organizational outsourcing. This will also position the organizational cases within the body of for instance organizational outsourcing literature.

The aim is among others to understand the reasons behind the decisions to alter the value chain configuration as a pathway not only to contextualize the notion of cost as an argument driving the organizational decisions but equally important, it also illuminates the understanding of the multiple drivers; hence the potential tradeoffs and the interplay between these in an organizing context. The notion of value chain and value chain analysis, understood in close proximity to management issues such of that situated within the realm of Supply Chain Management, is to a large extend also discussed within areas of strategic management. It is found useful for instance in the understanding of the reasons behind organizational outsourcing and insourcing events and actions, which in turn enables to bridge the research with concepts of cost and cost management. Thus, it will in turn also bridge the research to the notion of strategy.

Shank and Govindarajan (1992 and 1993) for instance explicated in particular the concept of organizations' competitive strategic position depicted for instance in organizations' relative cost positions. This is mobilized by the notion of for instance alteration of the value chain and operating leverage to select and place the empirical elements in a setting, which can justify the claim of a strategic decision with cost structural implications, as the structural decisions are a focal starting point. In addition, in combination with value chain considerations the area of strategy leverages the understanding of the organizational events and actions, as these might for instance not have a cost purpose as the decisional root cause; though tradeoffs between various opportunities might have cost implications.

However, the mobilization of strategy, and being 'strategic', is on one side defined as depicted by practice and praxis, hence the actual actions, rather than those of claiming particular organizational strategies. This also means that the mobilization of strategic themes will have a prime attention to the underlying creeds of that of Strategic Cost Management of for instance time and organizational boundaries, and it will be mobilized by notions of enacted strategic intent in proximity to that of the applied social science theory of that of Sensemaking. This will be elevated further in subsection 2.3.

Hence, the two concepts value chain configuration and strategic intent are supportive in the formation of the empirical setting, the elevation of the cost constructs and the demarcation of the research themes within the realm of Strategic Cost Management. Thus, the three key tenets are mobilized intertwined.

Likewise, and as mentioned before other areas and for instance that of Economics, e.g. microeconomics, will be mobilized to underpin the conceptualization of 'cost' in the formation and analysis of the theoretical domain to support a theory inform empirical execution and the subsequent theorizing.

2.1.2 Strategic Cost Management and some observed scholarly puzzles

The concept of Strategic Cost Management with its reinforced three key tenets is clearly conveyed by Shank and Govindarajan (i.e. 1992 and 1993). It might, however, also be perceived somewhat general in its original nature. The three key tenets '*represent a broad set of practices, which makes it difficult to provide a concise definition*' (Ellram and Stanley, 2008, p. 181).

This could be perceived as a conceptual strength in the sense that the concept could be mobilized and perceived as an overall guiding proposition into the research of organizations' strategic cost management practices rather than it proposes restrictive limitations in its application, it seems that the inherited conceptual width has opened for a myriad of academic puzzling thoughts.

Literature presents, questions and debates – sometimes it even seems to struggle – whether Strategic Cost Management for instance is a Management (Accounting) concept in broad; an overall Management Accounting framework; a supportive organizing and strategizing framework; or a managerial control and/or decision making tool. Literature also questions if it is a somewhat generic approach to cost management and thereby signifying or maybe constituting an overall 'mental' representation for various applicable Management Accounting technologies, concepts and techniques with emphasis on costs and in turn cost management for enhanced organizational performance. Some authors seem to suggest that it is a kind of normative inspiration to management accountants' and Management Accounting functions' strategic contribution within organizations, while others seem to emphasize more specific strategic costing approaches – maybe even a bundle of several costing and cost management approaches – linked more explicitly to organizations' strategy formation processes. It is also accentuated as a strategic management costing system in both specific management technology terms as well as in conceptual terms and then perhaps an appreciation of (strategic) costing as a source for competitive advantages. Other perceptions are discussed within literature.

However, and despite the straight forward scholarly definition by Shank and Govindarajan (e.g. 1993), the guidance as to the intertwined nature of the three key tenets as well as the appreciating of other areas outside that of Management Accounting, Anderson and Dekker (2009a) among other contributors accordingly suggest that insights have not yet underpinned evolvement into a more comprehensive conceptualization of the construct and notion of Strategic Cost Management. This is conveyed even though the above mentioned scholarly perceptions all address important managerial areas, e.g. support to organizational strategizing and the development of management accounting technologies.

Albeit, at the 'ends' of a very simplistic 'continuum' some would advocate for two maybe more distinct positions; or maybe rather propositions. The more normative literature and positivistic-driven research generally presents the 'phenomenon' of Strategic Cost Management both as a broad generic concept as well as more specific, some might even advocate for well-defined, approaches to costing that support strategy formation and organizational performance.

These maybe somewhat more prescriptive perceptions that could maybe imply means-to-ends reasoning and a notion of managerial rationality are at the other end of the ‘continuum’, at least partly, contrasted. Some would probably also argue contested. This is done in the mobilization of the ‘phenomenon’ in for instance the context of a perceived interpretive management accounting research path offering propositions about plausible explanation to practice.

Though the former body of research contributions is prevailing for instance in researching contingencies, the different ‘methodological camps’ do however not argue in terms of defining the domain. The different approaches are rather observed in terms of the nature of research questions and theorizing and in turn, how they suggest contributing to both knowledge and managerial practices. This is not meant as a critique of either methodological approaches, the constitutional thoughts about Strategic Cost Management or the ongoing debates rooted maybe in ontological and epistemological positions. This introductory illumination of the scholarly debates is nor about the conception of Strategic Cost Management or in any way belittling these debates.

It merely introduces some of the numerous perceptions of the ‘phenomenon’ and enlightens the diversity in the research approaches and conceptualizations within the area. Hence, the broad conception, some would maybe argue for indistinct understanding, signals some ambiguity as to the claim of domain-related research, if for instance the three key tenets are not mobilized in the constitution for exploration of the area and thus in close proximity to the empirical setting.

Indeed, both literature as such and research contributions within the Management Accounting area do convey the observable ambiguity.

Authors puzzle for instance with ‘missing links’ in terms of what actually constitutes the area of Strategic Cost Management on an overall level (e.g. Roslender and Hart, 2003) and about a perceived lack of an integrated framework (e.g. Anderson, 2007; El-Dyasty, 2007; Tillmann and Goddard, 2008; Anderson and Dekker, 2009a). These observations are not new to researchers and were already communicated in the mid 90’ies (e.g. Tomkins and Carr, 1996; Lord, 1996). In more recent contributions authors explicitly comment along the claims of such as ‘*still little or no agreement about what constitutes*’ (Roslender and Hart, 2003, p. 255) the area. This is a repetitive comment up to today such as ‘*there is still limited consensus*’ (Cadez and Guilding, 2008, p. 837).

Management Accounting literature provides several explanations for the state of the field. Authors among others suggest: Some uncertainty of the term itself even though largely applied in organizations (e.g. Guilding et al, 2000) and a lack of theoretical explanation for implementation and organizational practice (e.g. Tillmann and Goddard, 2008). Contributions also advocate Management Accounting’s disproportionate attention to executional cost management tools and techniques[24] (e.g. Bromwich and Bhimani, 1989; Anderson, 2007).

[24] By executional cost management tools and techniques are generally meant tools and techniques for a given strategy and cost structure. Often academia researches for instance the application of various costing approaches, e.g. activity-based costing

Likewise, it is conveyed that there is limited appreciation of the potential contribution from fields 'outside' Management Accounting (e.g. Anderson and Dekker; 2009), as well as the immense perspectives on the areas as well as terminology and typology of 'strategy', 'strategic' and 'management' offer explanations. The many perspectives and perceptions of 'strategy', 'strategic' and 'management' inevitably open up for a broad range of interpretations and views on Strategic Cost Management. This is addressed continuously throughout literature by a significant number of scholars (e.g. Lord, 1996; Tomkins and Carr, 1996; Cinquini and Tenucci, 2007).

In sum, these scholarly messages could – unintentionally – maybe infer and perhaps even suggest that individual researchers as well as research communities experience limited contribution and advances within the area of Strategic Cost Management.

It is not the necessarily the case, and previous research agendas have indeed contributed to knowledge and practice within the area. However, it is suggested that for instance the lack of conceptual framework and an overall general constitution of the field have maybe hampered potential advances within the area. This notion is also observed in literature. Hence, and on one side, academia seems to generally agree about a noticeable degree of ambiguity as for instance to, how the field is constituted. This is among other due to the lack of relation to strategy formation processes, which at least seems somewhat driven by the various perspectives on 'strategy'. These and other concerns are, at least partly, raised, when scholars for instance elaborate around potential explanatory reasons for the state-of-the-field and in turn advocate for increased research.

However, there seems – on the other side – to have been a somewhat steady academic interest in the area, and consequently scholars' and scholarly communities' extended research agendas have definitely shed light on for instance the application and usefulness of various costing tools and techniques as well as their implication for managerial practice. In addition the academic strive for progress within the area has generated thoughts and ideas about perceived cost management approaches' 'fit' with strategic variables such as competitive strategies. This has likewise informed academic environments and practitioners about for instance (cost) management accountants' strategic roles as well as (cost) management accounting's mediating effect.

In addition, academia has attempted to present various frameworks for Strategic Cost Management that for instance suggests interplay between structural cost management and executional cost management (e.g. Anderson and Dekker, 2009). It is however also clear that literature signals opportunities for development of the area, which could support contribution to both knowledge and practice that support the imperative management concerns encapsulated in the constitutional considerations based on for instance Shank and Govindarajan (e.g. 1992 and 1993) in the very beginning of this section 2.1.

This might in itself advocate for a qualitative research approach that can illuminate and present explanatory propositions as to organizations' strategic management of costs and in turn then perhaps also contribute to the concept of Strategic Cost Management and support management's 'organizing'.

However, academia's many perspectives might at the same time call for a constitution of the theoretical domain that is wide enough to bode for a theoretical informed basis with regard to the key tenets of the concept.

While the notion of organizational practice in relation to the mobilization of the underlying theoretical conceptions and constructs of Strategic Cost Management in combination with the methodological approach will be further unfolded particularly in Section 3, the theoretical domain is irradiated in this Section 2.

The, maybe, somewhat general advice from Shank and Govindarajan (1992 and 1993) as to the definition and the simultaneous, intertwined application of the key tenets, which together represents a broad set of practices offers advice as the general understanding and elevation. However, the wide approach also offers academia and practitioners potential to incorporate for instance a broad set of cost management practices, which perhaps makes it difficult to provide a succinct definition even though previous contributions obviously can illuminate key creeds.

Thus, and building on the above, this research endeavor take the position that Strategic Cost Management is a guiding concept in the way that it signals the importance of organizations' strategic approach to cost management. Secondly, this conception illuminates the intertwined nature of several areas that together can leverage cost management strategically. This is done with particular reference as to origin outlined by Shank and Govindarajan (e.g. 1992 and 1993) with the later contribution of in particular Anderson and Dekker (e.g. 2009a) with the definition presented in Section 1. The implication will be further elevated in this Section 2.

However, the research implication is that not only will it require a thorough conceptualization and exploration of for instance costs and cost drivers as such. The research implication is likewise a call for an investigation into the origin of the concept with the purpose to potentially identify underlying creeds, as well as it requires a mobilization of the other areas that can inform both the methodological approach and the exploration of cost management.

While the former, e.g. 'cost drivers', is situated in subsection 2.3 and 2.4, the latter is conveyed in subsection 2.2 hereafter.

2.2 Situated within Management Accounting

Although, that Shank and Govidarajan (e.g. 1993) conveyed the '*blending*' of the three key tenets with direct reference to elevation of the area of Management Accounting and with specific references to for instance the realm of strategic management literature, they similarly convey the claim that Strategic Cost Management '*represents a new emphasis in managerial accounting*' (Shank and Govindarajan, 1993, p. 3).

2.2.1 Strategic Management Accounting and Strategic Cost Management

The development of Strategic Cost Management as a scholarly area has its foothold and main scholarly contributors situated within the realm of Management Accounting in broad as well as contributions that that evolved under the banner of for instance Management Control Systems.

In addition, the notion of Strategic Cost Management does to some extent steam from prior as well as parallel ideas within the area of Strategic Management Accounting, which saw the day of light a decade prior to that of Strategic Cost Management.

The outset in the concept of Strategic Management Accounting serves as documentation of the underlying creeds and illuminates that the two concepts very often are used intertwined and sometimes with no noticeable distinction by academia.

This has maybe already been deduced in as much that authors from the remarkably related field – that is the field of Strategic Management Accounting – have already been mobilized in the previous subsection (e.g. Roslender and Hart, 2003).

These two concepts of Strategic Cost Management and Strategic Management Accounting are often used interchangeable throughout literature and research. Whether that is perceived recommendable or not is to be seen. However, insight into the area of Strategic Management Accounting provides researchers with important underlying notions that clarify the origin and inform the understanding of Strategic Cost Management, when it is elevated and deployed within research.

Some authors do suggest a distinction between Strategic Cost Management and Strategic Management Accounting, whereas Strategic Management Accounting has been explicitly researched and commented by several of the before mentioned authors (e.g. Bromwich and Bhimani, 1989; Tomkins and Carr, 1996; Roslender and Hart, 2003; Tillmann and Goddard, 2008). It is however also quite clear that research communities and researchers to a large extend use ideas from both areas in the strive for development within one particular area.

In addition, and even though parts of the literature suggests a conceptual difference, other scholars use the two concepts more or less interchangeable with no recognizable distinction. These scholars use findings from research within one of the areas to inform and elevate their own conceptualization and findings within the other. Some even do so despite the observation that they at the same time advocate some differences.

So even though the overall scholarly domain in this research is topically constituted in Strategic Cost Management, the starting point for a more thorough understanding of the area is the mobilization of Strategic Management Accounting. There are three reasons for that.

Even though several researchers do suggest that the territory of Strategic Management Accounting rests upon a somewhat broader conceptualization compared to the conception of Strategic Cost Management, many researchers do, however, at the same time treat Strategic Management Accounting and Strategic Cost Management interchangeable and somewhat compatible. This means that researchers have pursued advances within both areas building on findings from previous scholarly works labelled either ‘Strategic Cost Management’ or ‘Strategic Management Accounting’; and both with and without conveyed distinctions between the two areas.

This does not mean that scholars, who do not clearly convey a distinction, do not recognize the existence of several constructs or appreciate a distinction. It might just be that they consider it irrelevant to their specific research agenda. Hence, it would at least for that reason seem unwarranted to disregard this observation of the interchangeable nature and in turn neglect potentially valuable works under the banner of Strategic Management Accounting, which could support this research endeavor’s own advances.

Secondly, the amount of academic contribution to knowledge with the heading ‘Strategic Management Accounting’ is substantially larger, than is the case within the realm of Strategic Cost Management. Of course, this is not an academic argument, but as mentioned above many researchers do use findings under one heading in the development within the other. Hence, it is suggested that the exclusion of findings and thoughts within the area Strategic Management Accounting could limit and in turn potentially hamper important research issues such as in the establishment of the domain and the considerations regarding the methodological approach.

Thirdly, a lot of the work within the realm of Strategic Management Accounting is either somewhat generic in the sense that it seeks to develop more general propositions for instance about contingencies on a more general level or suggest more general links between on one side the organizational approaches to strategy and strategic management and, on the other side, Management Accounting.

Although a lot of this research often is found underpinned by a positivistic philosophical stance and methodological driven research approach, which is not applied in this particular research, it is found useful not only in establishing the domain but actually also to support the ‘alternative’ methodological approach in this research. That is for instance to inform the more detailed framing of the empirical execution. This will be elaborated later in Section 3.

Consequently, many researchers have not – either conveyed implicitly or explicitly – seen a productive distinction between the two constructs. Hence, research efforts within Strategic Management Accounting and Strategic Cost Management are by many researchers perceived to be able to inform and elevate each other. They are seen interrelated and maybe by some researchers even interchangeable.

It should also be mentioned that even in research contributions, where the researchers do explicitly suggest a observable distinction (e.g. in Roslender and Hart, 2003), several of the analytical objects studied under the heading of research into 'Strategic Management Accounting' actually include and even have its particular focus on costs and cost issues in general. In these contributions research the focus is also on various costing approaches more particularly – either in the conceptualization of the area or as particular analytical research objects – in the development of organizational (cost) control systems, the representations of costs, and the negotiations surrounding such cost representations.

In fact, it is often found that when academia for instance addresses issues of costs within organizational value chains, they draw upon findings and propositions within both the realm of Strategic Management Accounting and that of Strategic Cost Management interchangeable to support their specific scientific path and course.

When the scholars do so, they seem mainly to bridge the two fields by their common denominators; i.e. 'Strategic' and 'Management'. This applies for instance for Dixon (1998) in his research into practical application of a strategic approach to accounting and in Dekker's investigation on inter-firm value chain relationships (2003). It also accounts partly in Roslender and Hart's theoretical and field study perspective on Strategic Management Accounting (2003), even though they are as mentioned quite hesitant about the notion of Strategic Cost Management and advocate for a clear distinction between the two concepts. It is also observed in Carr and Tomkins' work on strategic investment decisions (1996) and their summarizing reflections of the state of the field (Tomkins and Carr, 1996) as well as in Cadez and Guilding's explorative investigation of an integrated contingency model (2008). The equivalent is found in Lord's critique of the area (Lord, 1996) and in Wilson's quite vast compilation of various more significant authors'[25] contributions under the banner Strategic Cost Management (1997).

Hence, to introduce and later constitute the particular domain of, and a particular 'subdomain' within, Strategic Cost Management it seems quite apparent to mobilize thoughts and research contribution from within Strategic Management Accounting. However, it is also recognized that Strategic Management Accounting could be – and partly is – perceived by some scholars to be a somewhat broader concept that includes issues of organizational markets and revenue streams.

A prime idea by such scholars is for instance that costs cannot be seen in isolation from revenues. This could be true under certain conditions. However, the influence in a particular research endeavor will of course depend on among other the conceptualization and organizing of the research project as well as the specific research inquiry and other researchers' acknowledgement of the potential implications on plausibility of the work's contribution. It will be justified later, but here is should be mentioned that neither Shank and Govindarajan (e.g. 1992 and 1993) nor Anderson (2007) and Anderson and Dekker (2009) reject the notion of a connection between cost and revenue.

[25] Wilson (1997) includes contribution from among others Simmonds (e.g. 1981), Shank and Govindarajan (e.g. 1992 and 1993), Roslender (e.g. Roslender and Hart, 2003) and Bromwich (e.g. 1990). The reference years do here refer to the publishing years of the particular research contributions mobilized in the context of this particular research and not the references used in Wilson's contribution (1997)

This research approach, however, suggests that some of the creeds of Strategic Management Accounting, which as conveyed evolved some decade prior to the construct of Strategic Cost Management, can elevate research into Strategic Cost Management and for instance in curbing the analytical elements. It relates in particular to the notion and underlying creeds of time and organizational boundaries. This is elevated in subsection 2.2.2.

2.2.2 Strategic Management Accounting's noteworthy creeds

Strategic Management Accounting was more thoroughly introduced and conceptualized by Simmonds (1981), and '*developed notably*' in the late 80'ies (Roslender and Hart, 2003, p. 256). In Simmonds work Strategic Management Accounting was defined as: '*The provision and analysis of management accounting data about a business and its competitors for use in developing and monitoring the business strategy, particularly relative levels and trends in real costs and prices, volume, market share, cash flow and the proportions demanded of a firm's total resources*' (Simmonds, 1981, p. 26).

Simmonds seems to follow the increasing interest in organizational strategy and strategizing that had literally flooded academic societies as well as business environments with ever-increasing strength since the beginning of the 60'ies, and Simmonds (1981) bridged that to an awareness of a need for Management Accounting's contribution to strategy formation in organizations.

Simmonds (1981) did not apply an explicit defined conception of 'strategy' and 'strategy formation' as for instance a particular strategic direction or conceived as a strategic management process. Strategic Management Accounting was perceived and conveyed in quite broad terms in his earlier work. Simmonds (1981) addressed for instance both strategic management processes in broad as well as the necessities to develop enhanced calculative and comparative management accounting practices to support organizational strategy and strategic choices. Simmonds (1981) also addressed the organizational need for Management Accounting's contribution in terms of developing and monitoring more specific strategies and strategic elements; e.g. competitive strategies.

While the former related quite profoundly to that of decision making, the latter related to organizational control mechanism. Simmonds (1981) did, however, not convey a potential tradeoff hence maybe perceived tension and potential dilemmas between the two constructs of control and decision, which seems emphasized in more contemporary literature (e.g. Zimmerman, 2011).

In addition, Simmonds (1981) quite naturally extended his ideas to Management Accounting's and management accountants' organizational roles and functional contribution. Simmonds signaled, in broad, the necessity for Management Accounting's strategic contribution with reference to much of the accumulated work on strategy during the previous two decades. However, Simmonds (1981) seminal work – that is 'seminal' in terms of later scholarly references – used a fairly broad prescriptive approach. In conveying his ideas he related the concept to among other short-term costing and cost development; long-term investment appraisals; measurement of competition; the strategic dimension in accounting reporting and accounting systems; as well as the role of management accounting functions and that of management accountants.

The roles and organizational engagements of the accounting functions seemed rather prominent focal areas of concern in Simmonds initial work (1981). It could be that it was initially queries about functions and roles, which actually lit the interest in strategic processes or maybe rather a perceived causal development process and interconnectivity between strategy formation and Management Accounting. Though indeed speculative the latter might be quite likely, as Simmonds had already studied other and not necessarily (management) accounting-oriented organizational issues.

The road that was commenced by Simmonds' (1981) ideas and understanding of Strategic Management Accounting was paved further with developing layers of academia's contribution from among others Bromwich and Bhimani (e.g. 1989) and Bromwich (e.g. 1990). Bromwich (e.g. 1990), for instance, slightly rewrote the initial definition by Simmonds (1981) and suggested that Strategic Management Accounting could be defined as '*the provision and analysis of financial information on the firm's product markets and competitors' costs and cost structures and the monitoring of the enterprise's strategies and those of its competitors in these markets over a number of periods'* (Bromwich, 1990, p. 28). Although, Bromwich slightly altered Simmonds' initial suggestion, the appreciation of Simmonds' work (1981) is quite apparent in this definition.

Both authors stress the initial understanding of Strategic Management Accounting by advocating the notion of the 'strategic' leverage and potentially supportive nature of Management Accounting viewed both conceptually and as an organizational function(s) in terms of for instance management control systems and decision processes. It is quite clear by studying the works of these contributors (i.e. Simmonds, 1981 and Bromwich, 1990) that they also emphasized two important notions or perhaps better expressed as underlying creeds in conceptual terms. That was the (an) externally oriented approach to Management Accounting and the (a) time perspective; which are both carried forward as underlying perspectives in Strategic Cost Management.

By 'an externally oriented approach', which sometimes is labeled 'an outward-looking approach' in literature, was generally understood as a managerial and Management Accounting perspective, which should advisable stretched beyond the formal organizational boundaries in for instance Management Accounting's provision for information regarding competitors and markets.

Upstream and downstream activities and the potential within the organizations own value network (e.g. Johnson et al, 2005) is not particularly visible in these earlier works. That is to change, when the area evolves by an increasing scholarly interest and contribution, as it will be demonstrated.

Albeit, there is a quite clear line from Simmonds (1981) to for instance Bromwich (1990). Simmonds (1981) does not explicitly state 'markets', but he uses the term 'competitors' and 'market share'. The latter of course implies the need for a definition of a certain 'market' and the need for relevant information about the particular 'market' as to for instance volume, revenues, customers and alike to constitute the 'market', when organizations determine their 'market shares'. As to the externally oriented approach the linkages to the increasing literature and thinking on strategy is quite apparent and for instance Bromwich (e.g. 1990) draws explicitly on authors within the area of 'Strategy' such as Porter (e.g. 1980 and 1985).

The essential similarities are also quite noticeable regarding issues of 'time' in terms of 'time perspectives' and 'time horizons'. These authors suggested a longer time horizon as an important conceptual factor in the constitution of Strategic Management Accounting. If 'time' or similar was not mentioned explicitly by the earlier contributors within the area of Strategic Management Accounting, it is easily inferred from the texts. As a couple of examples the incorporation of '*a number of periods*' (i.e. Bromwich, 1990) and the inclusion of '*cash flow*' (i.e. Simmonds, 1981) in their definitions clearly represent the important notion of time.

Obviously, the proposition of '*a number of periods*' as in Bromwich definition (i.e. Bromwich, 1990) explicitly incorporate time As to the latter, i.e. '*cash flow*', this concept infers 'time' and 'periods', when the 'cash flow' terminology is linked to investment appraisals rooted with Management Accounting and Economics. This is the case in Simmonds' work (1981).

Hence, an inter-textual understanding suggests that (longer) time perspectives and a broader outward-looking, externally oriented approach beyond the formal organizational boundaries were among the more prominent conceptual creeds of the concept. This linked neatly to the theme of organizational strategy, which of course also includes analysis of external conditions and is presented and related for instance to plans and actions with a longer perspective relative to that of time horizons associated with operational and tactical issues (e.g. Johnson et al, 2005).

Likewise, the strategic role of the Management Accounting function was a key notion in the earlier work on Strategic Management Accounting. Scholars among other addressed the functional roles and processes. More recent works do also present Strategic Management Accounting with an emphasized origin in the Management Accounting literature and to a large extent study the role of the accounting function[26].

This accounts for instance for Roslender and Hart (2003), who defined Strategic Management Accounting as '*a generic approach to accounting for strategic positioning*' (Roslender and Hart, 2003, p. 256). They studied among others the interface between management accounting and marketing management to integrate these issues in a more comprehensive framework for strategic management accounting purposes.

Similar to the acknowledgement of the notion of an external focus and a longer time horizon for the support of strategy formation[27], many authors (e.g. Dixon and Smith, 1993; Roslender and Hart, 2003) advocate that Strategic Management Accounting conceptually includes the issue of for instance revenue(s) and markets.

[26] 'Accounting function' is not necessarily defined as the (an) organizational unit. Often it is for instance the actual tasks, processes, power relations or scopes associated with the provision of information in a broader perspective to support for instance strategic decision making

[27] Strategy formation is at this stage a broad term covering for instance strategic analysis, strategy development and formulation, strategic decision making and strategy implementation as well as the conception of the development and claim of a specific organizational strategy. Hence, there is at this stage no underlying distinction but rather an overall understanding of 'being strategic', and there is no conception that a strategic process is performed in subsequent stages. It could likewise be perceived as an ongoing iterative process

This is for instance proposed by Roslender and Hart (2003), who clearly suggested that it not 'only' a matter of costs[28].

This is in direct continuance of prior research suggestions. As an example Bromwich (1990) already proposed that organizational cost structures, not only that of the organization itself but also other existing and potential enterprises in the relevant markets, '*can not be considered in isolation from demand factors*' (Bromwich, 1990, p. 27).

Thus, the general conceptualization of Strategic Management Accounting suggests that both cost and market demand, whereas the latter is at least partly driving the potential for overall organizational revenue, are intertwined. The implication is that organizations and organizational (Strategic) Management Accounting must operationalize and mobilize both elements in the strive for performing Strategic Management Accounting and in turn support increased organizational performance; that is for Management Accounting to become strategically oriented and supportive to strategy formation within organizations.

Building on that Roslender and Hart (2003) suggests that Strategic Management Accounting is *identified as a generic approach to accounting for strategic positioning, defined by an attempt to integrate insights from management accounting and marketing management within a strategic management framework* (Roslender and Hart, 2003, p. 255).

At first this seems to be quite a rephrasing of for instance the definitions applied in the works by Simmonds (1981) and Bromwich (1990). However, studying the contributions thoroughly and acknowledge the benefits from an intertextual approach suggests comprehensible linkages. As an example *'strategic positioning'* as perceived by Roslender and Hart (2003) is exchangeable with for instance *'enterprise's strategies and those of its competitors'* as communicated by Bromwich (1990) and with Simmonds' (1981) notion of *'business strategy, particularly relative levels'*. It is quite well-known to academia that a meaningful reflection on position and positioning as such must be assessed '*relative*' to competitors (e.g. Porter, 1980 and 1985).

The corner stones of externally oriented approaches, longer time horizons and of course the fundamental linkages to organizational strategy and strategy formation, i.e. the notion of 'Strategic', still prevails, although Strategic Management Accounting scholars and research communities incessantly alter and slightly rewrite these earlier ideas of Strategic Management Accounting. As a more recent example Cadez and Guilding (2008) is no exception.

They conceive Strategic Management Accounting as partly *a 'set of strategically oriented accounting techniques'* and argue that it also can be viewed as concerned with '*the involvement of accountants in corporate strategic decision-making processes'* (Cadez and Guilding, 2008, p. 838). The latter suggests a perspective on for instance Management Accounting's functions and roles.

[28] Some authors on Strategic Cost Management remind scholars about the related term 'Strategic Revenue Management' and various contributions on Strategic Cost Management recognize interdependency between cost and revenue (e.g. Anderson and Dekker, 2009a)

As to the strategically oriented accounting techniques, Cadez and Guilding (2008) direct our attention to among others various costing techniques and principles such as attribute costing (e.g. Bromwich, 1990); target costing (e.g. Cooper and Slagmulder, 1999); value chain costing (e.g. Dekker 2003). It is also noteworthy that the ideas from Shank and Govindarajan (1993) about Strategic Cost Management are promoted. Concepts and techniques that capture customer and competitor information linked to organizational performance management elements are included.

While Cadez and Guilding (2008) certainly accept the idea of incorporating cost and revenue, and it might be argued that they also use a fairly open conceptualization of the concept, they do more explicitly mobilize various costing techniques in the conceptualization of Strategic Management Accounting.

This inclusion of more specific costing tools and costing techniques is in general quite prominent within Strategic Management Accounting. Although Roslender and Hart (2003) advocate the notion of Strategic Management Accounting as a '*generic approach*' and an '*attempt to gain insight*' (Roslender and Hart, 2003, p. 256), which in itself could be regarded as somewhat 'generic', they too also partly apply costing techniques to assess the degree of interface between Management Accounting and marketing management. That is for instance attribute costing, target costing and life-cycle costing, which is much in line with what is later conveyed and applied by for instance Cadez and Guilding (2008).

Roslender and Hart (2003), however, do suggest that it might be unwarranted to incorporate issues of Strategic Cost Management, which emphasizes issues of costs in particular. Their argument is that although Shank and Govindarajan (e.g. 1993) also are heavily informed by for instance value chain analysis and strategic positioning as promoted by Porter (e.g. 1985), Strategic Cost Management lacks according to Roslender and Hart (2003) a defining marketing interface. That is 'defining' as in their incorporation of marketing management in their conceptualization of Strategic Management Accounting.

They argue that although Shank and Govindarajan (e.g. 1993) and other researchers within the realm of Strategic Cost Management focus on the interface between strategy and Management Accounting, '*for these authors 'strategic management accounting' amounts to integrating elements of strategy theory into management accounting, while for us* [i.e. Roslender and Hart, 2003], *being externally focused on the marketplace, SMA* [Strategic Management Accounting] *seeks to integrate insights from management accounting and marketing management within a strategic management framework'* (Roslender and Hart 2003, p. 259).

Shank and Govindarajan (e.g. 1992 and 1993) as well as several other scholarly authors would probably not agree to that statement. Cadez and Guilding (2008) seem for instance to benefit from earlier works by Shank and Govindarajan. Rather it is within the realm of this particular research approach suggested that they (e.g. Shank and Govindarajan, 1993) would likely contest the argument in general.

The perception that the formulation '…*while for us* [i.e. Roslender and Hart, 2003], *being externally focused on…*' (Roslender and Hart 2003, p. 259) might – at least in the mind of some readers – implicitly build up the conception that Shank and Govindarajan (e.g. 1992 and 1993) as well as other researchers within that of Strategic Cost Management are not 'externally focused'.

This would definitely be challenged in the context of Strategic Cost Management, as the concept for instance clearly conveys the external understanding of organizations' value network. The proclamation (i.e. Roslender and Hart 2003, p. 259) also partly ignites the debate, whether strategy drives Management Accounting – that is both Strategic Management Accounting and Strategic Cost Management in general – or Management Accounting supports – maybe even drives – strategy and strategic management within organizations. In addition, it could also be debated that both situations could occur simultaneously.

Hence, the proposition by Roslender and Hart (2003) in mind – whether right and wrong, plausible or not, and quite independent of potential discussions between researchers and research communities – at least informs about the issue of, maybe, different perceptual approaches as to implementation and organizational 'fit' and 'causality' in general.

This does not relate to the obvious and explicitly communicated idea, where for instance some authors advocate the notion that Strategic Management Accounting is a broader concept in comparison with Strategic Cost Management, as Strategic Management Accounting incorporates issues of marketing (management), but it actualizes the 'configuration discussion'. It is in this respect recalled that Roslender and Hart (2003) suggest that they integrate insights from for instance Management Accounting into a strategic framework, while they at the same time convey that for instance Shank and Govindarajan do the 'opposite' and integrate strategy into Management Accounting.

This idea maybe reminds of debates regarding 'linkages' and 'alignments', 'contingency', 'congruence', 'fit', 'causality' and alike. This as well as the conceptual implementation and implication will be addressed, as it maybe could, despite the research agenda in organizational practices, inform for instance the theoretical underpinning of the research agenda, hence in turn the empirical accomplishment and way of theorizing.

Here, it should only initially be noted that this inter-textual dialogue does provide an implicit notion of a careful approach, when research reflects and applies ideas of for instance 'fit', 'alignment' and 'configuration' and research contingencies, congruence and maybe even causality; some might even challenge the previous scholarly contributions as well as organizational implications.

Shank and Govindarajan would likely disagree, because they clearly inform readers (e.g. 1993) that Strategic Cost Management among others is about enabling the provision of accounting information for strategic decision making. Their ideas will be elevated in the next section.

Before moving to that it also seems interesting to note, that despite the key creeds, the scholarly perception of at least some lack of an overall conceptual framework for Strategic Management Accounting, and Strategic Cost Management, is to some extend also depicted in the vast amount of literature (i.e. textbooks) within Management Accounting.

In an explanatory study by Hoffjan and Wömpener (2006) it was among others found that Management Accounting literature indeed provides insight into Strategic Management Accounting. However, it is also noted that the area has the character of a patchwork of more operational oriented concepts and techniques rather than a framework. In addition it is argued that although there seems to be a lack of an overall framework the importance of the topic is still reflected in the literature. However, this is primarily due to prominence of the before mentioned techniques and concepts, where '*cost-oriented concepts are particularly important to Strategic Management Accounting'* (Hoffjan and Wömpener, 2006, p. 249) alongside more general notions of 'strategy'.

Thus, the origin of Strategic Cost Management within Management Accounting and in particular that of Strategic Management Accounting suggests the underlying creeds of the '*time perspective*' and that of a management perspective '*beyond the formal boundaries of the organization*' in the formation and elevation of the knowledge about the management of costs strategically. The research implication is that these observations advice on the establishment of the theoretical domain as well as the empirical setting understood and mobilized intertwined.

This could perhaps be claimed solely based upon for instance Shank and Govindarajan (e.g. 1992 and 1993). However, it is here underpinned in the constitutional definition of the domain in this particular research's approach. Alongside, this initial deployment of Strategic Management Accounting, which suggests that maybe costs cannot be seen in isolation from revenue, it informs that costs and cost management are as such areas for investigation strategically. However, these particular notions elucidate that decisions in relation to for instance the altering of organizational cost structure could quite well be driven by costs and cost issues, but likewise there could be a tradeoff. Such decisions might for instance incur in the forfeiture of opportunities and subsequent 'opportunity revenues', which might not be captured in the decision making process.

This obviously reminds scholars that not only shall the empirical investigation, if not bode for, then at least acknowledge such proposition in connection to the modes of reasoning, knowing, conveying and thus in turn theorizing about Strategic Cost Management and top management's enactment of the organizational cost structure in value chain configuration. It also, equally important, suggests that cost management might in this context be intertwined with revenue, when this is considered strategically; hence along the lines of some of authors in the realm of Strategic Cost Management (e.g. Anderson and Dekker, 2009a). Thirdly, it quite noticeably, though indirectly, illuminates previous research attempts that convey notions of 'alignment', 'fit', 'contingencies' and 'causality' between for instance strategy and cost structure.

This particular research endeavor does not deny the existence of such 'best fit' per se. Although, the objective is to develop explanatory propositions to cost management practice, various research approaches can perhaps potentially add.

These ideas will be incorporated in the illumination of the more specific area of Strategic Cost Management in the next subsection.

2.3 Strategic Cost Management in a literary context

This particular subsection introduces the strategy and cost perspective, as well as it initially indicates, how these are conceived and deployed; though the methodological approach is conveyed in Section 3.

2.3.1 Strategic Cost Management

Although the concept of Strategic Cost Management is generally recognized, and scholars have researched and discussed the field with growing interest for more than two decades, there is as introduced in section 2.1 some ambiguity of, what constitutes and frames the area. Authors do for instance advocate a lack of an integrated framework. This is observed despite that the initial conception by Shank and Govindarajan (e.g. 1992 and 993) as well as the work of for instance Ellram and Stanley (2008) and well as that of Anderson and Dekker (2009a) explicitly convey for instance the key tenets. This is by no means new to Management Accounting research communities, and as it is also previously conveyed, literature provides several explanations for the state of the area. Some of the established suggestions are: A limited appreciation and some uncertainty of the term itself (e.g. Guilding et al, 2000) and a lack of theoretical explanation for implementation and practice hence in turn 'sense-making'[29] (e.g. Tillmann and Goddard, 2008).

These two issues are intertwined. In Guilding et al's work (2000)[30] the researchers' impression of a limited appreciation and uncertainty of the term itself does not only refer to conceptualizations within the scholarly environments. It rather – and mainly – relate to the observed practices within the organizations that founded their empirical base. This has a potential implication for the empirical considerations, as it quite clearly suggests that entering the empirical field searching for 'strategy', 'management' and in turn 'strategic cost management' perhaps is not understood and applied the same way across organizations.

This relates to some of the criticism of for instance quantitative studies within this particular field and these of related strategic accounting areas (e.g. Chenhall, 2003 and 2007; Langfield-Smith, 1997 and 2006)[31].

Tillmann and Goddard (2008) carry to a large extend the same message forward and link the lack of theoretical explanations to limited practical application and organizational 'sense-making'. This will be discussed further in Section 3.

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[29] 'Sense-making' is here written with a hyphen, which is the way used by Tillmann and Goddard (2008), while for instance Weick (e.g. 1995 and 2001) and other cognitive social science scholars generally writes 'sensemaking' without a hyphen

[30] Guilding et al (2000) do position their research contribution under the heading of 'Strategic Management Accounting'. However they do so, as it is observed for many other authors, with a clear appreciation of Strategic Cost Management and for instance as a noticeable use of costing techniques and other cost management issues as the research objects. Hence, their research contribution is quite noticeably also situated within the realm of Strategic Cost Management

[31] Chenhall (2003 and 2007) as well as Langfield-Smith (1997 and 2006) in particular provided contribution into that of contingency studies of Management Control Systems. However, and although these studies focus on decision rather than that of control (e.g. Zimmerman, 2011), they are generally reviewing contingencies for instance in relation to strategy and structure; i.e. organizational structure in general and not necessarily cost structure in particular

However, it should here be noted that some of the obstacles faced by the academic environment and organizations hence in turn maybe depicting both scholars' and practitioners' obstacles in for instance the general appreciation of the area seems at least partly to relate back to the vast varieties of definitions and perspectives on 'strategy' and 'management'.

Besides the obvious idea that this inevitably opens up for a range of interpretations and views on for instance the degree of possible planning (e.g. Lord, 1996; Tomkins and Carr, 1996; Cinquini and Tenucci, 2007), it could also have some inherently hitches and call for concerns regarding the applied methodology and in the empirical execution. This will also be addressed in Section 3 and for instance in close connectivity to, how the analytical elements are curbed and, how the social science theory of Sensemaking is applied and with which empirical research implications and implications as to the subsequent theorizing about the cost management practices.

Turning back to the brief introduction of Strategic Management Accounting Shank and Govindarajan suggested a definition of 'Strategic Cost Management' as *the managerial use of cost information explicitly directed at one or more of the four stages of strategic management*[32] (Shank and Govindarajan, 1993, p. 8). They advocated, along the lines of previous thoughts on the subject of Strategic Management Accounting, among others also the managerial need for a more external and proactive oriented perspective on cost management as well as a more significant contribution to strategic management; i.e. the strategic management processes explicitly stated in their conception of Strategic Cost Management. Supporting their stand they mobilized the key tenets of for instance value chain analysis beyond the formal organizational boundaries and the application of cost driver analysis. These key tenets will be examined more thoroughly in the next subsections as to their relevance in the research agenda.

Initially, it should though be observed that while a lot of research and conceptual developments within the realm of Strategic Cost Management build upon Shank and Govindarajan's work (e.g. 1993), Strategic Cost Management is, as it is the case with Strategic Management Accounting, not distinctively defined in literature. Yet, authors who have defined Strategic Cost Management otherwise largely follow the trail of Shank and Govindarajan.

This accounts for instance for Anderson (2007) and Anderson and Dekker (2009), who propose a definition of 'Strategic Cost Management' as the *'deliberate decision making aimed at aligning the firm's cost structure with its strategy and with managing the enactment of the strategy*[33]*'* (Anderson and Dekker, 2009a, p. 202). Although various meanings of the different definitions could be advocated, for instance in the comparison between the conception by Shank and Govindarajan (e.g. 1992 and 1993) and that of Anderson and Dekker (2009a), there are found clear linkages between the propositions provided by the mentioned authors. That is for instance the issue of organizational costs and cost management (in broad) linked to strategizing.

[32] By the four stages Shank and Govindarajan refer to various stages of the strategic management process, e.g. strategy formulation

[33] Anderson and Dekker (2009a) slightly rewrite the definition by Anderson (2007) as they write '*managing the enactment of the strategy*' Anderson and Dekker (2009a, p. 202) instead of '*optimizing enactment of the strategy*' Anderson (2007, p. 481)

I should however, and before the discussion on the themes of 'strategy' in a cost management context be noticed that neither did Shank and Govindarajan (e.g. 1993) nor did Anderson and Dekker (2009a) suggest that revenue can or should be disregarded.

On the contrary, Anderson and Dekker for instance inform that '*Clearly cost management is only part of long term profit maximization*' (Anderson and Dekker, 2009, p. 202) and continue that they '*acknowledge interdependencies between costs and revenues*' (also p. 202). It seems that this is probably overlooked by some researchers into the area.

However, the notion of 'strategy' is likewise within the area of Strategic Management Accounting similar to the opening up 'Pandora's Box'. Literature conveys varying perspectives and perceptions of 'strategy', 'strategic' and 'management' that inevitably provides the academic environment and practitioners within organizations with the possibility for a range of interpretations and views on the area Strategic Cost Management.

In the following subsections Strategic Cost Management will be related to the key tenets of 'strategy' and 'strategic management', 'costs' and 'cost drivers' as well as 'value chain', as this particular research approach take the position that Strategic Cost Management is research based on the mobilization of the three key tenets simultaneously and intertwined. These subsections will likewise the previous subsections convey the perceptions in terms of the theoretical domain and thus support the further mobilization within the empirical setting.

The key tenet of 'strategy' and 'strategic management' processes is addressed in subsection 2.3.2, while the perspective and mobilization of 'costs' and 'cost drivers' concepts is leveraged in subsection 2.3.3.

These subsections will not only inform the domain as such but also elevate and inform each other and in turn the third key tenet; i.e. that of value chain. The mobilization of value chain is enacted with a specific approach as to the empirical execution within the realm of organizational outsourcing and insourcing. The key tenets of strategy as well costs and cost drivers' theory will be incorporated in this context. Hence, this value chain configuration is seen in close proximity to that of cost understanding and cost management as well that of strategy. This is the content of subsection 2.4.

2.3.2 Strategic Cost Management and 'Strategic Management'

Some authors do emphasize the strategy pursued by the organization, while others emphasize the strategic management processes. Some authors do both in the conceptualization of Strategic Cost Management. By the 'strategy' some authors (e.g. Shank and Govindarajan, 1993) for instance incorporates thoughts on competitive strategies (e.g. Porter, 1985). However, other constructs are mobilized as well in research that mainly addresses specific costing approaches relating to a certain strategy. Some examples will be provided.

By 'strategic management processes' authors pay attention to the organizational strategic management processes and among other constitute Strategic Cost Management as a supportive 'tool'; that is supportive to strategic management processes and elements within these.

The latter is found for instance defined and constituted by elements such as strategic decision making and strategic analysis. This is often the case, when these are perceived and studied as an integrated part of an ongoing process, i.e. strategic management process. It is also found in the notion provided by for instance Anderson and Dekker (2009a) about the enactment of the strategy, where enactment here is perceived as ‘optimizing’ conception as the authors build on Anderson (2007). This recognizes that cost and cost management interplay and maybe interweave in the enactment of organizational strategy.

It is of course recognized that various interpretations as to the word of ‘enactment’ can be provided. However, in a sensemaking terminology, and as it will be shown in Section 3, enactment is primarily associated and mobilized as part of the ongoing Sensemaking process. This constitutes for instance, how environmental perceptions are continuously shaped and invented in an interplay between for instance organizational members, their actions and the environment, they face; thus portrayed in the reciprocity between action and context.

Hence, enactment becomes a construct that to a certain degree depicts at least one element within an organizing process; when organizational Sensemaking is confined as an ongoing process of ecological change – enactment – selection and retention (e.g. Weick et al, 2005).

The research implication of Anderson and Dekker’s (2009a) notion of enactment and that of sensemaking is that organizational strategy is dynamic in nature, or at least ought to be perceived so, and that studying cost management and, how cost management is strategically performed must embed an element of processes in temporal terms. In addition, it suggests that strategy as an enacted understanding could be conceptualized by the overall strategic intent that offers advice and inform as to the time perspective as well as the boundaries of the organization. This is perceived to be a staunchly development and deployment along the lines of the original suggestions by Shank and Govindarajan (e.g. 1992 and 1993) and in line with that of organizational sensemaking.

The understanding of strategic intent as a depiction of for instance enacted organizational boundaries based on that ‘Strategy’ or being ‘Strategic’ is depicted by actions, hence what organizations ‘do’ (e.g. Whittington, 2006) seems to bridge to the notion of cost management studied as organizing.

This understanding of the strategic intent will be elevated in this subsection, while the specific approach of exploring this within the empirical setting is conveyed in Section 3. This will also offer additional insights into the practical exploration of a strategy and a strategic management process. However, while the former, i.e. ‘strategy’, is depicted by strategic intent that materializes in directional actions based on enacted understanding, the latter, i.e. ‘strategic’ is perceived to be conceived within the notion of actions embedded in the organizational sensemaking process.

Whether a clear distinction between ‘strategy’ and being ‘strategic’ is fruitful in this research project will be discussed in the empirical context.

However it is no surprise that such a ‘strategy’-debate arises and maybe be a source of some confusion, as it was already – intentionally or unintentionally – started by Shank and Govindarajan (1992 and 1993) in their idea about ‘*Management Accounting being strategic*’ and turn coining the term Strategic Cost Management. They explicitly address different stages in the strategic management process and suggested application of cost management initiatives within organizations to support managerial activities in formulating strategies, communicating these strategies, developing and carrying out tactics to implement these strategies and fourthly to develop and implement controls to monitor the implementation and later success of the implemented strategies (conveyed by Shank and Govindarajan, 1993, p. 6).

In their conceptualization Shank and Govindarajan did beside the process conveyed above also suggest two key strategy themes relating to strategic position and strategic growth. The former is the considered, maybe chosen and in turn potentially implemented competitive strategy (e.g. Shank and Govindarajan, 1993, p. 17) within the organization. Here, they followed among other Porter’s delineation of basic strategic choices for organizations’ competitive strategies based on the strategic positioning of the organizations (e.g. Porter, 1980).

In addition, though the positional considerations are prominent in their contribution, they also introduced cost management in relation to growth strategies and connected that back to among others Ansoff (1965) as well as Buzzell and Wiersema (1981). The former is perhaps mostly known for his suggestions about corporate level growth strategies, while scholars perhaps mainly relate the latter authors to organizational growth strategies in certain market places for a certain business unit.

Hence, Shank and Govindarajan (1993) conveyed perspectives both as to the organizational ‘strategy’, i.e. in their suggestion about the aforementioned key strategy themes, and the ‘strategic management process’, i.e. in their definition, in that of conveying Management Accounting being or to become ‘Strategic’.

The same seems to account for Anderson and Dekker (2009a). It clearly relates directly to some of the scholarly explanations for the state of the field (e.g. Tomkins and Carr, 1996), which certainly ‘blame’ among others the many perspectives upon for instance ‘strategy’ and the corresponding obstacles regarding terminology and typology for the challenges in constituting and elevating the area.

This legacy is still prominent, and ought perhaps to advise about not only, what could be a ‘strategic object’, which certainly have some direct implications for the domain, but also about puzzling concerns regarding the undertaking of the research empirically. The reason is of course that an explicit single institutionalized notion of strategy is difficult to carve out objectively in the actual exploration in the empirical setting. This is enforced by the many definitions and perspectives on ‘strategy’ and ‘strategic management’, which is well-known to scholars.

As only a couple of examples of these somewhat diverse definitions conveyed in the strategy literature: '[Strategy is] *The means by which organizations achieve (and seek to achieve) their objectives and purpose'* (Thompson with Martin, 2005); '*its* [the organization's] *goal-oriented directions and actions'* (Coulter, 2005); '*its (the organization's) theory about how to gain competitive advantage'* (Barney and Hesterly, 2006); and '*the direction and scope of an organization over the long term'* (Johnson and Scholes, 1997).

Despite these varieties which, together with many more, are easily found in literature, there is within the more normative strategy texts and literature a degree of consensus about the notion that 'strategy' also embeds a kind '*mean(s) to ends*' reasoning (e.g. Thompson with Martin, 2005), which is chosen and maybe successfully implemented to achieve certain organizational objectives. This is observed, although the same literary area conveys the iterative and dynamic nature.

However, and maybe even more challenging in the case of research into Strategic Cost Management is the fact, that the term 'strategic management' is not distinctively perceived and defined in literature.

Several authors within the realm of Strategic Cost Management take the position that 'strategic management' can be conceptualized, as what could be perceived as a more or less linear process, where the strategic management process is in such cases structured in three, four or even more well-defined stages. Shank and Govindarajan (1993) among several others seem to be somewhat inspired by this perspective.

Anderson and Dekker (2009a, p. 202) advocate a definition of the construct '*as deliberate decision making aimed at aligning the firm's cost structure with its strategy and with managing the enactment of the strategy'* (Anderson and Dekker, 2009, p. 202). This does perhaps imply a degree of rationality and a 'best fit' in the alignment of the cost structure with organizational strategy. They do however also posit a degree of dynamism and not necessarily and inferred linear means-to-end reasoning.

Many general strategy textbooks are structured in a way that by large follows such rather linear understanding. Although that might be intentional to ease the grasp of concepts, yet, strategy literature and research increasingly convey the message that 'strategic management' and 'the strategic management process' neither can nor should be conceptualized and understood solely as a rational and prescriptive planning process. The opposite view seems rather to be the prevailing one.

Authors on strategy among other stress the need for a more *'balanced view'* (e.g. Mintzberg et al, 1998). Mintzberg et al (1998) for instance emphasize the degree of emergent strategy opposed to for instance the planning approach and touch upon the irrational aspects or maybe depicting bounded rationality within organizations and its strategic leadership. It is conveyed that a balanced survey of the field reveals controversies and contradictions (Mintzberg et al, 1998) and that a traditional portray of the strategic management process in discrete phases '*is a misconception that heavily influences teaching, consulting and organizational practices*' (Mintzberg et al, 1998, p. 19).

The perspectives on strategic management are not isolated to a reflection on the degree of balance between a planned and emergent strategy formation process within organizations. Other 'schools of thought' are prominent, where just as an example 'organizational learning' emphasizes a more incremental approach to strategizing. This 'school' is quite often positioned and discussed 'against' the design approach, which accentuates managerial effort and importance in predicting and designing[34]. Those perspectives very much relate back to an emergent line of thoughts 'versus' a planning approach, whereas the latter could maybe be inferred in the contributions of some of the aforementioned scholarly contributors to Strategic Cost Management.

Of course other perspectives are found (e.g. 'the positioning school' advocated by Porter, e.g. 1985). However, and in terms of Strategic Cost Management and the mobilization of the construct in this research's empirical setting, it would maybe question the notion of design of for instance the cost structure. The research implication is that the empirical probing should not on beforehand take a certain a priori claimed taxonomical approach to for instance 'strategy'.

It is not meant as questioning the efforts to deliberate 'design' the cost structure and organizations' urge to do so. What is merely suggested is that in terms of a theory informed approach, it could be questioned not only to what extend organizations seem to plan a design of a cost structure, but also what cost management cues that actually enact for instance a certain cost structural design and in turn organizations' strategy and interweave in the strategic cost management processes.

In line with that, the content, nature, balance and approach within organizations have been extensively discussed and research (e.g. Carr et al, 2004; Burnes, 2004), and it is of course no surprise that researchers have not found a single and distinct approach to strategic management within organizations. Authors suggest that it is rather a balance (or blend) between the different approaches, and that the efficiency and effectiveness is determined among others by different organizational contexts, organizational cultures, organizational structures and management styles (e.g. Gibbons and O'Connor, 2005). Gibbons and O'Connor (2005) for instance suggested a correlation between organizational structure and the approach to strategic management.

At this stage it should be conveyed that this research is neither about 'right or wrong' approaches to 'strategy', 'strategy formation' and 'strategic management processes' for instance in terms of efficiency of a primarily formal planning approach versus a more incremental, emergent approach to strategy formation. Nor is this research about types of strategies for organizational growth and positioning, where a lot of authors likewise have contributed to various distinct natures and types; often within the precincts of a quantitative approach.

[34] Increasingly the term 'school' is used to capture the various views on strategic management; e.g. 'the planning school' stressing strategic formation as a formal process, 'the learning school' conveying the idea of emergent strategy formation; 'the positioning school' arguing that strategy is about obtaining a favorable and sustainable strategic position and that strategy formation is an analytical process; and 'the environmental school' which claims that strategy formation should also be viewed as a reactive process.

However, if it is acknowledged that there is vast diversity and blend of approaches to strategy and strategic management within organizations, it could be argued that this in itself would be reflected in various approaches to Strategic Cost Management and in the perceived management practices in that respect. In addition it would also likely be found depicted in scholarly struggles associated with the elevation of research contribution, if notions and conceptions are not transferable between research efforts and findings due for instance to these differences in terminology and typology.

A suggestable proposition could be, that the organizations' approaches to Strategic Cost Management, in their conception deduced by the for instance the key tenets of the construct, could maybe be a mirror or at least an indicator of the pursued 'strategies' and the organizational approaches to strategic management and/or – building on for instance Shank and Govindarajan (1992 and 1993) – ideally aligned to support for instance the strategic management processes with organizations.

The 'reverse' suggestions, equally likely, could be that various approaches to Strategic Cost Management, as perceived recognized and applied with organizations, could implicitly maybe portray various organizational 'strategies' and organizational approaches to 'strategic management'.

Though at this stage, and perhaps somewhat more speculative, a more radical suggestion could be that Strategic Cost Management approaches could 'steer' 'strategies' and 'strategic management processes' within companies and maybe, which would be even more controversial, without management acknowledging hitches and drawbacks in that respect.

A further investigation into the realm of cost and cost management related to the empirical setting could perhaps contribute to such understanding. It depends of course on the mobilization of for instance cost theoretical informed research. This will be addressed in the next subsection 2.3.3.

Whether the above might be the case or not, the many perspectives on 'strategy' and 'strategic management processes' open up for a variety of interpretations, and this is maybe a key root cause for confusion as to the conceptual clarity as conveyed by several authors.

This reveals a kind of dilemma, as the before mentioned and mobilized scholars suggest the mobilization of strategy in broad in the research efforts. Van Cauwenbergh et al (1996) actually 'warn' about the difficulties of researching into effect and values of the topic[35] in isolation from a more complete understanding of for instance organizational strategies and strategic management processes.

The research implication is that strategy and strategic management processes will be mobilized in accordance with the before mentioned consideration.

[35] Van Cauwenbergh et al (1996) research into Strategic Management Accounting but as already mentioned, the concepts of Strategic Cost Management and Strategic Management Accounting are often used interchangeable and that is mostly the case, when the research object addresses costs and cost issues or Management Accounting praxis and practices in broad

However, it seems recommendable that the approach in the empirical setting will not carry forward strives to filter and confine the case organizations based on strategy along taxonomical lines of the multiple constructs and their potential source of confusion. Instead this will be understood in proximity to that of value chain analysis and the elevation of cost theory with an approach to coin an empirical setting, where cost management in association to value chain configuration would imply the notion of a strategic decision and the organizational practices.

This means that ‘Strategy’ or being ‘Strategic’, as mentioned, is depicted by actions, hence what organizations do (e.g. Whittington, 2006) and that this understanding of strategy as practice and praxis bridges to the notion of cost management studied as organizing. In line with the mobilization of Sensemaking (e.g. Weick, 1995 and 2001) the common denominator is the enacted understanding of the strategic intent depicted by actions.

Literature, however, suggests various definitions as to the strategic intent. Where strategic intent, in the perspective of some authors directs attention to aims and offset, which is often supported by the creation of ‘*congruence*’ between the environment, hence key success factors, the organizational resources, hence the core competences, and the organizational values, hence pointing towards leadership and values (e.g. Thompson et al, 2014).

The term ‘strategic intent’ was originally coined by Hamel and Prahalad (1989), who suggested that ‘strategic intent’ is a proactive mode in strategizing and a symbol of the organization’s will about the future that energizes all organizational levels for a collective purpose. This ‘will’, despite the objectives and perceived adjustments as to achieve for instance congruence (e.g. Thompson et al, 2014), indicates directional perspectives over time and embed organizational boundaries as for instance to which core competence (e.g. Prahalad and Hamel, 1990). This should for instance be reflected in the organizations throughout the value creation process.

Thus, it is suggested in this research that instead of pursuing the identification of for instance a particular strategy as it might be depicted and taxonomically labelled within literature, and might be a source of academia’s puzzle, rather the research proposition is to mobilize the notion of ‘strategic intent’. This relates for instance to core competences within the value chain and connects to that of not only value chain analysis and alterations of it, but also to that of strategy as practice and praxis (e.g. Whittington, 2006), hence the actual actions. While the latter confines with the narrative mode of conveying and emplotment as the precept of theorizing, and likewise the enactment of the organizational understanding, in light of the mobilization of Sensemaking theory, the former theme of time and boundaries, conveyed among others in subsection 2.2, associated with value chain considerations could be correlated with the strategic intent and perception of the organization.

This also emphasizes that the understanding of enactment acknowledge dynamics and change of strategic intent in spatial terms, which could likely interweave with the value chain decision and become altered reasons behind these outsourcing and insourcing decisions. This is in line with the contemporary thought that multiple reasons can intertwine as it will be seen in subsection 2.4.

The next subsection will constitute the domain with a cost perspective.

This subsection 2.3.3 will not only address costs as for instance captured in cost driver literature and cost approaches; though these are included. The subsection will also draw attention to the underlying notions of the cost construct within for instance the realm of Economics.

2.3.3 Strategic Cost Management and 'Costs'

Along with the key theme of organizational strategy (e.g. strategic positioning) as well as that of strategic management processes Shank and Govindarajan (e.g. 1993) conceptualized their proposition of Strategic Cost Management with the support from two additional key themes; namely value chain analysis and cost driver analysis.

Hence, they are as conveyed treated and mobilized intertwined in this particular research effort that builds on the notion for instance by Ellram and Stanley (2008), who propose that '*A given cost management practice is considered an instance of strategic cost management when it simultaneously considers the firm's strategic objective, cost and value implication, both within the firm and the supply chain*' (Ellram and Stanley, 2008, p. 182).

This is in a straight line from earlier contributions (e.g. Shank and Govindarajan, 1992 and 1993) and clearly similar the notions provided by Anderson and Dekker (2009ab). It is among others advocated that an understanding of the value chain and the contribution from value chain analysis beyond the organizational boundaries is valuable in organizational cost management.

A key notion is here that in the application of such perspectives and subsequent analysis management has to extend their view beyond the formal boundaries of the organizations. Hence, it incorporates a perspective of the whole supply chain upstream as well as downstream; namely the value network (e.g. Johnson et al, 2005) and beyond the boundaries within the existing value chain in for instance a make-or-buy perspective.

This was carried forward in close proximity to the key advices about the external oriented approach to gain cost insight as outlined in subsection 2.2, which obviously has such a central part in the conception of both the Strategic Cost Management and the Strategic Management Accounting dominions.

Shank and Govindarajan's (e.g. 1992 and 1993) propositions about value chain configuration and value analysis was strongly underpinned and intertwined by the idea of cost positions. This encompasses for instance the organizational abilities to achieve comparative cost advantages by focusing not only on internal configuration in the optimization of the operation but also by addressing cost efficiency upstream with a leveraged integration between the organization and the suppliers in the supply chain system.

The same is of course also argued in terms of downstream provisions towards users of the products or services provided by the organizations.

This may of course sound as obvious to scholars within Supply Chain Management as well as within contemporary Management Accounting environments, maybe even as a quite commonplace message. It seems, however, less obvious, how that might be understood in a Strategic Cost Management perspective.

One way to address such and analysis is according to Shank and Govindarajan (e.g. 1993) closely interrelated with the key tenet of cost driver understanding and analysis, where a cost driver can be defined as a concept '*that measure of physical activity most highly associated with variations in cost*' (Zimmerman, 2011, p. 33). Though, stated slightly different, others scholars suggest similar definitions as to the driver of costs. Another example is that cost driver is '*a variable, such as the level of activity or volume, that causally affects costs over a given time span*' (Horngren et al, 2015, p. 56); thus any factor that affects organizational costs.

It is no attempt to in any way belittle the other important issues and themes in Shank and Govindarajan's work (e.g. 1993), and the concept's three key tenets are to be simultaneously mobilized. However, it could be argued that the fundamental issue to some extend is the organizations' cost drivers in a Strategic Cost Management perspective; hence in turn the organizations' ability to understand and manage cost drivers.

Several of the previously mentioned scholars suggest as to the state-of-the-field that apart from the immense interpretations of 'strategy' and 'management', the academic puzzles seem to relate to the cost driver debates, the notions of various costing tools and techniques and the managerial strive coined more generally by cost management practice as explanatory aspects.

The academic dialogue regarding cost drivers is not in any way new; neither in a broad perspective for instance within the realm of Management Accounting nor within the realm of Strategic Cost Management, where scholars as the aforementioned (e.g. Zimmerman, 2011) have contributed to various perspectives on cost drivers.

Some authors often signal statements such as '*a single cost driver pervades literature – cost is a function of volume*' (Kumar and Shafabi, 2011, p. 125). This might be inspired for instance by Shank and Govindarajan's view with reference perhaps to Economics that '*Cost is primarily a function of output volume*' in Management Accounting paradigm. That is in their view opposed to the Strategic Cost Management Paradigm in their conception (1993, table, p. 27), where they label the Management Accounting perspective as a 'traditional view'.

These propositions are heavily informed by Economics and could probably be perceived if not a demeaning of Management Accounting and Economics in a more general contemporary Management Accounting and Economics view; then perhaps a simplified and quite 'illuminative contrast' to more contemporary cost driver approaches.

The idea that cost for instance is not only a function of output, hence volume or similar is not the only measure, if the central measure at all, was already advocated in prior works (e.g. Cooper and Kaplan, 1987). They for instance offered the notion that diversity in product lines and complexity in production processes were driving costs in addition to volume.

The close proximity to for instance activity-based costing is noticeable, and studies that conceptualize Strategic Cost Management have had a key focus on various costing tools and specific techniques. This is not in any way surprising, as Shank and Govindarajan (1993) explicitly mobilized the notion of activity-based costing, which can be seen in close proximity of the construct of absorption costing (e.g. Zimmerman, 201, p. 506). The approach of that of for instance activity-based costing explicitly applies the notion of cost drivers. However, this is not necessarily in the same sense and not necessarily with the same definition as the cost driver terminology, and scholarly awareness, is perceived across various literary realms; e.g. strategy literature.

Hence, within the realm of Strategic Cost Management, and likewise within Strategic Management Accounting, more contemporary approaches to the elevation of cost driver knowledge and application suggest a much wider understanding with multiple suggestions. That also 'activates' the issues of time and time horizons more concrete in a cost management practice context.

Literature generally accepts the conception of cost driver analysis to support Strategic Cost Management, but authors also, and despite, the suggestion by Shank and Govindarajan (1993) report lack of research into the area in general (e.g. Oldman and Tomkins, 1999; Bhimani and Langfield-Smith, 2007; Anderson, 2007; Tillmann and Goddard, 2008; Anderson and Dekker, 2009ab).

Some authors explicitly draw our attention to research gaps specifically regarding the concept of '*structural cost management'* in relation to strategic management (e.g. Anderson and Dekker, 2009a) and in turn inferred research gaps into the understanding of the structural cost drivers as supportive for Strategic Cost Management[36].

Anderson and Dekker (2009a) in fact report the aforementioned disproportionate research attention to *executional cost management*, where executional cost management is defined as cost management efforts aimed at measuring, monitoring and improving performance for a *given* strategy and *given* organizational processes, i.e. a given value chain and value network configuration. Hence, it implies for instance deployment of cost measurements as well as costing techniques and analysis tools for performance assessment and periodic considerations regarding the sustainability of the strategy (e.g. Andersen and Dekker, 2009ab).

Structural cost management on the other hand employs tools of organizational design and process design to create a cost structure that is coherent with the strategy and relates to choices among *different* cost structures (e.g. Andersen and Dekker, 2009a). Anderson (2007) earlier promoted the same message and labels '*structural cost management*' as '*activities aimed at changing the firm's cost structure*' (Anderson, 2007, p. 484) and adds to Shank and Govindarajan's contribution (1993) by suggesting that the causes of cost on a structural level '*are determined by organizational structure and by investment decisions that define the operating leverage of the firm*' (Anderson, 2007, p. 484).

[36] The research into structural cost drivers is in this particular sentence related to Strategic Cost Management, which Structural Cost Management forms part of

The same message is advocated by Anderson and Dekker (2009a), where the operating leverage can be defined '*as the ratio of fixed costs to total costs*'[37] (Zimmerman, 2011, p. 689).

This obviously again reminds readers about the importance of cost driver analysis and understanding. However, is might perhaps also relate to the distinction between information for decision and control within the realm of Management Accounting.

The proposed lack in Management Accounting's attention to structural cost management (e.g. Anderson and Dekker, 2009a) and in turn also structural cost drivers associated and connected to organizational structures seems striking. Shank and Govindarajan (1992 and 1993) already two decades ago signaled structural cost drivers as the '*playing field*' (expression borrowed from Anderson and Dekker, 2009a) for Strategic Cost Management and directed academia's attention with regard to cost drivers in general to that of Shank and Govindarajan's (e.g. 1993) original conception. This is that '*in a strategic sense, it is more useful to explain cost positions in terms of the structural choices and executional skills that shape the firm's competitive position*' (Shank and Govindarajan, 1993, p. 23).

However, it could maybe be argued that the ambiguity but also the opportunities for research into structural cost management caused maybe by a disproportionate attention to executional cost management issues could be a mirror of practical organizational challenges and recognition of a 'gap' in terms of for instance structural cost management practice within the realm of Strategic Cost Management.

The potential within structural cost management research and contribution are also clearly advocated by for instance Anderson (2007), who directs attention to the opportunity to strengthen research around the '*complex economic and social forces governing the practice of structural cost management rather than a narrow group of executional cost management tools*' (Anderson, 2007, p. 483). This seems not only a comment to the disparate attention to executional cost management. Likewise, it entails, if not a critique of prior research approaches, then a perspective for coming research. This is obviously relevant both from an academic and practical standpoint, but it would for instance require a more thorough consideration of, how to methodically address that not least because of the diverse and differing conceptions of the area.

With regard to cost drivers Shank and Govindarajan (1993) suggest scale, scope, experience, technology and complexity as structural cost drivers, whereas for instance the scale of the operation in their conception closely relates to structural decisions; and mainly those of horizontal integration. Scope associates to the degree of vertical integration upstream and downstream in the value network, while complexity comprises the wideness of the product range and service offerings to customers (e.g. Shank and Govindarajan, 1993, p. 21).

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[37] Literature within Management Accounting and Economics also defines operating leverage as the ratio between fixed costs and variable costs. This does of course make a difference in terms of calculus as the ratio then can be above 1. However, the fundamental interpretation is unchanged, whether operating leverage is defined as the ratio between fixed costs and total costs or between fixed cost and variable costs, as total costs in this operating leverage construct is equal to fixed costs plus variable costs

Experience and technology relates according to Shank and Govindarajan’s conception (e.g. 1993) to the degree of newness to the organization and the mobilization of process technologies respectively.

Likewise, Shank and Govindarajan (1993) classified capacity utilization, work force involvement, product configuration, exploitation of linkages with suppliers and quality management as executional cost drivers, which would be a managerial focus, when a structural related organizational choice about for instance scale of the operation had been made. Thus, the structural decisions define the executional themes and confine the executional maneuverability.

This argument appears at least based partly on Strategy literature and partly on Economics literature. Shank and Govindarajan (1993) also point out that the area of structural cost drivers mainly has been discussed by strategists and economists, and inferred not by Management Accounting, and especially that of cost drivers such as scale, scope and experience.

This is in line with more recent findings (e.g. Anderson 2007; Anderson and Dekker, 2009a). They build among others on the work of Bromwich and Bhimani (1989) and advocate Management Accounting’s lack of research into structural cost management. They state that this is a possible explanation for the lack of a more coherent Strategic Cost Management framework underpinned by a disproportionate attention to partial issues.

‘Partial issues’ is here for instance various costing tools and techniques, which indeed have huge relevance, This has been research substantially more under the heading Management Accounting, than it is the case for more structural related issues and practices. There is perhaps an implicit parallel to the notion of management control rather the relating to management decision (e.g. Zimmerman, 2011). However, this would be unwarranted to claim, as this would suggest that executional cost management techniques and tools could not imply decisions.

It is in relation to that argued that tools for leveraged understanding of Strategic Cost Management could be found from studies in other management fields, e.g. research within Economics and Strategy, when the subject of structural cost management is discussed and investigated. This is very much in line with Shank and Govindarajan’s suggestions (e.g. 1993).

However, it is also claimed by Anderson and Dekker (2009a) that these studies (e.g. within the fields of for instance Strategy, Economics and Supply Chain Management) are developed with meaningful, yet other purposes and currently not linked to support further development within Strategic Cost Management specifically.

This is a fairly strong claim by Anderson and Dekker (2009a), but it might be that they ‘just’ in general suggest that Management Accounting research could increasingly benefit from bringing to other management disciplines. This signals that it could be worthwhile to acknowledge a possible potential of a more peripheral interdisciplinary view when the domain is constituted in close proximity to the particular research agenda and question develop in combination with the elevation of research methodology.

This is by no means a question of broadening a domain, rather it is an attempt to do exactly the opposite in the sense, relevant issues and propositions ‘outside’ the realm of Strategic Cost Management could be fruitful in for instance the conceptualization and the understanding of for instance potential limitations and research approaches.

When the issues of time and longer time horizons are mobilized, it brings another perspective in close connectivity to the structural cost management issues depicted for instance by organizational attention to the management of the organizations’ structural cost drivers.

The structural issues such as maybe even significant changes in scope, scale, fundamental process and products involve managerial obligations with a relatively long time horizon compared to the executional management issues. In addition it should be recalled that strategic concerns per se do embed a somewhat longer time perspective relative to tactical and operational concerns as commented earlier.

So, even though, it is argued that one way of connecting structural and executional cost management is through improvement activities, as executional cost management can be a catalyst for the reengineering and creation of different costs structures (e.g. Tomkins and Carr, 1996; Anderson and Dekker, 2009b), a disproportionate attention to executional issues still only provides ‘half the picture’ as to the enactment of the organizational cost structure.

Strategy literature also suggests various cost drivers.

Repeatedly the importance and ideas of cost drivers are linked to discussions around organizational resources and associated with discussions of value chain(s) and efficiency (e.g. Johnson and Scholes, 1997; Thompson with Martin, 2005) as well as that of organizational configuration. This is also addressed in more contemporary text books within Management Accounting (e.g. Zimmerman, 2011). These former contributions (e.g. Johnson and Scholes, 1997; Thompson with Martin, 2005) are only a fraction of examples from the vast literature on strategic management supported by management accounting literature.

In general and apart from the predominant link to value chain discussions the more general strategy text books, however, are in case of cost drivers characterized primarily by presenting ‘normative lists’ of cost drivers with no direct reference to Management Accounting and in turn Strategic Cost Management in this realm.

Nevertheless, these appearances of cost drivers in strategy texts and research contributions somewhat resemble Shank and Govindarajan’s proposition, though other cost drivers are included over time and could be perceived as structural or executional cost drivers in Strategic Cost Management terms.

The resemblance is not in any way surprising, as the idea of cost driver considerations under the ‘umbrella’ of Strategic Cost Management seems to steam from the same sources (e.g. Porter, 1985 and Riley, 1987), which are often associated with ‘strategy’ rather than Management Accounting.

However, not all strategy authors and researchers pay explicit attention to the distinction between structural and executional cost drivers and the associated cost management contemplations. In fact it rather seems that only few do that, and authors often blend the various cost drivers with no explicit distinction and explanation in the more comprehensive strategy text books. The same seems to partly account for various contributions within Management Accounting, where authors that are inspired by value chain configuration sometimes even connect the conception of cost drivers to various business functions. That is for instance the case with some of the aforementioned contributors and in Horngren et al (2015) who in an earlier contribution elevated cost drivers to business functions such as production (i.e. Horngren et al, 1997).

This is a paradox in the sense that for instance Shank and Govindarajan (1993) promoted the idea that strategic management literature has developed better cost driver propositions [that is better compared with management accounting literature] and pointed for instance to Riley's work (Riley, 1987).

However, it is not found useful to suggest an exhaustive list of structural cost drivers and executional cost drivers to more clearly define and frame the research based on a combination of various fields' contribution. Such a list would be arbitrary, and cost drivers are per se specific organizational wise.

Instead it is proposed that strategy literature and research might contribute to research into Strategic Cost Management with emphasis on accomplishing for instance the before mentioned challenging issues of terminology and typology as well as in the elevation of the issues of for instance structural cost drivers and structural cost management. The research implication is that in researching top management's enactment of the organizational cost structure in value chain configuration, the general mobilization of Shank and Govindarajan's (1993) conception can be applicable, though on beforehand there should be not necessarily assumed a perceived distinction by practitioners between structural and executional cost management issues and the subsequent cost drivers.

Economics is another example of incorporating thoughts from other fields, which is suggested not only by Andersen and Dekker (2009ab) but also by several other scholars, which can directly support thinking on for instance structural cost management, structural cost drivers and in turn maybe more thoroughly constitute the field of interest and research in the empirical domain.

Hence, another way to think about the domain of structural cost management is according to Anderson and Dekker (2009a), who mobilize among other Tomkins and Carr (1996), that structural cost drivers reflect the organizational structure, the investment decisions and the operating leverage of the firm. They suggest that structural cost management may be conceived as '*the choice between alternative production functions that use different inputs or combinations hereof to meet a particular market demand*' (Anderson and Dekker, 2009a, p. 202). 'Contrary' executional cost management and the subsequent management of the executional cost drivers is along this vein concerned with whether the organization is on the '*efficient frontier*' for a given production function within the organization (Anderson and Dekker, 2009a, p. 202).

Although the authors do not explicitly state the inspirational sources in connection hereto, this proposition is profoundly inspired by the ‘Economists’ way’ and in particular that of microeconomics’ contribution to production theory and production economics; i.e. costs.

Within Economics’ production theory and cost theory the ‘long run’, as a time horizon, is defined as the time period when all inputs are variable (e.g. Pindyck and Rubinfeld, 2005; Salvatore, 2007, Hirschey and Bentzen, 2014), whereas in the ‘short run’ at least one of the input variables is fixed, and not depended on the level of output; thus a period that examines both variable and fixed costs.

However, when Strategic Cost Management research addresses structural cost management from the ‘Economists’ perspective’, it is somewhat ambiguous whether the explorations into the field actually refer to fundamental difference between ‘short run’ and ‘long run’ as defined in the realm of Economics; thus within production theory and production economics and in turn theories of costs. Economics literature in broad quite often refers to the ‘long run’ as the (strategic) planning horizon, in which all costs per se are considered ‘*variable costs*’, and the ‘short run’ as the period in which organizations operate. This indicates a direct equivalence to discussions on structural as well as executional cost management (and drivers), which seems quite flattering, maybe even apparent. It requires however a cautious approach.

The reason being, that the border between structural and executional issues is perhaps not as clear within Management Accounting, as it is the case within Economics[38] in Anderson and Dekker’s application (2009ab). It could seem that they equate the economists’ notion of ‘long run’ with that of structural implications. It is observed that this, surprisingly enough, is not a puzzling issue in literature and research contributions in the realm of Strategic Cost Management.

On the other hand, the idea that Economics can contribute to understanding of fundamental cost behavior, illuminate and elevate the time perspective, suggest thoughts on reversibility and can classify types of costs, seems justified. It should, however, also be conveyed that Anderson and Dekker (2009a) also relate this to ‘*organizational structure, the investment decisions and the operating leverage of the firm*’ (Anderson and Dekker; 2009a, p. 202), and in an economist’s perspective neither investment appraisals nor operating leverage refer to a situation, where all organizational input variables are literally variable per se. Hence, it clearly suggests that the notion of structural cost management relates to a ‘modified version’ of that of Economics’ notion of ‘long run’ as it is defined within production theory and production economics; i.e. the costs incurred.

The research and domain-related implication is to mobilize these constructs and conceptions in a structural cost management situation, empirically defined, which changes operating leverage. Thus, it embeds a certain notion of a time perspective, where for instance investment decisions alter the cost structure and the operating leverage.

[38] The distinction between short-run and long-run is distinctively defined within Economics and constituted clearly by production theory and in turn the economics of production; that is the incurred costs. While the distinction is precise and configured by the time horizon that enables the change of all input variables, production and in turn incurred costs in short-run is not a single constant as a function of time. The reason being that with an increase in the time horizon more and more input variables all things equal become changeable, but in the perspective of the definitions applied within production theory and in turn production economics, organizations are per se still operating on the short-run

This does not necessarily suggest that organizations in practice make the distinction in the decision making approach. Neither can it be claimed that such a distinction is tenable in the sense that a decision might arguably imply and be justified as a cost structural change in the organization, but the structural and executional themes could very well interplay in the decision.

Hence, the executional and structural cost drivers are in such a perspective perhaps a priori intertwined in the decision making process.

In addition, it might arguably be the case that even though a decision with a justifiable cost structural implication was, hypothetically, underpinned solely by structural cost information, also in an Economics' terminology, such a structural change embeds per se executional implications as the structural choice defines and encircles executional maneuverability. This not only embedded in the economists' view but also in the view of strategist and within supply chain management. In addition, equally important, such structural changes could also be imposed or at least be invoked by executional cost management issues. Anderson and Dekker (2009a), for instance, suggest that. The potential interplay seems, however, not prominent within research in Strategic Cost Management literature, though it is somewhat apparent based on an economist's interpretation.

It is, however, maybe even more unexpected to observe that even though cost drivers are prominent and as demonstrated take up a focal position within the cost management literature, not least that of Strategic Cost Management as it is situated within Management Accounting research seems to neglect the underlying understanding and conceptualization of costs as such; or maybe just consider it apparent and commonplace. This is seen even though various perspectives on cost drivers are applied within these realms, and even though several of the before mentioned costing approaches, e.g. target costing, activity-based costing in the realm of absorption costing, value chain costing, attribute costing, have been mobilized in the scholarly elevation of Strategic Cost Management,.

The key literary observation is here also that although academia likely would agree that cost incurred relates explicitly to the input variables that are consumed in the provision of a product or service despite for instance scale, scope, quality and alike, only limited attention has been given implicit costs; hence to the concept of 'opportunity costs'.

Opportunity costs can be defined for instance as '*the receipts from the next most valuable forgone alternative when making a decision or choice among many options*' (Zimmerman, 2011). This definition, however, impose the 'next most valuable forgone alternative', which could suggest or maybe understood, as if the decision and actual choice for instance between cost structures was the rational one; a rational choice approach, based on a pure costing and cost economic sense. This is not necessarily the case for three reasons.

Other issues than these of perceived explicit costs are or could be incorporated as well as valued and balanced against/or together with the costs during the decision process. That is for instance another strategic concern within the organization. Secondly, it might imply that all opportunities are evaluated. This is in practice probably neither the case.

In relation to both issues, Zimmerman actually informs that opportunity costs are forward looking and require the organizational recognition of the alternative actions, which '*comprise the opportunity set*' (Zimmerman, 2011, p. 23).

Hence, it relates explicitly to that of a choice, maybe even a strategic choice, and enforces the understanding that cost management in this perspective is not about cost understanding but also the intertwined forward looking aspects.

In relation to that of a rational choice building a probably more confining definition situated within Economics is for instance that '*opportunity costs is the foregone value associated with the current rather than the next-best use of an asset*' (Hirschey and Bentzen, 2014, p. 290), which implies that cost is determined by the highest-value opportunity that must be turned down to allow current use.

This means that decision making must include not only expected 'out-of-the-pocket' expenditures (the assumed explicit costs to be incurred), but likewise the notion of implicit costs, which are often overlook in the decision process. Literature for instances suggest '*the implicit costs, as such do not involve, or are not assumed to involve, cash expenditure*' (Hirschey and Bentzen, 2014, p. 291).

The opportunity costs concept is not prominent in Strategic Cost Management literature, though actually touched upon by Anderson and Dekker (2009a) and their supporting research efforts. It is also somewhat surprising in the sense that the conveyed simultaneously application of the key tenets of Strategic Cost Management, namely value chain analysis, strategy formation as well as cost and cost driver analysis, advocates the intertwined research approach as well as the use of cost information in decision making associated with for instance the design and choice between cost structures (e.g. Anderson and Dekker, 2009a).

This will inevitably suggest evaluation of opportunities and in turn tradeoffs regardless of the concrete spatial setting and the perspective beyond the boundaries. Hence, it has an observable correlation and interconnectivity of that of opportunity sets and opportunity costs.

In sum, it might be justified that not only is the notion of opportunity costs relevant in the exploration of cost structural issues, as it clearly relates to organizational choices and the associated tradeoffs as such choices imply opportunity costs. It is also relevant to examine the understanding in the empirical setting and in this context relate the notion of 'foregone value' to organizational strategy and the intertwined value chain considerations.

The research implication is that in the empirical setting and in terms of the notion of cost and cost driver, the concept of Strategic Cost Management is mobilized with a central point of interest as to a structural cost management decisional context. However, it should be recalled that it is not the decision as such in a specific spatial setting, which will have the prime explorative emphasis. It is rather the organizational processes and practices.

In addition, there is no preconception that the cost structural implications can be carved out from the executional dimensions in both spatial terms and in the organizational understanding of particular cost drivers, although a sought empirical setting is organizations that have claimed cost structural changes. This empirical setting is not pursued in the micro economists' perspective, as it is depicted with production theory but within that of investment theory and appraisals (e.g. Carr and Tomkins' work on strategic investment decisions, 1996), which would arguably have a strategic implication as it relates to for instance operating leverage in the empirical setting.

This does not neglect the economists' view upon for instance production theory, as investment theory as such steams from this realm as well. However, it is merely suggested that structural cost implications can be justified based on an analytical object, which does not encompass the change of all input variables in a long-run production theory based understanding. It is rather suggested that the empirical environment should be depict in changes in operating leverage and encompass an investment decision, which involves the notion of time and in an empirical setting, where the analytical element involves altered boundaries.

The excavation of various costing approaches is pursued in the empirical setting. This is by large to illuminate the variety of potential cost drivers and to understand, which costs are actually incorporated and with which representations, how they are retrieved and perceived for instance in terms variability, sensitivity and the associated risk, in for instance a specific cost structural decision.

It will be demonstrated that this is closely interrelated with and explorative understanding of costs related to themes of transaction cost theory and economics (e.g. Williamson, 1979; Zimmerman, 2011). However, it is also observed that within literature other costing approaches, e.g. total cost of ownership and standard costing (e.g. Zimmerman, 2011), obviously, might be deployed in organizations in juxtaposition or alternatives to the previously mentioned costing approaches; e.g. target costing.

However, this will be partly incorporated in relation to the key tenet of value chain analysis in the next subsection 2.4 and in a perspective across organizational boundaries together with the non-theoretical construct of 'hidden costs', where research also illuminates transaction costs in relation to value chain configuration and analysis.

The reason being the scholars have also mobilized for instance transaction cost theory to understand for instance reasons behind for instance outsourcing decisions and the subsequent effects of the decisions. Likewise, that concept of for instance core competences as suggested in the previous subsection 2.3.2 is used as an explanatory concepts to understand the organizational decisions to for instance insource previously outsourced activities and processes in the value chain.

The specific empirical setting is as previously conveyed among others confined by that of organizational outsourcing and insourcing events and actions.

This is found useful not only as it constitutes all the three key tenets simultaneously. It can theoretical justify a composition of an empirical setting that will serve as an exploratory domain.

This means that the notion of Strategic Cost Management will be explored in this context, and strategy as well as cost notions will be integrated in the elevation of the reasons behind outsourcing and insourcing events and actions in the next Section 2.4.

2.4 Strategic Cost Management, value chain analysis as well as organizational outsourcing and insourcing

This section presents contemporary research regarding for instance organizational outsourcing and offshoring activities and decisions (e.g. Kakabadse and Kakabadse, 2002; Johnson et al, 2005; Olsen, 2006; Jahns et al, 2006; Kinkel and Maloca, 2009; Drauz, 2013) with a main focus on research into the motives behind these decisions in various settings.

The elevation of this area will constitute the mobilization of the third key tenet of Strategic Cost Management. That is value chain analysis beyond the boundaries of the existing organizational value chain. The notions of strategy and cost in broad are explicated and thus perceived intertwined in relation to configuration and design (e.g. Ellram and Stanley, 2008; Anderson and Dekker, 2009a).

Prior to an elevation of for instance cost and other strategic reasons underlying organizational value chain alteration thus mobilizing all three key tenets, it is though necessary to constitute events and in turn the actions in relation to organizational decisions regarding value chains and value networks.

This is conveyed in subsection 2.4.1.

2.4.1 Value chain and organizational outsourcing, insourcing, offshoring and backshoring

The area of for instance organizations' outsourcing and insourcing activities is as such well-anchored and prominent within among others strategy and supply chain management literature and research.

It is for instance conveyed that '*the movement of production activities from the homebase of manufacturing companies to foreign locations has been research theoretically and empirically for quite a while*' (Kinkel, 2011, p. 697), where Kinkel (2011) refers both to more recent, contemporary research and relate back to for instance Stopford and Wells (1972) and Dunning (1980).

However, this notion applies in particular to organizational outsourcing and offshoring actions, and especially to organizational outsourcing. The issues and motives behind for instance backshoring is somewhat '*lagging behind*' as to research and understanding into '*the extent and causes of the phenomenon*' (Fratocchi et al, 2014, p. 54).

Even with the amount of literary and scholarly contributions, in particular to the fields of outsourcing and offshoring, there seems however to lack a single, explicitly defined and confining constitutional taxonomy (e.g. Jahns et al, 2006).

Kinkel and Maloca (2009) advocate along the same lines that there often lack a '*clear distinction and definition*' of the various terms and concepts (Kinkel and Maloca, 2009, p. 155) and refer for instance to the concepts such as 'relocation', 'offshoring' and 'outsourcing'.

Hence, it is somewhat noticeable that although organizational themes such as that of outsourcing in general and in various organizational specific perspectives have been researched and illuminated in numerous contexts and with an increasing scholarly interest for more than four decade[39], some literary indistinctness is noticed. This seems to be somewhat strengthened with the introduction of the term 'shoring' in various forms and contexts.

As only one example, quite often it is found that various concepts within for instance the outsourcing and offshoring realm are used not only simultaneously but also partly interchangeable, i.e. offshoring combined with outsourcing to third party. This is done although several researchers do suggest that they can differ significantly in nature and purpose (e.g. Kinkel and Maloca, 2009, p. 155). Olsen (2006) supports this and comments '*the term 'offshoring' is often associated with 'outsourcing' but neither implies the other*' (Olsen, 2006, p. 8).

The lack of for instance clearer distinctions and the observed simultaneous and sometimes also interchangeable use is though found, at least, partly explained by differing scholarly attention to various analytical elements within the organizations and their differing research agenda.

However, this may not explain the somewhat perceptible indistinct taxonomy across literature, and it is in light of this introductory proposition found purposeful with an initial presentation and combined overview of the theoretical constructs, as they can be defined among others within the literary area. The reason is that it is important for the probing within the empirical setting to understand top management's enactment in association to value chain configuration.

This, by no means, rejects other approaches and conceptions, but this introduction will justify and convey how these organizational themes are defined and in turn applied within this particular research agenda.

Hence, this endeavor will provide a guiding frame work and thus inform and enable the literary study, as this section brings together various research contributions in a wider inter-textual presentation of the present posture of the area.

This undertaking will in addition position the organizational cases in the multiple case study design and qualify a clearer situated discussion of the empirical findings against the literature. It will additionally support the methodological considerations more coherently in the sense that such an initial conceptual clarification will inform the case selection process for theoretical purposes.

2.4.1.1 Defined by degree of 'vertical integration' and 'organizational ownership'

The change in the location of organizations' activities and processes, e.g. manufacturing activities and processes, is constituted as for instance '*the move of a manufacturing process from one location to another*' (Mucchielli and Saucier, 1997) and can be defined '*in terms of spatial and ownership boundaries*' (i.e. Kinkel, 2011, who quotes among others Jahns et al, 2006).

[39] The period of 'more than four decades' refers only to more contemporary researchers' intertextual references in their contributions. The notion of a decision to 'outsource' as for instance a decision to 'make-or-buy' is of course older and brought forward long before

These two dimensions, i.e. ‘ownership’ and ‘spatial’ boundaries, seem somewhat prominent in more contemporary researchers’ and research communities’ constitutional demarcations, and they can generally be used to constitute and categorize the managerial themes.

With regard the dimension of ‘*ownership*’ and in turn for instance implying a certain degree of management control it is repeatedly associated with discussions of organizations’ degree of ‘*vertical integration*’ within literature. Although, literature seems for instance to use various terms interchangeable, and scholarly works continuously introduce new ones, organizational cost structural alteration in terms of insourcing and outsourcing is quite well-defined in literature

It is, as mentioned, generally related to especially the notion of ‘*vertical integration*’ (e.g. Johnson et al, 2005) within the organizational value chain (e.g. Porter, 1985) in combination with constitutional demarcations in relation to organizational ownership. That is the make-or-buy decision with a contractual, legal implication (e.g. Jahns et al, 2006). This, obviously, associates back to among others the structural cost driver of scope as discussed in the previous subsection 2.3.

Although, literature mobilizes the two concepts of ‘ownership’ and ‘vertical integration’, which in principal can be quite different depending on the literary context, the notion of ‘vertical integration’ relates commonly, and in a definitional sense, to the formal ownership in core literature[40] [41].

The degree of ‘vertical integration’ is for instance here defined ‘*as the share of in-house production of a company in the total value creation related to a final product*’ (e.g. Drauz, 2013, p. 346). ‘Total value creation’ is here to be understood as the value creation in the whole ‘value network’ of an organization; that is ‘*the set of inter-organizational links and relationships that are necessary to create a product or service*’ (e.g. Johnson et al, 2005, p. 140).

By ‘in-house’, i.e. internal to the organization, is in this definition referred to as the organizational ownership defined by the formal constitutive boundaries of the organization. In that respect an ‘in-house’ activity associated with the provision of the final product, such as for instance the manufacturing of a product, is owned by the organization. This ownership in this conception is the organizational possessing of for instance the machinery and equipment through formal asset ownership and the associated organizational rights and liabilities combined with the accompanying potential for organizational management and control of the processes.

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[40] The term ‘vertical integration’ is also found presented in literature and academia’s research efforts that address for instance integration with organizational suppliers in a broader conceptual context; e.g. the studies into issues of creating linkages and networks with an organization and its’ suppliers. In such a conceptual context ‘integration’ is not necessarily related to issues of ownership but rather to notions and themes of cooperation, knowledge sharing etc.

[41] The theme is quite prominent situation within the realms of strategic management and supply chain management. However, the theme is also noticeable within the realms of operations management, performance management, management accounting and managerial economics. In fact, the managerial issue of ‘make-or-buy’ intertwine with numerous organizational disciplines and areas

The ‘process’, sometimes labelled and used interchangeably with a value chain ‘activity’ or a chain of such activities (e.g. Porter, 1985), is understood, in broad, as ‘*the way in which the firm produces its goods*’ (e.g. Bertrand and Mol, 2013, p. 751).

Hence, the degree of ‘vertical integration’ can be altered by outsourcing or insourcing of organizational activities and processes (e.g. Drauz, 2013. Outsourcing in such an understanding and conceptualization is the transfer of the provision of activities and processes previously performed in-house by the organization to an external, third-party organization. The decision to insource activities and processes is the opposite.

Thus, an initial distinction is based on the notion of processes and activities being internal or external to the organization as irradiated in Table 2.1.

Table 2.1 Ownership dimension

Ownership	Internal	External
Constitutional boundaries of activities and processes	Activities and processes are performed by the organization and within the legal boundaries of the organization	Activities and processes are performed by third-party

Organizational outsourcing and insourcing decisions could be related to contracting or expanding the organizational value chain through enhanced or reduced backward integration and forward integration[42] within the organizational ‘*value network*’ (e.g. Johnson et al, 2005), by changing the degree of ‘*vertical integration*’ within the boundaries of the existing organizational ‘*value chain*’ (e.g. Porter, 1985) or both.

The change in the degree of forward integration (or backward integration) could be perceived as the same organizational exploit as a change in the degree of ‘vertical integration’ within the boundaries of the existing organizational value chain. Such an organizational decisions could, however, also be seen as different management decision.

[42] Backward integration and forward integration is another terminology for upstream integration and downstream integration. Backward integration addresses integration with organizational suppliers and thus equal to upstream integration. The notion of forward integration and downstream integration is likewise compatible

This may seem somewhat bewildering. However, an outsourcing decision of for instance present ‘in-house’ inbound logistics at the very beginning of the organizational value chain, as depicted with the ‘light shaded purple color’ in the organizational value chain, in Illustration 2.1a, could be perceived as a contracting, and reduced, backward integration, if this activity was outsourced to an organizational supplier within the value network of the organization as in Illustration 2.1b.

Illustration 2.1a The organizational value chain

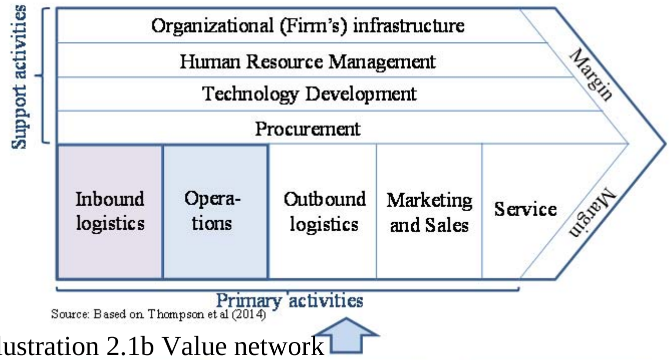
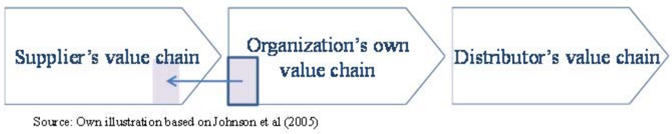


Illustration 2.1b Value network



This might have a perceived ‘strategic purpose’ in a value network perspective. However, it could also be perceived by organizations as ‘just’ outsourcing with a cost reduction purpose. It is not suggested that organizations do make such a distinction. It is merely considered that organizations might make such a distinction. Hence, the organizational motives and reasons for in this instance outsourcing might be quite distinct in turns of purpose, but they might not be that easy captured in a research context. This has obviously the research implication that for instance the case sampling and the subsequent probing must account for that.

As to the altering the degree of ‘vertical integration’ within the boundaries of the existing organizational value chain, there could also be a literary difference. If an organization for instance decides and implement outsourcing of one or several primary activities within the ‘middle’ of the existing organizational value chain (e.g. Thompson et al, 2014) illustrated by the light blue ‘Operations’ activity on Illustration 2.1a above, it would not in a conceptual sense change the degree of forward integration or backward integration, as it is performed in the ‘middle’ of the organizational value chain and hence linking with ‘in-house’ and owned activities and processes both prior and after the outsourced organizational activity. However, it would change the value chain configuration in terms, and in terms of integration it would affect for instance the management of the linkages within it.

In this situation an organizational motive might not be easy detected either. If an organization for instance decides to outsource operations, e.g. manufacturing, it might be to achieve reduced costs. However, as just one example it could also be to decrease operational leverage to support organizational growth in other areas.

Such a distinction is maybe not considered that important at first, and it seems that literature and research to some extent, partly ignores this, when it conveys issues of for instance reasons behind the alteration of the value chain configuration. However, it could rather well relate in various ways to the enactment and understanding of the organizational boundaries.

Hence, there could be various intertwined organizational reasons for altering the degree of ‘vertical integration’ in a single event that should be detected and taken into account in the empirical execution and also to be discussed in the following sections.

Albeit, and though the above definitions based on ‘*vertical integration*’ and ‘*ownership*’ are scholarly quite straight forward, if they are considered more carefully, researchers occasionally suggest distinctions or maybe rather some ‘viable degrees’ of ownership and reflects upon for instance various intra-organizational, in-house dimensions; e.g. from one internal department to another and/or from one organizational division to another.

Different inter-organizational ‘*hybrids*’ are also suggested within literature. Jahns et al (2006) for instance propose a joint venture to be a ‘hybrid’ between the make-or-buy scenarios. Though such decisions are not outsourcing or insourcing in its’ purest definitions constituted by the notions of ‘vertical integration’ and ‘ownership’, it is still recorded within the literature.

However, academia’s research and scholarly queries as to these managerial decisions mainly relate to the notion ‘relocation’ in terms of for instance offshoring and backshoring (e.g. Kinkel and Maloca, 2009; Arlbjørn et al, 2013, Fratocchi et al, 2014).

2.4.1.2 Defined by ‘spatial location’

‘Spatial location’ is, thus, the other ‘dimension’ that is quite often used. ‘Spatial location’ is in more basic terms researched under the ‘banner’ of offshoring and backshoring. The former depicts a situation, where management positions for instance manufacturing provisions outside the home country. The latter is often referred to when activities and processes are relocated back to the home country, after the activities and processes in question previously have been offshored. This is summarized in Table 2.2:

Table 2.2 Spatial dimension

Spatial	National (home country)	International
Constitutional location	Activities and processes are performed in the home country of the organization	Activities and processes are performed outside the home country of the organization

‘Offshore’ is not necessarily defined within research as a location, e.g. a country, outside the geographical region of the offshoring organization.

It is sometimes constituted also as a country within the same geographical region (e.g. Kinkel and Maloca, 2009). As an example that is for instance within Europe, where an organization that is situated in for instance Denmark places parts of its activities and processes in for instance Poland.

Some researchers do however not make a distinction based on both ownership and location in a more differentiated 'spatial' sense. Arlbjørn et al (2013) for instance look at whether activities and processes are relocated outside the home country but not relocated within the home country, though they a distinction whether the activities are undertaken by third party organizations or not.

This research thus applies dimensions and conceptual propositions as illustrated in Table 2.3.

Table 2.3 Perspective of organizational managements' potential decisions (elevated illustration based on Kinkel and Maloca, 2009[43])

		Constitutional boundaries of activities and processes	
		Internal Activities and processes are performed by the organization and within the legal boundaries of the organization	External Activities and processes are performed by third-party
Constitutional location	National (home country) Activities and processes are performed in the home country of the organization	Domestic relocation Domestic re-concentration	Domestic outsourcing Domestic insourcing
	International Activities and processes are performed outside the home country of the organization	International relocation (captive offshoring) International re-concentration (International backshoring)	Offshore outsourcing Offshore insourcing (external backshoring)

This taxonomy conveys that decisions to internationally offshore production activities and processes are either scenarios with managements' decisions to relocate parts of the organizational activities and processes to own locations abroad ('International relocation' or 'Captive offshoring') or scenarios, where the activities and processes are relocated to foreign third-party suppliers ('Offshore outsourcing').

This approach offers a distinction between for instance 'offshore outsourcing' and 'captive offshoring'. In 'offshore outsourcing' activities and processes are located offshore, i.e. outside the home country, and provided by external third party to the organization. That is partly and in terms of ownership in contrast to 'captive offshoring', where the activities and processes are located offshore but still provided internally in terms of ownership to the organization; e.g. a foreign situated subsidiary of the organization.

'*This notion fits the offshoring definition of 'being located or operating outside a country's boundaries' of the Institute of Supply Management*' (Kinkel and Maloca, 2009, p. 155) and '*Accordingly, backshoring will be defined as re-concentration of parts of production from own foreign locations as well as from foreign suppliers to the domestic production site of the company*' (Kinkel and Maloca, 2009, p. 155).

[43] Kinkel and Maloca (2009) mobilize Olsen (2006) in the presentation of the constructs. Thus, Table 2.3 is obviously also elevated based on Olsen (2006)

‘Backshoring’ is thus solely a spatial perception, and organizations can backshore from either their own operations located offshore or from an external partner likewise situated offshore to the home country of the shoring organization.

The same view, which is that backshoring decisions address the change of location for activities and processes but are irrespective of the mode of ownership, is also more recently been applied by Fratocchi et al (2014, p. 56). They build among others on Gray et al (2013), who suggest that backshoring is ‘*fundamentally concerned with where manufacturing activities are to be performed, independent of who is performing the manufacturing activities in question*’ (Gray et al, 2013, p. 28).

The distinction between, or maybe rather the taxonomy of, relocation and re-concentration refers to scenarios, where organizational activities and processes are either decided to be located outside the premises of parent company (i.e. the decision to relocate; relocation) or decided to be located inside the premises of the parent company (i.e. the decision to re-concentrate; re-concentration); though the activities and processes are still internal to the shoring organization in both scenarios.

As is the case with the dimension of ‘ownership’, researchers and research communities are also increasingly incorporating various distinctions as to the ‘spatial’ dimension of for instance a manufacturing activity or process (e.g. Fratocchi et al, 2013; Kinkel, 2014). Kinkel and Maloca (2009) for instance make a distinction between national and international relocation, where the latter is then according to their perception labelled a ‘captive offshoring’[44], if the activities and processes are offshored outside the home country of the organization but still under the ownership and control of the shoring organization. It is consequently considered ‘offshore outsourcing’, if the activities and processes are outsourced to a third party organization situated outside the home country of the organization. Frantocchi et al (2014) do make a similar distinction, as they conceptualize and convey distinctions along the same lines.

However, Frantocchi et al (2014) elevate a slightly more detailed conceptualization in terms of ‘spatial locations’. They propose that the ‘spatial’ dimension could be further differentiated by ‘*near-shoring*’, ‘*off-shoring*’ and even ‘*further off-shoring*’. They adapt the corresponding terminology of ‘*back-reshoring*’ and ‘*near-reshoring*’, when the activities and processes are moved back, or in closer proximity, to the home country of the parent organization or the part of the organization, who use to undertake the activities and processes (Frantocchi et al, 2014, p. 56).

The distinction between ‘near-shoring’ and ‘offshoring’ is, however, generally differentiated by geographical continent, where the latter suggests another continent of that of the organization under study.

[44] ’Captive offshoring’ is also labeled ‘foreign relocation’ by Kinkel and Maloca (2009) and is in spatial terms perceived a relocation offshore to organization’s home country, however still under the ownership control of the organization; i.e. the captive mode of organizing

Jahns et al (2006) convey distinctions somewhat along the same notions, though they advocate a perceived, slightly more differentiated view as to the geographical dimension. They posit a conceptual distinction between ‘onsite’, ‘offsite’, ‘nearshore’ and offshore’, where ‘offsite’ is not at the prime organizational location but still in the same country..

The main focus within this research agenda is the empirical setting that encompasses outsourcing and insourcing. However, the constitutional introduction to this particular realm suggests that contributions as to the field of for instance outsourcing and offshoring are not necessarily stringent in terms of the inter-textual elevation. That accounts for instance in research into offshoring and backshoring with no demarcation as to ownership. Hence, this means that contributions addressing offshoring and backshoring could quite well inform research efforts in terms outsourcing and insourcing, as the terminology of for instance ‘offshoring’ sometimes is used interchangeable with ‘offshore outsourcing’.

This is found to be the case within various research contributions. As it will be seen in the following section, both literature and research can due to the somewhat indistinct application of the taxonomy actually illuminate reasons behind outsourcing and insourcing, if the various contributions are distilled properly in an inter-textual advancement. The introduction might also suggest that the various reasons behind organizations’ decisions might, on the surface, be quite easily captured. However, a further probing might reveal that various reasons might very well be intertwined.

The above conceptualization of the various management decisions in terms of for instance outsourcing is applied in the following and based among others on Kinkel and Maloca (2009), though with the demarcations and particular focus on insourcing and outsourcing. This is informed by contributions, which also elevate offshoring and backshoring as conveyed. The starting point is that of outsourcing. This is addressed in subsection 2.4.2.

2.4.2 Value chain and organizational theories and reasons for outsourcing

The organizational decisions as to that of outsourcing of the organizations’ activities and processes as well as the underlying reasons to outsource have in general been quite intensively researched. The many contributions have applied various theoretical approaches and explanatory constructs (e.g. theories of resourced based views on strategy, transaction cost theory, principal-agency theory).

The vast majority of the studies within the area apply a quantitative methodology (e.g. Kakabadse and Kakabadse, 2002; Arlbjørn et al, 2013), though some academic contributions do use a qualitative research approach in their empirical execution (e.g. Oza et al, 2006; Drauz, 2013). Some, though few, convey the application of both. The reasons for insourcing have, in contrast to outsourcing, been less research (e.g. Young and Macinati, 2012; Drauz, 2013). Drauz (2013) even uses the expression ‘*far less*’ (Drauz, 2013, p. 346). This will be addressed in this subsection 2.4.3 and particularly in subsection 2.4.4.

The majority of the research contributions that have illuminated the realm of outsourcing in various contexts have been performed within a manufacturing setting or similar.

However, research is progressively being carried forward with regard to other functions within the organizational value chain, though this is still limited relative to research in a more distinct manufacturing setting and with emphasis of that of production. It is for instance informed that '*There is a relative dearth of research on outsourcing of other supply chain functions* [i.e. relative to manufacturing and production functions] *such as procurement*' (Brewer et al, 2014, in press).

Increasingly, however, this is gaining ground and also for service operations; e.g. service functions within manufacturing companies and service functions within other types of organizations. The former for instance refers to procurement and logistics, while the latter refers to for instance call center functions within the service and transportation sectors.

The same accounts for research into outsourcing within the public service sector (e.g. Young and Macinati, 2012), although reasons to insourcing as to service operations and functions is likewise manufacturing activities and processes less elucidated (e.g. Whitten and Leidner, 2006; Young and Macinati, 2012).

The upcoming summary in Table 2.4 illuminates detected key reasons for outsourcing building on a quite vast amount of academic contributions to the area (e.g. and among many other scholarly contributions research irradiated by for instance Kakabadse and Kakabadse, 2002; Kinkel and Maloca, 2009; Young and Macinati, 2012; Arlbjørn et al, 2013; Drauz, 2013).

The summary does initial present the key findings as a list. Hence, the found reasons for outsourcing within literature are not presented relative to each other; that is relative to each other based on measuring for instance prevailing arguments in various contextual settings (e.g. globalization and economic trends), various industries (e.g. manufacturing, service, transportation) or for various types of organizations (e.g. small, medium or large, public, private).

Although, the empirical execution can confirm or disconfirm literature's previous findings in this aspect, it is not the key purpose of this particular research agenda to detect one or several prevailing arguments and reasons for organizational outsourcing within the qualitative case study. It is instead the study of top management's enactment of the cost structure in value chain configuration in an empirical outsourcing and insourcing setting and the associated actions and effects.

However, the notions of key arguments and reasons for outsourcing will of course support the contextualization, link the key tenets of Strategic Cost Management additionally and underpin the empirical execution and the development of the explanatory propositions within the empirical realm and analytical elements of for instance outsourcing actions and events.

Turning to the summary of key arguments and reasons for outsourcing in the upcoming Table 2.4, the distilled and examined research endeavors do build upon both quantitative and qualitative empirical evidence, and several of the research contributions do refer to findings from larger quantitative surveys. Some of these studies do undertake further qualitative and quantitative analyses based on quite substantial, existing data samples (e.g. Kinkel and Maloca, 2009[45]), while others that are brought forward in this particular research context are contributions, which conduct rather substantial quantitative studies themselves (e.g. Kakabadse and Kakabadse, 2002[46]; Arlbjørn et al, 2013[47]).

The summary is organized based on some key headings that are mobilized using the exploration, dissemination and elevation of Strategic Cost Management and in turn Structural Cost Management as presented in the previous section; that is with reflections and notions that build upon cost and cost drivers, value chain themes and strategic management issues.

Other enlightening contributions (e.g. Young and Macinati, 2012) are though provided to capture additional key headings based on the identified and quite substantial amount of found reasons within literature, as some of the identified reasons are not necessarily, at first glance fitting the conceptualization of Strategic Cost Management and in turn the notion of Structural Cost Management.

However, and quite importantly, it should be mentioned that these key headings are included merely for an overview and quick referential purpose that relates back to the section on Strategic Cost Management. Thus, these headings do not in themselves provide any theoretical constraints on the empirical execution and the discussions. Likewise, and as it is posited these are to be considered and explored simultaneously and perceived interrelated.

[45] Kinkel and Maloca (2009) carry forward their findings on both a quantitative and a qualitative empirical execution. The qualitative study of the German companies is based on a sample of case organizations that fits the German Manufacturing Survey (2006) with a usable sample of more 1.600 organizations. The quantitative part of their research uses data from this sample as well, hence the quantitative part of their research is mainly to be considered as additional sample testing based on already captured organizational data

[46] Kakabadse and Kakabase (2002) build their findings on among others a quantitative survey with '*747 respondents*' within Europa and the US (Kakabadse and Kakabadse, 2002, p. 190). The study is also referred to by scholars as the Cranfield Survey

[47] Arlbjørn et al (2013) base their findings on a quantitative survey with more than 800 Danish organizations. Prior to that there was conducted qualitative research with sixteen participating case organizations

Table 2.4 Key reasons behind Outsourcing

Guiding key headings	Key reasons behind Outsourcing	A couple of main references as to the empirical support
Cost, costing, cost drivers and explicitly cost related issues	Reduce operational costs	Kakabadse and Kakabadse (2002); Kinkel and Maloca (2009); Arlbjørn et al (2013); Drauz (2013)
	Transform fixed cost to variable costs	Alexander and Young (1996); Arlbjørn et al (2013)
	Reduce capital investment and capital costs	McFarlan, F. W., and Nolan, R. L. (1995); Kakabadse and Kakabadse (2002); Arlbjørn et al (2013)
	Improve measurability on costs and cost control	Barthélmy, J., and Geyer, D. (2001); Kakabadse and Kakabadse (2002)
	Reduce transaction costs	Kakabadse and Kakabadse (2002)
	Cost discipline and control	Kakabadse and Kakabadse (2002), Drauz (2013) although the terminology is here ‘Yarkstick competition’
Costs and implicitly cost related issues	Capacity utilization, bottlenecks, and economics of scale	Kinkel and Maloca (2009); Drauz (2013); Arlbjørn et al (2013)
	Differences in productivity	Arlbjørn et al (2013)
Value Chain and Core Competence issues	Organizational focus on core competences	Quinn, J., and Hilmer, F. (1994); McFarlan, F. W., and Nolan, R. L. (1995); Kakabadse and Kakabadse (2002); Arlbjørn et al (2013)
	Access to external competencies, product variations, qualities, technologies, skills and knowledge	Lacity, M. C., and Hirschheim, R. (1994), Quinn, J., and Hilmer, F. (1994); McFarlan, F. W., and Nolan, R. L. (1995); Kakabadse and Kakabadse (2002); Kinkel (2012); Arlbjørn et al (2013), Drauz (2013)
General Strategic management themes related to growth	Enhance position in the value chain	Kakabadse and Kakabadse (2002); Drauz (2013)
	Vicinity to customers and access to new markets	Kakabadse and Kakabadse (2002); Kinkel (2012); Arlbjørn et al (2013), Drauz (2013)
Other Strategic and Management Issues	Reduce risk / Risk spreading	Arlbjørn et al (2013)
	Improved flexibility	Arlbjørn et al (2013)
	Improved service quality (quality)	Kakabadse and Kakabadse (2002)
	Time to market	Lonsdale and Cox (2000)
Other issues found within research	Trade conditions, taxes, levies, subsidies	Kinkel (2012); Asbjørn et al (2013)

The reasons behind the organizations' outsourcing decisions in Table 2.4 are, as explained previously, not presented relative to one another. This means that the table does for instance not illuminate prevailing reason(s) and less prevailing reason(s) in general or within for instance various sectors, industries and organizational contexts. The table merely represents a distilled overview of literary contributions.

An argument behind organizational outsourcing, or an organizational unique bundle of reasons, may of course prevail in the context of a single organization despite the various reasons' relative weight in literature in for instance a broader industry context. However, any general weighting is perceived irrelevant to that particular organization in its specific organizational decision making setting. The main purpose of the review into reasons for outsourcing is to support the empirical execution. This is done in combination with the review of reasons for insourcing. The purpose is to support the study of organizing associated with the value chain configuration, the events and organizational actions as well as the effects and in a way where all three key tenets of Strategic Cost Management are mobilized simultaneously and intertwined.

This means that a prevailing argument in a broader literature context is not in itself important in this particular research context. However, the elucidation and understanding of various reasons for instance behind outsourcing is of course important in the framing and in that of contextualization of the empirical execution with relation to the establishment of correlations or alike between for instance the use of cost information and the themes of outsourcing in an organizing context.

In the summary of the various reasons for outsourcing some researchers do in their quantitative empirical execution particularly focus on outsourcing to third party (e.g. Kakabadse and Kakabadse, 2002). Other contributors (e.g. Kinkel, 2012) consider both offshore outsourcing and offshore captive modes of organizing and leverage for instance manufacturing in an at least partly intertwined way and non-separable in the presentation. Others in turn present data distinctly related to either outsourcing or to captive modes (e.g. Arlbjørn et al, 2013).

The challenge is as mentioned that especially quantitative studies sometimes treat offshore outsourcing and offshore captive modes intertwined and non-separable in their research dissemination. If this is unnoticed, it could in turn partly and unintended blur the notions of key reasons behind outsourcing. However, the awareness is previously created about the various modes and the potential indistinct or maybe intertwined application in a couple of research propositions (e.g. Kinkel, 2012).

Such contributions are only applied in the present research context to inform the discussion and contextualization and in particular to elevate the research regarding, how organizations could also perceive for instance the construct of offshore outsourcing and captive offshore modes intertwined. Hence, the ambition is to establish an approach that does not limit the empirical execution and investigation on beforehand.

2.4.3 The intertwined context specific nature of reasons for outsourcing and insourcing

Although, Table 2.4 in the previous subsection does not present the reasons relative to each other, e.g. reasons prevailing over others, literature and research contributions in general do suggest some reasons for outsourcing to prevail over others in a broader context. Such research does in general apply a quantitative methodology in the study of such domain.

The issue of cost or rather cost reduction is generally quite profound as a key reason to outsource (e.g. Kakabadse and Kakabadse, 2002; Kinkel, 2012; Arlbjørn et al, 2013). Arguments that for instance relate to value chain and core competence considerations as well as additional strategic management issues seem (relatively) less conveyed; although they of course still are reasons in a specific organizational context.

With regards to cost in broad, Kinkel (2012) for instance found strive for reducing of labor costs is still '*the dominating single motive for relocation production abroad*' (Kinkel, 2012, p. 705). This was noticed in prior research contributions (e.g. Kakabadse and Kakabadse, 2002).

However, the reasons behind for instance organizations' outsourcing decisions may, likely in many instances, be considered intertwined. Thus, the single organization might encompass and mobilize a bundle of reasons behind the decisions. Likewise, the reasons presented in Table 2.4 might, quite likely, be interpreted very context specific.

As to the former, i.e. a bundle of reasons, and building for instance on cost driver theory and the proposition about the interconnectivity of structural and executional cost drivers, as elevated in subsection 2.3, it can, quite obviously an building on economic theory, be argued that there is a close interconnectivity between considerations about scale and capacity utilization. Likewise, an argument such as time to market, as it is found in Table 2.4, could be considered in combination with the reduction of operational costs due to perceived outsourcing advantages based on relative wage levels. Similarly, such a bundle of reasons in the specific organizational context could be considered in terms of its tradeoffs. Thus, a bundle of effects that exhibit tradeoffs could have a prevailing argument that for instance leads to the outsourcing of activities and processes. As an example outsourcing with the purpose of reducing production costs based on relative wage levels may hamper flexibility, hence for instance the service provision to customers.

The distinction between a single prevailing reasons behind an organization's decision to outsource and the consideration of a bundle of reasons and the possible tradeoffs has an important the research implication. It is a priori assumed that this is quite context specific and that there might be several themes considered in the top management's enactment of the organizational cost structure in value chain configuration.

As to the latter, i.e. the context specific interpretation of the various reasons in Table 2.4, such a somewhat generic listing of potential reasons could, quite likely, be subject to context specific interpretations; thus specific to the single organization.

As an example, an explicit strive to reduce operational costs as a mean of for instance leverage the organization’s cost competitive advantage is not confined to reasons that relate to the difference between for instance blue-collar labors’ wages associated with the manufacturing in the organizations’ home countries compared to the blue-collar labor wages in other geographical areas. The reason anchored in labor costs is also found related to similar differences in other labor groups’ wage levels; e.g. service providing labor[48].

The cost related reason for outsourcing is, neither, confined to the issue of difference between labor wages in general within the contemporary research agendas. The cost related issue is within for instance the outsourcing research realm sometimes found related to the economists’ construct ‘economics of scale’ (e.g. Hirshey and Bentzen, 2014). This exists when long-run average costs decline as output expands and quite prominent also in for instance insourcing literature and research (e.g. Drauz, 2013 and Arlbjørn et al, 2013).

This might be a quite valid proposition, as economics of scale depicted by declining long-run average costs can be achieved by reduced labor costs. However, research that claim this particular finding do in general not convey, whether the actual ‘physical’ amount of a particular input variable, i.e. the amount of for instance blue-collar labor hours per produced unit, has been taken into account or is not considered. This is obviously important, as the long-run average costs are not only a function of cost per unit of a certain input variable but also the amount of variable input in a certain production[49]. Hence, research might neglect the effectiveness of the workforce achieved for instance through specialization, the use of technology and size of the particular operation. Thus, research might not consider potential tradeoffs between all the relevant variables within a more comprehensive study of the production economics; i.e. costs.

It is also found that research suggests the reduction of capital investment and capital costs as a reason for organizational outsourcing (e.g. McFarlan and Nolan, 1995; Kakabadse and Kakabadse, 2002 and Arlbjørn et al, 2013).

This should not be contested as such. However, it might not be with a cost reduction purpose in costing terminology. It could be so, if a potential third-party would be able to achieve for instance capital equipment at a lower rate than that of the outsourcing organization and then subject to an evaluation based on production economics’ tradeoffs. It could, however, be a more strategic growth argument relating partly to the balance sheet of the outsourcing organization, if the organization was reducing assets and liabilities within a certain part of the organizational value chain to fund investment in growth in other parts; e.g. increase the forward integration of the organization. This illuminates a strategic consideration as presented in the previous subsection.

[48] By ’service providing labor’ is referred back to the comments on increasing outsourcing activities of other than manufacturing related activities and processes and the increasing research into such phenomenon and contexts
[49] Within micro economics long-run average costs are defined as the total costs divided by the quantity, where the total costs obviously are not only a function of the cost per unit of the variable input but also the amount of input variables used

The same accounts for research, which conveys reasons such as the transformation of fixed costs to variable costs. However, as both to the former and the latter contributing reasons, various contributions seem to at least not explicitly make sufficient cost theoretical distinctions. It is for instance not clear, what the underlying distinction is between fixed and variable costs. In terms of economics' rooted explanations this relates distinctively to the notion of time horizons defined by the time required to change all input variables. This distinction or maybe rather definition is perhaps not perceived similarly by practitioners.

Albeit, there is a noticeable connectivity to the notion of time as it was originally conveyed and elevated by Shank and Govindarajan (e.g. Shank, 1989; Shank and Govindarajan, 1992 and 1993), and it clearly elucidates the potential intertwined nature of the organizational reasons behind for instance outsourcing and insourcing.

Besides, that this justifies the approach in the mobilization of the key tenets intertwined, it also suggests that these intertwined reasons might call for likewise probing in the empirical setting. Hence, this has the research implication that the probing has to take account for such a potentially higher complexity in top management's enactment of the organization's cost structure in value chain configuration.

2.4.4 Value chain and organizational theories and reasons for insourcing

In more contemporary research it is repeatedly conveyed that the reasons for insourcing are not, at least yet, researched in a way and to an extent as to those of outsourcing[50]. It is for instance suggested that '*Compared to outsourcing, the motives for re-insourcing have been far less researched*' (Drauz, 2013, p. 346), although that literature convey that the phenomenon is '*quite common*' (e.g. Kinkel et al, 2007) and '*increasing*' (e.g. Young and Macinati, 2012).

Literature seems also to be quite homogenous in the suggestion that there lack literature and empirical well-founded research '*that helps to generally elucidate and understand the decision*' [i.e. the decision to insource previously outsourced organizational activities and processes] (Young and Manicati, 2012, p. 772 and referring to the research by Whitten and Leidner, 2006).

On a more general level insourcing could initially be explored based on a distinction of organizational insourcing in relation to previously outsourced activities and processes in contrast to decisions regarding organizational insourcing of activities and processes, which have not been previously been outsourced by the organizations to third-party organizations.

[50] In this respect literature quite often makes the same comparison and analogy in terms of offshoring and backshoring. Here literature suggests that the area of backshoring is not researched as extensively as that of offshoring

The former is sometimes labelled 're-insourcing'[51] within the literature; and it is possible to suggest an alteration (e.g. Drauz, 2013). The latter is located in several literary domains; e.g. strategy literature and associated for instance with value chain and value network analysis and the previously mentioned notion of forward integration and backward integration as a source of organizational growth and competitive advantages (e.g. Johnson et al, 2005) and in line with some of the constructs and themes conveyed within the realm of Strategic Cost Management.

Existing literature and research on particularly insourcing do in general not take this more general starting point, and indeed this particular research endeavor conducts its empirical exploration based on analytical events that connects outsourcing and insourcing in organizations. However, this initial contemplation does inspire to an encapsulation of the insourcing decision and the underlying reasons that illuminates the necessity for a somewhat broader and sequential perspective to support the empirical exploration. This is based on the notion that insourcing of previously outsourced organizational activities and processes is not necessarily due to letdowns in outsourcing arrangements. It could likewise be based on for instance contextual changes (e.g. Veltri et al, 2008).

It is as such not suggested that there, per se, would be a difference in terms of reasons between the two insourcing scenarios, but rather that there certainly could be quite significant differences in the underlying reasons between the two different organizational situations and contexts. Thus, it is merely proposed that the research efforts properly could initial benefit from a broader perspective, and not confined to limiting and in turn hampering assumption of letdowns associated with previous outsourcing arrangement. It might even be a methodologically valid claim as the empirical exploration is in a combined sequential setting and a justification of the combined empirical setting in itself.

It could consequently maybe even be argued that reasons for insourcing and in turn reconfiguration of the value chain with relation to cost and cost drivers as well as organizational strategy, thus mobilizing the key tenets of Strategic Cost Management, may be illuminated further and understood more thoroughly, if the reasons, and the consecutive organizational events also associated sequentially with previous outsourcing of organizational activities and processes. That is, if the exploration strives to connect and elevate the various events and actions.

Kinkel and Maloca (2009) convey the same though linking the notions of backshoring and offshoring, used broadly, and inform readers that '*Backshoring activities thus consist of an interlinking of two sequentially relocation decisions and can only be discussed in connection with the previously made offshoring decision*' (Kinkel and Maloca, 2009, p. 156)[52].

[51] The term 're-insourcing' explicitly refers to insourcing of organizational activities and processes previously outsourced to external third-party, but this distinct organizational decision and action is sometimes used interchangeable with re-sourcing, re-location, re-concentration and domestic or international insourcing. The taxonomy is conveyed earlier

[52] 'Backshoring' and 'offshoring' confine both internal captive modes and the sourcing to and from external, third-party organizations; hence also outsourcing and insourcing

The notion of '*can only be discussed*' (Kinkel and Maloca, 2009, p. 156) is perhaps somewhat grandiloquent stated. It would arguably depend on the particular research agenda. However, they put forward the clear message that the reverse relocation is understood better in the sequential empirical setting.

The insourcing of previously outsourced activities and processes could undeniably be due to lack of achieved organizational benefits from the outsourcing arrangement and maybe even depict experienced organizational disadvantages compared to a previous organizational cost structural setup and value chain configuration. The insourcing of not previously outsourced activities and processes could on the other hand be rooted in the pursue of a particular strategic option based on another organizationally enacted understanding of for instance the organizational context, the capabilities and competences of the organization and its strategic direction.

However, it could also be observed in the empirical setting that the insourcing organizations would have the same reasons, despite the degree and nature of previous outsourcing arrangements and integration. It could for instance be argued that altered environmental conditions would have led to the same organizational decision not considering previous outsourcing arrangements and organizational structure setup. As such, the insourcing of previously outsourced organizational activities and processes is not per se depicting failure associated with the outsourcing decision, implementation and execution of the setup; e.g. wrongly calculated costs or insubstantial cost assumptions.

Hence, the position is in this respect much in line with for instance Young and Macinati (2012) and Veltri et al (2008). They propose that insourcing of previously outsourced organizational activities and processes is not necessarily a counter reaction to outsourcing letdowns but '*indeed may be due to the seizure of an opportunity*' (Young and Macinati, 2012, p. 777). Such opportunities could arise from for instance internal or external changes, after the outsourcing was initiated. Thus, this may depict a strategic theme rather than a particular cost theme. However, a sequential empirical setting would all things equal and based on for instance (Kinkel and Maloca, 2009) add to the discussion and study of, how top management enacts the organization's cost structure and value chain configuration.

In general, though, research into insourcing and mostly in terms of research into insourcing of previously outsourced organizational activities and processes, but generally not sequentially linked in detail within research agendas, conveys findings to some extend partly in line with those reasons suggested for organizational outsourcing. Of course that has the somewhat reserve perspective. That is for instance that organizational outsourcing with the purpose of reducing costs based on an exploration of geographical differences in wage levels has maybe shown not to be achievable.

However, in such a cost respect empirical findings do explicitly or implicitly point to a multiple set of reasons.

Besides the somewhat obvious reason that various incurred costs have been unexpected, e.g. they were not taken into consideration at all. Literature conveys variances to this notion. The incurred costs could for instance have been, although only partly taken into account as to a specific cost component, however then the costs were realized higher than expected by the outsourcing organization (e.g. Kakabadse and Kakabase, 2002; Bergin et al, 2011; Drauz, 2013). Contributions do of course more explicitly illuminate both the nature of as well as the reason for among others higher costs than expected.

Larsen et al (2012)[53] suggest the notion of 'hidden costs' (e.g. Barthélemy, 2001) that can be '*understood as implementation costs that are not anticipated in the various stages of strategic decision making*' (Larsen et al, 2012, p. 534), and thus: '*Hidden costs are thus ex ante unaccounted for, which is why they materialize ex post as a discrepancy between expected and realized costs*' (Larsen et al, 2012, p. 534).

Though, this is definitely not to be perceived as opportunity costs, and Larsen et al (2012) do not mobilize this theoretical construct, it could actually at least partly relate to opportunity costs. However, it depends upon and understanding of the terminology of 'expected' and 'realized' costs and in turn how that might be related to opportunity set (e.g. Zimmerman, 2011).

Still, most likely it is not incorporated in Larsen et al (2012). They seem to investigate explicit costs and not that of implicit costs (e.g. Salvatore, 2007). Larsen et al (2012) confine and conceptualize such 'hidden costs' in various research streams with a quite substantial amount of underlying costs themes. Hence, and although that 'hidden costs' might not be a theoretical costs construct and term within accounting and costing literature (e.g. Zimmerman, 2011), it offers in Larsen et al (2012) a quite aspirational presentation for a broad perspective on costs and costing issues.

Some of these underlying explanations are much related to research based on transaction cost economics and theory, and thus advocating findings along the lines that '*the transaction costs can be neglected or even misunderstood as to their scope and impact*' (Young and Macinati, 2012, p. 775). These and other scholars point to the costs associated with for instance monitoring, control and transaction related coordination. Quite often research is here combined and elevated by research into contractual issues and elevated also by the application of agency theory and understandings of behavioral aspects. That is for instance opportunistic behavior of a vendor might lead to insourcing.

Likewise research into insourcing of previously outsourced organizational activities and processes address costs, though unanticipated, associated with the reconfiguration and redesigning of the organizational value chain and value network (e.g. Kumar et al, 2009).

[53] This study is not based on organization that have insourced but on organization that have offshored. As such this means that the types and size of the 'hidden costs' have not necessarily led to subsequent insourcing. However, the research is broad forward as it quite widely informs about multiple types of costs and in turn, it can serve as inspiration to additional textual probing

Another dimension that is implicitly, but definitely, related to cost associated reasons for insourcing relates to economics of scale and capacity utilization (e.g. Drauz, 2013). Drauz (2013) informs about the tradeoff between for instance lower cost of labor in an outsourcing setting and the subsequently potential reduced utilization of capacity within the outsourcing organization itself. If this is seen in isolation and in Drauz' conceptualization (Drauz, 2013), the reduced utilization could increase long-run average costs[54].

Somewhat along the same lines though reasons to insource that imply a time perspective and contextual changes (e.g. Veltri et al, 2008). Literature illuminates for instance reduced differences in wages (the relative wage level maybe seen in combination with productivity[55]) and increased degree of automation within the sourcing organization. While these themes were not the prevailing ones in for instance Arlbjørn et al's contribution (2013), which were in general those of quality and lead-time, automation was a quite prominent reason[56].

However, this cannot be seen in isolation from costs of other input variables, thus it again suggests a somewhat intertwined nature of the reasons behind such decisions to alter the organization's cost structure in value chain configuration.

Various researchers do also draw significant attention to issues of quality and flexibility (e.g. Kinkel, 2012) as prominent reasons to insource.

The theme of flexibility (e.g. Ferreira and Prokopets, 2009; Kinkel and Maloca, 2009; Kinkel 2012) is within research mainly associated with the ability to deliver on time or lead-time (e.g. Arlbjørn et al, 2013). The quality dimension is primarily, and as a reason behind for instance insourcing, related to the strive for a certain quality required in the provision of the product or service by the insourcing organization.

Quality is in fact a prime reason for insourcing in for instance the contribution by Arlbjørn et al (2013). It can relate either to the low, though perhaps initially accepted lower quality provided by third party, or to experienced quality breaches necessary to correct before the use within the value chain or prior to the delivery downstream in the value network.

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[54] The notions of 'economics of scale' and 'capacity utilization' are not necessarily linked in the same theoretical anchored realm. 'Economics of scale' is a production theoretical construct and implies a situation, where long-run average costs are declining and based on both production theory (e.g. increasing returns to scale) and production economics. 'Capacity utilization' is not as such a production theoretical concept, and it could have both a more general use and be referred to as an explanation in for instance short-run production theory and economics

[55] The wage level is here referred to as the cost per a particular wage unit (e.g. wage per labor hour) as an input variable (e.g. Hirschey and Bentzen, 2014), while productivity is referred to as the average product (e.g. Hirschey and Bentzen, 2014) per unit labor hour

[56] Arlbjørn et al (2013) found that increased automation was mentioned as a motive to insource by between 22% and 40% of the responding organizations that have insourced. The interval is due to three types of (degrees of) product standardization. The more the product is standardized the more likely is automation to be mentioned. The respondents have several options to choose from and were not confined to select only one reason. The issue of quality was detected as a reason for between 50% and 52% of the respondents with no significant variation depending of degree of standardization

Literature, however, does in general not profoundly relate reduced flexibility and quality explicitly to costs or costing issues, though costs could equally be attributed to those themes. This is similar to decisions, when for instance quality is depicted in cost driver research. As to reduced flexibility this could for instance require the buildup of stocks to provide a buffer (e.g. Kinkel and Maloca, 2009), which would lead to incurred capital costs. In terms of low quality delivery, costs could obviously be attributed for instance as recovery costs to compensate for the low quality towards customers or costs associated with the subsequent increase in quality. The potential effect on customers could also be considered as costs, whereas for instance loss of sales and the potential loss in contribution could be attributed negatively to the remaining production and sales.

More contemporary research does also point to loss of knowledge and know-how. This relates for instance to organizational core competences and capabilities (e.g. Kakabadse and Kakabadse, 2000; Drauz, 2013), where the reason for insourcing, or maybe not to outsource at all in the first place, is the protection of knowledge as a strategic asset. This could potentially relate to perceptions regarding opportunity sets (Zimmermann, 2011, p. 23) and to the strategic considerations.

The same scholarly message that to some extent implies the wider perspective on costs in light of for instance transaction costs, that if unanticipated could undermine expected value, advocates a more comprehensive understanding. This accounts not only costs incurred in both the long-run and short-run with the provision of the product or service, but also the notion of opportunities in relation to for instance the strategic decision making processes and strategy formation mobilizing themes from for instance surrounding the organizational value chain; and likewise the organizational value network as suggested by for instance Shank and Govindarajan (1992 and 1993).

In that respect researchers (e.g. Veltri et al, 2008) draw attention to the strategic issue and alterations internally and externally, which might similarly to more explicit letdowns with previous outsourcing, e.g. unanticipated incurred costs by quality breaches, capture reasons for insourcing.

As conveyed by Arlbjørn et al (2013) scholarly attention has addressed such issues (e.g. Richardson, 1996), but these seems not explicitly research in a substantial body of contributions than combine value chain configuration events and actions, which encompass both outsourcing and insourcing as a coherent process for exploration and theorizing.

The summary in the upcoming Table 2.5 elucidates some of the key reasons for insourcing presented in literature, although they are offered separate and thus not intertwined. However, this will considered methodologically in the approach to the empirical setting.

Table 2.5 Key reasons behind Insourcing

Guiding headings	Key reasons behind Insourcing	A couple of main references as to the empirical support
Cost, costing, cost drivers and explicitly cost related issues	Higher costs than expected (unforeseen costs) These costs depicts a variety of various costs relation to operations and the value chain reconfiguration	Veltri et al, 2008; Kinkel and Maloca (2009); Bergin et al, 2011; Arlbjørn et al (2013); Drauz (2013) As mentioned several cost components and cost themes are mentioned within literature as convey previously
	Coordination and monitoring costs	Kinkel (2012)
Costs and implicitly cost related issues	Capacity utilization and economics of scale	Drauz (2013); Arlbjørn et al (2013)
	Differences in productivity	Arlbjørn et al (2013)
	Change in the degree of automation	Arlbjørn et al (2013)
	Lack of qualified workforce and infrastructure	Kinkel and Maloca (2009)
Value Chain and Core Competence issues	The loss of organizational focus on core competences	Kakabadse and Kakabadse (2000); Arlbjørn et al (2013); Drauz (2013)
	The loss of know-how and knowledge	Kakabadse and Kakabadse (2000); Veltri et al (2008), though they convey a know-how mismatch; Kinkel (2011); Arlbjørn et al (2013), Drauz (2013)
	Vendors' opportunism	Young and Macinati (2012)
	Enhance position in the value chain	Kakabadse and Kakabadse (2002); Drauz (2013)
General Strategic management themes related to growth	Change of strategy and desire to leverage control	Richardson (1996) among many others if the context is the study of reasons for further backward and further forward integration; Veltri et al (2008) as to the leverage of control
	Change in internal and external conditions	Veltri et al (2008), Young and Macinati (2012)
	Reduce risk / Risk spreading	Kinkel and Maloca (2009); Arlbjørn et al (2013)
Other Strategic and Management Issues	Quality	Kinkel and Maloca (2009); Arlbjørn et al (2013)
	Improved flexibility and reduce lead-time	Kinkel and Maloca (2009); Kinkel (2012); Arlbjørn et al (2013); and Veltri et al (2008) point more specifically to workforce flexibility

2.5 Some key themes in the theoretical domain

The previous subsections in this Section 2 have outlined the theoretical domain, where this research takes the starting point in the definition provided by Anderson and Dekker (2009a). They build on among others Shank and Govindarajan (e.g. 1993) and define Strategic Cost Management as the '*deliberate decision making aimed at aligning the firm's cost structure with its strategy and with managing the enactment of the strategy*' and among its constitutive conceptions is found in '*choices about organizational strategy and structure*' (Anderson and Dekker, 2009a, p. 202).

The particular research interest is in that of, how top management enacts organization's cost structure in value chain configuration in a contextualized setting of altered value chain configuration in the intersection with strategy and cost structure (e.g. Anderson and Dekker, 2009a). Hence, the research proposition and implication is that Strategic Cost Management serves as a guiding research agenda that requires the intertwined mobilization of the three key tenets of value chain, strategy and cost driver (e.g. Shank and Govindarajan, 1993, Ellram and Stanley, 2008; Anderson and Dekker, 2009ab).

The key themes and research implications that are irradiated are carried forward in the next Section 3, which outlines the methodological research approach. The reason is that the proposed research deployment of the concept of Strategic Cost Management additionally reinforces that the establishment of the theoretical domain should be seen in close proximity to the establishment of the empirical domain and its subsequent exploration. This in turn suggests the research proposition of an iterative theory-informed exploration and contextualized theorizing.

Hence, the succeeding Section 3 will further illuminate the research implications of some of these key themes as to suggestion about for instance the establishment of the empirical domain and the exploration. This is addressed intertwined with for instance the scientific research position, the specific research design and the approach to the empirical setting. Thus, the purpose of this subsection is to briefly summarize some of the conveyed themes to bridge to the methodological approach. This is conveyed in Section 3.

The theoretical domain is developed with the notion that it should comply with the key tenets of the construct. That situates the research in the intersection between value chain configuration, strategy and cost structure. Accordingly, the theoretical domain presents reasons behind outsourcing and insourcing decisions that alter the value chain. The purpose is not only to confine the empirical domain and its constitutive realm of such cost structural events. Equally important this will also inform the probing as to, among other, the mobilized cost representations in these decisions.

This builds for instance on the suggestion that these various outsourcing and insourcing reasons, hence also the understanding and mobilized cost calculations, might be intertwined and can support the probing around for instance the cost elements.

However, as this research among others situate the contribution with a focal point of that of structural cost management, thus cost structural alteration (e.g. Anderson and Dekker, 2009a), it might a priori be expected that a mobilization of for instance cost driver literature would imply a particular research interest in among other Management Accounting literatures notion of structural cost drivers.

The distinction between structural cost drivers and executional cost drivers is mobilized, and the previous subsections suggest the importance of understanding the causes of costs and the costing approaches. Hence, this could for instance lead among others to the exploration about for instance the intertwined deployments and organizational effects of for instance the outsourcing events as to both structural cost drivers and executional cost drivers. The exploration in the theoretical domain does, however, not on beforehand reject a distinction between structural cost management and executional cost management conceptually. However, the research approach does not a priori assume a non-intertwined cause and effect relationship. The research rather assumes that these structural and executional cost drivers and effects interrelate. Anderson and Dekker (2009b) for instance inform that the two modes are connected by the catalytic '*feedback path between executional and structural cost management*' (Anderson and Dekker, 2009a, p. 204).

In that respect these cost drivers will taxonomically also be mobilized to support the research and the articulation of the events, actions, effects and altered management situations that this might give rise to.

This is also the contributive reason for elevating research into reasons behind for instance outsourcing in the sense that these reasons are assumed to be informative as to the elevation of the intertwined exploration. It is in that respect for instance observed that for instance cost driver notions are quite prominently related to reasons behind alteration of the value chain.

The theoretical domain further outlined the root causes of costs an presents various approaches to costing, thus not only suggesting the probing as to for instance accounting costs but also leveraging the cost concept building on Economics.

In terms of the relationship between strategy and cost structure, the notion of strategy is confined as to strategic intent. Hence, the research is as mentioned not a question of particular growth strategies or a particular position, neither an assessment of 'right or wrong' strategy. It is mobilized with the notion that it for instance relates to the enacted understanding of the organization. This knits to organizational sensemaking and important in the exploration regarding the choice about cost structure. Hence, such an approach can be co-constitutive as to the establishment of the empirical domain.

These propositions are further addressed as to their research implications in the succeeding Section 3, which irradiates the methodological approach.

3. THE METHODOLOGICAL RESEARCH APPROACH

The methodological research approach refers in this research to the development and articulation of the entire research approach (e.g. Silverman, 2010). That is from the philosophical position reflected in the ontological and epistemological stances and assumptions; the means of reasoning, knowing and theorizing; knitted to the perception of reliability and validity, or in this research approach rather the criterion as to plausibility of the exhibited explanations; as well as the specific research design and methods, which are applied in this research.

3.1 Philosophical appreciation and epistemological implications

This unfolding of the entire social science research approach is apart from demonstrating coherency among others to avoid that a potential conflation of 'method' and 'methodology'. This could mean that the ontological research assumptions and implications '*remain unrecognized*' (Ahrens and Chapman, 2006, p. 822). This section, thus, commences by outlining the methodological research stance as '*the general approach taken to the study of the research topic*' (Ahrens and Chapman, 2006, p. 822)[57].

3.1.1 Qualitative research as methodology

Hence, the starting point for the unfolding of the methodological approach is the conception that any perceived methodological faithful and sufficiently vigorous research efforts, and in turn the research's possible contribution to knowledge, rest explicitly upon various assumptions about the nature of the domain and the empirical environment as well as, how researchers come to scholarly appreciation and knowledge about it.

Although, the judgment of this research is being 'perceived methodological faithful and sufficiently vigorous' evidently lies in the hands of the readers, this verdict must be based among others on the assessment of an overtly articulation of the researchers' assumptions and the later scholarly valuation of for instance the research's empirical execution. This is for instance the assessment of the methodological understanding and coherency as well as the approach to theorizing the conveyed contribution to knowledge.

This initially draws the academic attention to various schools of philosophical postures to avoid for instance the before mentioned lack of recognition of the ontological assumptions and epistemological implications (e.g. Ahrens and Chapman, 2006).

The constitution of the applied research methodology, thus, has in this particular research the observable starting point in the philosophical social science position. The basis, though, for this articulation is quite well captured in the somewhat blunt statement that '*There is no way to elevate one* [i.e. philosophical perspective and position] *over another on the basis of ultimate, foundational criteria*' (Guba and Lincoln, 1983, p. 108).

[57] Ahrens and Chapman (2006) make a clear distinction between methodology and method, where 'methodology' refers to the '*the general approach taken to study of the research topic*' (Ahrens and Chapman, 2006, p. 822)

This suggestion carries forward the proposition that the philosophical perspectives and positional believes in terms of ontology and epistemology inevitably rest upon the understanding and aims of the research agenda, the assumptions about the nature of the theoretical domain and the empirical environment as well as the perceived explanatory strength of the applied theories.

In more practical terms, it relates for instance to the utility in the building of the arguments and the knowledge generated within the frames of the research agenda rather than in an assumption that a philosophical position is perceived to prevail over another. This does not in any way deny the relevance of understanding and articulating the ontological assumptions about the domain as well as the epistemological positions within this research project; quite contrary.

The approach, however, is not a predilection of a certain and maybe even ‘prevailing’ philosophical position or paradigm within the realm of Strategic Cost Management research, which as conveyed in the theoretical domain in Section 2 is quantitative contributions that rest upon a positivistic research tradition. The hub is the acknowledgement and assumptions related to the research agenda about ‘*How does top management enact the organization’s cost structure in value chain configuration?*’. This is research in the context of organizational cost structure alteration events and actions and in turn, how Strategic Cost Management practice and for instance cost cues have inventive and interpretive effects on, how the top management enacts the cost structure in the empirical settings, why they do so and with what effects on the analytical elements in the domain.

This implies a qualitative methodology and approach addressing the how, why, maybe even a how come and with what effects on organizing (e.g. Weick et al, 2005; Czarniawska, 2008) and in more general terms (e.g. Fuglsang and Bitsch Olsen, 2007; Brinkmann and Tanggaard, 2010; Silverman, 2010).

The area of ‘qualitative methodology’ is, however, like the opening of Pandora’s Box viewed for instance in the perspectives of its historical development, epistemological traditions and approaches, explanatory concepts and the underlying conceptualizations of for instance the domain’s ontology and modes of reasoning.

However, instead of initially compare and contrast for instance various scientific realisms (e.g. critical realism) and more complex idealisms (e.g. phenomenology) one with the other and across the range, the point of departure is the conceptualization of the domain with the underlying notion that ‘qualitative’ is first and foremost a question of coherent ‘methodology’, with particular attention to the research agenda.

With the research question ‘*How does top management enact the organization’s cost structure in value chain configuration?*’ in mind, the introductory section conveys the research position that ‘enact’ and ‘*enactment is first and foremost about action*’ (Weick, 1995, p. 36), where enactment is understood as the reciprocity between ‘action’ and ‘environment’ (e.g. Weick, 1995 and 2001).

Thus, enactment is in this perspective part of the conceptualization of '*organizing*' (e.g. Weick et al, 2005, p. 414) that is overall confined as the ongoing, process sequence of reciprocal exchange between Ecological change – Enactment – Selection and Retention (e.g. Weick et al, 2005). This, also, relates explicitly to Czarniawska (2008), who suggests that the main question in studying '*organizing*' when the purpose of research is to understand practices then, though in broader terms, becomes '*How is a given version of the world constructed?*' (Czarniawska, 2008, p. 6).

Thus, the unit of analysis becomes '*organizing*' anchored in the top management's '*enactment*' in the contextualized setting of altered value chain configuration in the intersection between strategy, cost structure and value chain configuration. This confines the overall contextualized theorizing of and about Strategic Cost Management in line with the proposition of mobilizing all three key tenets (e.g. Shank and Govindarajan, 1993; Ellram and Stanley, 2008; Anderson and Dekker, 2009a).

This is elevated in terms of for instance its research implication in the later subsections with reference to among other the theoretical domain. Prior, however, the implication as to the scientific position is conveyed.

The organizations' cost structures in relation to value chain configuration are conceived as a part of the top management 'environment', as well as it is subject to for instance the ongoing formation of meaning; retrospectively embedded (e.g. Weick, 1995 and 2001). Thus, top management's actions and top management's comprehension is intertwined and inseparable, as enactment is understood as the reciprocity between 'action' and 'environment' (e.g. Weick, 1995 and 2001). Secondly, these cost structures are then on one hand material and contain '*material and technical artifacts*' (Weick, 1995, p. 37). However, they are interpreted, given substance and meaning (e.g. Weick et al, 2005) by, in this research setting, top management through '*organizing*' as a meaning formation process (e.g. Weick, 1995; Weick et al, 2005; Czarniawska, 2008).

In that sense, the organization's cost structure is also subjective, and discrepancies are noticed and bracketed by top management, because the organization's cost structure understood and made sense of retrospectively has '*its origin in…causally connected categories…that carved*'[58] (Weick, 1995, p. 37) out the organization's cost structure strategically in the first place.

In this conception of 'action', and also that of 'organizing' (e.g. Weick et al, 2005; Czarniawska; 2008), Weick has already (i.e. Weick, 1995) informed researchers that '*There are subjective interpretations, of externally situated information, but that information has become external and objectified by means of behavior. People discover their own intentions* [i.e. retrospectively] (Weick, 1995, p. 37). This is followed by a somewhat catching remark: '*If this is ontological oscillation, so be it. It seems to work*' (Weick, 1995, p. 37).

[58] The quote based on Weick (1995, p. 37) is perhaps also interesting in the sense that in this particular passage in Weick (1995) the elevation of the conceptual understanding of for instance 'enactment' is actually related to among other strategic choice

The research implication is that learning and knowledge about the empirical setting would require a process of change to research top management's enactment in 'organizing' and be situational subject to the particular complexity of value chain configuration. This is understood through top management's voicings of for instance the actual occurrences and actions, effects and management situations, which are articulated and based on among others the mobilization of cost driver taxonomy. As to the process of change, this is important as to the actual research design, as it contributes to the coherent establishment of the actual empirical setting, which should embed these alterations and changes.

3.1.2 Pragmatism and Symbolic Interactionism and the research implications

In this perspective the meaning and use of the concept of Strategic Cost Management '*is the sum of the possible effects upon conduct*', which is supported by the advice that researcher's should '*look for the use*' (Bernstein, 2010, p. 22 quoting and comparing contributions to Pragmatism')[59], which is conceived to relate to for instance the process of organizing and the organizational practices. This draws, obviously, scholarly attention to the philosophical realm and position of Pragmatism (e.g. Bernstein, 2010), and indeed, Pragmatism is the philosophical position in this particular research, which as conveyed mobilizes a methodologically qualitative research approach.

Academia generally accepts that the philosophy of Pragmatism is coined by Charles Sanders Pierce (e.g. Hookway, 2004; Bernstein, 2010), though it has undergone development (e.g. Bernstein, 2010)[60]. However, while Pragmatism has progressed, the philosophical position seems, despite key contributors' ongoing debate, to offer substantial bearing as to this research's conception of 'enact', 'enactment' and 'organizing' as well as advice as to the epistemological research implications.

Thus, the conception of enactment and organizing as a process under constant construction comes in particular in the forefront in terms of an epistemological program as '*a way of studying organizing*' (Czarniawska, 2008, p. 6); thus the epistemological stance. This directs researchers' attention to the performative definition of an organization[61], where '*actors constantly construct an organization through their actions and interpretations of what they themselves and others are doing*' (Czarniawska, 2008, p. 7); thus how top management realities come to be what they seem.

There are in particular two, interrelated reasons for that. One reason, which connects Weick's (e.g. 1995 and 2001) conception of enactment and in turn sensemaking as organizing as well as organizing in the similar vein of that of Czarniawska (2008) with the philosophy of Pragmatism.

[59] The two quotes are related to Bernstein's comparison of convergence between more classical pragmatists (e.g. Charles Sanders Pierce)

[60] Bernstein (2010) discusses and compares for instance the contributions by the classical pragmatists, e.g. Charles Sanders Pierce, James Dewey, and the pragmatist revival primarily by Richard Rorty

[61] Czarniawska (2008) mobilizes the performative definition opposed to an ostensive definition of an organization, where the former emphasizes a '*definition of an organization that arises from the social perceptions that change with context*', while the latter suggests an '*organization is a distinctive unit with properties like those of physical objects*' (Czarniawska, 2008, Table 1.1, p. 7)

Another reason, which offers important creeds as to the epistemological implications, which seems also to be emerging in more contemporary Management Accounting research. These offerings are conveyed in the next subsections together with the implications as to the research approach.

3.1.2.1 Enactment, Sensemaking, Symbolic Interactionism and Pragmatism

Weick's conception of 'enactment' and his renowned contribution to sensemaking and organizing, where 'organizing' can be conceptualized as the aforementioned sequence of reciprocal exchange between Ecological change – Enactment – Selection and Retention[62], relates closely to Symbolic Interactionism (e.g. Blumer, 1969), which in turn overtly builds on the philosophy of Pragmatism (e.g. Bernstein, 2010).

Pragmatism, though, in a philosophical and theoretical sensemaking perspective is probably best characterized as the philosophical 'origin' of sensemaking, in as much that Pragmatism as a philosophical perspective offers the foundation for the development and elevation of Symbolic Interactionism (e.g. Blumer, 1969). The latter, i.e. Symbolic Interactionism, is by Weick himself considered the '*unofficial theory*' of sensemaking (Weick, 1995, p. 41). This bridges enactment and organizing in Weick's (e.g. 1995 and 2001) and Czarniawska's (2008) conceptions to Pragmatism.

Thus, there is a clear literary association between sensemaking, Symbolic Interactionism and Pragmatism.

Along this vein Weick explicitly informs that '*the theory* [i.e. the theory of Symbolic Interactionism] *keeps in play a crucial set of elements, including self, action, interaction, interpretation, meaning and joint action*' (Weick, 1995, p. 41).

This associates and connects as shown in short directly to Weick's properties of sensemaking. It suggests that the epistemological approach in terms of how the empirical domain can studied is by recognizing the evolutionary use and production of knowledge is characterized by the aforementioned ongoing process of sensemaking as organizing, where meaning materializes in and through 'human actions' (e.g. Weick, 1995).

Hence, action and organizing are not only closely related constructs within the realm of this perspective. Likewise, the formation of meaning is to be understood retrospectively in an ongoing process. Thus, there is no a priori single, confining explanation, prediction or hypothesis in organizing (e.g. Fuglsang and Bitsch Olsen, 2007).

This has the suggestable research implication for the use of theory as well as the mode of reasoning and knowing, which indeed are not theory-free, quite contrary, but given the position, requires it to be situated and contextualized.

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[62] It is recalled that Weick et al (2005) conceptualize 'organizing' as a sequence of reciprocal exchange between Ecological change, Enactment, Selection and Retention (Weick et al, 2005, p. 414)

The original work within Symbolic Interactionism offers initially guidance in that respect. Blumer (1969), who introduced the term Symbolic Interactionism, did not in any way deny his 'pragmatic roots'; indeed it is quite the opposite[63].

Blumer (1969), for instance, suggested various tenets, or premises, of Symbolic Interactionism, and among other '*that human beings act towards things on the basic of the meanings, that the things have for them*'; and '*that these meanings are handled in, and modified through, an interpretive process used by the persons in dealing with the things he encounters*' (Blumer, 1969, p. 2).

The clear kinship and interrelatedness between Blumer's tenets and those of sensemaking in Weick's conceptualization (e.g. Weick, 1995 and 2001) is, profoundly, noticeable. It is for instance recalled in Weick's conception that suggests the epistemology of retrospective knowledge in a process conception and the evolutionary use and production of knowledge through the reciprocal exchange between ecological change, enactment, selection and retention, where actions play a significant role.

Blumer (1969) quite explicitly irradiated the use of theories and concepts, not only of such as an explanatory concept and for instance epistemological founded ideas of organizing such as meaning formation, but also theories and concepts that fit with the methodology and that '*embraces the entire scientific quest*' (Blumer, 1969, p. 24).

This was advocated by '*the possession and use of a prior picture or scheme*'. This clearly proposes an underlying picture of the empirical setting, which is capable of identification in a form of set premises. Blumer also informs that '*these premises are constituted by the nature given either explicitly or implicitly to the key objects that comprise the picture*' (Blumer, 1969, p. 25).

This amplifies the practical research implication of a priori theoretical knowledge, when researchers enter the empirical setting. Thus, it requires a foundation such as the outline in Section 2 about the theoretical domain of Strategic Cost Management and for instance elevation of reasons for outsourcing and insourcing for exploration. Blumer (1969, p. 25) relates the aforementioned suggestion to '*the asking of questions of the empirical world and the conversion of the questions into problems*' and alerts researchers about the importance in combining the problems to the empirical setting. This is elevated in subsection 3.1.3 and onwards; though it relates to the a priori theory-informed approach.

The research implication is, by mobilizing Blumer (1969) through the interconnectivity with on one side the philosophical position of Pragmatism and on the other the conception of enactment and organizing (e.g. Weick et al, 2005; Czarniawska, 2008), that in such a perspective, the researcher must be theory-informed and theory-related.

[63] Blumer (1969) for instance mobilizes George Mead's contributions. George Mead is among the classical pragmatists (e.g. Bernstein, 2010)

However, such a priori knowledge must, according to Blumer (1969), not be a ‘substitute’ for not probing with a sufficiently high degree of scrutiny and thoroughness, because theories and concepts can be vague. Blumer (1969) for instance, and in close connectivity to the message regarding exploration and that of concrete inspection into the empirical setting, explicitly warns researchers of blurring data gathering by vague concepts. Blumer comments: ‘*The preponderant majority of our concepts are conspicuously vague and imprecise in their theoretical connotation, yet we use them right and left in our analysis, without concern about elaborating, refining or testing their empirical connotation*’ (Blumer, 1969, p. 45).

This illuminates the importance of taking for instance the underlying three key tenets of Strategic Cost Management (e.g. Anderson and Dekker, 2009a) as the starting point in the establishment of the empirical domain. However, this also requires a priori openness for instance to avoid a confined and non-intertwined interpretations of for instance cost drivers and reasons for outsourcing.

These thoughts are carried forward in more contemporary research contributions within Management Accounting that in a perceived close philosophical proximity offer suggestions along the lines of Pragmatism; Weick’s notion of ‘*ontological oscillation*’ (Weick, 1995, p. 37); Czarniawska’s understanding of epistemology in studying organizing as ongoing construction with the emphasis on ‘*How is a given version of the world constructed*’ (Czarniawska, 2008, p. 6). This is also observed with regards to the recognition of a priori theory and a theory-informed approach to the empirical setting (e.g. Blumer, 1969); as well as the understanding that qualitative research and theorizing is also about etic informed theorizing of and about the empirical settings.

This is unfolded in the next subsection.

3.1.2.2 Contributive pragmatic Management Accounting thoughts and the research implications

The conception in the previous subsection as well as the key notion from the above reading of a pragmatist epistemology and understanding of Pragmatism (e.g. Bernstein, 2010; Sørensen, 2010) highlights the point that theory of explanation plays an important role in ‘gluing’ the empirical accounts and perspectives with the mode of reasoning, knowing and thus in turn theorizing: Hence, it is highlighted that explanations are not theory-free, though recalling the situated contextualizing.

The implication as to the expression ‘that theory of explanation’ will be elevated further in the next section as to the mode of reasoning, i.e. subsection 3.1.3, as it for instance recognizes limitations as to both the use of a priori schemes and perspectives as well as to the explanations and explanatory proposition that are exhibited and theorized.

Prior, a mobilization of more contemporary contributions within Management Accounting offers valuable insight into the notion of emic and etic accounts. This draws attention not only to the empirical execution but likewise to the articulation of the empirical elements. This is suggested to hold important messages as to the mode of reasoning, knowing and theorizing, which can be carried forward in the establishment of the entire methodological approach.

The epistemological conception, and the derived implication of this research agenda, is that ‘organizing’ is first of all perceived as a process that among others reduces uncertainty by, or through, the making of sense in organizations (e.g. Weick, 1995 and 2001; Fuglsang and Bitsch Olsen, 2007). This could perhaps suggest a merely subjective interpretative research stance and a conceptualization of qualitative interpretative methodology with a purely emic perspective. This is not the case given Pragmatism and the pragmatic stance, though the profound strength of ‘*rich, emic accounts*’ (e.g. Lukka and Modell, 2010) is acknowledged and applied in this research project.

The emic perspective stresses both the ontological and the epistemological importance embedded in the notion of that of ‘*understanding things from the viewpoint of the examined subjects*’ (Kakkuri-Knuttila et al, 2008, p. 274).

However, the research agenda does not only embed an aim to describe and understand but also to develop explanatory propositions based on an exhibition of plausible explanations as to Strategic Cost Management and the effects in terms of and on human actions in the empirical setting. This is for instance depicted in potential transformation and change that are associated with the cost structural alterations in the value chain.

This must, likewise, entail an etic perspective ‘*that includes a more objectivistic accentuation*’ (Kakkuri-Knuttila et al, 2008, p. 274). The latter of course would infer that the issue is also ‘*the interpretations of the researcher of the studied phenomena*’ (Kakkuri-Knuttila et al, 2008, p. 268), who mobilize extant literature and theory. Building on Dent (1991), Kakkuri-Knuttila et al suggest that ‘*the subjectivist and objectivist accounts co-operate, and thereby underlines the limitations of assuming strict subjectivism in interpretive* [i.e. Management Accounting] *studies*’ (Kakkuri-Knuttila et al, 2008, p. 287). This very much correlates with the positions of that of Weick (e.g. 1995 and 2001) and Czarniawska (e.g. 2004a and 2008) rooted in a pragmatic research position.

Kakkuri-Knuttila et al (2008) as well as Lukka and Modell (2010), where both contributions are situated within Management Accounting research, bring also to the forefront more contemporary contributions within that of Pragmatism as a stance for qualitatively inquiry and research.

Supportive to that, Morgan recently (i.e. 2014) lifted the dualism of a positivistic opposed to a constructivist stance and conveyed relating back to the thoughts of one of the founding pragmatists[64] (e.g. Bernstein, 2010) that within Pragmatism and ‘*its emphasis on experience, ontological arguments about either the nature of the outside world or the world of our conceptions are just discussions about two sides of the same coin*’ (Morgan, 2014, p. 1048).

Besides the observation that for instance Weick (e.g. 1995 and 2001) and Czarniawska (2008) seem to take the same position, it links also directly to the before mentioned applied research stand (e.g. Lukka and Modell, 2010).

[64] Morgan (2014) discusses in particular James Dewey’s contributions. James Dewy is considered among the classical pragmatists (e.g. Bernstein, 2010)

They explicitly build upon (Kakkuri-Knuttila et al, 2008) and suggest that '*ideas drawn from pragmatism* [i.e. Pragmatism as conveyed within the realm of philosophy of science] *inform us to further clarify the possibility to integrate social constructionism with a certain kind of realism*' (Lukka and Modell, 2010, p.464) in interpretive Management Accounting research that '*inherently integrates social constructionism and a moderate form of realism*' (Lukka and Modell, 2010, p.466). They suggest: '*It is precisely here pragmatism adds, in a realist vein, to the purely social constructivist notion of constantly negotiated truth*' (Lukka and Modell, 2010, p. 466)[65].

This is carried forward and related to an external viewpoint supported by extant literature and theory regarding, in this particular research, the area of Strategic Cost Management by suggesting that '*Such studies* [i.e. interpretive Management Accounting research] *obviously need to be laid upon a true interest in the subjective, mindrelated element of the world. But even things, which are – in principle arbitrarily – constructed by humans, have a natural objectivistic element, when examined from the viewpoint of certain actor. Things can hence be viewed as epistemologically objective for them at a given point of time and space*' (Kakkuri-Knuttila et al, 2008, p. 287).

The notion seems to be that '*things*' can be ontologically subjective and simultaneously epistemologically objective; at least to some extent, and stressing the importance by adding '*that interpretive research aiming for the theoretical contribution probably cannot be merely subjectivist*' (Kakkuri-Knuttila et al, 2008, p. 289).

This is a methodological key position in this research project in juxtaposition to both Weick (e.g. 1995 and 2001) and Czarniawska (2008). The idea is that a pure emic account would '*be little more than a descriptive summation of interpretations*' (Kakkuri-Knuttila et al, 2008, p. 288) is carried forward in contributions about validation in interpretative management accounting research.

It advocates for researches' '*attention to its* [i.e. interpretive research] *capacity to include both rich, emic accounts, grounded in profound understandings of the meanings of the researched, and explanations entailing an important etic and theoretically informed element. Whilst preserving the former property is a pre-requisite for IR* [i.e. interpretive research] *to be deemed authentic, we have paid particular attention to how thick explanations, emerging from emic accounts, are rendered plausible to particular research communities*' (Lukka and Modell, 2010, p. 474)[66].

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[65] Lukka and Modell (2010) refer to Pihlström (1996) and suggest that '*objectivity is an implicit pragmatic assumption held by cooperating and communicating individuals*'. By this it is conveyed that truth is something that can be rationally justified in our belief systems. Hence, the idea is that it is precisely this '*rationality that links with the underlying implicit assumption of objectivity in human settings of co-operation and communication*'

[66] Lukka and Modell (2010) elevate also ideas aspects of validation in interpretive research; i.e. '*those of authenticity and plausibility*'. They comment that authenticity '*lies at the core of validating the defining elements of any IR* [i.e. interpretive research] *research, namely rich descriptions*', while '*plausibility is relevant for assessing the credibility of the explanations being developed*' (Lukka and Modell, 2010, p. 474). This is elevated further in later subsections, while mobilizing other scholarly contributions; that is for instance Yin (1994) and Czarniawska (e.g. 2004a and 2008)

Thus, this conception also underpins the importance of a theory-informed approach in the empirical setting and as a pivotal part of the subsequent approaches to reasoning, knowing and theorizing about Strategic Cost Management in the empirical setting of altered organizational cost structures.

3.1.3 Mobilizing the sensemaking perspective and the theoretical domain

Thus, Pragmatism stresses the interplay between an (the) 'objective world' and our beliefs and the processes of meaning formation within and about it, as well as a notion of a theory-informed approache to the empirical setting and subsequent exploration. However, the philosophical position of Pragmatism does not suggest a certain explorative social science theory or perspective for guiding the exploration of organizing and the exhibition of plausible explanations and explorative propositions. This, obviously, depends on the particular research agenda.

Initially this addresses two 'dimensions' of a theoretical informed foundation for the empirical exploration. In the generation of knowledge, plausible explanations and explanatory propositions it requires mobilization of theories within the theoretical domain as defined by the boundaries of the phenomenon of interest in Section 2.

Secondly, it illuminates the relevance of a theoretical 'lens' or perspective and not only for instance a general support of epistemology. It indeed calls for a perspective of 'organizing', which as an explanatory concept and perspective underpins the exploration within the empirical setting in accordance with not only the ontological and epistemological position of the research endeavor but connected with all elements of the methodological approach and constitution. Hence, it requires theories and perspectives to research the unit of analysis as top management's enactment in organizing and in the contextualized setting in the intersection between strategy, cost structure and value chain configuration.

As concretely stated in the introductory section, the sensemaking perspective (e.g. Weick, 1995 and 2001) serves this purpose in relation to the conception of organizing (e.g. Weick et al 2005; Czarniawska, 2008) and in the constitution of top management's 'enactment'.

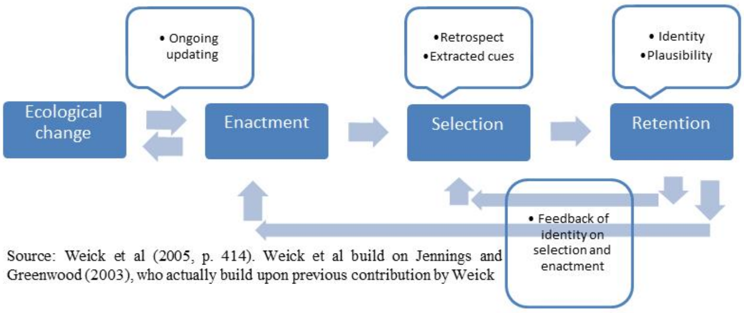
Weick (e.g. 1995 and 2001) suggests seven properties of sensemaking, where '*Sensemaking is understood as a process that is: 1) Grounded in identity construction, 2) Retrospective, 3) Enactive of sensible environments, 4) Social, 5) Ongoing (ongoing events), 6) Focused on and by extracted cues and 7) Driven by plausibility*' (Weick, 1995, p. 17). Thus, organizing as a process involving action (e.g. Weick, 1995 and 2001; Czarniawska, 2008) and sensemaking has suggestable much in common.

In line with the positions of Pragmatism and Symbolic Interactionism, the notion of the 'objective' element not only with an emic perspective and an etic theory-informed research approach but also concerning the practical implication for the execution of the research, and its strive to develop explanatory propositions, is inferable to all of the seven sensemaking properties.

The overwriting conception of 'organizing' as a sequence of reciprocal exchange between ecological change, enactment, selection and retention (e.g. Weick et al, 2005) serves as the perspective for the exploration and the conception of organizing (e.g. Weick et al, 2005; Czarniawska, 2008); thus recognizing that knowledge and the formation of meaning is retrospectively.

The key emphasis is on 'enact' and 'enactment', though according to this conception is has to be understood as an element of an ongoing process thus also to be confined as to the other process elements; e.g. retention, which is to be understood during transformation and change. This relationship was portrayed in Illustration 1.4 and here reproduced as Illustration 3.1.

Illustration 3.1 The relationship among enactment and in turn organizing as sensemaking



Source: Weick et al (2005, p. 414). Weick et al build on Jennings and Greenwood (2003), who actually build upon previous contribution by Weick

In the initial constitutional suggestions about the properties, Weick (e.g. 1995 and 2001) in terms of 'Enactment of sensible environments' among other, and building on Porac et al's study (i.e. Porac et al, 1989), advises that '*The implication that enactment is first and foremost about action in the world, and not about conceptual pictures of that world (…) is clearest in Porac et al's discussion about (…) manufacturers of Hawick (…). People in Hawick enact the environment that enacts their Hawick identity, and this process represents enactment in sensemaking* (Weick, 1995, pp. 36-37[67]).

This relates back to Weick's idea of ontological oscillation: '*There are subjective interpretations, of externally situated information, but that information has become external and objectified by means of behavior. People discover their own intentions.* This is, as mentioned, followed by the suggestion: '*If this is ontological oscillation, so be it. It seems to work*' (Weick, 1995, p. 37).

The enacted 'world' becomes somewhat tangible with '*material and technical artifacts given substance and meaning*' (Weick, 1995, p. 37); that is '*given substance and meaning*' by the subjects, i.e. top management, within the empirical domain.

As such, reality is then actively constructed and not merely discovered.

[67] The quote from Weick (1995) is abbreviated and based on two pages (i.e. Weick, 1995, pp. 36-37)

When this is related back to prior thoughts surrounding the philosophical position, it could be argued that the strict distinction between ontology and epistemology also becomes somewhat intertwined as to, what constitutes reality depends on a particular actor (Guba and Lincolm, 1994). It also clearly demonstrates that although sensemaking inevitably contains an element of internalization, the proposition of enactment of local reality is also an externalization (e.g. Gjersvik, 1993; Weick, 1995). This, in turn, is emphasized by enactment as the reciprocity between top management's actions and environment, whereas environment is the contextualized setting.

This additionally emphasizes the relevance of the theoretical domain as outlined in Section 2 in two ways. It will serve as a resilient leverage of the confinement of the research design and for instance to the selection of cases for theoretical purposes (e.g. Yin, 1994), as well as it will offer a theory-informed approach to the empirical setting (e.g. Blumer, 1969). Secondly, it will offer the supportive understanding in the elevation of the mode of reasoning and knowing.

In respect of the sensemaking perspective on context, which will be mobilized together with the theoretical domain, it is interesting to note that Weick et al (2005) suggest an elevation by incorporating the aforementioned 'ecological change' and propose '*that sensemaking can be treated as reciprocal exchanges between actors (Enactment) and their environments (Ecological Change) that are made meaningful (Selection) and preserved (Retention)*' (Weick et al, 2005, p. 414).

While the overwriting process of 'organizing', where enactment thus is a focal component, serves as the general conception (e.g. Weick et al, 2005; Czarniawska, 2008), the seven properties serve as a supportive explorative concept and guidance into the empirical domain. This is in line with Weick, who suggests that '*These seven characteristics* [i.e. the properties] *serve as a rough guideline for inquiry into sensemaking – what sensemaking is, how it works, and where it can fail*' (Weick, 1995, p. 18).

Weick continues by enforcing this conception as '*an observer's manual or a set of raw materials for disciplined imagination*' (Weick, 1995, p. 18). This is empirically conducted in a way that couples this explanatory concept with the positions and conceptions formed by the boundaries of the analysis as outlined in Section 2.

To provide an example as to how to mobilize the theoretical domain in Section 2 in association with the sensemaking perspective, Weick (e.g. 1995) addresses for example a theory of understanding and exploring organizing as a process with organizational and human actions as one of the theoretical hubs. Weick (e.g. 1995) also reminds researchers explicitly of the importance of the notion of 'Retrospective' and the idea of the property of 'Focused on and by extracted cues'.

This inevitably makes the theoretical domain in Section 2 relevant in understanding and constitution of spatial interrelated events and actions

This is not only relevant in the understanding and in the empirical contextualization of outsourcing and insourcing in terms of value chain configuration. It is also relevant in the exploration of the field under study by, for instance, partly guiding the organizational inquiry for instance as to cost as cues and the effects; thus 'Focused on and by extracted cues'.

This means that the exploration of the empirical setting will require the understanding of for instance cost representations and their inventive and interpretive effects, which in turn will be explored as to the cause and effect not only for enactment but likewise in that of selection and retention in organizing as an ongoing process.

As another example of the elevated research implication for the actual empirical execution of this research 'Enactment of sensible environments' could for instance and building on the theoretical domain in Section 2 be understood both as the interplay between organizational strategy and cost structure, where strategy as for instance conceived as strategy intent, hence related to 'identity' and perhaps an ongoing construction hereof, interrelates with top management's enactment of the cost structure. This is exactly the case in Porac et al's study (1989).

Hence, the implication is that rather than assuming an adaption on beforehand such as in contingency studies, it assumes that a 'creation' takes places studied as a process (e.g. Weick, 1995 and 2001; Weick et al, 2005; Czarniawska, 2008).

It is recalled that '*Enactment drives everything else in an organization. How enactment is done is what an organization will know*' (Weick, 2001, p. 187). This knits to the aforementioned conception of the ongoing process and creation in as much that the '*enacted environment*' becomes an output of an instance of '*sensemaking*' (Weick, 2001, p. 189).

It is '*something that the organization's'* top management *'momentarily 'know' or feel they 'understand''* (Weick, 2001, p. 190). The reciprocal exchange between the enacted environment and the subsequent actions continuous, and enactment is triggered by, for instance, top management noticing alteration of experience, variances or discrepancies. Hence, this becomes occasions to commence changing '*flux of circumstances into the orderliness of situations*' (Weick et al, 2005, p.414). The research implication is that this notion implies an ongoing process of invention and interpretation that embeds top management's creation about sense of the cost structure.

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This of course accentuates that the empirical setting imposes a foundation for researching Strategic Cost Management in a process context and the recognition of the making of sense in the empirical setting. The research implication is that the theoretical domain in Section 2 is mobilized to confine the empirical setting.

This is to be elevated in the subsections 3.2 and 3.3.

This approach relates, among other, back to Blumer (1969), who also advocated the importance of '*the possession and use of a prior picture or scheme*'. Hence, Blumer advocates for an underlying picture of the empirical setting, which is capable of identification in a form of set premises, and informs that '*these premises are constituted by the nature given either explicitly or implicitly to the key objects that comprise the picture*' (Blumer, 1969, p. 25).

This idea will be further elevated in the following subsections 3.2 and 3.3, because it does not only relate explicitly to the mode of reasoning and in turn the contextualized theorizing. It also holds some very important messages as to potential scholarly pitfalls that associate back to the mobilization of theoretical concepts and the mode of reasoning. That is that of '*abduction*', which also seems if not coined originally then mobilized (e.g. Pierce, 1903)[68] as the criterion by the aforementioned founder of Pragmatism, Charles Saunders Pierce (e.g. Bernstein, 2010).

This observation refers consistently back to the ideas of Lukka and Model (2010) about the importance of the '*etic and theoretically informed element*' (Lukka and Model, 2010, p. 474). Building on the theoretical domain in Section 2 it also suggests that in terms of the immense interpretation of for instance 'strategy' and perceived uncertainty about the other taxonomical notions within the realm of Strategic Cost Management, the actual probing must take a form that accounts for literature's taxonomical concerns as well as the proposition that the empirical setting could act a pivotal leverage in curbing these literary ambiguities.

The epistemological lens and guiding explorative theory and perspective of sensemaking is then in this perspective supported by theories and concepts derived and constituted in Section 2.

This also builds upon the idea that it could be that '*events in the field may best be explained with reference to multiple theories*' (Ahrens and Chapman, 2006, p. 823). This very much anchors the methodologic conception in close juxtaposition to the overwriting idea constituted by other authors mobilized within the theoretical domain. It is an additional argument that in straight line supports for instance Anderson and Dekker (2009a) as well as Ellram and Stanley (2008), who among others advocate the mobilization of areas outside that of Management Accounting; e.g. Supply Chain Management and Economics.

This of course then infers that the actual research undertaking should embed an iterative approach between the empirical exploration and the establishment of the theoretical domain. This is addressed in subsection 3.3, which also outlines the research design.

Prior, it is however important to suggest the modes of reasoning, knowing and theorizing.

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[68] Peirce uses in his Havard lecture May 14th 1903 the term '*abductive inference*' (i.e. Pierce, 1903, in The Pierce Edition Project, edited by Houser et al, 1998, p. 227)

Thus, there might at this point be a connotation of an epistemological anchor well-rooted in a perceived, established philosophy of science positions that relates to sensemaking (e.g. Weick, 1995 and 2011), conceptions of enactment (e.g. Weick, 1995 and 2001), organizing as a process (e.g. Weick et al, 2005; Czarniawska, 2008) as well as the mobilization of the theoretical domain. The methodological approach as to its assumed strength is likewise depended on the methodological inclusion of the modes of reasoning, knowing, theorizing as well as the notion of plausibility.

These pivotal elements are the main areas of the next subsection; i.e. subsection 3.2, which addresses the mode of reasoning, knowing and theorizing. In subsection 3.2 the key points are associated to 'a case'.

The selection and configuration of the specific empirical design setting, 'the case' or in this research rather 'the cases', within a multiple case design is the theme in subsection 3.3.

3.2 Mode of reasoning, knowing and theorizing and the notion of plausibility

As it is conceived, the mode of reasoning is 'abduction', rather than that of deduction (hypothetico-deduction) and induction. More contemporary contributions within the realm of philosophy of science (e.g. Fuglsang and Bitsch Olsen, 2007; Sørensen, 2010; Bernstein, 2010) and specifically within Management Accounting (e.g. Kakkuri-Knuttila et al, 2008; Lukka and Modell, 2010) relate explicitly back to the philosophical position; e.g. the epistemological relevance and considerations.

In addition, the use of a priori knowledge is enforced based on the considerations regarding the boundaries of the analytical elements as well as the criterion of 'validity', or in this research rather the criterion of 'plausibility' in the scholarly strive to develop explanatory propositions.

In that respect, Lukka and Modell (2010, p. 467) among other suggest: '*Whilst abduction differs from the hypothetico-deductive mode in that it starts from the empirical findings, not from theory, it does not deny the role of prior theoretical knowledge in providing a background to the search for the most plausible explanation for empirical observations. Abductive and inductive reasoning again have a similar starting point (empirical observations), but whilst induction is characterised by a kind of semi-automatic generation of theoretical generalisations from data, abduction relies on the skillful development of theoretical explanations with the help of everything that is known empirically and theoretically about the issue being examined*'.

This illuminates the theory-informed approach that is mobilized in the exploration within the empirical setting

3.2.1 Abduction as the mode of reasoning and plausibility

When this is bridged back to the 'philosophically roots' of Pragmatism, from which the abductive mode of reasoning steams (e.g. Bernstein, 2010) and in turn Symbolic Interactionism as well as the sensemaking perspective as organizing (e.g. Weick et al, 2005; Czarniawska, 2008), a clear, connective strength is revealed between the philosophical position and the explorative approach.

Weick (1995, p. 13), for instance, informs: '*What is unusual about the topic of sensemaking is that it is grounded as much in deduction from well-articulated theories as it is in inductions from specific cases or struggles to reduce ambiguity*'. This reduces uncertainty (e.g. Fuglsang and Bitsch Olsen, 2007).

Hence, explanations do not exists in the aforementioned '*theoretical vacuum*' (expression from Lukka and Modell (2010, p. 467). However, while the empirical setting is consequently the central core understood intertwined with the theoretical domain, the mode of exploring the empirical setting and in turn mobilizing coherent approaches in contextualized theorizing is a primary crux to solve in juxtaposition to the theoretical domain of Strategic Cost Management.

Thus, this research's central position is that as such 'abduction', of course if the mode is applied with sufficient rigorous scholarly care, leads to explanations and explanatory propositions, where the criterion of 'truth' is 'plausibility', rather than for instance 'validity' in a positivistic research tradition. In addition the excavating and elevation of plausible explanations are based on among others the articulation of plausible conditions or processes (e.g. Fuglsang and Bitsch Olsen, 2007).

These explanatory propositions intertwine the empirical and theoretical elements. However, these abductive-based propositions are not developed with the idea of one construction, which excludes potentially other 'plausible' explanations.

The proposition is in this research instead '*a construction, which can be used to understand for instance events and actions based on the information from the empirical and theoretical domains, the researcher has available, and founded upon among others the notion that 'provocations' stimulate the quest for better ways to articulate the explanatory propositions*' (i.e. translation of Fuglsang and Bitsch Olsen, 2007, p. 459).

This idea of '*provocations*' relates directly back to for instance Blumer (1969), who very explicitly stresses the notion that researchers must ensure and sufficiently utilize the embedded tension so the '*empirical world can 'talk back' to our pictures of it or assertions about it*' (Blumer, 1969, p. 22). However, it inevitably requires the before mentioned alertness about the use of a priori knowledge.

The research implication is that researchers have to accept and in turn apply an outspoken degree of iteration between the empirical setting and the theoretical foundational constructs in the probing and the articulation of knowledge; and not in a way, where a priori knowledge, for instance, is an implicit excuse for insufficient probing. This could hamper the objective to grasp these '*better ways to articulate the explanatory propositions*' (i.e. translation of Fuglsang and Bitsch Olsen, 2007, p. 459); though still recognizing that there could be other ways.

Hence, the application of abduction and the notion of plausibility also lead to claimed openness to other plausible explanations.

According to Lukka and Modell (2010) this will among others also require a rendering of plausibility and continuously underpinning the importance of '*preserving the richness of the emic understandings and the sensitivity to the context in which they are generated*' (Lukka and Modell, 2010, p. 469). This notion associates in several ways to Weick (e.g. 1995 and 2001).

One quite straight forward example is that sensemaking within organizations among its various properties holds the idea that sensemaking is '*driven by plausibility*'. Hence, as such there is a perceived, generally well-embedded, correlation between the criterion within abduction as a mode of reasoning, hence the 'plausibility' of the exhibited explanations and the explanatory propositions, and the theoretical and epistemological construct of organizing and sensemaking. Both are rooted on the conception of 'plausibility'[69] as to the explanatory strength.

The notion of abduction, plausibility, exhibited explanations and explanatory propositions also relate profoundly to Weick's notion of sensemaking in another way: '*Sensemaking is not about truth and getting it right. Instead, it is about continued redrafting of an emerging story so that it becomes more comprehensive, incorporates more of the observed data, and is more resilient in the face of criticism*' (Weick et al, 2005, p. 415).

However, and although, there might be a perceived robustness in the way the methodology is developed until this point, it still leaves the question of how to mobilize abduction as the mode of reasoning. Secondly, this embed the question of, how that can be articulated and 'knitted' into a coherent, intertwined whole together with the representation of the empirical setting explored with an appreciation of a priori theory faithful to the philosophical position of the research project.

The previous couple of phrases (e.g. Weick et al, 2005, p. 415) above offer the pathway forward as to the methodological considerations.

The suggestion and elevating of the notion '*of an emerging story*' in this research is the use of the narrative mode of knowing articulated as emplotted narratives as the precept of theorizing (Czarniawska, 2004a), which associates to the aforementioned conceptions of organizing by Czarniawska, 2008). This is the key theme of subsection 3.2.2.

3.2.2 Emplotted narratives as exhibited plausible explanations and mode of knowing

The suggestion above is not as such based in particular on for instance the thinking of Lukka and Modell (2010). They based their analysis of Covaleski and Dirsmith (1986) and Vaivio (2006) and explicated the utility of a narrative mode of knowledge generation; hence in various ways of demonstrating the effectiveness of case narratives in qualitative interpretive research.

[69] It is interesting to note that for instance Lukka and Modell (2010) articulate as follows, where not least the words in 'quotation marks' is interesting: '*The notion of plausibility is here used to denote whether an explanation 'makes sense' and whether it can be inter-subjectively accepted as a likely one*' (Lukka and Modell, 2010, p. 469)

This particular research mobilizes the narrative mode of knowing in Czarniawska's conception (Czarniawska, 2004a). The applicability and the usefulness of the narrative mode of knowing (e.g. Czarniawska, 2004a, p. 6-10) becomes in Czarniawska's conception the precepts of theorizing. This fits not only the mobilization of Weick (e.g. 1995 and 2001) and that of Weick et al (2005) but also abduction in terms of the mode of reasoning.

Czarniawska (2004a) for instance informs by quoting Polkinghorne (1987), that '*narratives exhibit an explanation instead of demonstrating it*' Czarniawska (2004a, p. 8). Hence, a narrative exhibits *an* explanation and not *the only* explanation. The conception is clearly that a single construction does not exclude other plausible explanations.

Within the nature of the narrative mode of knowing, '*an explanation consists in relating an event to a human project*' (Czarniawska, 2004a, p. 8). The explicit use of 'event' and 'action' has the apparent properties in its close relationship to that of sensemaking in Weick's conceptualization (e.g. Weick, 1995 and 2001) and the sensemaking properties.

It, perceptibly, relates events to 'human projects'. Secondly, and maybe not that obvious at first glance, but perceived equally important, there is a direct connection between for instance 'actions' and 'processes' in the realm of organizing and in the narrative mode of knowing, because of the connectivity between 'action' and 'event' in Czarniawska's conception (Czarniawska, 2004a).

'Action' is according to (Czarniawska, 2004a, p. 8) 'events' that '*can be interpreted, made sense of, by attributing intention to it*'. 'Events' and 'actions' play imperative roles in the construction and interpretation of narratives in social science and link into that of Weick's notion (e.g. 1995). Here action and the active construction play significant roles in sensemaking and not least that of 'enactment', where Weick suggests that '*enactment is first and foremost about action*' (Weick, 1995, p. 36).

Weick (1995) informs researchers in that respect: '*The concept of sensemaking is well named because, literally, it means the making of sense*' (Weick, 1995, p. 4). Thus, the notion of action and the active construction is literally the 'making' of sense.

'Event' and the definition of 'action' based on 'event' and 'meaning' is a central point, not only in that of generating interconnectivity and coherency for instance between the social science perspective of that of sensemaking and the modes of reasoning and knowing, hence in turn the criterion of 'plausibility' and theorizing about the domain. It is also central in the constitution of the empirical case setting; e.g. the theoretical case selection and the practical research design. It requires for instance 'events' in its constitution. This is the focal theme of subsection 3.3.

However, before moving to that task, the more specific approach to narrative 'construction' and what emplotted narratives will offer in this research setting is conveyed more specifically. The main starting point, maybe even the key tenet, is the idea of 'Plot' and 'Emplotment'.

The ‘plot’ and according to Czarniawska (2004a, p. 122) ‘*or how to theorize*’, and emplotment (Czarniawska, 2004a, quoting White, 1973) basically means ‘*introducing a structure that allows making sense of the events reported*’ (Czarniawska, 2004a, p. 122). It ‘*responds to the question: ‘why?’ – where, in a positivist view, the answer should be formulated in terms of causal laws; in a romantic view, in terms of motives; in a post-positivist and post-romantic discourse, it assumes the form of showing ‘how come?’, where laws of nature, human intensions and random events form a hybrid mixture*’ (Czarniawska, 2004a, p. 123).

‘*The plot is the basic means by which specific events, otherwise represented as lists or chronicles, are brought into one meaningful whole*’ (Czarniawska, 2004a, p. 7, quoting Polkinghorne, 1987). This can be related explicitly to abduction as the mode of reasoning.

Czarniawska informs for instance that ‘*The events acquire meaning by application of abduction (a guess, a tentative plot), which introduces a hypothetical connection – just like hypothesis but still claiming openness*’ (Czarniawska, 2004a, p. 9). This, of course, relates back to the conception that emplotted narratives exhibit an explanation, while not rejecting others, and subsequently, it knits to the abductive mode of reasoning and conception of ‘plausibility’ within the realm of Pragmatism.

In a plot it should be recognized that there must be a sense of causality in the arrangements, understood not in a purely positivistic way but in that sense that the plot’s functions is to transfer a pure chronically description or listing of events into a schematic whole. Hence, and according to Czarniawska (2004a) ‘*a plot has the capacity to articulate and consolidate complex threads of multiple activities*’ (Czarniawska, 2004a, p. 125). Boje (2001) has a somewhat similar starting point and introduces a definition of a plot, as ‘*the chaining of cause and effect or stimulus and response into a pattern, structure or network*’ (Boje, 2001, p. 108).

Both suggestions relates explicitly to that of ‘enactment’ and the research purpose as outlined in the introductory section. It is for instance conveyed that this particular research therefore offers insight into top management’s enactment informed by among others the mobilization of cost driver theory and taxonomy to understand the intertwined nature of the various effects and actions, the asymmetry of the various actions and effects and the subsequent management situations.

It is, however, not enough to link the events and actions by pure succession. The events and actions need to be related by transformation, where the chronology also becomes causality in a way. This is developed or maybe rather anchored on the grounds of the notion of ‘*emplotment*’ and ‘*emplotted narratives*’ (Czarniawska, 2004a, p. 17) opposed to narratives as pure chronological accounts.

The research implication is, thus with reference to the notions of ‘tension’ (i.e. Blumer, 1969), ‘provocations’ (i.e. Fuglsang and Bitsch Olsen, 2007) as well as ‘enactment’, ‘action’ and meaning formation in and as part of organizing (e.g. Weick, 1995 and 2001; Weick et al, 2005; Czarniawska, 2008) that the empirical setting should, preferably, embed alteration of the organizational cost structural position. This is attended to in the development of an empirical setting that embeds both outsourcing and insourcing. This is elevated in subsection 3.3.

There are other key considerations to an emplotted narrative, which besides the idea of a 'plot' is embraced as 'mimesis' and 'chronicle'. Mimesis, or '*how to present the world*' (Czarniawska, 2004a, p. 117), is related to the field of theory and the field of practice (Czarniawska, 2004a).

Both need to represent scientific literature or inscriptions of everyday life, and both need to 'emplot' their representations. By the latter Czarniawska (2004a) suggests assembling for instance the events and actions into a coherent whole; i.e. a plot that then also emphasizes the setting and 'voices'.

In terms of representation the readers must feel as '*if they were there, in the field; in case of a literature review make the readers feel as if they read the literature themselves*' (Czarniawska, 2004a, p. 118) and as Czarniawska commences: The '*reader is moved from here to there*' (Czarniawska, 2004a, p. 118). By '*here*' is meant the literary field, hence the theoretical domain as conveyed in Section 2, and by '*there*' obviously the empirical field of the research.

This again highlights the notion of a theoretically informed approach to the empirical execution and to the subsequent exploration and theorizing; it is not theory-free in this methodological approach given the research question and research aims of contributing to Strategic Cost Management practice. Likewise, the approach enforces iteration between the empirical setting and the theoretical domain. A main issue is here, though, how to produce a realistic representation. This comes into the forefront in the description of the setting.

The setting describes (Czarniawska, 2004a, p. 119) '*the context of the phenomenon under scrutiny – in spatiotemporal terms*' (i.e. existing in both time and space).

Czarniawska (2004a) suggests two strategies to achieve this; i.e. 'feedforward' and 'feedback'. Both strategies will be applied. The 'feedforward' strategy is 'retrospectively' applied to 'anchor' the chronological account of the events and in turn actions in a kind of 'historical perspective' to clearly contextualize the organizing process as sensemaking and the organizational transformation depicted by alteration of the value chain configuration. The 'feedback' strategy is applied to achieve an understanding of among others the cues (e.g. Weick, 1995 and 2001) that for instance interweaved in understanding and organizing within the case organizations; e.g. cost calculations and cost representations as well as given perceptions as to organizational cost structures and drivers.

In addition, there will be applied a 'zooming in' approach that enrich the accounts as well as a 'zooming out' approach, where the latter according to Czarniawska entrench the details to a larger picture in and of the organization (Czarniawska, 2004a, p. 120).

In this perspective and of course relating back to for instance the notions of for instance 'here' and 'there' Czarniawska's common-sense answer to '*the questions: 'how to represent' is: faithfully*' (Czarniawska, 2004a, p. 117).

Similar is a key message in the work of Blumer (1969)

Blumer (1969) for instance stresses the importance in his outline of the '*Methodological principles for empirical science*' that among others '*guiding conceptions, data, schemes of relationship and ideas of interpretation have to faithful to that of the empirical world*' (Blumer, 1969, p. 38).

This perception, thus, illuminates the interrelatedness between for instance Symbolic Interactionism, the sensemaking perspective, abduction as a mode of reasoning and emplotted narratives as the precept of theorizing.

The 'voices' is an important part of mimesis (e.g. Czarniawska, 2004a, p. 121). Top management is according to the research purpose and the established unit of analysis the particular 'voices' in the case organizations. The interviews will be conducted with top management, where she/he will offer her/his particular perspective. This will be elevated in subsection 3.3.

Other people are involved in a decision to for instance outsource. It is according to the research purpose and the methodological conception of for instance organizing not the actual, confined decisions themselves that it is the prime interest. It is the ongoing process of organizing, where enactment takes up a key position. However, and even if it was claimed that such decisions, which constitute the empirical setting, was solely taken by a particular top manager, which is not the case, more people are of course still involved in the ongoing process of organizational sensemaking as organizing. Thus, this is not explored in this research. It is the top manager's enactment, where the top manager is interviewed and offers her/his perspective.

However, other people for instance provide information (e.g. cost representations), and such insight can support exploration into for instance the social process of sensemaking, where for instance a middle manager interacts in the creation of sense. This could further support the understanding of top management's enactment of the organizational cost structure in value chain configuration. Such attention could for instance offer more insight into inventive and interpretive effects of cost cues, where 'other people' and social processes can be a '*constant substrate*' (Weick, 1995, p. 39) that for instance shapes interpretations.

As it will be elevated in subsection 3.3, the background for this methodological choice is among others that the research's empirical settings confine quite long periods; e.g. between an outsourcing event and a subsequent insourcing event. Thus, it is considered difficult to methodically mobilize other 'voices' across multiple cases. Hence, the perspective on top management's enactment understood among others by the exploration of the actions is based on the top managers as informants in the interviews, and it is their perspective that is the central point. Although, the central issue is top management's enactment explored in the top manager's perspective, the methodological choice still offers limitations to the research exhibited explanations, as these do not explore the social process of sensemaking in the organizations, which could for instance shape top management's interpretations. This is of course a limitation. However, it also accentuates the mobilization of supportive documentation, which is also elevated in the next subsection 3.3.

However, and turning to for instance mimesis, it is quite clear that the mimesis (a description) and the emplotment (an arrangement) go hand in hand in the scientific narrative.

This means that ‘*the mimesis will corroborate*’ (Czarniawska, 2004a, p. 122). This is documenting the plot in the sense that it supports or confirms the emplotment in the narrative with evidence. This of course irradiates the importance of a proper research design and the specific research methods.

This is the content of the next subsection 3.3, which also outlines the more specifically empirical setting and, how the empirical setting is established.

3.3 The empirical case settings and iteration

A case based approach (e.g. Yin, 1994; Eisenhardt and Graebner, 2007; Bryman and Bell; 2007; Silverman, 2010) with the use of several cases in a multiple case study design is applied to address the research question ‘*How does top management enact the organization’s cost structure in value chain configuration?*’ with reference to the aim of the research efforts.

3.3.1 The sampling of multiple cases and introducing replicability

The multiple cases have been selected for theoretical purposes (Yin, 1994; Eisenhardt and Graebner, 2007.

Based on the level of analysis the design might initially be assessed ‘*holistic*’ in nature (Yin, 1994, p. 42) given the de facto established setting of top management’s enactment of the organization’s cost structure in value chain configuration.

This complies methodologically with the key tenets of Strategic Cost Management as conveyed in Section 2 about the theoretical domain, the mobilized definition and the propositions attached hereto. That is among others the conceived intertwined nature and alignment of the strategy, cost structure and value chain configuration with the purpose of aligning the organization’s cost structure with its strategy and with managing the enactment of the strategy as suggested in Anderson and Dekker definition (2009a). Thus, Strategic Cost Management is conceived mobilized as a vehicle to pursue the organizational objectives.

This connection is obviously important, and the holistic approach has its advantages (e.g. Yin, 1994). However, in that respect and based on literature, this initially points to two key considerations as to its research implications and design.

The first is to secure that each of the cases addresses the specific phenomenon at the specified level of analysis (e.g. Yin, 1994) in relation to top management’s enactment of the organization’s cost structure in value chain configuration. Secondly, it is important to secure that this is obtained across the multiple cases (e.g. Yin, 1994; Eisenhardt and Graebner, 2007). This is to bode for the foundation for both the external and the internal validity but as well as to support the theoretical purposes and the iteration between the organizational cases.

The external validity relates to the establishment of the empirical domain in juxtaposition with the theoretical domain with the purpose of underpinning analytical strength across the multiple cases based on ‘*replication*’ (Yin, 1994, p. 33).

The internal validity relates to the issue of pattern matching across the cases, as this research has the purpose of exhibit explanations and support the generation of possible emerging explanatory propositions[70], where one plausible condition is exhibited to lead to or infer another plausible condition (e.g. Yin, 1994). It is however recalled that in this research the emplotted narrative exhibits a plausible explanation but claims openness to other plausible explanations (Czarniawska, 2004a).

The issues of reliability and validity are addressed in the subsections 3.3.4 and 3.3.5 that outline the more detailed approach. Prior, i.e. in the subsections 3.3.2 and 3.3.3, the general approach to the empirical setting is conveyed together with the initial iteration between the theoretical domain and organizational cases.

3.3.2 The initial general approach to the empirical setting

The starting point for the theoretical multiple case design was an initially established theoretical domain of that of Strategic Cost Management. This is in compliance with the methodological considerations that qualitative research and theorizing in this research approach is theory-informed. This accounts for the multiple case design approach as well.

Hence; the multiple cases were to comply with the general conception of both the key tenets of Strategic Cost Management as well as to comply with the general construct of the empirical setting. That is an empirical setting, which embeds outsourcing and insourcing events with the purpose that the empirical setting has to embed some transformation to research top management's enactment in a process perspective.

The notion of '*transformation*' is not only important to the theoretical domain and the applied perspective of organizing. These events of value chain configurations likewise support the before mentioned creeds regarding sufficient embedded tension that enables the '*empirical world can 'talk back' to our pictures of it or assertions about it*' Blumer (1969, p. 22); thus a 'transformation' can both confine the empirical setting and bode for 'tension'.

The empirical setting as a pivotal constitutive element is, beside the theoretical domain and its state-of-the-field as outlined in Section 2, established based on the suggested methodological approach and additionally inspired by the contributions of Czarniawska (e.g. 2004b). Czarniawska advocates the clear focus on organizing and level of analysis – rather than organizations to avoid the unintended consequence that '*ways of doing things*' becomes a place or an organization (Czarniawska, 2004b).

Secondly, the prime units of analysis, thus also the 'voices', are top management in their particular context of alteration of the organizational cost structures in relation to value chain configuration.

[70] The issue of internal validity is imperative in research that has the aim of generating explanatory propositions (e.g. Yin, 1994, p. 33)

These premises and constitutive research implications were brought forward to The Confederation of Danish Industry during 2013. The Confederation of Danish Industry is the largest Danish company-membership organization and is funded, owned and managed by 10.000 membership organizations within manufacturing, trade and service industries. The Confederation of Danish Industry showed specific interest in this research and supported the research progress in terms of for instance by creating access to organizations.

The interest by The Confederation of Danish Industry is among other the current outsourcing and insourcing trends conveyed in Section 1 and 2. The attention by The Confederation of Danish Industry also means that it was possible to enter the desirable organizational level within the case organizations; many at CEO level and the rest quite similar, e.g. Executive Vice President. Thus, it secured the same level of the 'voices' in accordance with the established unit of analysis. The participating organizations are all members of The Confederation of Danish Industry.

In hindsight, the access that is granted, the organizational openness to information and the perceived genuine interest from the participating organizations have perhaps not been achieved to the extent that the exhibited plausible explanations in the emplotted narratives illuminate without the significant support and interest from The Confederation of Danish Industry.

The theoretical basis initially comprised nine (9) Danish case organizations that share some characteristics. They are each quite large Danish manufacturing organizations; thus they all produce a tangible product, though subject also to augmentation by supportive technologies and services. All case organizations operate in an international business-to-business environment. They all undertake in-house production to a certain extent, and they have all reconfigured the organizational value chains; i.e. through outsourcing and insourcing as portrayed in illustration 3.2, which is a reproduction of Illustration 1.2.

Illustration 3.2: Example of the contextualized empirical setting

The cases were selected based on their changes in the cost structure; e.g. outsourcing. The purpose is at the initial stage to detect cases, which in economic terms experience indisputable cost base changes as alteration of operating leverage and transformation.

The idea is here to arguably present cases with clear '*events*' in economically rooted cost management terms to which, intention can be attributed. Thus, it portrays human and organizational action (e.g. Czarniawska, 2004a).

This initial multiple case study design with organizational similarities across the case organizations (e.g. manufacturing of a tangible product) could bode for an expected an overall very general '*literal replicability*' (e.g. Yin, 1994, p. 46), in which enactment of the organizational cost structure in value chain configuration should take place in the intersection of the three key tenets of Strategic Cost Management at top management level.

Thus, it was on beforehand accepted that the selection of cases in the multiple case study design could change, as the cases were addresses more thoroughly and after the initial analysis. This research stance would not restrain the probing and at the same time accept the necessity of compliance with replication.

Hence, it was a priori both accepted and expected that given the theoretical domain, which for instance conveys multiple intertwined reasons behind the alteration of the value chain, the overwriting idea of replication (i.e. literal replication and theoretical replication) could require additional iteration between the cases and between the cases and the theoretical domain. However, it was also realized to be more time consuming and resource extensive. This is also the case and is perhaps per se the nature of a multiple case design as reflected in literature (e.g. Yin, 1994, p. 45).

In the initial approach to the empirical setting top management respondents were interviewed at their respective nine (9) settings in Denmark; in some instances with consecutive site visits at some of the organizations' manufacturing locations. Some of the case organizations have several locations in Denmark.

The initial notions seem to support some literal replication, as the organizations were addressed. This is also the case as to some explanatory propositions. However, and as it will be demonstrated, the multiple case design was subsequently further confined to more thoroughly support replication, as the research move on to the various case organizations.

These initial interviews were semi-structured interviews. On beforehand there was developed an informational letter that also contains topical headings with subsections of initial interest. This was sent prior to the top management respondent to underpin their preparation; e.g. it asks for instance about specific data. The informational letter was sent by The Confederation of Danish Industry, which purposely irradiated their interest and support in this research to the top management respondents. The key headings and subsections in this informational letter are conveyed in Appendix 1[71].

It is for instance here, likewise, indicated that although a theory-informed empirical exploration is applied, the approach has from the very first access to the empirical setting been characterized by the notion of not constructing somewhat limiting artificial hypothesis on beforehand.

As an example and building on for instance theory and findings of articulated reasons for outsourcing in Section 2, it was assumed likely that arguments for outsourcing could be with the purpose of achieving a (more) competitive cost structure. However, other reasons behind outsourcing were not dis-considered a priori.

This for instance means that there were as such no pre-establish hypotheses in a positivistic research tradition but rather a theory-informed base and conscious alertness for exploration of the empirical setting in a way of what could be held objectively 'real' in a social reality.

[71] This might signals a structured approach. However, the initial interviews might best be characterized as semi-structured in nature in the sense that given the 'voices' the dialogues evolved not least during for instance subsequent manufacturing site visits

This also means that the approach to the empirical field has the tenet that it could possibly be that organizations do have several intertwined reasons as to for instance the outsourcing decisions. The task is then to carve out organizations, where for instance the cost argument is profound.

This is also the case regarding other mobilized constructs such as structural and executional costs, cost drivers and various concepts of cost classification and costing approaches.

Thus, the task has then been to 'retrospectively' anchor the data within the constructs of Strategic Cost Management and in turn the narratives' emplotment. Of course, this could probably infer a somewhat more demanding iterative research task. That is the case. However it has been assumed necessary based not only on the study of what is been researched and, how it is been research at present within the theoretical realm, but also in the elevation of the emplotted narratives and in turn the mode of reasoning and theorizing; thus given the applied methodology.

These initial interviews lasted at least an hour each and often longer due to combined site manufacturing visits[72], during which at least one person from The Confederation of Danish Industry also participated. During the interviews it was deliberately recalled that the taxonomical conceptions and queries as conveyed in the theoretical domain in Section 2 were to be avoided. This idea builds on the observed ambiguity within the theoretical domain in Section 2 along the vein of Blumer (1969), who advocated the aforementioned vagueness of concepts and the aforementioned practical recommendations of exploration and inspection.

This is not to suggest that top management do not hold a conception of for instance 'strategy' or 'strategic management'. This is of course quite contrary. However, these conceptions could likely be different. As it is conveyed in the theoretical domain in Section 2, this seems partly the explanation of the lack of advancement in the field previously dominated by quantitative studies. As another example, and instead of for instance relying on that organizations' top management have the same perception of for instance the terminology of 'cost driver' consistent with the conceptions within literature, the approach has been to initially probe as to perceptions of 'causes of cost' and the organizational cost structure as such.

The aforementioned interviews in the nine (9) initial cases were recorded and transcribed. In total this material comprises to approximately 200 pages, which was also shared with The Confederation of Danish Industry. This formed the basis for the subsequent initial analysis and elevation of the case study design based on the study of the multiple cases across, as well as the iteration between the multiple cases' empirical setting and the theoretical domain in Section 2 to apply with the notion of replication; i.e. literal and theoretical replication (e.g. Yin, 1994).

The main elements and observations in this empirical and theoretical iteration are irradiated in the next subsection 3.3.3 as to its research design implications.

[72] In several instances the visits were substantially longer due to site visits at manufacturing premises

3.3.3 The initial iteration # The establishment of the elevated theoretical research design

The successive analysis of patterns based on these nine (9) empirical organizational cases evoked two key activities in specific relation to the theoretical purposes; thus the possibilities for theorizing.

These key activities encompassed partly the elevation of the actual case study design and partly the further development and elevation of the theoretical domain in juxtaposition hereto. Thus, these key activities were conducted intertwined and constituted the first more comprehensive iteration between the theoretical domain and the empirical setting.

In the elevation of the case selection, all nine (9) cases were as mentioned subject to an overall though very general a priori expected, literal replication (e.g. Yin, 1994), in top management's enactment of the organization's cost structure in value chain configuration, as the initially established empirical domain for instance was constituted by the aforementioned organizational characteristics and pivotal issues of change; e.g. alteration of the organizations' cost structure trough outsourcing.

However, and despite an initial scholarly interest in the derived preliminary patterns and its internal validity (e.g. Yin, 1994) compared with the theoretical domain, three (3) cases depicted uniqueness and not in terms of more specific and specified Strategic Cost Management theoretical relevance (e.g. theoretical replication) in this empirical setting. They stood apart in other ways.

Although, these three (3) cases are all interesting, they were omitted from the further development and subsequent theorizing, as they would not offer justification in terms of '*replication, extension of theory, contrary replication and elimination of alternative explanations*' (i.e. Eisenhardt and Graebner, 2007)[73] in this research's particular context. The reasons are briefly conveyed.

One organization was assumed to be under a certain external pressure that offsets theoretical relevance in this research; thus for instance not considered a 'polar type' case (e.g. Eisenhardt and Graebner, 2007) that can underpin contrasting Strategic Cost Management related patterns in the data given this research's particular context and purpose. The second, subsequent disregarded, case organization portrays a transformational situation, where the value chain configuration is difficult to integrate within the overall constitution of the empirical setting.

It was in this particular case also noted based on the initial probing that the managerial argument, within the range of possible reasons behind the alteration of the organizational value chain and in accordance with the theoretical domain in Section 2, did not contain the ability to claim a superseding cost argument. This was observed despite the initial assumptions, which could be literary traced to altered cost structure in economic terms. Thus, this organization depicts an alteration that stood apart from the nature and reasons behind the altered vertical integration.

[73] Eisenhardt and Graebner (2007) build here on Yin (1994)

The more specific nature of the altered vertical integration was, thus, also at this stage of the research process added as an additional characteristic to support the contextualized theorizing and analytical generalization about Strategic Cost Management.

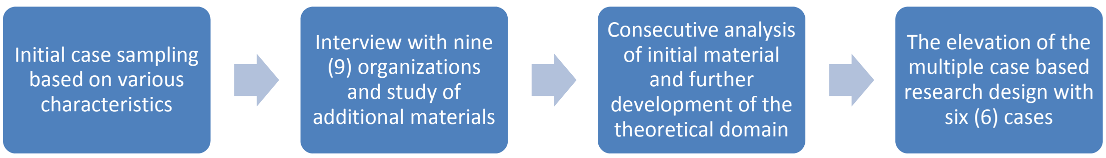
The third organization is by large very comparable with the emplotted narrative of one of the other emplotted narratives. However, some core events and in particular one such were mainly related to a specific external more radical third party event, where the theoretical relevance is obvious though in an altered research context.

The incorporation of nine (9) organizations and the initial efforts associated with interviews and extracting patterns is obviously more time consuming compared to six (6) cases. However, these initial probing efforts based on nine (9) cases were not wasted. Contrary, the initial overall constitutive research activity, as to the theoretical purposes, between the nine (9) cases has elevated the theoretical foundation for the constituted multiple case design sample. The remaining six (6) case organizations can be subject to a more thorough, contextualized theorizing.

The research implication of this initial iteration also enforced other activities with regards to the constitutive multiple cases in conjunction to the mobilization of the theoretical domain; besides the specification of specific vertical integration. The theoretical domain was among others elevated in terms of demarcation of organizational ‘strategic intent’ (e.g. Hamel and Prahalad, 1989) instead of ‘strategy’ in broader terms or a specific pursued strategy in narrow terms.

It was now possible to more specifically constitute the case sample as to both a conceived foundation for the replication[74] and at the same time confine the empirical setting as to the superseding reasons behind alteration of value chain configuration as well as the nature of the value chain configuration. This implication is that the cost argument behind the alteration of the value chain came in the forefront and in literary comparable events of altered backwards vertical integration. This initial development described above is portrayed in Figure 3.1.

Figure 3.1 The initial iteration and the elevation of the multiple case study design



The research design implication is that the confined theoretical sampling consists of six (6) cases, which portrays and bodes for overall literal replication and, on selected themes, theoretical replication, as it will be demonstrated in the emplotted narratives in Section 4 and the discussion in Section 5. They likewise now shared additional similarities that enable an even more focused research approach. The case organizations are presented in Table 3.1.

[74] The replication as literal or theoretical replication (e.g. Yin, 1994)

Table 3.1 The six (6) case organizations in the elevated multiple case research design

Organizations	SUPPLY Division 3	SUPPORT	PROVIDE	DELIVERY	LEVERAGE	EXPERIENCE
GENERAL introduction to the organizations in the multiple case study design	'SUPPLY Division 3' produces automated 'solutions' to larger private and public organizations	'SUPPORT' produces 'products' including advanced technology to large public and private organizations	'PROVIDE' produces automated 'solutions' to many different industries	'DELIVERY' produces 'convenience food products' distributed through retailers	'LEVERAGE' produces 'products' that are integrated in the 'products' produced in many different industries	'EXPERIENCE' produces 'consumable enjoyment products' distributed through retailers
SIMILAR organizational characteristics during the process of altered value chain configuration	The overall strategic intent is unchanged in terms of overall product ranges and service provisions The scope of the organizations in terms of the approach to forward vertical integration is unchanged in the value chain The organizations all have in-house production of the finished products/solutions The organizations operate all in a business-to-business context and do that internationally The outsourcing and insourcing (sometimes in combination with offshoring/backshoring) embeds altered operating leverage					
PRIMARY outsourcing argument (in some instances combined with offshoring)	Cost reduction	Cost reduction	Cost reduction	Cost reduction (and financial leverage)	Cost reduction	Cost reduction
POTENTIAL supportive reason			Vicinity to markets	Access to new competences	Vicinity to new markets	(Vicinity to resources)
MAIN cost structural effect by outsourcing	Scope (and Scale)	Scale and Scope (and Complexity)	Scope (and Scale)	Scale and Scope (and Complexity)	Scale and Scope	Scope (and Scale)

This approach on one side further enforces the importance of research context as conditions for contextualized theorizing and the exhibition of plausible explanations and explanatory propositions. However, and on the other hand, it of course implies limitations as to the potential application of plausible generalization of the exhibited explanations in all value chain configuration events.

The research for instance addresses only top management's enactment in backwards (upstream) vertical integration. However, at the same time the case sample exhibits underpinned purposes as to replication; thus reinforces the potential of the contextualized discussions and contributions.

With reference to the theoretical domain a key premises has been to design the multiple case approach, where the organizations all share the similarities in terms of for instance the main argument behind outsourcing. As shown in Table 3.1, this is an organizational objective to reduce costs. That is the primary reason behind the outsourcing events. Likewise, the alteration of the value chain configurations in all case instances associate to backwards (upstream) vertical integration.

Thus, the case organizations share a similar alteration of scope, which is also a structural cost driver, although this can for instance also imply the structural effect of scale as conveyed in Section 2. In a couple of organizations it also associates to alteration of complexity as portrayed in the product range, however that is to be discussed and theorized later.

It should at this point only be mentioned that altered complexity is not in terms of overall customer offerings as to the finished products. Hence, the multiple case design encompasses a case sample with unchanged, downstream overall product ranges and provisions, where product development initiatives over time 'only' associate to augmentation within the given core product range.

In addition, there are no radical cases in the sense, that initial outsourcing (sometimes in combination with offshoring) was due to extreme 'violated expectation' that triggered the initial decisions. The case events are considered controlled and an integrated part of a '*deliberate alignment*' (e.g. Anderson and Dekker, 2009ab) of the organizations cost structure in the strategic organizational perspectives.

This of course embeds limitations as to the applicability as for instance forward (downstream) vertical integration is not included. The research is on the other hand potentially more significant to a specific context in terms of the exhibited explanations and the propositions derived based on the theoretical domain. This accounts for instance as to the intertwined relationship between the structural and executional cost management effects, the asymmetry of these effects, the potential priming from externalities and the mobilization of for instance the cost argument in the initial alteration of the organizations cost structures in the value chain configuration decisions in case of backwards outsourcing and insourcing events and actions.

3.3.4 The complex iteration and the emplotted narratives # The reliability

The purpose of this subsection is to convey the successive and more complex iterative research approach and address the undertakings to avoid for instance biases.

In conjunction to the initial iteration between the empirical setting and the theoretical domain as conveyed in the previous subsection, i.e. subsection 3.3.3, the first emplotted narrative was written in a (very) rough first, draft version. This was to test the strengths of the articulation in emplotted narratives as the precept of theorizing (Czarniawska, 2004a). This is suggestable a particular '*crucial*' and '*difficult part*' of this social science research approach (Czarniawska, 2004a, p. 122).

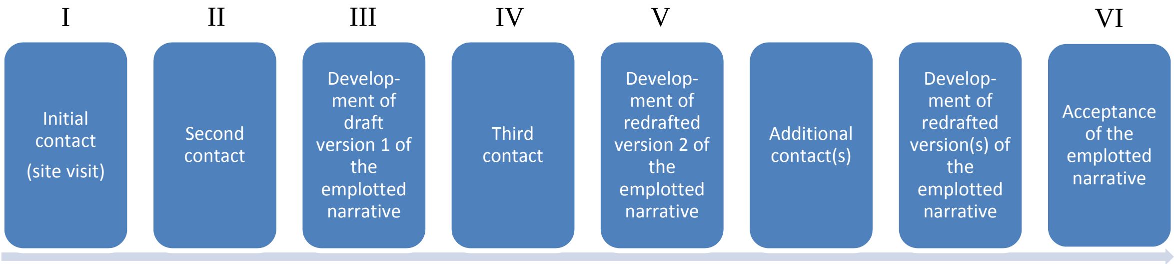
Particular attention was made to the advice by Czarniawska (2004a) as conveyed previously in subsection 3.2. That is among others in terms of representation that the readers must feel as '*if they were there, in the field; in case of a literature review make the readers feel as if they read the literature themselves*' (Czarniawska, 2004a, p. 118). Czarniawska commences that the '*reader is moved from here to there*' (Czarniawska, 2004a, p. 118).

While, the initial draft version of one emplotted narrative seemed valuable, apart from complying with the methodological approach, the development of eventually all six (6) emplotted narratives that exhibit plausible explanations developed for theoretical purposes (Yin, 1994) has required attention and efforts in terms of iteration.

This iteration has been undertaken both between the theoretical domain and each of the emplotted narratives as well as between the emplotted narratives to secure comparable level of analysis and content to underpin the emplotted narratives as the precept of theorizing (Czarniawska, 2004a).

This has, obviously, also required several contacts with each of the top management respondents in terms of data collection. The general scenario for data collection and the parallel development of the emplotted narratives for each of the case organizations is portrayed in Figure 3.2.

Figure 3.2 The general scenario for data collection and the development of the emplotted narratives



After the first contact and top management interviews in nine (9) organizations (see 'I' in Figure 3.2 above), the general scenario has continued with a second contact in terms of gathering further information based on, prearranged, telephone interviews (see 'II' in Figure 3.2 above). These interviews have been semi-structure in the sense that particular information was needed based on the aforementioned cross case analysis in juxtaposition to the elevation of the theoretical domain. The required information also differed between the case organizations; thus there was used an individualized approach opposed to the general interview frame used in the initial contact.

After the second contact the initial emplotted narrative for the particular organization has been developed (see 'III' in Figure 3.2 above)[75]. These emplotted narratives were sent to the top management respondents. The Confederation of Danish Industry was copied in. This was then subject to the third contact (see 'IV' in Figure 3.2 above), where the prime probing during interviews commenced by discussing the content of the emplotted narrative and to the extent, the particular emplotted narrative reflects the actual events, effects, management situations and actions.

Additional data was also gathered based on the iteration between the multiple cases and the parallel elevation of the theoretical domain, where additional themes had occurred during similar contacts to the other case organizations. This is illustrated and conveyed in more detail later in this subsection, where the more complex research process is portrayed.

Both prior to the second contact as well as afterwards, there have been provided supplementary materials by the organizations. These materials in terms of documentation (e.g. administrative documents such as proposals, i.e. Yin, 1994, p. 81) and archival records (e.g. organizational charts and budgets, i.e. Yin, 1994, p. 83), for instance with cost management information and representations, are reflected in the articulation through the emplotted narratives.

[75] The initial writing up of the draft version of the very first emplotted narrative (i.e. SUPPLY Division 3) for internal test of the strength of the method for articulation as the precept of theorizing was not subject to a second contact prior to that draft version. It was, as mentioned, merely an internal test subject to discussion with the supervisors. Thus, a second contact was also in this case conducted prior to the development of the first version of the emplotted narrative, which that was sent to the top manager in that particular organization (i.e. SUPPLY Division 3)

They do to some extend share general, similar characteristics. This is for instance examples of standard costing approaches, which is the costing approach in some case instances; hence in some of the emplotted narratives.

However, this documentation and archival records have in some case instances also quite different content depending on the situated, particular context. That is for instance an investment appraisal from DELIVERY and a detailed costing approach exemplification from LEVERAGE.

During the research process top managements have been very open and in the sense that limitations from more specific and confidential information, e.g. the aforementioned investment appraisal in DELIVERY, has not been a restraining issue.

After the first draft version of the emplotted narratives (see 'III' in Figure 3.2) were sent to the top management 'voices', the subsequent third contacts (see 'IV' in Figure 3.2) were followed by redrafting the emplotted narratives (see 'V' in Figure 3.2). This process was repeated with additional contacts and subsequent redrafting of the emplotted narratives in compliance with the notion of replication (e.g. Yin, 1994); thus subject to further probing and redrafting of the emplotted narratives as illustrated in Figure 3.2. It should, however, be mentioned that these emplotted narratives have been redrafted numerous times, and Figure 3.2 only depicts the versions sent to the top management to demonstrate the operations of the study in relation to the organizations.

In three instances, there have been three (3) drafted and redrafted versions of the emplotted narratives that have been sent to the organizations and subsequent subject to additional contacts and probing. In one instance (2) two draft versions have been subject to discussion with top management, and in two instances four (4) versions have been written; i.e. drafted and redrafted. The emplotted narratives have after this and at the concluding point been approved by the top management (see 'VI' in Figure 3.2).

The process and sub-stages articulated in Figure 3.2 have, however and as indicated, been significantly more complex in this multiple case design; thus acknowledging the importance of the notions of literal replicability and theoretical replicability and the iteration in juxtaposition to, and of, the theoretical domain.

The stages for data gathering and the articulation of the emplotted narratives after the initial iteration, conveyed in subsection 3.3.3, have in a sense been divided into two more specific stages.

Three (3) emplotted narratives were initially produced for SUPPLY Division 3, SUPPORT and PROVIDE in their first draft version and subject to contacts to the particular organizations (see 'III' and 'IV' in Figure 3.2).

Thus, these emplotted narratives were not in any way at this point in their final versions but in drafted versions enabling the commencement of the discussion, where the emplotted narratives are the precept of theorizing (Czarniawska, 2004a). At this sub-stage, these three (3) emplotted were further processes at a stage comparable with the emplotted narratives in their second draft version (see 'V' in Figure 3.2).

These three (3) cases do not represent ‘polar types’ (e.g. Eisenhardt and Graebner, 2007) in the extreme sense; in fact none of the mobilized six (6) cases in the multiple case study design do. However, two (2) of these emplotted narrative exhibit ‘polar types’ (e.g. SUPPLY Division 3) as to the newness of for instance outsourcing to the organization and as to the perceived differences observed between the multiple cases in terms of, how and to what extend externalities are exhibited as priming the initial decision to alter the value chain configuration.

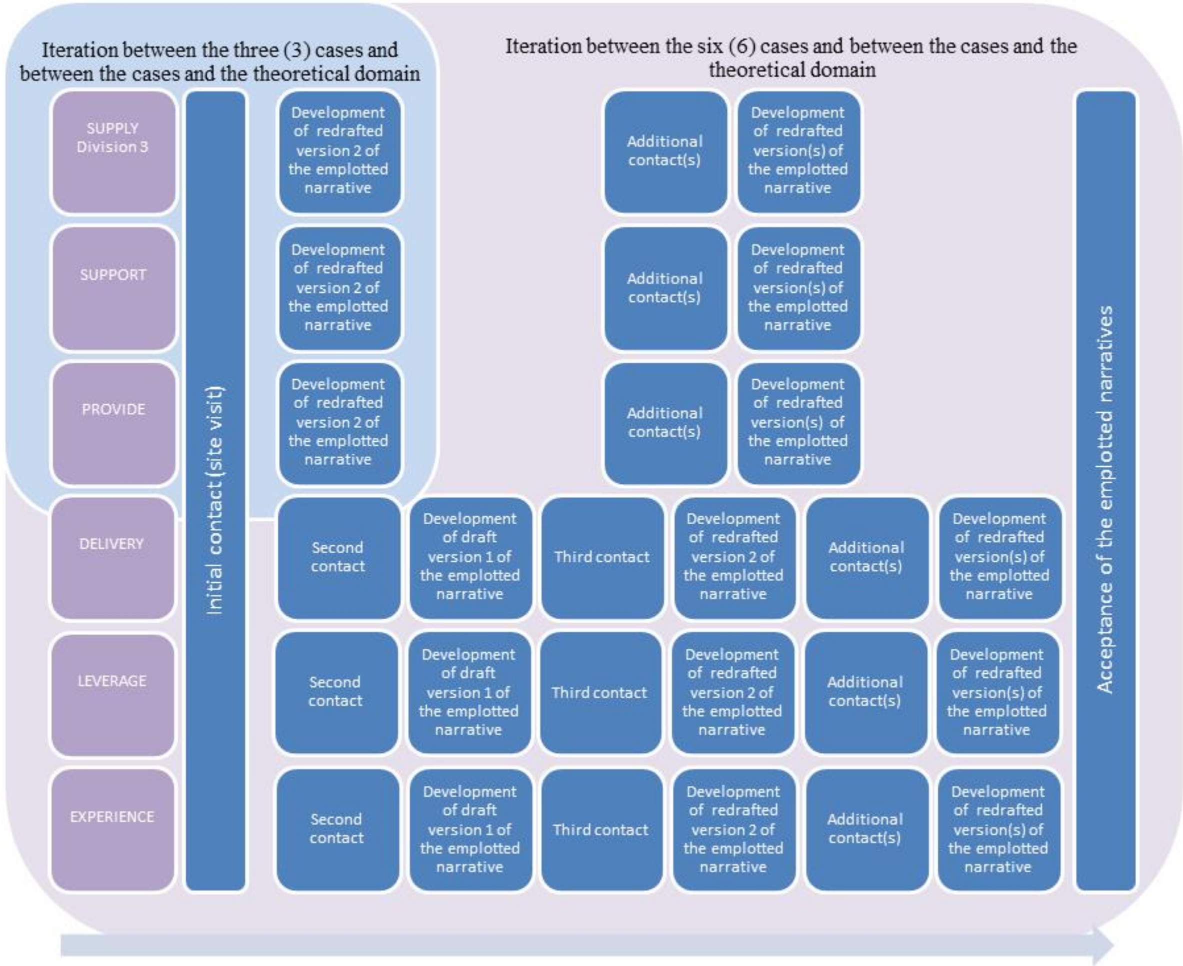
The next three (3) cases, i.e. DELIVEY, LEVERAGE and EXPERIENCE, thus now altogether constituting the multiple case design with the six (6) cases, were subsequently elevated in terms of drafting the emplotted narratives, when the aforementioned three emplotted narrative were at a stage comparable to the second draft version (see ‘V’ in Figure 3.2).

Although the emplotted narratives presented in the successive Section 4 are made anonymous, some of the emplotted narratives were at their initial draft version stages written non-anonymous. The reason is that these are somewhat ‘technical’; in particular their product and service provisions. The purpose is to secure the comparable level of analysis across the multiple case design, hence the emplotted narratives, it is thus assumed necessary to understand these more technical organizational issues and activities in sufficient detail in the perspective of the researcher.

This was combined with additional data gathering (e.g. interviews and supportive documentation and archival materials) as illustrated in Figure 3.2 above in a combined iterative process between the cases in the multiple case design and iteration between the empirical material and the theoretical domain.

This is illustrated in Figure 3.3 on the next page, where it also should be mentioned that The Confederation of Danish Industry has been involved in the informants’ acceptance of the emplotted narratives that at the concluding point has been approved by the top management (see ‘VI’ in Figure 3.2).

Figure 3.3 Development of all six (6) emplotted narratives and the general iteration between the cases and iteration between the cases and the theoretical domain



The Figure 3.3 above provides the combined overview of the research design in terms of for instance, how the emplotted narratives have been developed over a period of approximately 14 months from the date of the first contact and interview (i.e. December 10th 2013) to the concluding of the emplotted narratives. Thus, it also depicts the procedures to bode for reliability and replicability (i.e. Yin, 1994, p. 33) to support the development of plausible explanation and explanatory propositions.

3.3.5 The complex iteration and the emplotted narratives # The validity

While the iterative process and the elevation of for instance the emplotted narratives are outlined in the previous subsection 3.3.4, which portrays the process for potential replication and thus reliability, this subsection more thoroughly conveys the embedded research approach in terms of its equally important validity (e.g. Yin, 1994).

The abductive mode of reasoning has the criterion of plausibility. However, this criterion of plausibility still builds upon the applied methodology; hence advices in terms of the aforementioned reliability and validity, not in a purely positivistic research tradition, though in line with literary advices in multiple case designs (e.g. Yin, 1994) within qualitative research.

Literature suggests the notions of ‘construct’, ‘internal’ and ‘external’ validity (e.g. Yin, 1994, p. 33), where ‘construct validity’ directs researchers’ attention to, in particular, the multiple sources of evidence, the chain of evidence and the possibility that ‘*key informants review draft case study report*’ (i.e. Yin, 1994, p. 33), which in this research is depicted by the emplotted narratives.

It is of course recognized that interviews have been conducted with top management, in several instances the CEO, in accordance with the research question and purpose. In this research, however and as already conveyed, multiple sources of evidence have been used to support empirical evidence and the articulation of the emplotment in the emplotted narratives through triangulation.

While the interviews have been conducted with the prime ‘voices’, i.e. top management, in one case instance however, a second (top) management ‘voice’ of the organization, i.e. the organization’s CFO, has also supported data collection as to a particular calculative approach and attribution of initial capital outlay perspectives in investment. This is conveyed in the emplotted narrative about that particular organization; i.e. SUPPORT.

Besides that the multiple sources of evidence (e.g. interviews and documents) have been mobilized, the key informants have been presented to the emplotted narratives. This would of course draw attention to considerations such as ‘*potential image-conscious informants*’ and ‘*impression management*’ (i.e. Eisenhardt and Graebner, 2007, p. 28). This has been a research concern as well.

This is a supportive reason for the gathering of different data alongside the interviews. In various instances this supportive materials (e.g. archival records) have been obtained to specifically underpin top management statements. As a specific example, in one case a quite advanced costing system is illuminated, thus claimed, by top management in the emplotted narrative. This has also been verified in the research process to support the claim and exhibited explanations in the emplotted narrative of that particular organization; i.e. LEVERAGE.

The use of multiple cases in this particular design has, also, supported the probing to preclude insufficient construct validity, as data collected in one case probing has been used to support the probing in another case as for instance illuminated in Figure 3.3.

The internal validity (e.g. Yin, 1994, p. 33 and p. 35) has, likewise, been a key research concern. In that respect, the overall design of outsourcing and insourcing events do establish a confined context, which could enable pattern-matching. The development of an initial theoretical domain has supported the probing and the theoretical sampling as among others conveyed in the previous subsection.

It has, though and as mentioned, been necessary to design the concluding multiple case study with the six (6) cases by the mobilization and initial analysis of the nine (9) cases. This has been more time consuming. However, it has supported not only a more thorough pattern-matching. This also relates to the objective of 'external validity' (e.g. Yin, 1994, p. 33 and p. 35-36).

In terms of 'external validity' and the theoretical sampling of the cases it refers, as mentioned, to the understanding of replication; i.e. literal replication (i.e. the prediction of similar results) and theoretical replication (i.e. the production of contrasting results) under various contextualized conditions.

The confinement of the empirical setting has as such the purpose of developing plausible explanations and explanatory propositions as to top management's enactment of the organization's cost structure in the context of altered and re-altered backwards vertical integration. The acknowledgement of the necessity of the theoretical sampling in the multiple case research design is initially done with the purpose of potential for analytical generalization of plausible explanations in the vein of Pragmatism and the abductive mode of reasoning.

However, and as it will be demonstrated, there are also contrasting results, which to some extend seems to be traceable to exhibited contextualized conditions. It will for instance be demonstrated in the emplotted narratives as the precept of theorizing in Section 4 and in the subsequent discussion in Section 5 that there are generated plausible explanations and explanatory propositions based on the similarities in the literal replication as well as clusters, which compared produce contrasting results, though for potentially predictable reasons and conditions.

The next Section 4 presents the six (6) emplotted narratives, where the '*emplotment is the crucial part of writing social science*' and as stated '*and the most difficult*' part (Czarniawska, 2004a, p. 122).

However, before these are turned to and read, the notion of '*impression management*' (i.e. Eisenhardt and Graebner, 2007, p. 28) should be addresses once again. The emplotted narratives will in various instances, and perhaps quite contrary, leave the impression of very open top management informants, as somewhat scholarly surprising, and perhaps even unexpected details, are shown and worthwhile reading. The information in the emplotted narratives are probably by some scholars considered information, which might not be granted access to and gathered, if it has not been for the promotion of the research efforts provided by The Confederations of Danish Industry.

Each of emplotted narratives are quite 'rich' and therefore it is assumed helpful to readers that a couple of each emplotted narrative's initial explorative implications and explanatory propositions in relation to the theoretical domain is briefly recapped after each emplotted narrative.

The six (6) emplotted narratives are followed by the discussion in Section 5, which is contextualized theorizing in the reciprocity between the theoretical domain in Section 2 and the emplotted narratives in Section 4.

The purpose is of course that the emplotted narratives will potentially make sense to the readers, and this is the hinge for the more concrete research journey into ‘the wilderness of organizing’ in the context of top management’s enactment of the organizational cost structure in altered value chain configuration with the explorative and explanatory concept of among others sensemaking, which hopefully is perceived sufficiently interesting and distinct (e.g. Davis, 1971; Barley, 2005).

4. CASES AND THE EMPLOTTED NARRATIVES

This section presents the six (6) emplotted narratives as a precept of theorizing.

The emplotted narratives are developed in juxtaposition to the methodological approach, which among others means that each of the emplotted narratives strives to depict a rich emic account though with an etic element as well. Thus, it recognizes the methodological conceptions that are mobilized within this research and conveyed in Section 3.

The emplotted narratives are developed based on the scholarly advises by Czarniawska (2004a) and strive to comply staunchly with the for instance the notion of mimesis. In the emplotted narratives it is among others recalled as suggested in Section 3 that in terms of representation the readers must feel as '*if they were there, in the field; in case of a literature review make the readers feel as if they read the literature themselves*' (Czarniawska, 2004a, p. 118). Thus, the '*reader is moved from here to there*' (Czarniawska, 2004a, p. 118). By '*here*' is, as conveyed, meant the literature, thus the theoretical domain. '*There*' is obviously the empirical setting in the research.

To comply faithfully with Czarniawska's latter advice to researchers, i.e. the notion of '*there*' (Czarniawska, 2004a, p. 118), the emplotted narratives are articulated, as the reader is joining the researcher behind this PhD Thesis into the empirical setting and meets the top management voices; i.e. the CEO or quite similar. The readers will, for instance, join the researcher in offices and meeting rooms, wander a production site, see a product display and look in accounts. Although each of the emplotted narratives is based on many contacts and subject to complex iteration over a long period as conveyed in subsection 3.3.5, this approach is applied to enforce mimesis in terms of its setting and voices (i.e. Czarniawska, 2004a, pp. 117-122). This enables perhaps a clearer kinship to the notion between '*here*' and '*there*' (Czarniawska, 2004, p. 118).

As to the former scholarly advice, i.e. the '*here*', the theory-informed approach into the empirical setting and subsequent exploration is a key concern. Hence, the theoretical domain in Section 2 as basis for the exhibited explanations is in the forefront during the reading of the emplotted narratives. This together with the social science perspective of organizational sensemaking (e.g. Weick, 1995 and 2001) is then subject to the discussion in Section 5. The six (6) emplotted narratives are presented in the following order in subsections 4.1 to 4.6.

Table 4 The six (6) case organizations in the elevated multiple case research design

Organizations	SUPPLY Division 3	SUPPORT	PROVIDE	DELIVERY	LEVERAGE	EXPERIENCE
Subsections	4.1	4.2	4.3	4.4	4.5	4.6
GENERAL introduction to the organizations in the multiple case study design	'SUPPLY Division 3' produces automated 'solutions' to larger private and public organizations	'SUPPORT' produces 'products' including advanced technology to large public and private organizations	'PROVIDE' produces automated 'solutions' to many different industries	'DELIVERY' produces 'convenience food products' distributed through retailers	'LEVERAGE' produces 'products' that are integrated in the 'products' produced in many different industries	'EXPERIENCE' produces 'consumable enjoyment products' distributed through retailers

In all the six (6) emplotted narratives the primary ‘voice’ is, as mentioned, the CEO or quite similar; e.g. Executive Vice President. However, in all the emplotted narratives the voice is for the ease of reading labelled ‘CEO’ and it is not mentioned, where the ‘CEO’ is ‘only’ ‘Executive Vice President’, though this is obviously inferable in one of the emplotted narratives, where the particular use of the CFO, i.e. in SUPPORT, has been necessary for construct validity purposes, as it was conveyed in subsection 3.3.5.

The emplotted narratives are kept anonymous in accordance to the agreement with the case organizations. This has the implication that in some instances various specific country names and towns are not mentioned. They are instead referred to in terms of, for instance, ‘a region’ or ‘town X’. If, for instance, a specific town or country is mentioned by top management informants, and it cannot be represented for agreed confidentiality reasons, this is mentioned in the emplotted narratives. Additionally, a couple of specific years are changed for the same reason. However, this is only minimally and it is conveyed, where this is done.

All numbers, percentages, costing approaches, events, actions etc. are all faithfully reproduced in accordance with the data collection, and not subject to anonymization or alike, and the content is approved by the key respondents. Some of the key respondents use both Euros as well as Danish kroner, when they for instance articulate more specific numbers during the interviews. In a couple of instances the currency has been adjusted in the emplotted narratives to coherently knit the articulation of the information. When this is done, there is used an exchange rate of 7.4 Danish kroner per Euro, and it is conveyed in a note in the emplotted narratives.

The emplotted narratives are presented in the next subsections; i.e. subsection 4.1 to 4.6.

The emplotted narratives are each quite substantial in terms of details and extent. However, there is a summary of some major themes and key issues at the end of each emplotted narrative. These major themes and key issues are later carried forward in the discussion in Section 5 that has the main purpose of theorizing about the exhibited explanations.

4.1 The emplotted narrative about 'SUPPLY Division 3' # An account of a perceived rational path, sourcing turmoil and transformation

The reception area of the SUPPLY Group headquarter, also the home of the SUPPLY Division 2, portrays a modern, functional style. Two black, quality leather chairs and a likewise sofa partly encircle a couple of small tables with metal legs and black stone tops. Apart from the reception itself, where visitors must register and sign a form and among other acknowledge that 'photographing is strictly prohibited', there are several doors apart from the main entrance. One opens and a casually dressed middle-aged man enters. He nods towards us while walking silently through the reception area approaching one of the other doors, which he opens with an electronic access card of some kind and disappears still suspiciously silent.

The unexpected silent steps make you wonder for a split-second, but shifty eye movements reveal the cause. He is not wearing shoes. The receptionist pays absolutely no attention, though visitors may speculate.

'*Could you tell a little about the organization*' is the opening remark just after being 'pick up' and sincerely welcomed by the CEO of the SUPPLY Group; a smiling man in his late forties, also somewhat casually dressed however by no means sloppy in any way. He is wearing shoes. '*SUPPLY is an international company that has had some setbacks but are on track*', he begins, after we have climbed the staircase with quite fast pace, directed towards his office and assigned to a chair with a rapid, though polite directional gesture and a '*please have a seat*'. Coffee cups and coffee in a thermo is on the table; a wooden table placed against one of the walls in the fairly small office with nothing more than a desk, a modest desk chair, a bookshelf and a couple of pictures on the walls.

SUPPLY is a provider of industrial logistics and automation solutions that mainly underpins upstream activities in their customers' value chain. SUPPLY offers for instance equipment that supports warehousing activities such as robots and supporting technologies for picking and storing in warehouses, and equipment and technologies that enable industrial customers in the packaging process. As to the latter it is far more complex than it sound.

The company offers for instance fully equipped packaging lines for industrial business customers; e.g. for instance the medical industry, where SUPPLY solutions support the industrial customers' logistic processes. SUPPLY's product offerings include not only the provision of the equipment; that is for instance twenty to thirty meters of tangible packaging lines, constructed in steel and mounted with robot technology at a price tag with at least a seven digit number in Danish kroner. SUPPLY also undertakes the installation and provides the essential software for managing the processes as well as maintenance contracts and ongoing operational support.

SUPPLY is today organized in two divisions; SUPPLY Division 2 is situated in South-eastern part of Denmark, together with the SUPPLY Group headquarter, and SUPPLY Division 2 located in the middle of the country. The 270 employees in total contributed to the annual turnover of 400 million DKK in the previous fiscal year.

SUPPLY Division 2 has its production partly in Denmark and partly in a fully owned subsidiary in Poland. The company in Poland is to a large extent integrated within SUPPLY Division 2 in Denmark. ‘*You can say that we are offshoring from Denmark to Poland*’, remarks the CEO of SUPPLY Group and elevates the understanding of the organization by adding that the operation in Poland also acts as a supplier to SUPPLY Division 1 though in a much smaller scale than that of supplying to SUPPLY Division 2. The SUPPLY Group has also customer support representations in both USA and Russia. The operation as a whole is formally anchored in a holding company fully owned by an equity enterprise.

SUPPLY, though re-named and re-financed in this century, has a long history in terms of deed, in the sense that the company is a merger of four companies where one of these, a blacksmithing company, was established nearly seventy years ago in a modest building in the neighborhood of SUPPLY Group’s, thus also SUPPLY Division 2’s, present premises. ‘*We see ourselves as four entities or rather three now* [SUPPLY Division 1, SUPPLY Division 2 and The Polish company], *as SUPPLY Division 3, has been sold of* [in 2013]’, the CEO explains.

The ‘story’ of SUPPLY Division 3 is the initial reason for the contact, however as it unfolds there is much more to convey than that of a simple merely successional, chronological ending-embedded description. This particular ‘sourcing adventure’ not only interweaves with other organizational sourcing issues, organizing themes, events and actions across spatial and temporal dimensions but it also enlightens the transforming of perceptions and ways of organizing. The ‘story’ is quite easily placed in a literary sourcing and cost management context; however the process of organizing in practice and the actions has much more to offer as the CEO starts unwrapping key historical events and actions, and the details are investigated more thoroughly.

Beginning 2009: The SUPPLY Division 3 was originally included in the SUPPLY Group through an acquisition a decade ago. It produces ‘solutions for internal services’ in organizations. Public and well as private companies, such as for instance large insurance companies, are among the core customer segments. The solutions’ main purpose is to optimize processes.

‘*These products are quite standardized. The depth and the width vary, and as such the solutions are customized; however the gables, rails and associated fittings as well as the electronic systems are basically the same in all deliveries*’, the CEO explains and continues: ‘*There was a considerable amount of manual processes in the production of this. This led to management considering outsourcing and in turn leading to a* [the] *concrete outsourcing project*’.

SUPPLY’s management considered different host countries and especially within Europa as a key management consideration associated with the managerial efforts for cost reductions was proximity to the markets. SUPPLY Division 3 main markets were the Northern Europe countries, e.g. the Nordic countries. Thus, Poland becomes a target for further investigation. ‘*It is just the boat, and you are here. That is quite tempting for obvious reasons*’, the CEO states. Management enters into negotiation with a Polish company.

The company is at that time one of SUPPLY Division 3' suppliers, though a small one and only for minor, tangible parts, where the manufacturing process only requires quite basic technological skills compared to the end product; the 'solutions'. *'The evaluation and negotiation period stretches for more than one year. During the process project management is in contact with several companies, however eventually management decides for that specific Polish company*', the CEO clarifies and continues: '*The production was closed in 'Town X'* [the home base for SUPPLY Division 3] *and moved to Poland. When the production is closed in Denmark and moved to Poland, there was however issues that management hadn't given sufficiently thoughts*'. Organizational functions such as product development and sales are kept in Denmark.

The first issue steamed from the fact that the production facilities was dismantled in Denmark and moved to the factory in Poland. The machines and supporting equipment were of an older state, and when they are dismantled and later assembled, they still had to apply to CE regulations. '*This means that you are obliged to upgrade various security precautions and measures* [at the Polish premises]. *That was forgotten during the evaluation process*', the CEO states bluntly. A new installation is within the EU literally considered as a new installation, even though the installation is an installation based on the dismantling, transfer and re-assembly of the used equipment in new premises. '*This also costs you*'. The CEO underpins the word '*also*'.

'*Then there was also something else that was forgotten. When something* [the equipment] *has been standing for twenty years and being use to him* [the blue-collar worker] *that is coming every morning, patting it a little on the back and starting it while at the same time giving the machine a little sip of oil. You know, it is like an old car, you have had for twenty years, and you start every morning. The guy you are borrowing your car to will never get it started, as he will give it to much choker*', says the CEO and suggests that routines based on knowledge and experience matter. The company believes that training of the new Polish workers is important. They are trained in Denmark by the Danish work force. '*You* [the SUPPLY Division 3] *put quite some efforts into the retention of the Danish blue-collar work force, until the production was moved to Poland*', the CEO recalls and conveys that some of the Danish workers stayed in the company though partly working in Poland after the outsourcing has been effectuated, however this did not prevent obstacles.

Before the Polish operation was established the cost structure of SUPPLY Division 3 was in 'round percentages' and based on internal company information characterized by direct operating costs levelling to approximately 45% of SUPPLY Division 3' total costs, while the remaining 55% steamed mainly from production inputs and sources such as capital equipment and in particular manufactory equipment and buildings though also including overhead. The majority of the 45% and more specifically 30% points related to costs of blue-collar workers. '*The decision was among other supported by underlying calculations that showed at least a reduction of 10% of total costs by moving the production part of the operation to Poland*', the CEO informs. Hence, the 10% reduction in total costs infers substantial, expected cost reductions achieved through outsourcing of part of the value chain activities and processes. The explanation is to come.

However, besides functions such as product development and sales, the function that undertakes the final assembly of the 'solutions' should continue 'flying out' from the Danish base.

Some months later: What was initiated as an outsourcing project and a quite radical one in the sense that it involves transfer of a substantial part of the structural cost base, i.e. the majority of the capital, manufacturing equipment, now alters into an offshoring activity.

'*Only a short while after the outsourcing has been achieved, management buys the Polish company, thus turning it into offshoring*', the CEO outlines the issue of control but almost in the same sentence adds: '*There is so much 'knowledge' in such a process, after all, just to use a modern word* [i.e. 'Knowledge'] *that didn't became a success. They* [i.e. the Polish company] *had difficulties in achieving the right quality, and we had to hassle and hassle with it and then it is not worthwhile anymore*'[76].

Briefly reflecting about the notion of quality and in the perspective of various nations and production cultures and traditions, the CEO comments that in his mind, the struggles in SUPPLY Division 3 has nothing to do with differences between nations and populations and underpins it by: '*I normally say: Listen, we are generically the same. In Europe there is no difference at all. Don't suggest that any potential differences between Polish people and Danes manifests itself in less quality from factories in Poland. Our biological mass is the same*', and '*It all is in the processes not in the persons*' and elevates: '*There can be some cultural issues related to the raising and education not least in the workplace, but it has nothing to do with the brain*'.

You clearly get the impression by the wording and tone of the CEO that it relates to a managerial obligation as he continues: '*It is you who give the order and tasks that must practice that skill. This is a management skill that we train a lot today*'. The problems surrounding quality issues is then in the light of the CEO relating to the ability of management within the organization that outsources.

According to the CEO in SUPPLY, a lot of organizations have the notion that the quality is lower in for instance Eastern Europe. '*I am concerned by a* [the] *generalization, but this is my impression*'.

Whether the CEO suggests that this perception is somewhat institutionalized in broad or a mere reinforcement of his own statement is not clear; though the continuation is: '*This is not true. There is no inborn difference in quality and efficiency to the best of my knowledge. It is a managerial issue. There are absolutely not any rational arguments, why quality should be lower in Poland* [that is lower than for instance in Denmark]. *If you start out by defining quality and efficiency at a lower level, you will also achieve this lower level. That is for sure. You have to work with, how it could be instead of addressing, why it is like this with no actual underlying justification based on actual experience*'.

[76] The term 'hassle and hassle' is a somewhat direct translation of the Danish 'bøvle og bøvle'

A selective CEO flashback of calculations and quality vs. organizing: SUPPLY Division 3 had according to the CEO gone through an outsourcing process, which in terms of managerial evaluations and at a later stage the following negotiations and contractual achievements clearly demonstrated potential cost savings. '*It was convincing on paper. Little effort, or rather not enough effort, was put into the instructions and the transfer of documentation and knowledge, nor in the internal communication of customer requirements and the importance of quality aspects*'.

The company had already a company in Poland at the time, when it is decided to outsource central parts of the production within SUPPLY Division 3 to a supplier in Poland. The other Polish company is the one, which is still part of the SUPPLY Group and today mainly integrated with SUPPLY Automation. The core of this particular operation was and is still today the manufacturing of simple steel constructions, spare parts and basic electronics.

The company that SUPPLY Store Solutions outsourced to, and later bought turning it into an offshoring project, was to some extend in the some business as the other Polish company, but the production related to the storage solutions is to some extend something else. '*It is much more detailed. We are talking finish that resembles furniture just as this table equipped with quite advanced electronic solutions. It is not the work of a blacksmith. Just a small dent and there is a potential problem. In hindsight this wasn't sufficiently recognized*'.

The key argument for outsourcing was the idea of the before mentioned cost potential. '*In Denmark the wage for such work is typically in the area of 230 to 250 DKK per hour. It might vary depending on, who you are asking and, how you are calculating; that is what you include. But it is in that area*'. In Poland the wage is according to SUPPLY Group in the area of 90 to 110 DKK per hour for calculative purposes, everything included and comparable with the 230 to 250 DKK per hour. This also suggests that overhead is included, and that the basic wage is much lower. The basic wage is according to SUPPLY Group in the area of up to 60 DKK per hour in Poland; and generally in the area of 30 to 40 DKK per working hour[77].

'*I must claim that based on what we have seen afterwards, you should not outsource if the cost saving is only 10%* [of total costs, hence blue-collar working operations transferred to Poland are only part of the 30% mentioned]. *That was the initial target, when the decision was made, however the potential cost saving was overshadowed by the problems of communication and documentation*'. This manifested itself in delivery problems due to delays and re-installations of storage solutions that did not fit the agreed quality specifications.

[77] The expected cost reductions of the before mentioned 10% of total cost in SUPPLY Division 3 were mainly to be achieved due to lower blue-collar wages in Poland compared to Denmark. The ratio between wages including overhead is according to the SUPPLY Group in the area of 0,4 calculated as 100:240 (between 90 and 110 DKK per hour, i.e. 100 DKK per hour, to between 230 and 250 DKK per hour, i.e. 240 DKK per hour). If the reduction of 10% in total costs were to be achieved solely due to the relative wage level, thus cost incurred from other input factors being unchanged, it corresponds to transfer of transfer of 25% point of the before mentioned 30%. The explanation is that according to SUPPLY Group some limited activities performed by Danish blue-collar workers (e.g. service) as well as some overhead activities remained in Denmark

The main problem was portrayed by delays in deliveries and typical caused by a situation, where the detailed technical and design finish was not according to the required technical specifications or quality standards.

The storage solutions were manufactured in Poland and for instance shipped to the Danish market, where the technical staff from SUPPLY Division 3's Danish 'part' should install the product at the end-customers' required location. Although, the CEO cannot remember that the organization lost any customers by the delays due to the manufacturing quality issues, the organization definitely incurred additional costs. '*10% is simply too little saving to offset this*', the CEO repeats several times.

It quickly became an additional administrative burden that required not only returning the shipments, reordering new ones but also travelling and increased communication. '*The cooperation became somewhat strained*', the CEO mentions and adds: '*The lack of documentation and the, you know, the things we did not remember, we just call and inform. However, this is not good for the flow in a factory, and the cultural differences really flourish here. You are simply obliged to deliver things properly, when you talk about communication between different cultures and countries*'. The CEO clearly refers not to the lack of quality in the delivery from the Polish company but certainly by inappropriate managerial attention offered by the management in SUPPLY Division 3 and the SUPPLY Group; hence inferred blaming of the prevailing management practice at that time and comes up with a rhetorical question: '*You have forgotten to state that angle has to be 17^0 instead of the normal 12^0. You get a shipment with 12^0. There were loads of such situations. Who is to blame*?'

Another nail in the coffin and a re-calculation: At that point in time SUPPLY Division 3 has acquired the Polish company. Management is though facing the problems with deliveries, and customers are starting to complain more seriously. '*You have to address that. No customers no problem. But that is a real problem*', the CEO wonders but quickly surprises listeners by revealing as follows: '*We have forgotten to calculate additional transportation costs from Poland to for instance final assembly and installation at the customers' locations*'. There were no customers in Poland. The key markets were Northern Europe but also overseas; a country like England but also the USA markets that were for instance quite visible in the sales statistics of the storage solutions[78].

SUPPLY Group is an international organization with customers in many European countries, in North America and in Asia. One wonders where the cost of transportation 'disappeared' in the calculation, however according to the CEO that had 'some' impact: '*Half of the 10% just disappeared with a glimpse. And just like that. That was part of the legacy. I could just feel that the hill just became steeper*'.

Likewise, the CEO informs that additional unforeseen control and coordination costs neither were included; they were simply unforeseen, however these costs were lower than those of transportation.

[78] Transportations costs from for instance Poland to England were not included. This was for instance costs associated with transportation by trucks and also over the English Channel. The non-calculated transportation costs incurred on all transported products

The organization studies the figure somewhat more thoroughly and 'separates' the production process that has been moved to Poland in two fairly distinct parts; the production of the intermediate rough parts and the finishing process. The first part of the manufacturing process is generally the manufacturing of raw components and parts, where the blue-collar workers' wages' share of total costs was relatively high, while the second part is the finishing, where the corresponding wages' share of the process costs is relatively low. The reasons are among others that relatively more expensive equipment is used in the latter part of the process and the fact that the finishing part simply is a faster process measured in terms of work force time used than the process of manufacturing the raw components and parts.

The majority of the quality issues related to the finishing part of the process. '*We experienced that in general the later you are in the value chain the more expensive it becomes to correct errors and quality issues*'. The CEO provides an example, with the cost of 100 of doing 'something', and suggests that within this industry, it costs between six and ten times as much to correct, when the products are installed or close to. '*The reason is among other that employees has to stationed away from the home premises, and often products have to be dismantled and spare parts 'flown' in*', The CEO illuminates and provides additional details: '*It will easily cost you 25.000* [DKK] *to have a man stationed abroad for five days, and then you have the problem of shipping new spare parts and alike*'. The consequence is that management decides to move back the finishing process to SUPPLY Division 3's Danish part [in Town X in Denmark] and rehire some of SUPPLY Division 3' previous Danish blue-collar workers.

The process of outsourcing was calculated to around 10 million DKK; though here not including the later acquisition costs as well as the unforeseen and additional cost of quality etc. Moving the equipment associated with the finishing process back to Denmark and the rehiring of blue-collar workers was later calculated to 1,4 million DKK.

'*There was not any margin for the loss of quality and flexibility. These were not considered. It was an 'academic exercise', if I may use that term, and the obstacles of communication were not considered sufficiently by management; neither as a task that should have been prioritized even more nor as any additional costs or a risk premium in the project calculations*', the CEO comments and elaborate that the mistake about forgetting additional transport just 'added a nail to the coffin'.

Not 100% sure and management is organizing: '*We can never be 100% sure. We have to act. We cannot wait until we have all the information*', the CEO suggests and apart from a small detour talking about uncertainty in projects, he also leaves the impression that he acknowledge a somewhat broader perspective on the management task – it is not only desk research, managing the mail box and support number crunching – it is also about making things running and developing in a certain direction. The CEO: '*The director for SUPPLY Division 3 is not here anymore´*. Neither is the organization; however this will be addressed later.

‘*The director came from much larger organizations. He was not used to ‘warring clogs’*[79] *and talk to people. That is important in our business. Employees came up with warnings and talking about the old machines. However, management did not care. I admit in organizations with 3.000 employees you are probably not able to talk the ‘concrete moulder’, but in smaller organizations such as ours* [SUPPLY Division 3], *you have to. You have to ask and understand, what is going on*’.

SUPPLY Group has been and is working with outsourcing and insourcing. The production of the electronic operating systems to the different logistic and automation solutions is for instance today outsourced and offshored. This was done prior to the ‘adventure’ by SUPPLY Division 3 in Poland. ‘*This is not a central part of our value chain, and it does not represent a core of or in the product*’, the CEO informs. The reason is revealed when it is further conveyed that it is only the hardware part of the electronic operation systems that are outsourced and offshored to suppliers.

The production of the necessary software is developed internally in SUPPLY. ‘*The outsourcing of the operating system* [here the hardware part of the solution] *learnt me a lot. I was presented with the idea and statement ‘it is important that we have it in-house as we can then correct a lot of mistakes’, which is obviously a comment that awakens you. Why do you need a process that incur additional costs and that is not core to the product?*’

The electronic operating system is of course necessary, but the production of the hardware part and the physical product is not in itself a source of competitive advantages. The software is and that is maintained in-house. ‘*The hardware is just like a power outlet in the wall. We outsourced that to a couple of Danish suppliers*’, the CEO explains though supplementing: ‘*However, part of that is now insourced again and placed in our Polish company, which was acquired in 2003. The Polish operation that is mainly linked to SUPPLY Division 2 in terms of supply and daily operation was originally to produce metal mounting plates for the electronic equipment and has now developed to among others the production of more of the basics associated with the hardware part of for instance the electronic operating system’.* It is best described as a large wardrobe with a substantial amount of wires and switches mounted on boards inside it; which can be inspected when you open the ‘wardrobe doors’.

The reason for moving them to the newly acquired Polish operation was costs. ‘*I was tired of not being able to calculate properly, as the prices seem to be fluctuating*’. SUPPLY Division 2 started by acquiring a small company with only a handful of employees. In 2007 they moved the production to others ground, still in Poland, and the Polish organization now counts 75 employees. It is also selling products and services to customers externally; that is external of the SUPPLY Group.

‘*We need to consider fluctuation*’, the CEO begins. Outsourcing and insourcing issues are also about fluctuating in orders.

[79] Danish expression inferring that you can talk to all sorts of people and that is perceived positively

‘*In SUPPLY Division 2 we simply need a substantial network of partners. Turnover is much more stable in SUPPLY Division 1. This is also the case in our Polish organization, where the basic components have several markets and segments, and we do not consider it core knowledge. But the worse year I have experienced in SUPPLY Division 2 was an annual turnover of 56 million DKK, and the best have so far been a year with 340 million DKK in turnover*’.

An enacted corporate understanding: SUPPLY Group is a merger of several organizations, which has evolved into an organization that acts within the business-to-business environments and supporting customers’ value chain activities in terms of the provision of industrial solutions. SUPPLY Division 3 was sold in 2013.

The key reason is the strengthen focus on technical more complicated, non-standardized logistics and automation solutions that requires not only specific knowledge in certain areas but also the ability to integrate and corporate with the customers. ‘*As such we have not changed our understanding of the organization*’, the CEO claims but also suggesting that SUPPLY Division 3 was offering standardized products, though it might not appear so for an outsider to the industry. ‘*The more standardized the more you are able to produce in series. We do that ourselves with some of our parts, that is for instance the metal mounting plates we produce in Poland, but we are an order producing company*’. The focus on logistics and automation has strengthened that organizational ground.

‘*When you outsource, you lose knowledge. It is as simple as that*’, the CEO explains and continues: ‘*Some of it might be important, some of it might not be. However, you lose knowledge*’. The organization is quite aware of the risk associated with losing knowledge, and additional talks reveal in-depth managerial considerations about for instance suppliers’ contractual obligations, competitive laws and how to manage that. ‘*At some point in time suppliers who are in possession of vital, particular knowledge of your products and your customers’ specifications and requirements might after a period address these customers or develop their own product addressing new customers or both. You have to very cautious. That is from an economic and competitive perspective. However, we also have this saying, that ’we have to know our core processes’ to develop. So we have all core disciplines inside our organization*’.

This includes all sales, all design, all engineering and all software production. The talks also address final assembly, testing and the process, when the industrial solutions are installed. ‘*We do hire outside the organization for various project tasks but only to parts and tasks that involves limited risk. Our customers should not have to ask others about anything. We should know the answer. Having a background as engineer, I know the knowledge can be very expensive*’.

That still leaves the issue of cost reductions and maybe the additional costs associated with unforeseen issues. ‘*I will never outsource anything, even not the non-vital cores of the production process with less than a calculated saving of at least 15%. No, more than 15% to cater for the unforeseen, the quality issues and the knowledge we lose*’.

The talks turn into the overwriting idea of outsourcing – and insourcing – building on the prior management decision by SUPPLY Division 3.

'*Basically I think he* [the manager and associated project group] *was right in considering the possibility, but he should have listened to the employees and heard what they mean. The biggest mistake was that management was tone deaf and didn't care listening. A small curiosum is actually that we have never earned so much on the storage solutions than after we moved some of it* [the finishing part of the process] *back*'. The SUPPLY Division 3 was eventually sold in 2013 based on the company strategy of developing into more tailored and automated solutions produced to order and the increased focus on new customer segments for the logistics and automation solutions. '*We have never been able to sell it* [i.e. SUPPLY Division 3], *if we hadn't changed the operational setting and sourced parts of the production process back to Denmark*'.

The CEO continues: '*You might say that with our present operation in Poland, we are not outsourcing or offshoring the production of a single part, a bolt for instance. You are not receiving a box with 50 identical items in. We are offshoring a process, and we receive intermediate partly tested units. There is some learning in that*'. Hence, there might be an important distinction between parts and processes in SUPPLY Group.

'*However I will never outsource the core of our processes to third party*'. That was the case with at least the finishing part of the process that SUPPLY Division 3 outsourced, and in turn offshored, to Poland after the SUPPLY Group bought the Polish sourcing partner.

The homepage of the organization states: '*Where other companies outsource we conduct construction, programming….*'[80] where '*programming*' is followed by a list of partly technical related words, including '*production*' though that it here clearly relates to the final assembly and not the production of parts and components – steel beams and wires for instance – that are not considered a source for competitive advantages in itself.

'*I think we should take a walk in the factory. However, we have to change shoes. You have to wear safety shoes. We all do when we are in the factory*'.

I tell the CEO the episode about the man without shoes. The CEO laughs and explains that it is quite normal for some of the work force to only wear socks in the office spaces, because they often go back and forth between their offices and the factory and associated production facilities during the day, and then they only need to take the safety shoes off and on.

[80] The sentence '*Where other companies outsource we conduct construction, programming….*' is slightly rewritten in terms of exact wording and sentence construction. However, the key message is unchanged

Summary of some key issues

The summary illuminates some key points from the emplotted narrative. The main purpose is to ignite the discussion and subsequent theorizing in Section 5 with reference to these key issues; hence to situate some main themes in the forefront of the initial discussions. However, the theorizing is not confined to these key issues.

The emplotted narrative from the SUPPLY Group and in particular that of the outsourcing venture in SUPPLY Division 3 clearly illuminates a cost calculative practice with relation to the structural decisions, which did not cater for several costs; both to that of the transaction cost economics and that of production economics. It materializes in incurred costs due to lack of for instance quality, though reduced flexibility plays a reinforcing role. The calculative focus is on executional costs and in particular that of direct input factor costs, i.e. blue-collar labor hours and wages, which to a large extend acts as strong cues in the inventive and interpretive sensemaking process. The cost structural changes are driven by executional costs issues.

This applies both to the outsourcing and the later insourcing. The mobilization of the cost notion seems to be related to an enacted understanding that is partly driven by institutionalized perceptions external to the organization. The cost management practice seems, however, to have changed in the sense that the organization has embedded the occurrences. It seems likewise that the sourcing venture has enforced or maybe reinforced the enacted organizational for instance as to its boundaries and in turn focal processes and activities.

Table 4.1 The identified reasons behind the organizational decisions and exhibited structural and executional themes

Key reasons behind outsourcing (and offshoring)	Key reasons behind insourcing (and backshoring)
Cost savings with a key emphasis on direct factor inputs (i.e. in particular blue-collar labor)	Lack of quality. Lack of flexibility. (Wrong) Calculative practices. (Insubstantial) Investment appraisal. Increased management control

<table>
<tr><th>Structural Cost Management</th><th>Executional Cost Management</th></tr>
<tr><td>Outsourcing: The structural decision to outsource is by large based on direct input factors in the value chain, though dis-considering executional hinges and skills of the organization</td><td rowspan="2">The lack of provision of quality in the processes caused for instance by unsufficient communication and specification hampers product quality, challenge flexibility and capacity utilization; thus incurs additional operating cost and partly affect non-expected structural cost conditions (e.g. scale was assumed unchanged)</td></tr>
<tr><td>Insourcing: The structural decision to insource is based on executional challenges</td></tr>
</table>

4.2 The emplotted narrative about 'SUPPORT' # Tuned in on knowledge and flexibility as 'negative costs' in managerial investment assessments

'*If we didn't have the mechanical and electronics production in-house, we would not exist*'. The CEO of SUPPORT puts the statement blunt and explicitly after the maybe somewhat upsetting proclamation in the eyes of management accountants: '*We do not waste time by continues time consuming budgeting exercises*' though this is followed by a 'small bandage on the wound': '*We do on an overall level budget some years ahead, and we have some historical key ratios that we apply. Then we look at the investments. That makes us sufficiently comfortable*'.

Together with these ratios a key nominal budgeting number is expected sales revenue based on agreed contracts of delivery stretching years ahead. SUPPORT is an order producing company.

'Crowning' the deliberate actions: In 2012 SUPPORT was awarded a prestigious award, which is given to companies, 'which has distinguished itself in terms of export'[81]. '*During the ceremony, I commented something as 'The award is a major recognition of our cutting-edge 'technology'* [the specific technology is not presented here]'. The CEO additionally informs that the prize was awarded among others *based* on SUPPORT's export efforts. '*I think that to the organization, it* [the prize] *represents actually the pride, we put into our work every day and in every little detail*'.

SUPPORT, which is an independent, privately owned Danish corporation situated in Jutland, is dedicated to developing, manufacturing, selling and supplying supporting service provisions of state-of-the-art measuring instruments based on 'core principles within natural sciences'[82] and the latest computer and software technologies. SUPPORT is a manufacturer of advanced technology situated in a global industry, where SUPPORT produces to order.

The customers can generally be clustered into two large segments. That is large public institutions and private enterprises. Among the former are typical national security and infrastructural institutions, which to some extend suggests that the potential contracts for SUPPORT in this segment is subject to a political decision making process.

The latter segment is mainly constituted by larger industrial manufacturers of products that include the advanced technology and products by among others SUPPORT.

Obviously, as probably already inferred the contracts of delivery are quite comprehensive both economically and in terms of the details as for instance to the technology and specifications of technological performance standards as well as security precautions and warranties.

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[81] The honored awarded organizations have to meet several criteria such continuous growth in export during a certain period. The award is administered by governmental organizations

[82] The specific principles situated within the realm of Physics are not presented here

‘*When the ‘governmental organization’* [the name is conveyed but not mentioned here] *is to perform a test of the measuring, we have to make sure of the precision* [83]’, the CEO convincingly reminds listeners as to the importance of the technological standard and performance.

These contracts of delivery have generally two other important things in common; namely the duration and lead times. As to the duration the actual delivery normally stretches over several years, when certain SUPPORT products and technologies for instance have been acquired for a larger batch of other products. Initial deliveries are normally over several years, and replacement orders, deliveries of spare parts, technological upgrades and supporting services have to be provided for long periods, as these measuring instruments often are mounted on equipment that has a lifespan of many years. When the discussion touches upon lead time to enter into these contracts, they are also significant.

‘*It can take up to even 15 years to enter into an actual contract, after the potential was recognized*’, states the CEO with reference to an example in Italy (the country name has been changed) and continues, ‘*it is quite normal that it can take at least between 2 and 3 years*’. Exemplified the CEO outlines a political process in a Southeast Asian country, where the state announced a program with a potential for the provision of SUPPORT’s products.

It took 7 years before SUPPORT received the order, and recently after a one year production process they installed their first products. In another Asian country the company recently closed an order, where it took 5 years.

SUPPORT has been in the industry for many years and a fully aware of these long lead times relative to many other industries. However, SUPPORT has also a long time horizon and an understanding of what business, the company is in, and what it requires in terms of core competences. ‘*It will never work, if you look 14 days ahead*’, the CEO commences with a look in his eyes and a smile, which in combination perhaps suggests a directional thinking that looks 14 years ahead.

The lead times of course explicate and underpin this notion, however a maybe equally important the CEO comments as to the understanding of the organization: ‘*We have specialized in a certain technology. We saw in the beginning of the 80ties that there was a ‘hole’*[84] *for our type of product. We have thus taken that product or rather the technology and developed it. We have stayed with that technology, and it has proven worthwhile*’. By worthwhile it explicitly related to growth in turnover, equity and product range as well as market coverage.

The product portfolio is built around the underlying technology, hence in a sense a narrow scope of the business though with a deep development to meet specific customer criteria.

[83] The precise wording of this particular sense is slightly altered
[84] By ’a hole’ the CEO refers to an opportunity in the market

‘*We make systems that build upon the same technology. What we did since the beginning of the 80ties was to develop technologically together with the development of various mechanical parts. We do it in principle as LEGO. They only have one product, the brick, which can then be made in different forms and assembled in various ways*’.

The CEO provides an example: ‘*You can have a ‘large box’ for instance, like a normal shoe box* [the CEO makes a ‘shoe box’ size gesture and points to a product picture on the wall in the meeting room while continuing], *which we then developed in a smaller version and various shapes and with various technological capabilities like the one you see there*’ [the CEO points to another picture].

The CEO explains the various application of these products and the varieties in terms of use, hence the necessary underlying changes in systems, software, mechanical parts and alike; though still building on the same technological principles. ‘*We did that* [a product on a picture] *first back in 83, though the underlying technology and of course the mechanics are much better today*’, the CEO adds.

Other examples of the ‘deep’ rather than ‘broad’ product portfolio are provided, where it is not another ‘shoe box’ that is developed but improved technology ‘inside’ the confining product that then opens up a new market for SUPPORT. Though, it is conveyed that the underlying technology and ideas of for instance mastering of measuring technologies that opens the possibilities. The CEO compares the approach, probably to help layman, with a company developing and manufacturing engines that have outstanding performance due to specific parts or principles. Such engine technology could for instance be fitted in engines for cars, land mowers, boats and heavy construction tools.

The technological platform and dedication to technological development has as such remained unchanged as a corporate idea. The same impression is unfolded regarding the way of doing business.

The CEO continuously stresses the importance of organizational persistency giving for instance the lead times and dedication to the technology and technological innovation as the key competitive advantage together with the interaction with customers. ‘*Sales, development, production and service that is what counts, then you will earn a profit’* and *‘Much of this* [organizational functions] *are done together with the customers*’, the CEO explains and elucidates an example of organizational dedication, when he conveys that ‘*innovation is about hard work, and we work hard to be number one in the world. We go for instance upstream as to working hours. We have gone from 38 to 40 hours a week. Innovation does not fall from the sky. You have to work hard for many years*’.

Investing in-house: ‘*These are examples of smaller products*’, the CEO says as he points towards and area at the end of the main manufacturing building, where around 100 ’boxes’ each of the size of a larger shoe box seem to be ready for shipment; though the CEO informs that this is the packing and the content is shape otherwise.

The tour around the manufacturing site leaves several quite clear memorable pictures, photographing forbidden though. Various products at various stages of the manufacturing process, and undoubtedly at different purchase prices are visible, though for a guest only accompanied by management and subject to prior registration and, maybe, control.

Even though the CEO, the CFO and the other employees seem open and somewhat informal in their approach to visitors, the impression of tidiness as well the notion of organizational wide conscious trustworthiness seem apparent. The former is for instance very visible in the manufacturing areas, meeting rooms, hallways and offices, while the consciousness very much manifests itself in for instance the general avoidance of specific country and company names[85] as well as the directional instructions in relation to the manufacturing site visit.

‘*Our products including technological parts, software, mounting and alike have a price tag from in the area of 10.000 Euros to something in the area of 7 million Euros*’, the CEO informs and quite openly conveys that the small ‘boxes’ seen prior can be acquired for around 13.500 Euros a piece[86], of course subject to delivery conditions and numbers. ‘*If you want one, then you will be first private person acquiring such*’, the CEO informs and use the comment as an impetus for informing about issues of export control.

One very SUPPORT product probably closer to the upper end of ‘the price tag continuum’ seems to be at the final assembly stage. Spectators have the impression of this specific area, which might best be described as a 20 times 20 meter miniature overhaul center for aircrafts. The SUPPORT product as the center of human attention is bordered by what seems be to several measuring instruments linked to computers as well as tables and cabinets with what must be advanced tools and everything ‘encapsulated’ in a steel frame that clearly is for lifting and turning the product. Technical personal are preparing to fit a mechanical part.

Another, quite memorable picture is the proximity with which for instance design functions and functions regarding software development and alike are situated to the actual assembly of the products. The former are for instance ‘drawing’ advanced mechanical parts as computer aided design and for later computer aided manufacturing, while the latter is for instance programming of software. ‘*Our manufacturing of the majority of mechanical parts is by large automated, where the ‘drawings’ are transmitted to machines that for instance carve out various aluminum parts*’, the CEO informs a point towards a machine with one hand, while the other is pointing towards a desk, where an employee is looking at ‘something’ quite undefinable on a large monitor.

This is the initial materialization of the technological innovation at SUPPORT, where employees to some extend are both innovating and executing in conjunction.

[85] Country and institution names are conveyed to the author as well as the supervisor and auxiliary supervisor are aware hereof; though names and alike are altered in the emplotted narrative

[86] This purchase price is convey during the manufacturing plant tour and captured based on a statement ’lige omkring 100.000 kr.’ as translated to ’somewhere in the area of 100.000 DKK’ and calculated into Euros subject to the exchange rate

In the meeting room the CEO 'flanked' by the CFO comments: '*Technological development is one of the core issues in our case. It is the technological development that provides us with a competitive edge*'. By 'technological development' the CEO clearly has a broad conception that captures efforts such as the development of more sensory measuring technologies, the writing of the underlying programming, the development of test of new materials and mechanical parts.

'*Our engineers undertakes at lot of this and by large together with research resources outside SUPPORT. We are continuously cooperating with several PhD research fellows*'. SUPPORT has done this for many years. '*I did my PhD in SUPPORT*', the CEO informs about and relates this to close corporation with customers. '*The customer interaction is crucial. This does not only addresses to somewhat self-evident relationship building in the sales process with the long lead times but also to thoroughly understand customers' perception of performance and expectations in the years to come. We want to know, what they are thinking about*'.

The talk regarding technological development and customer requirements is linked to SUPPORT's idea about 'an investment'.

SUPPORT does have a quite noticeable investment approach. '*We invest heavily in technological development, and we do take these payments up front*'. By 'take these up front' is not meant the fundamental investment literature's notion and supporting calculus tools, where a projected discounted negative cash flow from initial capital outlay and the estimated payments for the projected development period is assessed against a stipulated cash inflow, though the initial investment for instance in technology and estimated incurred costs during a certain development period according to CEO of course is considered.

Instead it illuminates the business approach, where these incurred costs, depicted by the payments, during the investment period as well as any capital outlays in the beginning is not balanced and evaluated against an investment project related cash inflow that steams from an assessment of a specific set of contracts; the capital outlay and projected incurred payments are 'simply' accounting wise literally costs and depreciation.

'*We of course have an idea of deployment of the technology and the underlying argument*', that is for instance deployment and capitalization in certain markets, '*But we balance the estimated outlays* [any initial capital outlay and estimated costs during the period] *against a potential, which is not that well-defined*'. Listeners and the later probing might suggest substituting '*is not that well-defined*' with '*unknown*'.

The CEO elaborates the approach: '*This basically means that we do undertake innovation activities ourselves that can be used to pitch for contracts to come and to a large extend enforcing our existing products*'.

He adds with a smile: '*Here we just have to make sure that our engineers do not move out of a tangent*'[87].

The CEO is in general a very smiling and open-minded man; somewhere between 55 and 60 of age, wearing a discreet suit and shirt, no tie and a long corporate history. He is nodding to everybody we meet in the organization and is likely playing a very central part in the successful development of SUPPORT. The CFO later informs: '*He and the owner* [one person] *build the company together*' as well as confirming the somewhat surprising claim by the CEO that capital outlay and projected incurred costs in relation to the development of a new technology are generally not attributed to a specific or a couple of specific contracts of delivery or known upcoming potential contracts.

It will be learned that this is quite related to the idea of 'looking ahead' in the company and a statement from the CEO that: '*If we did this type of exercises on our pocket calculator, we will never be able to compete on price.* [And the CEO continues with the alternative that if SUPPORT did] *Some accountant will be sitting and say: 'This is not good. What is going on here?' So we are taking the other approach*'. By the 'other approach' you definitely get the impression that this is company policy despite any accountants' perception.

This seems to be intertwined with comments such as '*Denmark does for instance not have any public institution that supports us*', though the CEO is somewhat reluctant to mention any country names.

If the before mentioned notion of looking at investment projects from a fundamental investment literary approach is not quite noticeable, the following statement might be: '*We have entered into contracts where we didn't have the technology, but we would like to have that technology. And because we could imagine the potential*'. This is among others associated with the customer interaction and the notion of an upfront capital outlay. '*Then we maybe have one and a half year to develop the technology. We take the risk at a fixed price*'.

The insourcing adventure and venture: Continuous insourcing is a significant part of the history of SUPPORT and quite associated with the development of the organization. The CEO unfolds the structural venture in brief: '*Henrik* [the owner, though the name is changed here] *very early saw the potential in the digital movement and building on the principles of physics he first did the some parts of the technology. This was in the very beginning of the 80ties. However, at that time we had to buy various modules, power supply units and a lot of other mechanical and electronic components to assemble our products. We had some simple machines for the production of the mechanical parts. We did the basic programming ourselves, but that was also partly to be supported by suppliers. Along the line of our growth we have kept insourcing everything vital to our product*'[88].

[87] 'Do not move out of a tangent' is a well-anchored and often used Danish expression that basically means to stay on track with a certain objective
[88] The statement by the CEO is slightly altered here, as it includes a highly technological taxonomy

With ‘vital’ it is not only a question of functional importance, that is for instance functional importance of one part compared to another, and the importance of creating, patented knowledge as a source of competitive advantage in terms of potential for development into other markets and the performance of the product as such. ‘*It is also a question of flexibility and price*’, the CEO illuminates.

The issues of flexibility is not related to flexibility in terms swift changes in deliveries, where a customer calls and asks for 50 extra units for next month, though the CEO in SUPPORT conveys that it happens, but that is always in relation to existing contracts, hence ongoing production. ‘*It happens, though it is rare, and when that is the case is normally for some spare parts order, where a contractual partner for various reasons want to have an additional buffer*’, the CEO comments.

The idea of flexibility is in this particular case more related to special customer, hence market, requirements. ‘*If there is a customer, or potential customer, that comes to us and for something specific, we don’t have to go to a supplier. It will take time. It will cost you a lot. We simply ask ourselves if we would like this technology and talk about it and its potential to the best of our knowledge’ And we then do it*’, the CEO says as it was the most natural, common thing to do. ‘*We can do the same, without the customer in the sense that we imagine a potential, if the technology could do this and this, and then we just as our employees to look at it*’. The idea of flexibility is then somewhat more related to the long-run development of the organization rather than short-run delivery issues.

In the talks regarding technological development, the investment approach and the general notion of costs embedded in this connection, the idea of price suddenly has intertwined.

The CEO: ‘*Price is important. I can try to convince on organization somewhere in the world that our products are much better and building on a more reliable technology. However, if we a 50% more expensive than our competitors, we will not get the order. 10% might go, maybe 20% considering the performance of our products. If more, then we will not close the contract of delivery. Trust me*’.

Indeed, insourcing often relates to an argument of defending and elevating knowledge as an organizational core competence and in turn a source of competitive advantage. This is also the case in SUPPORT. However, price was essentially the very first reason for insourcing the CEO informs: ‘*The very first insourcing task was actually due to price or rather costs. We were simply not able to compete for a couple of contracts, where we figured out that it was probably due to costs of some very specific parts* [technological parts in the products]. *We are really engineers* [both the CEO and the owner has an educational background as engineers], *which are cost conscious but also sometimes cost unconscious*’, the CEO states slightly laughing. Later the CFO laughs loudly of this statement and do not contradict, though politely enough not elaborating around it.

The deliberate insourcing took pace from the beginning of the 90ties, when the company started to manufacture the 'heart' of a product[89]. Today, SUPPORT produces the core parts of the entire product and thus undertakes the key activities in the production process supported by the supportive development functions and initiatives.

The historical development is characterized by an organization that has gone global. Not in terms of globally situated company functions; rather in terms of contracts of deliveries leading to continuous sales increase in a market, which might best be regarded as an oligopoly both overall and in that of competitions that addresses various customers segments. '*We can name our competitors in every segment*', the CEO claims persuasively mentioning company various names producing competitive products and technologies for various purposes and types of customers.

The contracts of delivery were in the beginning done in Europe. However, quite rapidly USA was addressed and in short, the company developed relations and successfully pitched for businesses in Canada. '*These are all important markets. However, we are now in every region and been growing quite a lot in Asia and such countries as in South Korea, Indonesia and Japan. We sell in South Africa, but we are not in any way strong in South America*'. The notion of 'not in any way strong in South America' seems to infer that SUPPORT is strong in many other regions and product lines.

That is also the case. '*We do for a couple of products have market shares in the area of 80% measured globally*'. The CEO points towards one of the products on a picture, which is not to be disclosed here.

The sales as well as the support and similar functions are like the technological, i.e. both as to the mechanical parts and the electronics, product development and the core of production performed in and from Denmark. '*I have been to 'this country'* [the country name is not included here] *probably 300 times*', the CEO begins, and while one starts to calculate 300 divided by the number of years from the beginning of the 80ties though quickly reaches around 10 times a year, the CEO adds that '*in the beginning I was there up to five times a year*', you start to accept this building on the growth of the company, not least in that particular market, and the enforced understanding of that of the importance in customer relationship building and lead times. The following comment just adds to the numerical acceptance: '*We do have agents, but it is only in some areas and countries, where it is more or less mandatory*'.

According to SUPPORT it is necessary in countries such as Japan due to cultural and language issues. But the language barriers also exist in Europe according to SUPPORT; even though it would be expected that on a negotiating level, where the size of the SUPPORT contracts of delivery presumably are negotiated, this would not be an issue. However, SUPPORT does have representations themselves in a couple of countries. The success of the first 10 to 15 years venture allowed SUPPORT to expand beyond the Danish borders with the opening two regional representations outside Denmark.

[89] The heart of the product is a certain technology

The cost and cost notion: One starts to wonder, if SUPPORT has newer outsourced, and it has only been a long stream of insourcing activities. The latter is correct, the former is not.

In the beginning of the organizational adventure, SUPPORT had a profound weight on 'buy' than that of 'make', and they still 'buy' outside the organization substantially; that is for instance metal predefined blocks, wires and a lot of other materials and intermediate parts. Though, according to the CEO who comments: '*Not anything vital to the product. We do not outsource anything that is knowledge-intensive*'.

'*We have and do outsource, but the situation is then generally, that we are developing and maybe even producing a new product, and it then might be that one of our machines cannot perform a certain task without an increased production effort*'. This could for instance be additional processes to obtain an intermediate product. SUPPORT then outsources the task. This of course either has, all things being equal, negative consequences for the utilization of that particular machine or alternatively requires a change in not only in capital structure but also somewhat in the process structure incurred by dismantling and even transferring the machine; either to a supplier or in the 'machine market'. '*Then at a certain point in time, we buy a particular machine. Henrik* [the owner, though the name has been changed here] *is very fast. He even once bought a machine for which we had no use, with the prime idea 'that we might have some day, I recall*', the CEO also informs.

You get the impression that selling of machines either to suppliers or in the open market are more associated with a managerial idea that something new is underway than that of explicit focus on utilization of a certain machine; it is rather the whole process and intertwined with for instance product development.

This notion is amplified by the statement that: '*Luckily, we have an owner with a long view and not a stock market* [this is stated with reference to being a public listed company], *and we are fortune enough to have low depth in our company*'. The organization has a high equity ratio[90] and very satisfactory ratios as to that of depth and liquidity.

The present precise ratios in numerical terms are not provided by SUPPORT as to the details[91] but very open information of for instance regarding the very recent acquisition of the nearby factory building, that is nearby to the present premises, where the payment was laid down in cash suggests quite amble monetary opportunities and probably likewise important as well as the owner's will to use it. The annual reports of the company also reveals what would by the majority probably the characterized as 'satisfactory'. Continuous sales increase and growing equity as a couple of examples. '*However, sales growth is not an objective in itself. Profitability is*', the CEO states very specifically.

[90] Equity ratio is in broad the ratio between equity and total capital
[91] As to the 'details' it for instance relates to distinctions between cash and inventory

‘*You could then of course ask, if we would maybe consider outsourcing larger parts of the mechanical production. We make the research and development here in Denmark, and then the production follows along. You could ask why not in China, but consider, that when the various number of units are not 10.000 or more, then it our minds it is a better deal to place the production here*’, the CEO states. A lot of the key components are not close to that number, and SUPPORT openly suggests that they will never place knowledge-intensive production outside the organization, though they as mentioned buy a lot a materials and intermediate products that according to their understanding are not knowledge-intensive.

Another thing to consider is the cost structure. The CEO begins: ‘*If we take research and development and everything else apart from the actual production as one lump is it around 50% of the cost base*’. The ‘cost base’ is here total costs, and the 50% includes acquisition expenses, e.g. agents and travelling, administration and other overhead. Direct costs as to the manufacturing of the products are more or less shared between materials and direct operating wages; though wages in terms of the human factor input are between 25-30% of the total costs, while materials including those bought outside SUPPORT summarize to somewhere between 20 and 25% of total costs, thus capital equipment is included in the 50%. The intertwined nature between design and production as well as the role of the engineers makes it difficult to separate research and development from the actual production or an actual product, not least because of the approach to investment in the development and the attribution of associated costs. ‘*We do not depreciate research and development. It just drives ahead*[92]’, the CEO enlightens.

SUPPORT has a quite clear notion of what besides quantity and ‘softer themes’ that drive costs; ‘softer’ in the sense that they are probably not that easy to capture with a precision such as that of simply measuring output; e.g. scope of the operation and motivation of the employees. ‘*It is technological performance*’, states the CEO with no hesitation and relate that to three themes.

The first is the cost associated with the technological development as such, where the development efforts obviously could incur costs. The other is the more hard fact that technological development sometimes simply associates with installing four units of a certain chip instead of one unit. The third, however maybe turning it a little is that technological development is also associated with strives for more rational production. ‘*Every now and then I simply say to for instance a couple of engineers: The market conditions simply mean that we have to be cheaper. Let me give you an example*’.

The CEO explicates the statement, where they faced a contract of delivery, where the products should have incorporated four times as many technical units as before.

[92] ’It just drives ahead’ is a direct translation of the Danish expression ’Det kører bare derudaf’, which in Danish informs of something, often with a positive notion, that is similar to that of a ‘well-oiled machine’. In this case it is perceived in this way

'*The task was to produce the units at 25% of the previous costs. They succeeded*', the CEO claims and elevates that although it is very difficult to separate research and development in the processes, a quite wrong impression should be avoided: '*Now it seems that we have no budgeting procedures and costing systems at all. Of course we know what things costs in the actual production'*. However, the inseparability of some costs and for instance those associated with wages to the engineers is quite apparent. '*What we for instance do is that we know of course how much we pay suppliers for a certain unit of some kind of part in the product. We then ask ourselves what we can make that particular part for in an in-house production setup*'.

Such a scenario may lead to insourcing of the provision of these particular units that were previously produced by suppliers. '*We experience this with these 'gizmo'*[93] [the CEO shows a technical component]. *We partly design the 'gizmo' ourselves in corporation with 'fab services'* [companies that offer fabrication services]. *However, we are considering if this is a road to walk. At the moment we have a project with an international technical university to see if we can have a part nobody else have. Maybe*'.

The 'maybe' seems mainly to relate to a perceived potential in the market place rather than that of competing on costs, though that could be an objective as well.

[93] The CEO uses the Danish word 'dims', which can for instance be translated with the English words 'widget' or 'gizmo'. 'Gizmo' is used here to underpin the tone of the CEO

Summary of some key issues

The summary illuminates some key points from the emplotted narrative. The main purpose is to ignite the discussion and subsequent theorizing in Section 5 with reference to these key issues; hence to situate some main themes in the forefront of the initial discussions. However, the theorizing is not confined to these key issues.

The emplotted narrative from SUPPORT suggests a somewhat ‘alternative approach’ to that of conventional investment appraisals with that literary realm. There seems to be evidence that this builds on a business model and an enacted understanding of the organization, its strategic intent and boundaries, which have remained unchanged and thus pursued by the continuous insourcing. They seem actually rather continuously reinforced hence retained by continues organizational success. Outsourcing takes place after the initial development, but only as to parts and the subsequent machinery, which are considered non-core to the knowledge intensive product and the strategic development of SUPPORT. This approach seems likewise possible and explained by a sufficient equity and a continuous centralized and personal ownership. The potential of postponing tax cannot be disregarded. However, an incorrect management assessment would all things equal incur loss despite any tax savings.

In a way SUPPORT has a broad notion of potential capital inflow that might suggest that the organization sees the potential as to the enhanced flexibility and the leveraged knowledge as ‘negative costs’; that means the opportunities for increased, though unknown, revenue. The calculative practices and cost management seems on the surface somewhat unheeded, however the probing suggests that although the company indeed experiences success and for instance the cost consciousness are somewhat downplayed, SUPPORT seems to continuously test their costs as for instance to costs of materials and intermediate products.

Table 4.2 The identified reasons behind the organizational decisions and exhibited structural and executional themes

Key reasons behind outsourcing (and offshoring)	Key reasons behind insourcing (and backshoring)
Cost savings in relation to size of initial batches compared with existing equipment	Knowledge/technological development as a strategic leverage; hence core competence and emphasis on structural cost drivers such as scope, scale, complexity and technology

<table>
<tr><th>Structural Cost Management</th><th>Executional Cost Management</th></tr>
<tr><td>Outsourcing: The structural decision to outsource is by large based on costs of direct, non-core input factors in the value chain</td><td rowspan="2">The commitment to continuous improvement and the exploitation of the linkages between the company and its customers as well as suppliers seem prominent; and mandatory as to the strategic intent</td></tr>
<tr><td>Insourcing: The structural decision to insource is based on structural choices as to for instance scope, complexity and technology thus knowledge</td></tr>
</table>

4.3 The emplotted narrative about 'PROVIDE' # To China and back to Denmark

'The PROVIDE Group' later renamed PROVIDE was started more than two decades ago as a classical entrepreneurial setup within, what the CEO characterizes as an industry that supply to other types of organizations within a broad number of quite different industries.

That is literally quite different industries spanning from the accommodation industry depicted for instance by hotels and organizational customers situated within for instance different parts of the building and construction industry. PROVIDE supplies partly physical products as well as supporting software and controlling technology. The company's product portfolio is very wide.

The company has continuously moved into other, though somewhat related products and addressed customers within other types of industries.

Walking during 'The Corridor of Fame' between two sections of the premises in the Danish 'Town Y' [the name of the Danish town is not mentioned here] illuminates the history of company's product development. '*Starting in this end, you see the very first products. These are simple products with some technology and in black metal coverings. At the other end we have somewhat more advanced product offerings*', the CEO demonstrates, as we walk down the corridor with huge windows bringing the atrium yard quite close and one long exhibition behind glass on the other.

A classical chronologic account: '*As you can see, it all commenced with a fairly simple product with a squared metal casing, some components, rather simple wiring and alike. It you look at these fairly simple 'ones'* [the CEO uses a specific product name, which is not mentioned here], *there a probably not more than 100 components in them*', the CEO explains.

The company made the casings themselves, though the production to some extend was the assembly of incoming parts. '*It was quite easy to control. However, the complexity crew rapidly as the product range grew. Yes, 'it'* [i.e. the product range] *more or less exploded the following 10-15 years*'. The exhibition is quite informative in that respect.

In the late part of the 90ties the PROVIDE Group had become an 'industrial group' as the CEO coins it with in the area of 350 employees. In only a few years thereafter the organization grew to around 700 employees[94].

'*There was now several production facilities and with various process settings. One section did wiring, another painting. In another location some did the cutting and the bending of for instance the metal casings. We grew fast and kept investing in for instance metal cutting technology. Around the Millennium we started to see that that metal as casing was probably not the only solution, and we should increase production based on other materials. At that time the complexity in the product range had increased cumulating in 2007 with more than 1.200 employees, whereas 800 was employed in Denmark*'[95].

[94] The numbers have been changed
[95] The numbers have been changed

The more thorough understanding, however, requires that the account is now situated just before the Millennium.

The PROVIDE Group has been though a larger turmoil leading to the company being acquired by a large publically listed conglomerate[96].

The acquisition takes place in the end of the previous Millennium and the ideas about outsourcing, the focus on business processes and the questioning of the, at that time present business models starts.

The Board and management commence addressing the issue about whether there might be another way forward. Prior, there had been some talks regarding China. '*The key question for management and the Board seemed to address the cost base*', the CEO says after we return to his office: '*At that time there was a lot of talking about China*', the CEO talks about organizations' interest in that spatial setting, which probably mirror a kind of 'Lemming effect' within industrial production industries driven by perceived blue-collar workforce wages or rather the relative wage levels.

The somewhat quick overview, thereafter, is that PROVIDE, which is now the company name, enters into a quite substantial offshore activity in China. Activities in Denmark are consequently closed down. '*This is later sold to a present supplier and some remains are transferred back to Denmark*', the CEO elucidates. Thus, the steps are quite clear: Offshoring, outsourcing and insourcing. The entrance into China starts in in the beginning of the new Millennium.

The offshoring to China has to be understood in close proximity to a parallel outsourcing venture; likewise to suppliers in China. PROVIDE's offshoring organization in China produces the finished 'products'. Labor intensive metal production, labelled 'components', is undertaken by suppliers in China, to which PROVIDE has outsourced this activity. These suppliers supply to both PROVIDE's offshore company in China as well as production facilities in Denmark situated in 'a particular Danish town' [the name of the Danish town is not mentioned here].

In 2007 PROVIDE meets the before mentioned cumulated peak measured in employees. The offshoring and outsourcing to China continues. Parallel the owner looks for a new owner.

Some years ago PROVIDE is sold to another international publically listed company, which owns several well-establish brands and to some extend is within the same industry, if it is generally defined by the embedded nature of the products and the way of selling; that is electronics and associated technologies sold either directly but mainly to other businesses.

The new owner and its company business units with separate brands supply for instance 'systems and solutions' to many different industries. According to the new owner in some industries it has up to an 80% market share.

[96] The company is known to the author as well as to the supervisor and auxiliary supervisor

The enrollment in the new owners' portfolio marks the closing of the offshoring to China; hence it marks as well the subsequent outsourcing and insourcing.

China as a possible cost cutting gateway: PROVIDE opens, as mentioned, its own manufacturing facility in China in the beginning of the Millennium.

The finished product is to be produced in China, while the provision of the components in the finished product, e.g. the metal works that eventual 'end up' as metal casings for the various products, is outsourced.

'*The crux was the relative wage level. In the beginning of the previous decade, you looked at wage levels for blue-collar works which was substantial lower than for the similar work force in Denmark. Much, much lower',* the CEO informs about.

'We saw wage level indications as low as 7 DKK per hour. The average unit price for the component for instance [e.g. the various metal works] *was very attractive compared with the similar setup in Denmark. To say the least*', the CEO remembers and addresses the same notion as to the offshore operation.

The decision to offshore and outsource was not only based on calculations with the lower wage as the only changing variable in the more detailed manufacturing. Several other cost reduction possibilities seemed achievable. '*The initial handling of steel is also somewhat labor intensive. This offered additional benefits, even though the components also had to be shipped to Denmark. However, there were problems*'.

The first thing is that there, according to the CEO, are many 'hidden costs' in China. '*Take various VAT constructions, non-refundable you should notice.* The CEO has this ironic smile when expressing the sentence and continues: *'This is imposed by the government and local regional authorities. One percentage here and a half percentage there. It adds up*'.

However, more importantly is probably the costs associated with the management of an operation in China from Denmark. '*This is hard work and requires a lot of resources*', the CEO tells and continues: '*We had in average stationed between 3-4 Danish or European employees at the Chinese location, which at the peak of production had approximately 200 employees*'. Although, the CEO mentions up to 7-8 employees stationed abroad at the most, this was only at certain specific occasions, and the average of 3-4 employees is underscored by the CEO.

At that time the CEO was Head of operation. '*I was in China many times. It really took up management focus, and if you consider, what that time as well as the time associated with the transfer of knowledge could have been used for, I regret we did not consider this that much*'. By that the CEO refers to the process of evaluating the Chinese shoring and sourcing venture.

The CEO unfolds what is maybe even more important and enlightening information. '*Our calculations, showed attractive unit costs, and these here are the calculations based on incurred costs*'. The CEO presents an informative binder, which we study together. '*I found it before you showed up*', he adds with a smile.

The numbers show significant savings not on used factor inputs measured in 'physical terms' [e.g. hours] as such but due to the corresponding cost per factor input unit [e.g. input unit cost per hours such as those related to the relative wage levels]. Hence, the calculative practice seems to illuminate that for instance the amount of factor input in terms of hours were assumed to be the same, hence an assumed unchanged level of efficiency expressed for instance as products produced per hour, if for instance the technological setup is the same and number of produced units likewise are assumed constant.

That does not only apply to labor costs calculated per unit, based on a similar production setup than as that previously installed at the Danish premises.

Some of calculations show that the unit cost in China, which was used as a comparable part of the transfer price though adding overhead and logistics cost, is noticeable lower than in Denmark.

'*You can of course ask how that can be. The component that is produced in China has been cut into the right shape, it has been bended, cleaned, painted and alike, and the costs were the same as the cost of just the initial processing in Denmark. The difference is in the labor costs, where you should know that also the basic handling of the steel delivery is quite labor intensive*', the CEO informs.

The problem of course is that these costs do not include for instance the before mentioned hidden VAT costs associated with the finished product. '*However, our unit cost based on the direct costs was in a comparable setting, which for instance involves adding logistics, actually significantly lower than those in Denmark in the beginning*', the CEO highlights the specific areas in the different printed spread sheets which are now all over the table.

However, cost associated with for instance the transfer of knowledge and handling the interaction between the Denmark and China were not included, and the CEO recaps, what seems to be some of his learning: '*One thing is to create the company in China. Something else is the daily running of the operation*'. The CEO refers obviously to the offshore company as well as the intertwined operation that combines offshoring and outsourcing

The numbers were fine in the beginning with a somewhat simple product, but when the transfer of machines took up in pace and the scope in the production became more complex. This could of course have an impact on utilization. However, the main driver of the droop in utilization is related to the change in demand. The CEO informs: '*The global financial crises impacted demand, which had an influence on production*'. The utilization drooped and became noticeable lower than previously. This of course affected direct operating costs per unit produced, as the CEO shows on other sheets.

Secondly, another important notion seems to be the distinction between unit costs based on for instance direct factor inputs and factor input prices. However, the CEO informs with relation to the calculations: '*This is not the problem in China, as long as quality and utilization is okay. The problem is overhead and the white-collar workers. This was somewhat surprising to us*'.

The CEO states bluntly what might surprise others as well: '*After a period, capacity costs calculated on an annually basis an including management, heat, the building, Yes, everything, these cost was in our case higher than the similar cost in Denmark. Capacity costs were actually 20 DKK higher* [per unit, which is quite a difference, as one of the calculation shows total cost of a finished product of around 1.700 DKK all included and that is the assembled product, whereas the metal work only accounts for 120 DKK per unit] *than the costs in Denmark*'. Hence, the 20 DKK has to be compared to the 120 DKK per unit. This was not expected by management.

'*The unit costs based on direct operating costs do not hold*', the CEO concludes and reminds about the costs associated with the transfer of knowledge and the costs associated with the interaction between the organizations. Then there was the issue of utilization.

Capacity utilization and utilization of change: Utilization was a problem in China.

However, it was not only related to an increase in the transfer of production tasks, hence the increased complexity that required increased management attention and employees stationed abroad for long periods.

The CEO leaves the impression that of course this would perhaps somehow be expected, although it was not part of the calculative practices prior to the decision, and that it might have been mastered after a certain incubation period.

The problem also seems to be driven by demand as such.

'*We kept to the metal works for a long period, and we partly still do*', the CEO informs. Although, more and more products are now developed in other materials which are less heavy and are also produced by PROVIDE, this did not as such affect capacity utilization as long as demand is sufficient. The main impact was the global financial crises, the CEO conveys. As the batches became smaller it affected capacity utilization.

This obviously reinforces the situation as the batches became smaller and smaller; thus all things equal increased complexity as to the total production.

'*We closed the operation in China some years ago* [the specific year is known]. *We were actually looking at it, before our new owner turned up*', the CEO says and illuminates the understanding: '*We have been through technology shift, which makes production easier. This has required development resources, but our products are now more compact and have generally a reduced amount of material*'.

The CEO shows a sample and informs that there is more attention to investment in production processes and new technology.

Although, things have changed, PROVIDE has not been scared off by their Chinese sourcing adventure. '*We brought some assembly back in-house, and outsourced to suppliers*', the CEO uses a tone that signals these are sunk costs.

In the recent years, PROVIDE has increasingly been outsourcing. '*We buy an enormous amount of components from suppliers*'. The CEO wraps up a quite long list including components such as print boards, wires and alike. '*Historically we made some of these ourselves; however we have outsourced to various suppliers, and we are still using suppliers in Denmark, however mainly if these organizations do have production in Asia*'. This relates partly to the change in the way the products are developed and to the materials that are used in the products.

'*We are increasingly cooperating closer and closer with these suppliers*', the CEO informs.

A typical process is that the initial product development is commenced in close corporation between the organization and for instance a Danish supplier. In the beginning the costs are what might be perceived to be in the higher end. '*When the production is up and running; the supplier then moves the production to one of their factories abroad to bring costs down*', the CEO illuminates.

'*Communication is much easier. Our flexibility is much higher today*', the CEO explains.

In their business and in a cost perspective the idea seems that it now is all about managing the complexity in a network of suppliers and that of a critical mass. PROVIDE's product line is still increasing and the company is moving into new business areas.

There is a detour back to China. '*We might say that in hindsight we had what might call a 'raw' cost approach, and our entrance in China was driven by what probably many organization chased at that time*', the CEO comments and continues: '*I would not even consider starting up in China, if we did not have an expected turnover measured in costs of in the area of 100 million DKK. If you are too small, the transfer of knowledge will simply require too much. To make things work in China requires much more than people imagine*'. At the time the PROVIDE made the decision to startup operation in China their annual turnover was in the area of 700 million DKK. However, the associated 'turnover', calculated as internally stipulated costs, related to the production in China was much lower and below the amount conveyed by the CEO as a kind of his mark for considering such an operational venture.

What seems to have been another issue with the establishment in China and which has also complicated transfer of knowledge, is the fact that PROVIDE did not transfer any vital technological information in open computer networks.

'*We actually made a block in our systems*', the CEO says with reference to an elevation of the 'system' that might resembles what could be characterized as an comprehensive enterprise resource planning system and though a little hesitant continuous: '*We were simply afraid of plagiarism and* [the CEO is openmouthed] *simply of theft. We did generally not have open disc drives and USB ports in the computers*'.

Besides the fact that the safety precautions also incurred costs, PROVIDE has the opinion that they did experience losses due to illegal use of company information, which according to the CEO only can come from previous employees in China. '*We sometimes joked a little saying that we had a market share in China of 95% but only 5% of it was our sales*', which is stated with reference to new products that commenced turning up, while PROVIDE was in China.

Thus, it is according to the CEO not always quite obvious what might drive costs in the long-run; it might even materialize as unintentional loss of knowledge, even due to illegal actions, driven by choice as to location and subsequent the design of the processes, if costs were to include loss of business. This is not the case in terms of 'cost incurred' as a theoretical construct within for instance accounting, though it could be in the decision science of economics.

The CEO, however, seems quite aware that in the case of PROVIDE the general underlying drivers of costs are, besides the number units, the scope of the product range as well as quality and the degree of flexibility that are required to support the market place.

Summary of some key issues

The summary illuminates some key points from the emplotted narrative. The main purpose is to ignite the discussion and subsequent theorizing in Section 5 with reference to these key issues; hence to situate some main themes in the forefront of the initial discussions. However, the theorizing is not confined to these key issues.

The emplotted narrative from the PROVIDE clearly depicts a cost calculative practice with relation to the structural decisions, which did not cater for several costs. Some have a direct resemblance to transaction costs, the notion of 'hidden costs' as well as unforeseen costs of production due to alteration of for instance scope and batch sizes.

Although, that quality does not seem to be an issue in this emplotted narrative, the increased requirement in terms of desired flexibility becomes an increasing issue for the organization. One of the issues seems to be overhead and the required managerial attention from the mother company.

The calculative focus is on costs, which for instance relates to direct input factor costs, i.e. blue-collar labor hours and wages, in various stages of the production processes in the provision of the intermediate product of metal casings. The exhibited explanations seems to be somewhat externally driven by prevailing sourcing trends, though forecasting and scenarios in terms of trends and the perception of necessary scope is not prominent in the decision. Both observations seem surprising as these notions have been pivotal in the previous development of the organization.

The direct factor costs to a large extend act as strong cues in the inventive and interpretive sensemaking process, and the cost structural changes are driven by executional costs issues in the offshoring and later outsourcing.

While, the later outsourcing might partly be driven by the executional themes exhibited in the narrative, the insourcing activities seem more driven by structural consideration as to production technology and scope of the organization.

This seems also to be a somewhat coating idea in the present outsourcing and network corporation under the new company structure. Hence, this emplotted narrative is sequential events that encompass offshoring, outsourcing, insourcing and outsourcing, which is the reason for the doubled structure in Table 4.3 on the next page.

Table 4.3 The identified reasons behind the organizational decisions and exhibited structural and executional themes

Key reasons behind outsourcing (and offshoring)	Key reasons behind insourcing (and backshoring)
Cost savings with a key emphasis on direct factor inputs (i.e. in particular blue-collar labor)	Lack of flexibility. (Wrong) Calculative practices. (Insubstantial) Investment appraisal. Increased management control. Change in products and smaller batches (executional utilization in combination with structural complexity and increasingly wider scope)
Change of strategy and value network alterations Cost savings with a key emphasis on direct factor inputs and desired flexibility	

Structural Cost Management	Executional Cost Management
Offshoring and outsourcing: The structural decision to outsource is by large based on direct input factors in the value chain, though dis-considering executional hinges and skills of the organization and structural drivers such as scope	The lack of provision of process efficiency in the processes caused for instance hampers flexibility and capacity utilization; thus incurs additional operating cost and partly affect non-expected structural cost conditions (e.g. scale was assumed unchanged and scope was dis-considered)
Insourcing (backshoring): The structural decision to insource is based on executional challenges and the alteration of strategy Outsourcing: The structural decision to outsource is based on executional challenges and the alteration of strategy	
Outsourcing: The structural decision to outsource is based on the alteration of strategy and another approach that emphasizes mastering a multiplicity of suppliers in a network in close corporation with the suppliers	Emphasis is on cost in the whole value chain

4.4 The emplotted narrative about ‘DELIVERY’ # The deliberate creation of the organizational value chain

‘*The key reason for outsourcing is not necessarily to do with wage levels*’, the CEO in DELIVERY remarks with reference to the relative wage level between Denmark and the countries in which the company have outsourced activities to. These countries, all within Europe, have relative lower wage levels; that are relatively to Denmark.

The explanations for the continuous outsourcing ventures by DELIVERY are also to be found in among others issues of flexibility and strive for growth without investing heavily in capital equipment upfront prior to sufficient market penetration of a given product or product range. Likewise, drivers such as the organization’s access to for instance particular competences and, increasingly, vicinity to markets are intertwined, thus making it somewhat more multifaceted than in a situation, where this one main driver behind the managerial approach.

‘*When we took the latest quite substantial insourcing decision, the business press in broad did not grasp the complexity*’, the CEO explains after an initial introduction to the physical premises comprising among others production and storage facilities as well as offices. ‘*The main exclamation was that we* [DELIVERY] *broad back labor intensive work from abroad by investing in technology. That is as such correct, though it is definitely not the whole story*’.

DELIVERY is situated in the convenience food industry, where the company produces convenience food products distributed and sold to consumers through a broad range of various retail chains mainly in Northern Europe. The retail chains comprise indeed a broad variety; e.g. petrol stations and super markets to mention some.

The company has grown steadily over the past decade; although the company experienced a small stagnation between 2010 and 2011. The CEO in DELIVERY relates that to a perceived negative spinoff from the economic macro environmental conditions.

However, economic growth measured in turns of the organization’s revenue has now recovered and seems to be continuously increasing based annual accounts and on the presented forecasted contractual revenues; hence not only since 2011 until today but also in the projected revenues for the next couple of years. Company profit after tax has been persistently positive for the last six years despite the organizational focus on growth in revenue and investment in new capital equipment as well as in significant product development.

In that period; that is since the last six years, revenue is up by two thirds, while at the same time company profit after tax has turned from smaller red numbers into more significant black ones.

The partnering model ‘somewhere’ in former Yugoslavia: ‘*The starting point for outsourcing to external partners was actually a combination of a strive for flexibility and our somewhat ambitious growth objectives*’, the CEO commences his outline of the organizational history and informs that this is to be understood in connection to the at that time present financial position of the company as well as the prevailing market conditions with among other quite fierce price competition.

As to the former, DELIVERY had according to company themselves not sufficient capital. '*We had spent all our money up here*', the CEO explains and further relates this comment to the organizational profit, which was under pressure in a highly competitive market. By 'up here' is referred to investment in among others the production facilities in Denmark. The market conditions in terms competition is according to the CEO 'fierce' on the organization's core markets, and product lifecycles can be rather short, when a particular convenience food product or product range does not penetrate the market with reasonable speed and rate; that is reasonable compared for instance to the realized and projected cash flow compared with the financial position and set strategic objectives of the organization.

On the other hand, product innovation is according to the organization mandatory. '*We measure degree of innovation acceptance*[97]*, where we continuously* [i.e. on a monthly, rolling basis] *measure ourselves on, how good we are to innovate*'. The company continuously measure the share of the revenue generated from new products. '*The last 12 months it was 25%*', the CEO openly informs, which underpins the notion of importance of product innovation, as he carries on in terms of competitive position. The competitive position, or rather the competitive position relative to competitors, is in DELIVERY's opinion among others first and foremost determined by organizational culture and innovative strength as well as the management of the processes: '*It is not the products and product lines. They can be copied*'.

The understanding of such a degree of innovation acceptance (percentage) obviously requires a more thorough, enriched analysis. 'New products' are for instance products, which are launched within the last 24 month. The ratio also includes 'older products' in markets, in which DELIVERY has moved into during the period thus also depicting an element of market development[98]. Yet, it is according to the CEO quite significant compared to competitors and co-illuminates the broadening of organization's product scope[99].

In DELIVERY's particular industry products and product ranges do not yield profit without a certain volume.

This of course is a somewhat common place, obvious statement. However, DELIVERY might initially and without sufficient probing be perceived as a mass-producing organization, where production batches have to be of rather substantial sizes to generate positive cash flow for the company; and indeed batch sizes do matter in terms of for instance production efficiency and associated production costs per unit streaming from capacity utilization and achieved purchase prices in combination with larger volume.

[97] The CEO uses the Danish term 'innovationsacceptantgrad', which is here translated to 'degree of innovation acceptance'
[98] This could be a convenience food product launched for instance three years ago for the Danish market, which is then also introduced on the convenience food market in another European country
[99] By product scope' is here both related to new products and development of a product range (e.g. developing an existing product with a new taste)

However, when the situation is unfolded, it is quite clear that DELIVERY has a quite broad product range of convenience food products and within each category there is substantial variation as well as the launch of new products and product ranges per se is in smaller batches. Thus, the organization might be said to straddle between what would be considered for instance as a mass-producing organization with standardized products and more a specialized producer with a rather broad product range and scope.

Turning back to the initial outsourcing venture, the initiation on the approach was also based on a degree of perceived coincidence. '*I heard a professor* [from a Danish university] *speak about the clothing industry, and how he* [the professor] *was quite sure that the next industry will be the food industry*', the CEO remembers and refers to the Western European clothing industries' increasing use of production facilities in Eastern European countries, which pick up considerable pace in the first half of the 90'ies after the major political changes that had taken place.

Thus, on one side DELIVERY had, and has, growth objectives but on the other side, at that time the financial position of the organization did not allow extensive in-house investment in capital equipment.

Instead, the organization entered into an agreement with a company in a country in the former republic of Yugoslavia to produce a particular convenience food product based mainly on the partner company's production platform; and it was to some extend a coincidence in terms of the specific initiating event; that is specific as to time and actual country and of course in that respect the later production partner organization, although potential production partners were assessed.

Just after the CEO's participation in the conference with among others the speech by the before mentioned professor from a Danish university, DELIVERY was contacted by a consultant from an internationally recognized foundation, which was governmentally appointed to mediate foreign economic initiatives and activities after the war on Balkan. The war on Balkan stretchered over several years, however as to the chronology this takes places more or less at the Millennium.

'*Only 2 weeks after the initial contact we were actually on a plane to 'the country'* [the country is known to the researcher, however due to required animosity the country name is not mentioned here] *to see, if we could have some flexibility in a potential agreement*', the CEO recalls and seems to between the lines reflect about the 'coincidence' of the contact given DELIVERY's as well as his name on the aforesaid conference attendance list. Albeit, some month later DELIVERY entered into a formal agreement with the 'Balkan organization', which was to undertake the production of specific convenience food products.

Thus, flexibility in this particular organizational case is not initially, that is moving chronologically back in time to the Millennium, related to strive for flexibility in the literary sense of the ability to for instance swift delivery of various, maybe altering batches within rather short lead times, although the particular agreement to some extend actually enabled that.

The notion of ‘flexibility’ associates to the condition that DELIVERY was unable to obtain sufficient external capital at a reasonable market rate to cater for the organizations growth objectives; hence by large to the notion of financial flexibility by reducing capital investment relative to the production and revenue of the organization and thus maintaining the organizational growth objectives intact.

The particular convenience food product was prior to the agreement with the company on the Balkan produced internally in Denmark but on a very low scale relatively to the later increase in this particular product[100]. The outsourcing approach did not as such altered operating leverage to begin with in the sense that DELIVERY for instance dismantled a larger production platform and moved it to the company on the Balkan. The organization kept the production platform internally. However, it altered the organizational value chain configuration and seen in isolation the projected operating leverage of the organization keeping among others the planning horizon constant[101].

The partnering model is spreading: This business approach has developed over the last decade, and DELIVERY has now such production partners in various European countries.

However, while the starting point for the organization was the said combination of desired financial flexibility and maintaining the strategic growth objectives, with a ‘small twist of coincidence’ as to the specific initiation of the actual implementation, the approach has now evolved into a more complex buy-venture with several combined managerial themes and considerations, that are highly intertwined with substantial implications for the value chain management and executed in combination with noticeable insourcing ventures as well. The latter is to be unfolded later.

‘*I shall urge to say that we also have these production partners in Denmark*’, the CEO explains and outlines the development of DELIVERY as to these formal, quite substantial production partnerships in three other European countries apart from Denmark and the one in the country in the former Yugoslavia. The CEO supplements that the organization also has production partners in other countries, however they are substantially smaller than those in the said five countries. According to the CEO they are ‘emerging’ in nature, thus they might develop into production partnerships as the present, prominent ones, but this is too early to comment on.

While the exact time for the initial outsourcing agreement on the Balkan was a coincidence, so to speak, it was not a coincidence in a strategic perspective as such corporation with external partners was, as is, part of the strategic approach and intent adopted by management. Although, the business approach has been elevated and refined since the Millennium, it has by large remained unchanged.

[100] Here the increase refers to both an increase in number of units produced and in organizational revenue generated from this particular convenience food product
[101] If the decision horizon is assumed constant and assuming that input variables are unchanged (e.g. same raw materials) as well as unchanged relative input price levels and product platform, the operating leverage would be expected to alter in DELIVERY’s projection and analysis of fixed and variable costs assuming for instance the possibility to alter the partner agreement is time wise shorter than time horizon required to change of capital equipment. This is the case in DELIVERY not least with the expected growth in production (i.e. use of more input variables) and obviously quite inferable based on the growth objectives and the other reasons behind the outsourcing decision

The CEO informs unmistakably: '*It* [the strategy etc.] *is exactly the same, I would say*' and reflects that the management concern was to '*try to coherently combine your vision, your strategy, your mission and your values from the beginning*'[102].

These 'production partnerships', as they are coined by DELIVERY, have today multiple purposes and are rested upon are broader set of drivers in the organizational strive to leverage the growth and profitability of the organization. The organization's financial flexibility is still an important theme; however flexibility in delivery processes is becoming a more and more prominent driver behind the buy-ventures as well as access to competences situated in other countries as in the exploration of the possibilities based on the relative cost levels; that is mainly the difference in wage levels and to some extend the cost of transportation. While the issues of costs relate somewhat profoundly to the direct production costs as to the blue-collar workers in broad, the cost component of transportation also intertwines with the vicinity to the markets.

The theme of flexibility has thus become somewhat more complex in the sense that it still relates to the organization's financial flexibility and somewhat 'popular stated' turning fixed into variable costs over time, though the notion of flexibility in swift, changing deliveries of particular convenience food products within a continuously increasing product scope is becoming more and more important.

The following is not stating that DELIVERY is in that particular industry producing pizzas, though the CEO makes an informative analogy: '*You achieve a more original product, when it is produced there. Just like pizzas in Italy*'. Hence, the production partnerships also bode for access to external competencies and qualities, which according to the CEO is not necessarily accessible in Denmark.

Likewise, vicinity to the markets has increasing importance. While DELIVERY has previously mainly focused on the Scandinavian market, the whole of Northern Europe in subject to increasing management attention. '*With the degree of specialization [the broad product range] we are simply too big for the Danish market. We have to become international to utilize the specialization*', the CEO enlightens offering samples of the various convenience food products.

The notion of costs is obviously important to constantly secure the competitive position.

However, while the before mentioned main production partnerships have the similarities in terms of the overall strive for both the organization's financial flexibility, an increasing internationalization and thus vicinity to markets as well the constantly broadened product range with some level of flexibility in the delivery, the partner organizations are viewed differently as to the notion of costs and certain product competences.

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[102] The CEO is reflecting directly to the researcher during one of the interviews and he for instance talks about the organizational vision as 'your vision' (translated from the Danish 'din vision'). The statement is translated from the Danish '…at tænke din vision, din strategi, din mission og dine værdier sammen fra starten'

An potential outsourcing ‘contradiction’ though quite explainable: Particular one partner organization was selected with a prime focus on production costs, where the relative wage level between Denmark and Poland was the key issue. Poland is the actual country, in which the outsourcing venture takes place.

Thus, the production partnership in Poland was not driven by for instance access to specific competences and qualities as in the ‘pizza in Italy analogy’ but by perceived substantial cost differences. ‘*It is salary production*’, the CEO informs and coveys that this term, i.e. ‘salary production’, is used internally to underpin the reason behind that particular production partnership, which is noticeably driven by cost reduction through the utilization of among others the relative wage level.

These production partnerships, however, do all contain unforeseen costs. ‘*When you outsource, then there will always be some unforeseen things, which makes it more expensive than expected*’, the CEO commences and outlines that these requires the attention by the organization. They are related to for instance the process supervision and quality control, whereas the latter mainly associates to the control of the produced products and the actual deliveries. The CEO elaborates that this has been a challenge, though the increasing use of these production partnerships has altered the calculative practices in terms of security margins to cater for previously unforeseen costs, though now recognized, and comments as to outsourcing and costs in general: ‘*There has to be something in it. It is not 5 or 10%. There has to be more in it*’. This is based on the calculative practices, which are very detailed in DELIVERY, inferred to be after the previously unforeseen costs of managing the relationship has been incorporated. As to the detail in calculations this will be conveyed later.

‘*It has been necessary for us to send more people down there, than we had expected*’, the CEO informs addressing the unforeseen costs in Poland. However, and according to the CEO exactly the same applies as to the product partners in other European countries, where access to competences and qualities as well as vicinity to markets are more noticeable reasons behind the production partnerships. ‘*The culture is definitely not the same*’, the CEO later reflects and combines it with the understanding of the organization’s purpose and objectives.

‘*All development takes places her*’, the CEO openly claims, where development relates to product development and often associated with small scale production of a new product in Denmark, which is then outsourced to a production partner organization.

This might at first be perceived as a contradiction, and in particular if the ‘pizza in Italy analogy’ actually applies in reality to some of the production partnerships, where access to competences and qualities is reinforced by the CEO.

However, it is not a contradiction, when the account is explored in more detailed. Product development and innovation is according to DELIVERY much more than that of an authentic ‘pizza taste’. The exploration reveals that the ‘contradiction’ is quite explainable.

In terms of the first outsourcing to the ‘Balkan country’ DELIVERY produced a particular convenience food product that was then outsourced to the new production partner; subsequently produced on a much larger scale. Although, ‘*in ‘this country’* [the country name is not mentioned here], *you have a ‘certain religious’ based* [a particular religion is mentioned but not conveyed here] *approach and therefore you a really, really good at ‘certain convenience food products*’ [the particular convenience food product is not mentioned here], the CEO comments and provides a similar example, while adding to both: ‘*Where we actually do the same and has a partner, where we a highly involved also in the actual development of the product, though within the original frame of the authentic product*’. Thus, even in the situation where a main argument is the access to particular competencies and qualities, DELIVERY incurs such associated, previously unforeseen costs.

The CEO also emphasizes that innovation and product development is not only related to for instance taste and shape, if that is associated with ‘authenticity’. The organizational efforts in that respect also relates to packing and alike.

‘*This all leads to costs*’, the CEO states while elaborating that DELIVERY has definitely become better in providing the calculative foundations, when the organization for instance develop the new production partnerships. The same is according to DELIVERY also the issue with insourcing. ‘*There are as many unforeseen costs, when you insource as when you outsource, while when you insource it is more the technical part, which has been a challenge, while when you outsource, then I think it is probably more the culture*’, the CEO claims acting as the quite relevant starting point for the exploration and exhibition of DELIVERY’s particular venture in Poland.

To Poland and back again: ‘*There are huge differences in the salary levels between Denmark and Poland*’, the CEO suggests and outlines that the wage level for blue-collar workers is three times as high in Denmark.

‘*In ‘year’* [the specific year is not mentioned here] *we brought the production back to Denmark*’, the CEO informs as to the chronology of the account, where DELIVERY some six years earlier had outsourced the production of a particular convenience food product to a Polish company. ‘*When we originally started production* [the production of the convenience food product in Denmark], *we saw a huge potential in the area, however we could impossible make it ourselves in this scale*’.

The CEO refers back to the notion of the organization’s financial flexibility and conveys the supporting argument that the size of the market potential would require investment of capital production equipment. ‘*That is why we found a Polish partner*’.

The particular product was already developed in its core form; that is for instance in size, shape, taste and packing, hence as such it was not initially a question about for instance access to new competences and qualities besides that of the foundational production platform. The main selection criterion was the costs, which seemed to suggest significant differences based primarily on the relative wage level between the two countries.

The operation in Poland was highly controlled by DELIVERY as to how and what to produce. '*Poland is a place, where we really controlled a lot*', the CEO explains and informs '*when we produced in Poland that was not much development. Basically they produced what we told than, and each time we should develop something we would send some people from our Product development* [a department] *there and test this and this*'.

There has been, as mentioned, various costs which were unforeseen when the operation was commenced. These relate to both the required managerial attention to the processes and quality in the delivery, and not as much the above mentioned costs incurred by the product development, as these were actually catered for in the calculations for launching extended product ranges; e.g. extending a product range by for instance a new flavor or size. However, the incurred, somewhat unforeseen costs also related to the evolvement in the relation, where the Polish partner became bigger. The CEO elevates his comment: '*That we had to do something with this supplier*[103]*, because they simply became to become too big*'.

The alteration of the value chain by insourcing the production in Poland was also due to some other partly related tension in the relationship relating to the potential power of being 'to big'. '*He* [the Polish production partner] *meant that he could begin sell our products, where we of course did not allow that. We had an agreement, so well told him that that you cannot do*', the CEO later informs.

When DELIVERY outsourced the production of the particular convenience food product, there was only the particular product with no variation. Hence, it was arguably a mass-production of a standardized product. The particular product, though, was extended as to its product range [e.g. adding ad similar convenience food product with a slightly altered taste or developing the similar convenience food product in now two varying sizes] during the production period in Poland; thus incurring the aforementioned development initiatives and costs by for instance transferring product development employees and knowledge from Denmark to Poland.

The production and associated costs in Poland enabled DELIVERY to grow this particular product in terms of contributing to the organizational revenue and profit.

'*Now we have the technique to produce it*', the CEO comments with reference to the later investment and insourcing of the production. However, DELIVERY also acknowledges that this is based on the venture in Poland. '*Now we have the basis. We build it in Poland, and that was of course mainly to the low wage levels. Otherwise, we would probably not have been able to invest here* [in Denmark]'. Thus, the outsourcing to Poland enabled the company to pursue its growth objectives despite the organization's financial position and the experienced evolvement in actual production volume of the particular convenience food product.

[103] It is maybe interesting to note that during the various interactions with DELIVERY (e.g. the interviews with the CEO), the term 'supplier' about the most profound 'production partners' is only used once and that is in this particular sentence

However, and as mentioned during the insourcing DELIVERY also experienced unforeseen costs, which were not previously depicted in the calculations. '*There were actually some many adjustments in the production line*', the CEO explains openly, as he compares and contrasts with the production of another convenience food product which at that time also was produced at the premises in Denmark, where DELIVERY had expected the insourced product production to be somewhat similar. '*Just a simple thing, that the other product [the insourced product] had to 'be twisted'* [the actual production activity is not presented here], *if it has to be correct, and of course it has to. It has just pestered and pestered*[104]'.

'*However, when you look at it, there is no doubt that it was the correct decision, but it did not go as quickly as we have seen in our payback analyses*'. By their 'payback analysis' the CEO refers to a rather comprehensive investment appraisal, that despite the absence of various, unforeseen though later realized costs, e.g. costs incurred by unforeseen adjustments in product platforms, includes several detailed calculations and methods for assessment of the investment; e.g. net present value assessment and payback appraisals supported by informative text.

The CEO presents the investment appraisal, which is later forwarded in its full length; accordingly thus subsequently used in the exhibition of the potential explanations though subject to non-disclosure[105].

There are many very interesting observations in this appraisal. It very detailed in the sense that for instance various costs are depicted and calculated on a very detailed level subject for instance to examination of capacity utilization and alike offering substance as to a notion of a very detailed knowledge of for instance production processes and attention to process control.

Secondly, the projected cash flows also include the broadening of the product range of this particular convenience food product. Hence, it portrays the strategic direction about for instance expected innovation by extension of the particular product range and consequently underpins the statement as to some important reasons behind the insourcing venture, which is unfolded in short.

Thirdly, and in an explored association to the second issue, it actually exhibits increased costs associated with the, at that time, produced convenience food products in Poland.

'*We do not earn any money by pulling it home*[106]', the CEO explains, where the specific meaning of 'earn' relates to cost savings; hence there are as such no expected cost savings by insourcing the. Actually, the quite detailed calculations and associated textual comments in the invest appraisal reveals that it all things equal and under certain circumstances could result in increased costs on the products produced in Poland at that time.

[104] The wording 'pestered and pestered' is directly translated from the Danish 'drillet og drillet'
[105] The main supervisor as well as the auxiliary supervisor is familiar with it
[106] The wording 'We do not earn any money by pulling it home' is directly translated from the Danish 'Vi tjerner ikke penge på at trække det hjem'

The reason is of course among others the relative wage level, and the CEO suggests that on various mass-produced products with very substantial volumes the costs would be up to 30% lower in Poland.

It can then quite easily be inferred that the underpinning arguments, must be rooted elsewhere. DELIVERY makes the tradeoff between potential cost savings in Poland, all things being equal, and the potential by product development, which is included in the investment appraisal. As the CEO partly comments, partly reflects: '*You have to think in a coherent whole*[107]'.

The CEO further unfolds DELIVERY's argument: '*If you for instance say that costs are X times higher in Denmark, then you have to be X times more efficient in Denmark. We could solve that by technical investments in Denmark. I would not say fully, but to some extend*'. The CEO continues by suggesting the notion, that as the production became bigger and bigger the automation of the production and the basis for the investment became possible.

If DELIVERY has the knowledge in-house, they suggest that this is the basis for improvement and innovation and as the CEO underpins on key aspect. This relates of course to innovation and product development but underpins the claim that DELIVERY is also a specialized producer, or less not a sole mass-producing organization of standardized products.

Culture, innovation, expanding and back to Poland: '*Here we have 'this number'* [a specific number of employees is mentioned] *brains that can participate in the product development*', the CEO enlightens about a focal point in DELIVERY that the 'technology term' is to be considered broadly, as it also involves people and intertwines with the broad product range and continuous development of for instance new products. '*We say that we have two main processes: The innovation process and the supply chain*[108]'. By the term 'provision process' the CEO refers to the production process including distribution and not to the development and other support processes as such.

The CEO reflects that much is anchored in the organizational values and culture thus relating to people and people contribute to the production and innovation.

The development of the organization has continued size it was first contacted.

The product range has been increasing, again, and the exploration in new markets seems promising with increasing sales is some substantial European market. DELIVERY has also acquired the premises next to the head quarter and Danish production site.

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[107] The term 'coherent whole' is directly translated from the Danish 'helheder'

[108] The term 'supply chain' is directly translated from the Danish 'forsyningskæde', which within DELIVERY is talked about as a 'process'; hence the underlying idea about the CEO's conception of the two main processes

'*We have increased our Product development, which has now moved over in the new building next to our main site*', the CEO informs and continues: '*Although we are producing a lot of convenience food products, we have become a knowledge organization*'.

DELIVERY is now seeking a new production partner in Poland. It could be anywhere in Europa with attractive relative wage levels for blue-collar workers, however the company is in quite concrete negotiations. '*The idea is not to outsource what we have previously insourced but producing another convenience food product, which we have done in small scale in-house*', the CEO openly informs as to the strategic direction and adds that it would like also support the capacity utilization internally, as the freed capital equipment enables a more efficient overall capacity utilization.

Summary of some key issues

The summary illuminates some key points from the emplotted narrative. The main purpose is to ignite the discussion and subsequent theorizing in Section 5 with reference to these key issues; hence to situate some main themes in the forefront of the initial discussions. However, the theorizing is not confined to these key issues.

The emplotted narrative from DELIVERY suggests a multifaceted approach and a broad variety of reasons behind the outsourcing and insourcing decisions. While it might be claimed that DELIVERY is straddling between many, differently driven production partnerships as to the underlying emphasized and exhibited reasons behind the ventures, efficiency and innovation plays important roles. Although, DELIVERY has a claimed unchanged strategic approach, there is clear evidence that the organization has embedded learning from their outsourcing and insourcing events. The calculative practices depict very detailed knowledge combined with a forward-looking strategic approach, which incorporates the notion of opportunities, which for instance seem to drive insourcing arrangements.

Table 4.4 The identified reasons behind the organizational decisions and exhibited structural and executional themes

Key reasons behind outsourcing (and offshoring)	Key reasons behind insourcing (and backshoring)
The organization's financial position thus the organizations' financial flexibility Cost savings in relation to size of initial batches compared with existing equipment Access to new competences and qualities as well as vicinity to markets It should be noted that the DELIVERY case exhibits multiple intertwined drivers	Knowledge/technological development as a strategic leverage; hence core competence and emphasis on structural cost drivers such as scope depicted in product development, scale, complexity and technology. However, there are also emphasis on executional cost drivers such as capacity utilization

<table>
<tr><th>Structural Cost Management</th><th>Executional Cost Management</th></tr>
<tr><td>Outsourcing: The structural decision to outsource is by large based on costs of direct, non-core input factors in the value chain</td><td rowspan="2">The commitment to continuous improvement and the exploitation of the linkages between the company and its customers as well as suppliers seem prominent; and mandatory as to the strategic intent</td></tr>
<tr><td>Insourcing: The structural decision to insource is based on structural choices as to for instance scope, complexity and technology thus knowledge</td></tr>
</table>

4.5 The emplotted narrative about 'LEVERAGE' # The managerial use of advanced, detailed costing approaches in the organizational value chain

'*Okay, if we to start with are talking about moving production from here* [i.e. the production site in Denmark] *to either a supplier or to one of our own production locations, then the first things we consider, there can be several thing, I though add, is, if they can do it as good as us, and if it is important for us, then this can also be a parameter. Then, of course there are costs. We have to create a price, which the market is willing to pay. In relation to 'our product'* [the CEO uses another word, though not mentioned here] *costs are very important*', the CEO of LEVERAGE conveys, emphasizing 'very', in a meeting room with among other a large white board and located quite close to the actual production area at the company's Danish premises; a huge complex of buildings somewhere in the 'middle' of Denmark.

The white board is later to be used during the initial talks with the CEO, who illustratively and in numerical terms will demonstrate for instance the importance and the impact of relative wage levels in different geographical areas.

However, the calculative approaches in LEVERAGE are much more than simple cost calculations based on for instance relative wage levels; also those related to multiple make-or-buy decisions. What is exposed during the contacts are very complex approaches, that despite the apparent obviousness, which after a while might be embedded in the mind of the informed observer, rests upon a substantial data set and detailed knowledge elevated by experience and underpinning totality and coherency as to the perspectives and management of the organization.

LEVERAGE has grown substantially since the introduction of the 'core product' in the beginning of the 80'ies. The 'core product' is central in the provision and performance of other products. Thus, LEVERAGE's 'core product' is a central component in other products and as inferably, LEVERAGE operates as a business-to-business provider in a global market.

LEVERAGE's customers are situated in many different industries, world-wide. LEVERAGE follows its customers internationally. The substantial development since the 80'ies materializes not only in growth in units produced and sold, organizational revenue, number of production sites and numbers of employees. Likewise, LEVERAGE has extensively broadening its product range; though still engrained within the realm of the 'core product' as to its main, general functionality and purpose.

LEVERAGE's main customer segments are ranging as broad as from the medical industry, over industries providing equipment for industrial machines to industries that produce products for private households.

Although the organization has expanded the business as a provider to many different industries, the anchor of the business is the before mentioned 'core product'.

Development: However, the 'core product' has despite an unchanged main, general functionality and purpose, undergone extensive development to accommodate the requirements from the different industries; and supported the growth of the organization.

Besides that this has led to the development of a portfolio of more than 7.000 different LEVERAGE ‘core products’, which has required, and thus also enabled by, a noticeable product development and adaption of new technologies, it has also to be explained in association with the internationalization of the organization and the management of a global value chain.

The organizational roots go all the way back to the beginning of the last century. However, the introduction of the ‘core product’ marked the beginning of LEVERAGE’s present position.

The internationalization is not only in terms of sales representations and products shipped internationally from the factory in Denmark. ‘*Our ‘production site in Asia’* [the country name is not mentioned here] *began in 2005. We started our own production in ‘Eastern Europe’* [the country name is not mentioned here] *in 2008, I think. We began in US in 1998-99*’, the CEO informs.

‘*We follow our customers*’, the CEO supplements as to the development in production sites globally as he continues: ‘*Some of our products are produced in all locations. We have a regional strategy, which means that the products we are using in a certain region by large are produced there* [i.e. a particular region]’. This relates both to the specific type of product and as such the more specific batches, but always based on a more detailed calculation; and subject to a subsequent monitoring of cost and performance, where the latter for instance could be in terms of produced and provided quality.

The production setup is quite similar across the various production sites. There are some differences as to for instance the actual ownership of the different factory building, i.e. they are generally owned by LEVERAGE though the buildings are rented in one country.

These differences, however, do not affect the actual production setup in terms of production lines and alike. They are quite similar: ‘*You can compare our factories reasonably well*’, the CEO informs as to production efficiency and costs.

The ‘reasonable well’ is later to be documented as a modest understatement; to put it mildly. The CEO has a very open and straight forward approach. What is characteristic apart from his friendliness is a focused attitude. It is the results that matters, and in several instances it is clear that grand gestures and unwarranted exaggerating is definitely not part a treasured part of the corporate culture. It is continuous improvement and results, which are the pivotal points.

What is exhibited is among others a very detailed and advanced costing system, which besides the integration of what for instance could be characterized as literary well-known costing approaches, e.g. standard costing and variance analysis, also includes the incorporation of calculative elements such as ‘experience factors’ adding to the managerial decision tools that support management’s decisions as to for instance outsourcing and insourcing interlinked with offshoring ventures as well as the relocation of for instance outsourced production.

4,65 Danish kroner[109] per minute and a total approach: '*Now I talk about minutes*', the CEO adds with reference to the 4,65 Danish kroner per minute and informs that this at present accounts for the direct labor costs in their standard costing for a certain 'core product'. He continues: '*It takes in the area of 4 minutes to produce this 'product'* [a specific product part is mentioned]. *We could of course use hourly numbers, but it is typically minutes we put in our products*'. By 'put in' the CEO among others refers to the use of labor and the attribution of costs, which is for instance expressed per minute in their costing systems[110]. The white board contains now various numbers, words and a couple of circles and lines, which combines various focal issues.

While the amount itself, i.e. the 4,65 Danish kroner per minute, is later to be explored in relation to for instance outsourcing and offshoring and thus also investment in for instance new production technologies, the details as to, and in, the costing systems is obvious from the discussions. The CEO informs about similar details as to the company's production sites in other regions and for other cost components such as costs associated with the use of materials in the provision of LEVERAGE's products.

However, while the dialogues with LEVERAGE illuminates the use of various more specific costing tools with detailed calculations, the organization continuously emphasizes that total approach to costing in relation to for instance about where and who to produce. As the CEO outlines after the explication of a common decision approach, if a certain product should be produced in Denmark, offshored to the company's own production sites or placed externally by a supplier: '*Then you are again applying a total cost approach. You need to make some proper assessment of, what actually pays off[111] for the organization*'. While the use of the former 'you' in the sentence clearly rests upon LEVERAGE's approach, the latter 'you' in the sentence could equally be perceived as a more general understanding.

In case of for instance whether a certain product has to be produced in Denmark or for instance at one of the other LEVERAGE production sites the CEO informs: '*We can look at, if it can pay off to move a product, but then we consider the calculations, just like we always do. Then we say materials, wage and other cost, but they* [i.e. the other LEVERAGE production site] *would also have overhead costs. We add all these things*', the CEO reflects as to the internal relocation of production.

The CEO enhances the understanding: '*We also look at the new place* [i.e. in the perspective of the LEVERAGE production sites] *and see, how it looks on the bottom line. That is a total cost consideration*'. The CEO among other relates that to for instance capacity utilization, when he supplements: '*You have to look at the whole*'.

[109] 4,65 DKK is approximately 0,63 Euro based on the exchanged rate used in all the emplotted narratives
[110] Cost components such as direct materials are obviously not calculated per minute
[111] The term 'pays off' is translated from the Danish 'betaler sig'

Thus, it is not only assed in the perspective of both LEVERAGE production sites, if the managerial decision involves two of their four own production sites, and for instance in terms of impact on local capacity utilization at each production site. There is also a total, overall company approach that according to the CEO incorporates overhead costs.

‘*We also look at costs associated with tying up in inventories, quality costs, transportation, all costs associated with the logistics and so on*’, the CEO informs and augments: ‘*We simply have a total costing tool*’.

The costing approach is further discussed to its details: ‘*We do control our costs. We have tools to look through it* [by ‘it’ is later exhibited a detailed costing system]’, the CEO informs and associates that to both transparency and the supportiveness in the actual decision processes. ‘*We have, it has not been easy, very good data on everything, we do*’. The CEO enforces the word ‘everything’ and continues: ‘*So it is easy for us to for instance look at the consequences of our decisions. I can say as I do, but it requires of course that we have control*[112] *of what we are doing, if you want such total cost approaches*’.

The presumably advanced systems also incorporate revenue. ‘*We can also look at our contribution margin ratio*[113]*, and when we look at that it is not only here in this house* [the CEO refers to the organizations’ premises in Denmark]. *It is also on a corporate wide level*’.

LEVERAGE has developed their systems over a long period. Of course, this is what would be somewhat expected given the detailed approach that is unfolded and combined with the development of the organization in terms of the product portfolio and the internationalization over a longer period; i.e. more than three decades although the significance in pace became more apparent in the 90’ies. The organization experienced a smaller decline in corporate turnover during then financial crises. Yet, their recovery in performance is observable. The annual turnover is higher now than it was in 2009 and 2010. 2013 offered the highest turnover ever in the organization’s history, and what is equally important to the organization, LEVERAGE has delivered profit every year; also during for instance the fiscal year 2009.

The organization suggests that they by large have been in the same industry.

Although, the scope of LEVERAGE has developed significant in terms of variances of the ‘core product’ and the observation that the organization has customer-wise moved into several, and quite different industries to which they provide their ‘core product’, the CEO informs unmistakably as to the origin and direction of LEVERAGE.

‘*We are in the same industry as 15 years ago. We have no plans suddenly to produce something else. We are good at making ‘the product’* [a certain term for the ‘core product’ is used], *and this is*

[112] The CEO uses the Danish words ‘styr på’ and not the Danish word ‘kontrol’, which is equal to the English ‘control’. However, the term used by the CEO is very much to be conceived as ‘control’ here
[113] The CEO uses the Danish word ‘dækningsgrad’, which is the same as the English ratio ‘contribution margin ratio’

the business, which we are in. Of course, there can come some nuances [this is stated for instance with the reference to the increased scope, thus with an unchanged main purpose], *and now we can see that there is a need here and here, but our business is about 'the product'* [a certain term for the 'core product' is used]. *We consider this to be a huge advantage*'.

The CEO later elevates the understanding of LEVERAGE strategy. Despite geographical region and type of customer, there is an ambition to expand into various new industrial customer segments as well as the further exploration of present customer segments. It requires product development, though this is still within the 'core product' range. This requires, according to the CEO appreciation of, what he calls '*soft things*'; though it is clear that '*soft things*' is definitely a management focus area. '*It requires competences to innovate, so it is not only if we are effective in our production*', the CEO explains as he continues: '*It is difficult to put a specific value on competences, but we look at that and also on our suppliers' competences*'. This is later related to outsourcing and insourcing by the CEO.

'*It is our bread and butter*[114]. *We have this* [e.g. referring to the product portfolio], *and it is what we are focusing on. I think that this is also the case, when we look ahead. That is our strategy at least*', the CEO openly informs.

Experience and quality as customer value: LEVERAGE has both offshored from Denmark and relocated production as well as brought production back; i.e. the move of production between the LEVERAGE's four production sites. Likewise, the company is outsourcing, as well as they have moved outsourced production between suppliers and insourced previously outsourced production. Hence, as to the alteration of the value chain in terms of offshoring, backshoring, outsourcing and insourcing, LEVERAGE has it all.

The company has, as it would probably be quite clear, detailed costing systems that for instance besides a substantial degree of detail, e.g. cost components are in what for instance resembles a standard costing approach depicted be two digit decimals; a noticeable depth, e.g. calculations per product; a width, e.g. potential for comparison of operational performance between production sites as well as assessed decisional consequences in connection to potential relocation between LEVERAGE's production sites, and a remarkable comprehensiveness as to LEVERAGE claimed total costing approach.

The use of the word 'claimed' in relation to the exhibited total costing approach, it is not in any way to suggest that this is not the case. Indeed, the calculative practice quite explicitly suggests quite the opposite. However, one of course is interested in for instance the managerial implications, which besides that it will add to the exhibition of additional, plausible justification, quite obviously will exhibit what is actually the inherited organizational notion of 'total' in managerial decisions in LEVERAGE.

[114] The CEO uses the term 'bread and butter', hence this is not a translation

This is shown by the probing in the events that alter the activities and processes; e.g. organizational outsourcing and relocation ventures.

What is exhibited is not only the additional justification of the plausibility of a total approach in LEVERAGE but likewise incorporation of 'some rules of thumb', which could be arbitrary to some, but in a systematic way that over the years have been embedded in the organization; and they might for some be somewhat surprising.

'*We have 'experience values'*[115] *and other things we build in, if we consider to move something from a supplier in Germany to a supplier in India or China. It might be that we can reduce costs, if we look at an offer, which we have received. However, we ask ourselves, how the costs* [i.e. LEVERAGE's costs] *are affected. It might be that delivery time is affected*'.

The CEO informs about the potential effect on customers but also regarding costs that could be incurred if longer delivery times should be managed by larger stocks.

Besides that this would affect liquidity all things being equal[116], the CEO also comments to several other considerations, which further adds to the notion of a very conscious, implanted approach: '*If you for instance make changes in constructions* [i.e. changes in LEVERAGE's products], *are we then sure that the new supplier* [i.e. that is potentially new, as it relates to the consideration of a potential shift in supplier] *can produce that in the same quality and the same speed?*'.

The question is, and as probably inferred, slightly rhetorically posed and suggests that LEVERAGE for instance take not only a short-term perspective but likely consider the organizational implications over a longer time horizon in relation to the organizational direction and product range. This is also the case, as it will be shown and related to investments.

As to the experience and the before mentioned 'experience values', these are addressed under the LEVERAGE heading of their total cost approach. '*It is a regional tool, and it is leveled based on what we have experienced with comparable regional suppliers*', the CEO remarks as he elevates the understanding: '*When we make our total costs, then we use our experience values too, yes, then it costs this by the potential new supplier*'. By 'this' the CEO means the total costs plus the 'experience values'.

The CEO introduces again the term 'quality costs'. Though, this might be subject to a somewhat broad interpretation, it becomes quite clear that in LEVERAGE, it also accommodates for a perceived risk for incurring additional costs to meet customer requirements based on their experience and not only, as it might be assumed costs incurred with for instance quality control or alike; it then also relates to the before mentioned experience values. Costs for instance incurred by controlling quality are already part of the calculative approach.

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[115] The term 'experience values' is a direct translation of the Danish 'erfaringsværdier', which the term the CEO uses
[116] 'All things being equal' could for instance be unchanged payment terms related to a certain purchase from suppliers

The CEO informs about quality: '*The quality is very important. In that way you can say that quality costs are several things*'. There are of course the costs associated with control and any necessary changes due to a breach in variance. '*These are in our total costing system together with transport and everything else. However, we also consider potential quality costs by suppliers, when we for instance look at if we should outsource something or change suppliers. You simply also have to ask yourself questions such as, if you think a supplier can deliver for instance in 2 years, if you want to change something in the product*', the CEO states that it is important to look ahead.

While their 'total cost system' on beforehand covers, and based on a substantial amount of data, the detailed costs and cost components, which supports the decision approach and for instance caters for costs incurred to change in for instance inventory, transportation, consideration regarding change in capacity utilization, materials, wage and what is presumed relevant based on a total costing approach, the 'experience values' by large relate to risk in broad. This is tied to the regional approach, thus there is no universal number or percentage in LEVERAGE. The CEO illuminates that this for instance could be in the area of 10-15%.

The exploration does not expose the more specific differences as to LEVERAGE's regional approach, if any. It could for instance be imagined that there were different percentages in different regions. However, it does leave the impression that it depends on the region and the type of supplied product, and it is disclosed that it is most likely[117] a minimum.

It is on the other hand clear that an 'experience value' is applied to the assessed total costs associated with a certain option; e.g. a specific outsourcing possibility, which on beforehand are already extensive and for instance developed to cover a substantial amount of cost components according to their 'total cost approach'[118].

Such total approach is applied, whether LEVERAGE for instance outsource parts of their production or change within the portfolio of existing suppliers.

Although, the CEO outlines differences in what is to be included in the various calculation, e.g. outsourcing would for instance and all things equal and according to the CEO have more significant impact on the utilization of existing machinery that the relocation of production of a certain spare part between two external suppliers, the reason behind outsourcing ventures is customer value.

'*We always ask ourselves, if this provides value to our customers*', the CEO informs and reflects that such, i.e. value to their customers, of course is difficult to assess. It seems at first in somewhat contrast to the extensive use of data, and in what seems justifiable to suggest, is to be labelled as a quite advanced decision support tool as to costs. However, when it is unfolded, it becomes, if not

[117] By 'most likely' is emphasized that it is not possible to disclose the percentages for instance per region, however the CEO generalizes during the contacts that this has to be achieved before they consider for instance an outsourcing venture; thus the considerations about a perceived 'minimum'. However, it is not disclosed by the organization whether it is for instance a minimum or an average, though it is clear that it associates to a percentage of their total cost approach

[118] The substantiality of course depends on the actual decision to be made and thus depending on for instance time horizon and scope; e.g. if it involves relocation externally or internally

depicted by numbers and percentages then definitely clear as to, how it is considered as part of the integrated approach in the organization.

Customer value has to do with the performance of the ‘core product’, in its broad product range, which of course, as the CEO informs, relates to for instance the reliability and adaption to meet the specific requirements. The LEVERAGE product is a central part of the various customers’ products. However, customer value associates according to LEVERAGE also noticeable with costs. ‘*It is a highly competitive market*’, the CEO comments though also adding: ‘*However, it is more than costs. It is also service as to short delivery times, our development of new special products and other special issues, so we are able to create something differently*’.

This has also to do with the notion of ‘following customers’.

LEVERAGE does not only follow its customers depicted by its internationalization, thus vicinity to various markets. To a large extend, the ‘following customers’ does also account for the continuous product development, which to a large extend is conducted in an increasing closer corporation with their customers across multiple industries.

Competences in-house: The ´following customers’ has to do with knowledge and insourcing as well. However, knowledge and insourcing is not necessarily connected.

Insourcing, where the company has a couple of examples[119] recently, has also to with costs. The CEO responds as to the key drivers: ‘*But that is purely cost based, and it not necessarily from China*’, emphasizing it is not for instance relating to breach in quality while he continues: ‘*That is, we have a couple of examples, where we say: If we take this back, then we can simply produce it cheaper, than we are able to buy it at external some suppliers*’.

LEVERAGE explains that this can typically be due to two things. One reason is explicitly correlated with the utilization of existing machines, i.e. the capital equipment, which is increased adding production; thus all things equal bringing capital costs per produced ‘core product’ down. Secondly, the reason can be explained by the way, LEVERAGE produces its products.

The CEO elevates this managerial argument: ‘*We can produce it* [the ‘core product’ as such or a specific part within the ‘core product’] *in a smarter way. Here there are of course things, which change all the time, and as times goes urge us to make new decisions and consider, how we can constantly improve our way of doing business*’.

This type of managerial decision infers the alteration of production setup, while the former has to do with the efficiency of the production giving an existing production setup. This of course exposes both a managerial short-term as well as a long-term perspective; again backed decision-wise by LEVERAGE’s ‘total cost approach’.

[119] As to the couple of examples it should be noted that LEVERAGE is a large organization measured in for instance revenues and number of employees, not least in a Danish context

However, besides costs, flexibility and shorter delivery times can play a role. The CEO informs offering nuances to the previous statements: '*It is costs or if we can make a difference in terms of flexibility and delivery times*'. The CEO comments in a tone, which makes the outsourcing and insourcing practices and underlying reasons seem more or less common sense and self-explanatory: '*Well, it is the same parameters*', which is put forward with reference to the criteria used to assess the decisions and suggesting it as quite obvious even to laymen; and there is no need to make it more difficult than that.

Although, the product portfolio has been substantially broadened, and the growth of the organization has been in a literary sense an organizational strive for the development of new markets, i.e. providing their 'core product' with its inborn core functionality and purpose to new markets represented by various industries and their subsequent provision of different products to other industries as well as private households, knowledge plays an important role.

According to LEVERAGE this is a crucial issue. '*There are things, where we say that this is so vital in our products. That is where we make a difference compared to our competitors. We will not teach*[120] *others to do it', the CEO repeats the latter sentence and notes: 'There are things, where we say that we can do that better* [i.e. better relative to LEVERAGE's competitors]'.

These 'things' have according to the CEO different competitiveness perspectives. '*Of course, it is obvious, where we have competences, which others do not possess, we of course try to protect and develop these, so we maintain our competences*', the CEO suggests with reference to competences as a leverage of maintaining a favorable competitive position. By 'maintain' is obviously referred to both the protection at present and the development to preserve a competitive edge. '*That is where we in the long-run make a difference, right*', the CEO comments posing it both as a question and an answer.

LEVERAGE has, however, a somewhat broader perspective on knowledge. It is not solely related to the ability to conduct product development, which broadens the product range or augments performance of one product or a subset of that within the product range, and it seems that the organization talks about competences rather then uses the term knowledge.

The organization clearly associates competences to both the efficiency of the production processes per se as well as innovation in terms of the development of new products that accommodates for customers' requirements. However, these two dimensions of efficiency and innovation seems inseparable in LEVERAGE, both in terms of outsourcing and insourcing ventures, as these are exhibited to be driven for instance by new ways of producing things smarter as mentioned above. Thus, it is here also related to the management of costs; also in a strategic perspective as a smarter way of producing clearly is linked to the alteration of production processes.

[120] The CEO uses the Danish word 'lære'. The way that it is used in the CEO's statements illuminates an organizationally perceived superiority as to the technology and underpinning organizational knowledge compared to their competitors; hence 'teach' is used to reflect that perceived position rather than the words such as 'learn'

The CEO comments about making a difference for their customers in relation to competences: '*It can be both when you look at the production processes, and the way we knit the products together*'. The latter is explicitly related to innovation by the CEO, who elaborates: '*We will try to protect our core business as good as possible. It can be our product as such, and it can be the production* [i.e. the production processes]'.

The CEO is beyond any doubt extremely knowledgeable about LEVERAGE's business and possesses the more than normal top management arsenal of management vocabulary; however what is also quite striking is the straight forward language combined with a sincere modesty.

The latter is not least obvious, when spectators would witness the production facilities and more thoroughly understand how LEVERAGE has optimized their processes.

Comprehensive LEAN programs removing non-value adding processes and programs that reduce waste are likewise the daily business of LEVERAGE in a physical production site, which is substantial in size and highly automated, with everything from advanced machines that 'shapes' the various components to robot technology that for instance undertake assembling.

Automated business in Denmark and new relationships: '*The organization has actually proved that it is possible to produce in Denmark*', the CEO comments with reference to huge investments in the production site in Denmark. '*If we have a number of units that allows the investment in automation*', then it is according to LEVERAGE possible.

However, it does not solely relate to for instance automation of their production site in Denmark. It also materializes in changes of the relationships with suppliers. LEVERAGE has recently entered into an agreement with a Danish supplier, where they according to the CEO have been 'shaking hands' on a longer business relationship, which brought production back to Denmark from Eastern Europe and allowed investments in both organizations.

Summary of some key issues

The summary illuminates some key points from the emplotted narrative. The main purpose is to ignite the discussion and subsequent theorizing in Section 5 with reference to these key issues; hence to situate some main themes in the forefront of the initial discussions. However, the theorizing is not confined to these key issues.

The emplotted narrative from LEVERAGE suggests the use of a very advanced costing tool that is applied at various organizational levels. Cost is a prominent argument behind the various alterations and elevation of the organizational value chain, which involves a multiple practices in terms of the actual events; e.g. offshoring and outsourcing.

The calculative practices depict very detailed knowledge combined with a forward-looking strategic approach, which incorporates the notion of opportunities.

Although, LEVERAGE makes distinction between pivotal issues such as capacity utilization and scope, there is an intertwined conception of structural as well as executional management themes. It is for instance interesting to observe that flexibility not only relates to for instance swift delivery of altering batches but also flexibility in terms of the development of new products adding to their substantial product range, which in both cases is related to customer value. It seems that the costing approach and underpinning systems enable the elevation of the managerial decisions and numerous ways.

Table 4.5 The identified reasons behind the organizational decisions and exhibited structural and executional themes

Key reasons behind outsourcing (and offshoring)	Key reasons behind insourcing (and backshoring)
Cost savings in relation to size of initial batches compared with existing equipment; emphasis on structural cost drivers such as scope, scale, complexity and technology. However, there are also emphasis on executional cost drivers such as capacity utilization Access to new customer segments, thus vicinity to markets	Cost savings in relation to size of initial batches compared with existing equipment; emphasis on structural cost drivers such as scope, scale, complexity and technology. However, there are also emphasis on executional cost drivers such as capacity utilization New ways of producing

<table>
<tr><th>Structural Cost Management</th><th>Executional Cost Management</th></tr>
<tr><td>Outsourcing: The structural decision to outsource is by large based on costs applying a ‘total cost approach’</td><td rowspan="2">The commitment to continuous improvement and the exploitation of the linkages between the company and its customers as well as suppliers seem prominent; and mandatory as to the strategic intent</td></tr>
<tr><td>Insourcing: The structural decision to insource is based on structural choices as to for instance scale, complexity and technology thus knowledge. Cost is very prominent in the decisions. LEVERAGE applies the term competences to both innovation and efficiency</td></tr>
</table>

4.6 The emplotted narrative about 'ECPERIENCE' # Complexity, certainty and cost leadership

'*We have built our new factory, which shall produce 'the intermediate raw material'. We have built it outside 'name of a Danish town'* [the name is not mentioned here]*, and we have of course done that, because we believe this market will continue to develop positively*', the CEO in EXPERIENCE outlines as to a recent investment, which had led to bringing back production of a certain 'intermediate raw material' in-house.

The CEO has a very welcoming and open-minded approach. Besides that it materializes in the provision of access to somewhat extraordinary information, it is also evident in the way which you are met; the very first contact, for instance, though apart from the initial formalized approach, is a meeting in his office and around his desk that is prepared with internal papers of interest to the subject.

The 'new factory', as is it coined by the CEO, is completed in 2013. This 'intermediate raw material' was prior produced by a supplier in another European country; which is not mentioned here.

'*We brought it back, because the cost saving was enormous, or at least very big*', the CEO informs and relates to the investment appraisals. As to the query about differences in wages between Denmark and the other European country in question, which is quite noticeable for blue-collar labor, it is a country in Southern Europa, the CEO comments without any hesitation: '*The need of manpower to run this* [i.e. the production] *is very limited. It is a very high-tech production platform*[121]*, provided by a Danish company, I can actually add. It is not an insignificant saving for us*'.

Besides that the substantial investment is assessed advantageous due to overall costs savings and combined with an expectation of growth in the use of this particular 'intermediate raw material'[122], the decision to invest in-house has also been driven by the strive for stability in the supply chain, the CEO enlightens.

Stability has in this case to do with both the continuous, steady provision of the particular 'intermediate raw material' and, at least equally important, the assurance of the provided quality. Both managerial considerations have also to do with costs and like the notion of costs considered at an overall level related to the quite significant, recent alteration of the organizational value chain that was by large commenced in 2010.

[121] The CEO uses the Danish term 'produktionsapparat', which is here translated to the English term 'production platform'

[122] The investment is assessed based on a projected cash flow. Although, the expected growth in volume by EXPERIENCE leads to an assessed increased cash inflow given constant 'intermediate raw material' prices, as an internal transfer price, which was set identical with the intermediate price from the supplier, the assessed reduction in cash outflow makes the calculated net present value positive even in a situation with unchanged volume

Complexity as one driver of costs, among others: EXPERIENCE is a global provider of 'consumable enjoyment products'. EXPERIECE's products are consumed by individual, end users and normally typified as what some probably would call an 'enjoyment product'[123].

EXPERIENCE merged 'some half a decade ago' [the year is not mentioned here] with another somewhat similar company in terms of product range and market presence; e.g. number of geographical markets that are served by the organization and the way of distribution.

That company was, and is as to its production, situated more or less similar in the industry's value chain system; thus EXPERIENCE, now becoming the EXPERIENCE Group[124], was expanding through horizontal integration and creating literally a global company with substantial market shares within its various product categories.

Broadly speaking, EXPERIENCE has four major product categories, where they have noticeable market shares placing the company as 'number one' in different regional markets such as in the US and Europe based on revenue. The 'number one' seems warranted comparing EXPERIENCE's sales in the different categories with for instance accessible national statistics; though of course always subject to some uncertainty[125].

However, EXPERIENCE is beyond any doubt a major actor within the industry in broad and in particular product categories. The merger had to be approved by external parties. The four major product categories accounts for more than 80 percent on annual turnover. In total, EXPERIENCE owns 12 production sites situated in 8 countries globally. The organization has sales companies in 16 countries and sells its products in more than 100 countries.

Somewhat simplified EXPERIENCE's organizational value chain comprises as to its primary production activities, thus apart from sales and sales related activities[126] and logistics in terms of for instance storage and transportation, to the production of 'intermediate raw materials' based on the initial processing of 'raw materials' acquired outside the organization and then there is the 'finishing production'. In the production of the final products there are used other 'materials' apart from the before mentioned 'intermediate raw materials'.

'*This may sound a little strange*', the CEO commences and opens up the dialogue about complexity, flexibility and costs intertwined: '*We have a very broad product range, and in our value chain the complexity increases considerably, as we finalize our products*'.

Although, EXPERIENCE in principle has four major product categories, the complexity at the 'finishing production' stage is vast.

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[123] It is within demand research discusses if the product can be characterized as a luxury good. However, research into for instance elasticities of demand for EXPERIENCE and its competitors' products illustrates some ambiguity

[124] EXPERIENCE Group is called 'EXPERIENCE' in this emplotted narrative

[125] EXPERIENCE develops product statistics per 'market' (i.e. regions and countries). EXPERIENCE uses several, different sources spanning over own market surveys and national statistics depending highly on the specific market. In some countries, for instance, the legislations require the registration of literally all products (e.g. a large country in Europa, which name is not mentioned here), while this is not the situation in other markets

[126] E.g. branding and other marketing activities

The reason is among others that various ‘intermediate raw materials’ go together with other ‘materials’ into the ‘finishing production’ and are at this stage transformed into a large number of different final products.

The final products are different in taste and packaging; hence a huge amount of different sub-products. As to packaging this also has to meet quite specific criteria not only in terms of the packaging’s preserving and protecting effects on the products as such but also due to significant adaption to various, and different standards in national market places as to for instance consumer information about content.

‘*We have, we think, more complexity than we imagine many others do have*’, the CEO reflects and relates that to two quite obvious explanations besides the ‘finishing production’ stage in itself, where a huge number of final sub-products with various tastes and sizes are produced.

‘*It has also to do with flexibility, where we want to be able to react quickly to changes in demand locally*’, the CEO informs. In addition is has to do with life-cycles, where EXPERIENCE faces a quite significant product loyalty. ‘*We have products that are quite old, where we have a loyal group of customers. These products are not necessarily taken up by new customers, but we keep producing them as long as they are profitable*’, the CEO explains.

This of course also means that the number of sub-products have increased substantially over the recent years, as EXPERIENCE continuously launches new product within the major product categories. ‘*The complexity has impact on our costs*’, the CEO conveys convincingly, as he informs about tradeoffs and significant alterations within the recent years.

It is quite observable that the flexibility in terms of altering batches and swift delivery and then the complexity in the case of EXPERIENCE is a ‘aggregated result’ of the overall required flexibility in deliveries and the amount of sub-products.

The ‘finishing production’ stage is, and has historically been, performed in-house. This associates to the notion of quality, which has to be managed carefully according to EXPERIENCE. It is noticeable that EXPERIENCE relates this ‘internally’ to the notion of business risk.

‘*You could of course argue that it could be cheaper to do this by an external supplier in Poland instead of here in Denmark and ‘two other European countries’* [the CEO refers to some of their own factory sites, though the country names are not mentioned here. They both have relatively higher wage levels than wage levels in Poland for comparable functional tasks estimated by EXPERIENCE], *but we want to secure the quality at this stage, and we want to control it in-house*’.

The CEO informs about the importance of quality control, which by large is associated to the before mentioned product loyalty and the continuation of for instance an unchanged taste of a certain sub-product.

However, it is also related explicitly to product innovation, thus the launch of new products. ‘*We launched more than 250 new products and brand initiatives last year*’, the CEO explains. The organization experienced a Group consolidated net sales[127] of 750 million Euros[128] in the previous fiscal year

The innovation of new products is done solely internally in the organization of course building on knowledge from consumers and other stakeholders; e.g. the distribution channels which comprises a broad range of different channels. There is no direct sale.

Insourcing but not as a new backward integration experience: The insourcing venture outlined in the beginning clear relates to activities at stages prior to the 'finishing production'.

The insourcing and the subsequent undertaking of the production of this particular 'intermediate raw material' are not in any way new to the organization. Besides the observation that it to some extend has been performed internally previously; thus prior to the use of an external supplier and previously also with a lower level of automation, the same account for the production of some of the other 'intermediate raw materials'. EXPERIENCE uses various different 'intermediate raw materials', though somewhat identical in nature.

However, while this insourcing venture has been possible; and sensible cost-wise, due to investment in new production technology, wages levels in terms of relative wage levels play a quite significant part in the value chain configuration.

'*We have production sites in the Far East and in South America as well*', the CEO informs and continues: '*Here we produce some of the 'intermediate raw materials', which are then shipped to some of our factories in for instance Europe or the US*'. The CEO refers here to 'intermediate raw materials', which in its nature and fundamental use are similar to the aforementioned 'intermediate raw material' produced on the new site in Denmark.

Thus, that particular insourcing venture was not new in the sense that it comprised an increased, backward integration, new to the organization, though it altered the operation leverage of EXPERIENCE. It has been performed prior in-house and for some of the other three major product categories, similar 'intermediate raw materials' are to some extend produced at the company's own production sites.

Looking at EXPERIENCE in terms of production activities, where the primary production activities in a value chain terminology is, simplified though, constituted by the two production stages of the 'intermediate raw materials' and then the 'finishing production', though apart from the logistics associated with for instance inventory management and distribution of the final products, enhanced exploratory efforts later reveals that this somewhat simplified depiction of the production activity stages might in principle apply to all four major product categories.

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[127] 'The consolidated net sales' encompasses the whole EXPERIENCE Group. Net sales is here revenue excluding VAT and similar but prior to subtracting costs of 'goods sold'

[128] The 750 million Euros is based on the applied exchange rate in the emplotted narratives of 7,4 Danish kroner per Euro

In terms of the in-house production activities in EXPERIENCE the 'finishing production' is to a large extend conducted on factories in Europe and the US.

A couple of the 'intermediate raw materials' production activities are likewise undertaking in these areas; e.g. the new factory in Denmark. However, with regard to a couple of the major product categories, the production of the 'intermediate raw materials' is by large located in their production sites in South America and Asia. '*This has by large to do with wages, as the production processes here involve a lot of manual labor*', the CEO informs and open the books about costs: '*In very round figures you might say that 25% is the 'intermediate raw material', 25% is other materials* [those related to for instance packaging and additional content of the product], *25% is wages* [i.e. the CEO relates that to direct labor], *distribution and alike, and 25% is indirect production costs including depreciation and overhead*'. The CEO reflects as to overhead and relates that to research, marketing and other cost components on the overall level.

'*We could consider to actually placing some of the 'finishing production' in for instance the Far East* [the CEO refers to their own factories and uses here the term the 'Far East' and some other times the terms 'Asia'], *and it is a continuous issue in our management group*', the CEO illuminates and continues: '*I will say that is a continuous process, but we do not calculate that, you know, very detailed*[129]*, but we have previous experience, which makes us very careful by moving 'finishing production' back to our factories in 'a country in South America' and 'a country Asia'* [the country name is not mentioned here] *or to suppliers in the area*'.

The managerial interest is somewhat obvious. '*If we now look at an operator* [i.e. a blue-collar worker that has a work function operating a machine in EXPERIENCE] *in for instance Denmark, then our cost all included is around 43 to 50.000 Euros per year*[130]*. The span is because of different local agreements and for instance depending on the actual work, but it is for the work force operating our machines. If you look our other factories in Europe it is around 40.000 Euros. In 'an Asian country'* [the CEO mention the names of the country in which they have their own factory in Asia] *it is around 2.000 Euros per year. In 'a country in South America'* [the CEO mention the names of the country in which they have their own factories in South America; EXPERIENCE has three in that region] *it is a little more and something like 2.500 Euros per year*'.

The CEO also uses the currency 'Euros' and not Danish kroners here. '*We make these comparisons. I will see, if I can find it*', the CEO says while looking at his desk. Later the CEO reveals the data.

'*However, we are very reluctant to move the 'finishing production' there*', the CEO begins and illuminates, what control and quality means.

[129] The CEO uses the Danish words 'super skarpt', where 'skarpt' is directly translated to English by 'sharped'; hence a direct translation is 'super sharp'. However, here the term 'very detailed' is used, as the English term could be a little misleading in this particular context. The reason being that the Danish 'super skarpt' has an inhered positive perception of something very specific/precise/detailed/clear

[130] The CEO uses numbers in Euros

‘A country somewhere in Central America’ and the restructuring: ‘*When we talk again in two or three years, it might be that we have a production in ‘a country somewhere in Central America’* [the CEO mention the names of the country which name is not mentioned here]. *At the moment we are saying that if we see that we will have difficulties to compete on costs, then we might revisit the ‘a country somewhere in Central America’* [the CEO mention the names of the country which name is not mentioned here]. *If we would move things there again, it would be where* [i.e. ‘where’ is here a region] *we are not that worried about the production technical issues*’ the CEO comments and adds: ‘*There are continuous development of expertise and people in the region*’.

The CEO informs that EXPERIENCE has experienced quality problems by moving some of the more advanced production stages back to suppliers, who produces the ‘intermediate raw materials’ and even internally in their own in-house part of their value chain.

The CEO rewinds the chronological clock some years and informs about the discussions just prior and after the merger with the other company: ‘*The idea was that we should move a lot of our production to areas with low wage levels. We stopped that. We had already tried and later moved back the production from suppliers in ‘a country somewhere in Central America’* [the CEO mention the names of the country which name is not mentioned here], *where they* [i.e. the company EXPERIENCE merged with] *wanted to move the production to. However, we had the opinion that organizations in that area did not possess the competences to do the more advanced production, and we had already tried that*’.

The CEO quite bluntly informs about, how they stopped that project and about the technical complications as to the mastering of larger parts of the ‘finishing production’ processes.

‘*We actually went the other way, if I can say so, as we at the same time moved things from ‘a country in Asia’* [the CEO mention the names of the country in which they have their own factory in Asia] *to Europe as part of a larger restructuring of our value chain*’, where he relates that to both moving production back to Europe from their factory in Asia and likewise from suppliers in the same region.

‘*During the last years, I would say since maybe around 2008, we have constantly bought or merged with somebody*’, as to the merger the CEO relates to the aforementioned company forming a significant global player while he elevates the implication on costs and value chain configuration: ‘*This means that we have more or less constantly been in a process where we have consolidated our supply chain*[131]*, and we are still doing so*’.

The latest annual report emphasizes the importance of this particular management scheme under headings such as ‘efficiency’ and ‘quality’.

‘*We want to obtain cost-leadership*’, the CEO informs and relates that not least to competition. Actually EXPERIENCE communicates cost-leadership as a profound objective in all parts of the value creation processes.

[131] The CEO uses the term ‘supply chain’

The restructuring program is part of this managerial strive, where they have just finalized a larger process of reducing six factories to four locations.

This has led to the transfer of production from factories in both Europe and Asia to the remaining ones in Europe as well as partly insourcing of some 'intermediate raw material' production. This has required investment in new technology.

'*We want control with the quality. We have experienced quality problems in our own 'intermediate raw material' production factories* [e.g. Asia] *and by suppliers in the same regions. The problem is that such quality problems will stop the supply and production in our 'finishing production', and we will incur costs in waste and lack of use of our capital equipment* [i.e. capacity utilization], *but more importantly is that we can not accept quality problems with our final products. We are talking of customers* [i.e. the CEO refers to the end users of their major products] *which are used to our products and how they taste*'.

EXPERIENCE has as part of this production process restructuring emphasized quality control, which has now become even more formalized corporate wide.

The ongoing management task: '*When we brought the idea in 'a country somewhere in Central America'* [the CEO mention the names of the country which name is not mentioned here] *to a hold, we thought that the establishment of own building and the calculations on various things was under estimated*', the CEO comments as to the investment appraisals regarding the idea of moving part of the production to 'a country somewhere in Central America' [the CEO mention the names of the country which name is not mentioned here] and gets rather detailed, as he demonstrates costs of energy in the production and alike, when he informs about calculations, which was brought forward by the organization with which EXPERIENCE merged.

The organization's previous experience by quality and stability in delivery was also not included in the prospects. '*You simply have to recognize that in our business you need a very high degree of certainty and flexibility in the final stage of the supply chain*', the CEO suggests with reference to upstream supply occurrences both external and internal in the organization.

The restructuring of the value chain, which have been an ongoing managerial task, according to the CEO, also involves the reduction of complexity.

There is not referred to complexity in the 'finishing production' process in terms of number of final provided sub-products or the complexity induced by the required flexibility in the delivery of varying batches. This is unchanged in terms of the company approach, which continuously quite opposite broaden the product portfolio. Instead there is referred in particular to the provision of 'intermediate raw materials'. The process has been quite successful, as the CEO informs: '*We have reduced the complexity in 'the recipes'* [the term here do not offer full justification as to the production process], *where we are now able to increase utilization and productivity*'.

This has not reduced the number of sub-products but innovation has enabled EXPERIENCE to produce the same sub-products by for instance the application of new technology that makes it possible to produce the same sub-product by other ‘intermediate raw materials’. This in turn leads to benefits from economics of scale[132].

‘*We are still restructuring, and at the moment there is no formal process for evaluating the specific interface*’, the CEO openly conveys as to the balance between where to produce exactly what, and with reference to both external suppliers and the internal provision of for instance the ‘intermediate raw materials’. As to the ‘formal process’ the CEO does not refer to the process of evaluating this and who to make the decision, however the statement is brought forward as to the transparency of costs associated with the production.

EXPERIENCE has of course internal costing systems and does asses cost of production. However, at the moment there is for instance not a ‘full costing system’, as the CEO outlines it, which underpins the transfer of production from one location to another or to establish the most optimal interface between the ‘intermediate raw material’ production and the ‘finishing production’ with regard to the specific location.

The CEO refers to for instance the demonstrations of the relative wage levels for operators and the division of cost components on the overall level as he says: ‘*It is of course obvious that the wage levels makes us look at this, and it might be that we look at ‘a country somewhere in Central America’* [the CEO mention the names of the country which name is not mentioned here] *again*’.

‘*We do consider that continuously, and see if we can place some of the more labor intensive parts of the ‘finishing production’ for instance in ‘a country in Asia’* [the CEO mention the names of the country in which they have their own factory in Asia]’, though this has according to the CEO to do with investment in machinery; even where there are somewhat labor intensive processes, various capital equipment is involved. The same is actually right now considered in terms of the production in the US.

EXPERIENCE does, in term of costing, use a standard costing approach, which according to the CEO is quite complex and especially given the product range. Variance analysis is applied on product level and followed on a monthly basis at the particular managerial level, i.e. top management.

‘*We can easily imagine that some of the production in the US* [i.e. the CEO refers to specific parts of the ‘finishing production’ and not explicitly to the final packaging and labelling] *is brought to ‘a country in South America’* [a specific country name is mentioned by the CEO], *but it is a little too soon to comment on this, as we have not finalized our considerations’*, the CEO informs as he also reflects: *‘We could also imagine, though this is also a little early, that some of it* [i.e. production] *was done in Denmark. That has also to do with import duties and other agreements between the US and Denmark and here we have to consider the predictability in terms of how the market might develop. However, we are open to that*’.

[132] In its simples form two different sub-products can now be produced by the same ‘intermediate raw material’, where prior the ‘intermediate raw materials’ were not exactly the same

The contacts here suggests that EXPERIENCE, as it of course could be inferred, are quite explicit that the general composition of their costs and cost base; e.g. the 25% is the ‘intermediate raw material’ as mentioned, also has to do with the specific relocation and make-and-buy decision in the interface between the various production activities.

The CEO informs about the corporate understanding that this of course is subject to continuous utilization and exploration, as costs would be lowered, all things equal, if for instance the ‘finishing production’ could for a larger part be conducted in regions with relatively lower wage levels. However, as conveyed alterations have been tried, and the aforementioned prospect was stopped based on previous experience, where EXPERIENCE experienced various problems in for instance the stability of delivery and the quality as such.

The openness could of course always be questioned, though EXPERIENCE apparently has a broad approach in their evaluations and actual execution of use of suppliers in their value chain, as the CEO somewhat surprisingly informs at a later stage: ‘*We have actually entered into an agreement with one of our competitors to use some of their capacity in the area, however that is not for the ‘finishing production’, and it is only for a smaller part of the processes*’.

Summary of some key issues

The summary illuminates some key points from the emplotted narrative. The main purpose is to ignite the discussion and subsequent theorizing in Section 5 with reference to these key issues; hence to situate some main themes in the forefront of the initial discussions. However, the theorizing is not confined to these key issues.

The emplotted narrative from EXPERIENCE illuminates the idea of cost as cues in a larger transformational process, which has been going on for more or less half a decade initiated by acquisitions and a larger merger.

The level of detail in the existing cost calculations is evolving, but the broad product range, the flexibility, the accepted complexity are in the forefront, where the cost focus is quite prominent backwards in the value chain.

The insourcing ventures are driven by costs but also quality and stability intertwined, although it seems exhibited that the investment appraisals in larger projects reveal amble opportunities for reducing costs, which has been a main driver.

Table 4.6 The identified reasons behind the organizational decisions and exhibited structural and executional themes

Key reasons behind outsourcing (and offshoring)	Key reasons behind insourcing (and backshoring)
Cost savings in relation to size of initial batches; emphasis on structural cost drivers such as scope, scale, complexity and technology. However, there are also emphasis on executional cost drivers such as capacity utilization	The emplotted narrative exhibits quite similar drivers as to those of previously outsourcing; thus cost savings in relation to size of initial batches; emphasis on structural cost drivers such as scope, scale, complexity and technology. However, there are also emphasis on executional cost drivers such as capacity utilization and increasingly on quality and stability

<table>
<tr><th>Structural Cost Management</th><th>Executional Cost Management</th></tr>
<tr><td>Outsourcing: The structural decision to outsource is by large based on costs</td><td rowspan="2">The commitment to efficiency through capacity utilization and quality management</td></tr>
<tr><td>Insourcing: The structural decision to insource is based on structural choices as to for instance scope, complexity and technology thus also knowledge. Cost seems a driving argument, EXPERIENCE has altered the value chain significantly over the last half a decade</td></tr>
</table>

5. DISCUSSION

This Section 5 unfolds the discussion, which builds on the emplotted narratives and its exhibited, theory-informed explanations as the precepts of theorizing (Czarniawska, 2004a) in Section 4 and the theoretical domain of Strategic Cost Management in Section 2.

This iterative approach acknowledges the methodological conceptions and research implications established and conveyed in Section 3. Thus, it becomes theorizing that is contextualized by organizations that alter their value creation processes; e.g. through outsourcing and the subsequent insourcing of activities (e.g. Kinkel and Maloca, 2009; Drauz, 2013).

The research interest and subsequent research question is, as delineated in Section 1, that of '*how does top management enact the organization's cost structure in value chain configuration?*' with the overall research aim of contributing to Strategic Cost Management practice with a purpose that this particular research can contribute to the knowledge opening in relation to top management's enactment associated with this important structural cost management endeavor, which significantly affects the competitive position of the organizations.

The Strategic Cost Management 'practice' is conceived as 'action' and researched within the process of '*organizing*' with a focal research hub as that of enactment (e.g. Weick, 1995 and 2001). Enactment is based on Weick's contribution to Sensemaking theory (e.g. Weick, 1995 and 2001), which proposes '*that sensemaking can be treated as reciprocal exchanges between actors (enactment) and their environments (ecological change) that are made meaningful (selection) and preserved (retention)*' (Weick et al, 2005, p. 414). In this perspective '*organizing*' (Weick et al, 2005; Czarniawska, 2008) and '*sensemaking*' is used interchangeable (e.g. Weick et al, 2005).

The research emphasis is among other on inventive and interpretive effects, which can be '*complementary ideas*' (Weick, 1995, p. 5), and how such cost management effects give rise to altered management situations and in turn management actions in the intersection between organizational cost structure, strategy and value chain, which are the key tenets of Strategic Cost Management (e.g. Shank and Govindarajan, 1993; Ellram and Stanley, 2008; Anderson and Dekker, 2009a).

The emplotted narratives are developed in a contextualized setting that per se embeds cost structural change based on organizations' decisions to alter their value chain (e.g. Anderson and Dekker, 2009a). These changes in the value chain configuration embed organizational tradeoffs and entrench tensions that enable the empirical field to 'talk back' (e.g. Blumer, 1969) and as such the changes become points of commencement in the research into top management's enactment of the organization's cost structure in value chain configuration.

The initial effects of the cost structural alterations materialize concretely in alterations in the organizations' operating leverages (e.g. Anderson and Dekker, 2009a; Hirschey and Bentzen, 2014) within the organizational value chains and value networks (e.g. Johnson et al, 2005).

The emplotted narratives exhibit plausible explanations during the organizing process. They commence for instance by an outsourcing event that can '*be interpreted, made sense of, by attributing intention to it*' (Czarniawska, 2004a, p. 8); thus they become actions. They then irradiate, how, for instance, the organizations' decisions to outsource materialize in a multiplicity of effects, which create altered management situations that subsequently become subject to management interventions and actions. This, in turn, creates new environments depicted for instance in new organizational cost structures in the organizations' value chains '*that subsequently constrain their actions*' (Weick, 2001, p. 179).

These effects and the altered management situations, to which they give rise to, as well as the actions are articulated in the emplotted narratives in line with the mobilized research contributions (e.g. Shank and Govindarajan, 1993; Anderson and Dekker, 2009ab) and through the application of among other cost driver theory and taxonomy.

The research conception and approach is as outlined in Section 1 to pursue the research aim that this particular research offers insight into top management's enactment informed by among others the mobilization of cost driver theory and taxonomy to understand the intertwined nature of the various effects and actions, the asymmetry of the various actions and effects and the subsequent management situations. Hence, and as outlined in Section 1, this research becomes among others a contribution to extant literature, which suggests that the these cost drivers acts as catalysts for leveraged executional efficiency and for reengineering processes to create altered cost structures, and the two modes are connected by the catalytic '*feedback path between executional and structural cost management*' (Anderson and Dekker, 2009a, p. 204) in an empirical setting that embeds cost structural alteration of the value chain.

In this research perspective, the six emplotted narratives, for instance, exhibit that executional cost management effects subject to structural cost management decisions, give rise to altered management situations and actions. It is for instance exhibited, how cost management effects act as stimuli and cues in sensemaking (e.g. Weick, 1995 and 2001). It is similarly exhibited, how action is taken, and hence how such '*actions become the raw materials from which a sense of the situation is eventually built*' (Weick, 2001, p. 183). The emplotted narratives, in turn, exhibit the creation of sense about the cost positions in the contextualized intersection between cost structure, strategy and value chain configuration (e.g. Anderson and Dekker, 2009a).

The reciprocal exchange between the enacted environment and the subsequent actions does continue in each of the emplotted narratives, where top management's enactment is triggered by top management noticing alteration of experience, variances or discrepancies. Hence, this becomes occasions to commence changing '*flux of circumstances into the orderliness of situations*' (Weick et al, 2005, p.414).

The mobilization of cost driver theory and taxonomy to portray the enactment of the organization's cost structure will in particular add to the ideas about cost drivers' catalytic creeds in the formation of meaning (e.g. Anderson and Dekker, 2009a), where the root causes of costs is a prime focal cost management issue by top management.

The opening of this Section 5 among other reminds academia about the research purpose and recalls the conception of for instance enactment and the understanding of the effects and actions through the application of cost driver theory and taxonomy.

The purpose of the consecutive subsection 5.1 is to 'ignite' the discussions and the embedded possibilities as to the contextualized theorizing and the development of explanatory propositions for Strategic Cost Management by mobilizing some of the pivotal effects in the emplotted narratives.

Thus, the discussion in subsection 5.1 is an instantaneous elevation, which highlights some exhibited explanations in the emplotted narratives. This will in turn be subject to enhanced discussion and theorizing in the following subsections.

Subsection 5.1 is structured in some minor subsections, which in different perspectives illuminate a couple of the pivotal exhibited explanations. Subsection 5.1.1 briefly irradiates some reasons behind the alteration of value chain. Subsection 5.1.2 will, likewise briefly, illuminate some of the multiple and intertwined effects, which give rise to various altered management situations. Subsection 5.1.3 will, in turn and equally briefly, inform as to the cost argument. Subsection 5.1.4 will outline the structure for the subsequent discussions, which are based on the emplotted narratives in Section 4 and the theoretical domain in Section 2. Subsection 5.1.4 will also refer back to the research purpose and the way the research objective for instance is conceived and pursued methodologically.

5.1 Introduction to the discussion

'Cost', in broad, is a profound argument behind the reconfiguration of the value creation processes within for instance Supply Chain Management literature and Management Accounting; as well as researchers' and research communities' contemporary contributions (e.g. Kinkel and Maloca, 2009; Arlbjørn et al, 2013). This is also the case within the literary realms Strategy and Economics literature, as it is elevated in Section 2.

The emplotted narratives based on the empirical exploration likewise exhibit 'cost reduction' as a key theme behind the outsourcing events. In fact and as irradiated in the methodological conception in Section 3 it has been pivotal in the constitution of the multiple case study design. Hence, all organizations mobilize the 'cost argument' as a key reason behind their decision to outsource parts of the value creation processes and activities as a mean to support the organizations' competitive position. However, the ways in which the 'cost argument' is mobilized in terms of for instance the comprehensiveness of the calculative approaches differ within the case organizations.

As an example, in SUPPLY Division 3 it is, for instance, very explicit in the way that the organization's strive for cost saving is the main reason behind the initial outsourcing decision. The organization has an explicit focus on costs savings associated with the direct input factors in their production process. The blue-collar workforce is here a main input variable in the production processes and likewise in SUPPLY Division 3's cost calculation. It basically builds upon the relative wage level while assuming equal productivity. Cost calculations and representations that build on these direct input factors and the relative wage levels are a key source for the structural alterations of the organizations' value chains in the case organizations; although the emplotted narratives exhibit differences in the costing approaches and calculative practices as mentioned.

The emplotted narratives also exhibit explanations that propose that the executional and structural cost effects are highly intertwined. In that respect the cost arguments and calculative practices seem to be insubstantial in various ways and under various conditions, if these do not account for, and articulate, the intertwined nature between the various cost drivers. Likewise, this occurs, if a potential cost driver is not mobilized in conjunction with other cost drivers.

It is, for instance, explained that in the SYPPLY Division 3 and PROVIDE the issues of flexibility, quality and capacity utilization had a direct impact on the subsequent alteration. These themes are also conveyed as reasons behind the outsourcing an insourcing decisions within the realm of Supply Chain Management research contributions (e.g. Kakabadse and Kakabadse, 2020; Kinkel, 2012). They are also explicated as cost drivers in literature that actually goes decades back to the literary realm of Strategy (e.g. Ridley, 1987) as well as within Management Accounting literature (e.g. Shank and Govindarajan, 1993). These cost drivers were not considered on beforehand or considered manageable with a priori assumed remedies. However, they were stipulated incorrectly.

This manifested itself not only in the subsequent re-alteration of the value chain configuration (e.g. in SUPPLY Division 3) but later also as a recognized process gain after the change of the approach to value creation (e.g. PROVIDE).

Hence, this depicts the reciprocity between the ecological change and enactment that is made meaningful and retained as portrayed in the altered value chain configuration, where top management seems to be '*sensing anomalies*' (Weick et al 2005, p. 414), and enactment is triggered by noticed alteration of experience, variance and discrepancies (e.g. Weick et al, 2005).

This among other embeds top management's enactment in the sense that the organizations' actions create their environments '*that subsequently constrain their actions*' (Weick, 2001, p. 179), as well as it seems to underpin the notion that '*Enactment drives everything else in an organization. How enactment is done is what an organization will know*' (Weick, 2001, p. 187).

It is possible to exhibit these various plausible explanations based on the contextualized setting of the sequential outsourcing and insourcing events, where the events '*acquire meaning by the application of abduction*' (Czarniawska, 2004a, p. 9). Thus, it also exhibits the mode of reasoning as the move between everyday meaning and concepts.

'*Action*' is in this conception '*an event that can be interpreted, made sense of, by attributing intentions to it*' (Czarniawska, 2004a, p. 8), and the '*actions*' and the '*effects*' are throughout the emplotted narratives articulated by the mobilization of among other cost driver taxonomy and taxonomy. This is articulated with a particular attention to top management's perception of the causes of costs, which are also mobilized in the understanding of the '*enacted environment*'. This becomes an output of an instance of '*sensemaking*' (Weick, 2001, p. 189) and is '*something that the organization's'* top management *'momentarily 'know' or feel they 'understand''* (Weick, 2001, p. 190), when this is researched within the process of organizing.

In that perspective, the emplotted narratives exhibit that the formation of meaning is an ongoing process and that the enacted understanding of not only the given cost position and cost drivers but equally important the understanding of the strategic intent, the value chain configuration and the organizational boundaries shape the notion of costs and cost management.

The latter is noticeable in all the emplotted narratives. However, and as one example, the emplotted narrative of that of SUPPORT exhibits a retained, embedded enacted understanding of the cost structure in the value chain configuration. The interplay between strategy and cost structure understood by the enactment of altered senses of the organizations' value chain configuration materializes in quite another approach to value chain configuration in PROVIDE. In both emplotted it is though obvious that this occurs despite that both organizations have unchanged strategic intent, which has also been a key premise in the design of the multiple case study.

In the empirical setting of organizational outsourcing 'cost' in terms of for instance calculative practices, the conception of organizational cost drivers and the mobilized cost representations seem all important properties of the sensemaking process depicted as their inventive and interpretive effects of the various cost cues. This to some extent seems explained for instance by institutionalized conceptions partly external to the organizations as in the emplotted narrative of PROVIDE and to some extend also in the outsourcing venture of SUPPLY Division 3.

However, what is also interesting is that the insourcing activities understood contextually interconnected with the outsourcing endeavors, very much materialize in another approach to cost management in both organizations (i.e. PROVIDE and SUPPLY Division 3). Thus, both emplotted narratives depict alteration of the enacted conceptions as to for instance cost structure.

This is understood by the mobilization sensemaking (e.g. Weick, 1995 and 2001). It among others seems that the notion of organizations' enactive of sensible environments and its intertwined nature with the property of grounded in identity construction could be one explanation of the ongoing organizational process. However, this seems highly intertwined with the inventive and interpretive effects of the cost cues. This is subject to further discussions in subsection 5.3.

The emplotted narratives also exhibit explanations that clearly suggest that structural and executional themes operate highly intertwined. This is by no means surprising building on for instance extent literature within the Economics and Management Accounting perspective as suggested in Section 2. However, the organizations do not necessarily consider them interlinked in the outsourcing decisions. Likewise, the asymmetric notion about information and as to, how the intertwined nature between executional and structural cost management effects materializes is quite profound in all the emplotted narratives.

This research exhibits that the structural cost management decisions for instance can be driven by executional cost management themes with a focal point of that of direct operating costs; though tradeoffs between for instance structural and executional cost management themes are not considered. They materialize afterwards and thus asymmetrically. Here, they give rise to altered management situations that irradiate both plausible structural and executional cost management implications and considerations.

Thus, the emplotted narratives confirm contribution in extant literature, which suggests that these cost drivers act as catalysts for leveraged executional efficiency and for reengineering processes to create altered cost structures. Likewise, it appears that the two modes are connected by the catalytic aforementioned '*feedback path*' (Anderson and Dekker, 2009a, p. 202) in the empirical setting, which embeds cost structural alteration of the value chain.

This occurs both as a priori assumed by the organizations. However, it is also illuminated that this were not anticipated in all instances. All the emplotted narratives illuminate these effects and the altered management situations.

The latter is for example the case in SUPPLY Division 3, where some unanticipated executional management challenges seem to be a main argument behind the subsequent insourcing of previous outsourced parts of the value creation processes.

The emplotted narratives exhibit explanations that justify that the calculative practices might not fully cater for transaction costs and costs in production processes. The former is for instance depicted by costs associated with the communication and governance. The latter notion of costs in production processes irradiates the implications in terms of effects explained by the unrecognized tradeoffs.

It can always be argued to what extend organizations, for instance, can cater for differences in workforce efficiency in cost calculations[133]. However, the emplotted narratives clearly illuminate the tradeoffs between, for instance, assumed cost savings and reduced quality; though this and various other effects were not cost wise catered for prior to the outsourcing decision.

The emplotted narratives also exhibit plausible explanations as to the intertwined nature of various structural themes, which for instance relate to the cost driver concepts of complexity, competences depicted by experience as well as scale of the operations, as it is elevated in Section 2.

The emplotted narratives also exhibit the interplay between cost structure and strategic intent. This suggests that this by large can invoke the mobilization of organizational perspectives, where the opportunity sets have a more prominent position in the structural decisions. This is quite profound in the emplotted narrative about SUPPORT.

Hence, the emplotted narratives among others illuminate the asymmetric mobilization and conception of for instance cost drivers based on their theory and taxonomy, the intertwined notion of various executional and structural effects as well as the substantiality of the cost argument. The emplotted narratives also illuminates the ongoing creation opposed to, and despite, the assumption of a 'best fit' as well as the ideas of mobilizing opportunities and the opportunity sets of and within the organizations top management context.

The aforementioned exhibited explanations in the emplotted narratives are only conveyed to 'ignite' the discussion. However, some of these pivotal exhibited explanations are initially, though briefly, discussed in the subsections 5.1.1, 5.1.2 and 5.1.3, which will also provide an initial overview of the emplotted narratives. This will in turn inform subsection 5.1.4, which outlines the content of the consecutive subsections in this Section 5.

[133] As an example production plat layout and workforce efficiency should arguably also be taken into account in considering the incurred cost of production impact and not only the relative wage levels. Otherwise it would compare to a situation where production plant layout and work force efficiency would be considered as being equal

5.1.1 Initial conceptions of reasons to alter the organizational value chains seen in isolation

Extant literature suggests, as demonstrated in Section 2, a multiple set of reasons behind the decisions to alter the organizations' cost structures depicted in altered value chain configuration; whether those are reasons behind outsourcing or insourcing. The empirical execution quite clearly elucidates and supports several of these notions with a reference to a specific reason behind the organizational decision to alter the value chain configuration.

A strive for reduction in the cost base, hence 'cost' as the main argument for altering the organizational value chain, supported for instance SUPPLY Division 3's management's decisions to outsource based on estimated costs and potential cost savings.

Similarly, an in-house generation and elevation of organizational knowledge as a perceived strategic base for long-term development and innovation seems as a focal point for SUPPORT for insourcing of knowledge-intensive processes and activities.

In this perspective the research offers contributing insight into older as well as more contemporary quantitative and qualitative studies of reasons behind organizational outsourcing and insourcing. This is, as such, not the purpose in this research. However, it underpins and reinforces the importance of the contextualization, as the initial exploration into the reconfiguration of the value creation processes enables a supportive understanding of the role of cost, cost calculative practices, the cost argument in broad and in turn the cost management, as this for instance enables the illumination of the effect.

The understanding of the arguments behind the decisions positions not only the cost argument in terms of its prominence in itself. It likewise enables the research into the mobilization of for instance management conceptions of costs associated with the outsourcing decision in relation to other cost drivers and in turn the elevation of the understanding of subsequent effects, altered management situations and actions as well as catalytic creeds.

Table 5.1 on presents an abbreviated overview of the identified key reasons behind outsourcing as well as insourcing in the emplotted narratives in Section 4. These are portrayed both seen together and as a summary of each emplotted narrative.

Table 5.1 The identified key reasons behind organizational decisions in the empirical context based on the elements in the Tables 4.1 to 4.6 in Section 4

<table>
<tr><th>Key reasons behind outsourcing
(and offshoring)</th><th>Organization</th><th>Key reasons behind insourcing
(and backshoring)</th></tr>
<tr><td>Cost savings with a key emphasis on direct factor inputs (i.e. in particular blue-collar labor)</td><td>SUPPLY
Division 3
(elements based on Table 4.1)</td><td>Lack of quality. Lack of flexibility. (Wrong) Calculative practices. (Insubstantial) Investment appraisal. Increased management control</td></tr>
<tr><td>Cost savings in relation to size of initial batches compared with existing equipment</td><td>SUPPORT
(elements based on Table 4.2)</td><td>Knowledge/technological development as a strategic leverage; hence core competence and emphasis on structural cost drivers such as scale, complexity and technology</td></tr>
<tr><td>Cost savings with a key emphasis on direct factor inputs (i.e. in particular blue-collar labor)</td><td rowspan="2">PROVIDE
(elements based on Table 4.3)</td><td rowspan="2">Lack of flexibility. (Wrong) Calculative practices. (Insubstantial) Investment appraisal. Increased management control. Change in products and smaller batches (executional utilization in combination with structural complexity and increasingly wider scope)</td></tr>
<tr><td>Change of strategy and value network alterations

Cost savings with a key emphasis on direct factor inputs and desired flexibility</td></tr>
<tr><td>The organization’s financial position thus the organizations’ financial flexibility
Cost savings in relation to size of initial batches compared with existing equipment
Access to new competences and qualities as well as vicinity to markets
It should be noted that the DELIVERY case exhibits multiple intertwined drivers</td><td>DELIVERY
(elements based on Table 4.4)</td><td>Knowledge/technological development as a strategic leverage; hence core competence and emphasis on structural cost drivers such as scope depicted in product development, scale, complexity and technology. However, there are also emphasis on executional cost drivers such as capacity utilization</td></tr>
<tr><td>Cost savings in relation to size of initial batches compared with existing equipment; emphasis on structural cost drivers such as scope, scale, complexity and technology. However, there are also emphasis on executional cost drivers such as capacity utilization
Access to new customer segments, thus vicinity to markets</td><td>LEVRAGE
(elements based on Table 4.5)</td><td>Cost savings in relation to size of initial batches compared with existing equipment; emphasis on structural cost drivers such as scope, scale, complexity and technology. However, there are also emphasis on executional cost drivers such as capacity utilization
New ways of producing</td></tr>
<tr><td>Cost savings in relation to size of initial batches; emphasis on structural cost drivers such as scope, scale, complexity and technology. However, there are also emphasis on executional cost drivers such as capacity utilization</td><td>EXPERIENCE
(elements based on Table 4.6)</td><td>The emplotted narrative exhibits quite similar drivers as to those of previously outsourcing; thus cost savings in relation to size of initial batches; emphasis on structural cost drivers such as scope, scale, complexity and technology. However, there are also emphasis on executional cost drivers such as capacity utilization and increasingly on quality and stability</td></tr>
</table>

Table 5.1 leaves perhaps an initial impression of a kind causal cause and effect relationship, where an economic appraisal leading to an outsourcing decision is for various reasons insubstantial in nature; hence it leads to insourcing of previously outsourced processes and activities. This, perhaps, brings into the forefront the initial scholarly notion that this particular research 'demonstrates' explanations.

It should, however, be reminded that this is not the claim based on the methodological approach, as it instead irradiates that the research exhibits a plausible explanation while claiming openness to other explanations (e.g. Czarniawska, 2004a) about the more complex process of top management's enactment of the organization's cost structure in value chain configuration.

However, what is illuminated in Table 5.1 is the initial impression that, and as conveyed in Section 2, the reasons behind the decisions to reconfigure the organization's value chain as informed for instance in the realm of Supply Chain Management is highly associable with the theory and taxonomy of cost drivers, as it is found within the Management Accounting domain.

The summary in Table 5.1, in addition, draws some attention to the interconnectivity of the structural and executional cost management effects explored through the drivers of costs in the organizations. This is briefly irradiated in the next subsection 5.1.2.

5.1.2 The initial conceptions of intertwined structural and executional cost management effects

Even though the empirical execution seems to confirm previous scholarly contribution as to the 'demonstration' of an explanation, the methodological approach and the embedded empirical execution researches in particular the actions. It is among recalled that '*enactment is first and foremost about action*' (Weick, 1995, p. 36), and these actions, the effects and the altered management situations they subsequently give rise to in the ongoing process of organizing is articulated through the mobilization of cost driver theory and taxonomy.

The emplotted narratives in this research confirm by large various contributions' perception of reasons behind organizational alteration of the value chain. In that respect the research also by large seems to suggest that top management's notion about the causes of costs, i.e. cost drivers, acts as catalysts for leveraged executional efficiency and for reengineering processes to create altered cost structures. The research likewise exhibits explanations that underpin that the two modes are connected by the catalytic '*feedback path between executional and structural cost management*' (Anderson and Dekker, 2009a, p. 204).

However, the methodological approach is adapting an empirical executional approach that acknowledges the potentially more, contextualized intertwined notions and mobilizations of the reasons behind the organizational decisions to alter their value chain configuration. The purpose is among others to portray the ongoing enactment of the organization's cost structure. In addition, the research approach is not limited to the exploration of such 'linear' delineation between two distinct cost drivers.

This is claimed important in this research in the sense that the research into the organizational causes and effects, articulated through the emplotted narratives, illuminates the plausible effects and tradeoffs, and if, in turn, these effects and tradeoffs were conceived explored in for instance the initial outsourcing decision. The latter is also explored, as the emplotted narratives at the same time exhibit that the organizations incur, sometimes even rather surprising, costs due to these tradeoffs.

The initial issues in subsection 5.1.1 might, at least indirectly, irradiate the asymmetric mobilization of for instance cost drivers based on their theory and taxonomy, the intertwined executional and structural effects, the substantiality of the cost argument, the ongoing creation opposed to, and despite, the assumption of a ‘best fit’ as well as the ideas of mobilizing opportunities and the opportunity sets of and within the organizations top management context. This is problematized in the emplotted narratives, when the intertwined notion between the structural and executional cost management effects is exhibited.

This means that the contextual reasons behind the decisions, the actions and the effects as well as the intertwined cost drivers are also somewhat interwoven as to possible explanations. Thus, this observation in this respect also confirms the linkage between context and action (e.g. Weick, 1995) in the study of cost management practices. It does in that respect inform that single arguments as well as a multiple set of arguments behind the decisions to alter the organizational value chains are irreducible of the context in that of theorizing practice (e.g. Ahrens and Chapman, 2007).

This is elevated and discussed as to its theoretical implications and propositions in subsection 5.2.

In the intertwined nature of the various reasons behind the alteration of the value chain configuration are very prominent in all the emplotted narratives, although they observably materialize in different effects that give rise to different management situations in the empirical setting.

In the emplotted narratives about EXPERIENCE, for instance, the insourcing venture seems to be driven by a multiple set of arguments. The same is also profound in SUPPLY Division 3, where the empirical exploration and mobilization suggests literary reasons such as insubstantial previous cost calculations and investment appraisals. This materializes in for instance realized, though a priori unforeseen, higher transaction costs. This is ‘followed by’ lower utilization, which is further reinforced by the alteration of scope. Likewise, this particular emplotted narrative irradiates ‘hidden costs’ that simply had not been included as well as negative effects on downstream capacity utilization in these organizations’ value chains.

They are each of them valid arguments and prominently conveyed as reasons behind for instance insourcing decisions within academia as elevated in Section 2. However, it is quite observable that these reasons are arguably highly intertwined in the emplotted narrative of SUPPLY Division 3 as well as in the other emplotted narratives.

These initial notions about the intertwined nature of structural and executional cost management themes build ‘only’ upon a couple of the emplotted narratives and exhibits ‘only’ a couple of examples within these emplotted narratives.

However, it offers leverage to research and theorizing cost management, while it likewise might offer suggestions as to examined quantitative studies and the ‘adaptive nature’ in the perception of contingencies. This is not least interesting in the sense that the exploration and mobilization of the empirical domain seems to suggest that cost management are also to be about creating, thus enacting sensible notions of value chain configuration in relation to the strategic intent and the observation that a multiple set of intertwined arguments might be mobilized in the organizations.

The next subsection 5.1.3, briefly, enlightens the approach to cost and cost management associated with the reasons behind the alteration of the organizational value chains in the emplotted narratives; discussed both discretely and intertwined. It is here again noticed that the research exhibits the conception that contributions regarding reasons behind organizational outsourcing within the realm of Supply Chain Management can be perceived to associate somewhat with the notion of cost drivers within the realm of Management Accounting as also elevated in Section 2.

5.1.3 The initial conception of cost management and the cost argument

The cost argument, e.g. building on the exploration into top management’s enactment together with the understanding of the calculative practices and the role of the cost representations, is profound in the emplotted narratives as to the initial outsourcing decisions.

This particular research seems to confirm that although organizations’ decisions in relation to that of outsourcing are noticeably associated with among others strives for cost base reduction, the cost information as well as supportive decision information does not (necessarily) capture potentially incurred costs. They are depicted by for instance transaction costs economics and production theory (and economics) as well as literature’s notion of ‘hidden costs’; though it is reminded that the latter ‘concept’ is not a cost theoretical construct for instance within Economics and Management Accounting. It is rather an inspirational list for exploration and probing as suggested in the theoretical domain in Section 2.

The key observation exhibited in the emplotted narratives in this particular research more specifically confirms that cost representations mobilized in the decision making process, in broad, do not per se capture all the tradeoffs between for instance cost reductions and subsequently incurred costs. It materializes for instance in the experienced reduced quality and capacity utilization. However, what is also explained is that there are large differences across the emplotted narratives.

In the emplotted narrative of for instance SUPPLY Division 3 it seems quite noticeable that the structural changes were imposed to reduce direct costs. However, the potentially incurred costs were not illuminated sufficiently. SUPPLY Division 3 did for instance experience unforeseen transactions costs within the reconfigured value creation process.

Likewise, SUPPLY Division 3 did experience quality problems related to the intermediate products, which besides leading to incurred costs due to quality correctional endeavors also, and as an effect of the quality issues in the processes, reduced the flexibility in the delivery processes and had negative impact on downstream capacity utilization.

These effects are considered reasons behind decisions to alter the value chain configuration in the sense that for instance Supply Chain Management literature irradiates flexibility, capacity utilization and quality as reasons behind both to that of outsourcing (e.g. Kinkel, 2012) and insourcing (e.g. Arlbjørn et al, 2013). However, the same themes are also pivotal as cost driver in Management Accounting literature and contributions as conveyed in Section 2. It is likewise inferable that in relation to the introduction in subsection 5.1.2, it is clear that multiple effects occur from the alteration of the cost structure, and it gives subsequently rise to multiple top management actions.

Hence, besides the notion that a specific reason behind an organizational decision might prevail in the actual decision making process, the exploration seems to initially illuminate the importance of a more embracing approach in the mobilization of cost drivers. This has a direct relevance in the realm of Strategic Cost Management and in the enactment of the organizational cost structure.

The emplotted narratives quite clearly exhibits that the calculative practices and cost representations to some extend were insubstantial and that this perceived insubstantiality among others steams from disregarding a broader perspective on for instance the various cause of costs, i.e. cost drivers.

This irradiates a kind of interrelationship between the literary realms in the sense that a cost driver, e.g. capacity utilization as an executional cost driver, also is conveyed as a reason behind decisions to alter the organizational value chain.

The previous and very brief discussion in subsection 5.1 about the various exhibited explanations in the emplotted narratives informs about some of the more pivotal content of the consecutive parts of Section 5. This discusses the various aspects of how the top management enacts the organization's cost structure in value chain configuration.

In that respect, various themes such as the asymmetric mobilization and conception of for instance cost drivers based on their theory and taxonomy, the intertwined notion of various executional and structural effects, the substantiality of the cost argument and the ongoing creation opposed to, and despite, the assumption of a 'best fit' will be elevated. The same is the case with the ideas of mobilizing opportunities and the opportunity sets within the organizations' top management context. That will also be more thoroughly discussed.

Prior, subsection 5.1.4 outline the content of the discussion in subsection 5.2, 5.3 and 5.4 with reference to the research purpose.

5.1.4 The consecutive structure of the discussion

This research addresses the research question: '*How does top management enact the organization's cost structure in value chain configuration*?'. As previously outlined the overall research purpose is to explore and contribute to the knowledge opening in relation to top management's enactment associated with this important structural cost management endeavor, which significantly affects the competitive position of the organizations.

The mobilization of cost driver theory and taxonomy to portray the actions and effects associated to the enactment of the organization's cost structure will in particular add to the ideas about cost drivers' catalytic creeds in the formation of meaning (e.g. Anderson and Dekker, 2009a), where the root causes of costs is a prime focal cost management issue by top management (e.g. EIU, 2007). This directs attention to the discussion about catalytic creeds in the top management's enactment based on causes of costs and thus for instance the feedback path between executional and structural cost management.

This is elevated in subsection 5.2.

- Thus, **subsection 5.2** discusses the various executional and structural effects of the organizations' outsourcing ventures and, how these effects becomes subject to action after the outsourcing events; thus how it offers insight into top management's enactment. This discussion is mainly structured around cost driver theory and taxonomy, where the identified patterns are carved out across the emplotted narratives. Subsection 5.2 discusses the structural and executional effects both discretely and intertwined as well as across the emplotted narratives and in each organizational instance. Hence, this subsection 5.2 acts as a 'springboard' for discussing the underlying cost management approaches.

The way these actions and effects materialize irradiates that the organizations' actions create their environments '*that subsequently constrain their actions*' (Weick, 2001, p. 179), where the causes of costs both portray the actions and the effects. This is portrayed and informed by the received cost driver '*stimuli as a result of their own activity, which is suggested by the word enactment*' (Weick, 1995, p. 32). Thus subsection 5.2 also discusses, how and under what conditions top management notices alteration of experience, variance and discrepancies (e.g. Weick, 1995 and 2001).

This discussion is carried forward in subsection 5.3.

- Thus, **subsection 5.3** builds on the discussion of the actions and effects and, how they materialize in subsection 5.2. These effects create altered management situations, ambiguities and give rise to new management issues and concerns, which together with the issues discussed in subsection 5.2 depicts that in for instance the situation of uncertain use of previous knowledge '*systems* [are] *able both to benefit from lessons learned and to update either their actions or meanings in ways that adapt to changes in the system and its context*' (Weick et al, 2005, p. 414).

This acts as leverage for discussing the cost calculative approaches and cost driver understanding as this form part of the interpretive frames and has for instance inventive and interpretive effects of organizing in this contextualized setting. This is also contained in subsection 5.3.

These discussions offers in its own right a contribution to extant literature, which suggests that the these cost drivers act as catalysts for leveraged executional efficiency and for reengineering processes to create altered cost structures, and the two modes are connected by the catalytic '*feedback path*' (Anderson and Dekker, 2009a, p. 202) in an empirical setting that embeds cost structural alteration of the value chain.

Enactment is conceived as part of the ongoing reciprocal exchange between ecological change – enactment – selection and retention (e.g. Weick et al, 2005). Hence, it is important to understand how the numbers of possible meanings that arise from enactment and get reduced by selection and in turn preserved by retention. The subsections 5.2 and 5.3 do discuss this.

Thus, these discussions offers additional insight into top management's enactment informed by among others the mobilization of cost driver theory and taxonomy to understand the intertwined nature of the various effects and actions, the asymmetry of the various actions and effects and the subsequent management situations.

However, it is in this research suggested important to confine the empirical setting by the sequential outsourcing and insourcing events to more comprehensively understand the actions and effects portrayed by cost drivers and cost driver taxonomy.

This has the instituting implication that the discussions in subsection 5.2 and 5.3 are carried forward in subsection 5.4, which more confined discusses the organizing process by mobilizing the reasons and reasons behind the insourcing events.

- Thus, **subsection 5.4**, likewise, builds on subsection 5.2, though it also carries forward the discussion in subsection 5.3 and more confined discusses top management's enactment in the creation of sense about the cost positions in the intersection between cost structure, organizational strategy and value chain configuration (e.g. Anderson and Dekker, 2009a). The particular reasons behind insourcing are mobilized and discussed in this subsection 5.4. This enables a more comprehensive understanding of cost management in the empirical setting of outsourcing and insourcing events, as the discussion of the enacted organizational understanding contextualizes the effects in the value chain configuration processes. Hence, this subsection 5.4 is confining the making of theoretical sense with and top management's enactment associated with the concept of Strategic Cost Management in the perspective of the previous discussions.

5.2 Structural and executional effects of cost-driven outsourcing decisions

The various emplotted narratives illuminate cost reduction as a key argument in the outsourcing ventures, although various complementary arguments are mobilized in proximity to the event; e.g. access to new competences as in DELIVERY.

These complementary arguments, although they will be discussed as well, are however and as also conveyed in the methodological constitution, exhibited subordinated to that main outsourcing argument; namely that of costs and thus cost-driven outsourcing.

Subsection 5.2.1 initially irradiates some of the cost structural and cost executional dilemmas and tradeoffs, which materializes in various main effects. The subsequent subsection 5.2.2 addresses these pivotal effects more thoroughly and with an emphasis on among others the effects, which give rise to new management issues and ambiguities.

This will initially problematize and discuss the notion of the asymmetric nature of the various structural and executional cost management effects and suggest a quite intertwined notion of these based on cost driver theory and taxonomy. Among others, it will commence discussions that not only can executional cost management issues act as '*catalysts*' of structural cost management considerations, which is arguably exhibited. It will also suggest a potentially more intertwined notion of such a conception despite, how compelling a straight delineation 'between' structural and executional cost management might seem.

5.2.1 Cost structural and cost executional dilemmas

The emplotted narratives exhibit intertwined effects of structural cost management and executional cost management themes. This attracts attention to the distinction between structural and executional cost management approaches and for instance conveyed in the corresponding cost drivers (e.g. Shank and Govindarajan, 1992 and 1993; Anderson and Dekker, 2009ab).

SUPPLY Division 3's, for instance, obvious intention by the outsourcing decision is to reduce costs based on among others the relative wage level, while assuming for instance equal blue-collar work force efficiency due to among other identical plat layout; e.g. identical capacity utilization[134]. The decision is as such related to structural considerations as the productions setup and capital equipment is dismantled and transferred from Denmark to Poland. This has considerable structural cost implication, though this is considered necessary to achieve the cost objectives. Thus, the decision significantly alters the value chain configuration and the operating leverage of SUPPLY Division 3, and the emplotted narrative exhibits a cost structural change.

[134] The amount of factor input is considered identical in the calculations, as it is made plausible by the organization that work force efficiency is not perceived different between the two locations. Hence, the prime focal theme is the relative costs levels of these input variables, which drives the expected cost saving effects in the economic appraisal prior to the outsourcing event

However, the experienced executional obstacles related to the production process setup in Poland leads subsequently to alterations. Initially, it involves the transfer of part of the structural setup with its embedded executional changes. Subsequently the SUPPLY Group sells of the operation and transfers the remaining activities to another offshore organization.

Thus, these subsequent structural cost changes in SUPPLY Division 3 are initiated by large based on executional cost considerations. Thus, it illuminates the ‘catalytic nature’ of executional cost implements. SUPPLY Division 3 to some extend likewise seems to now and after the outsourcing to illuminate the executional cost themes of for instance quality in their processes; thus one of the executional cost drivers which were not apparent and prominent on beforehand.

Table 5.2 on the next page conveys some of the key issues of structural cost management and executional cost management exhibited in the emplotted narratives for the organizations in the multiple case study design.

Table 5.2 Illumination of various structural cost management and executional cost management themes within the emplotted narratives based on the Tables 4.1 to 4.6 in Section 4

<table>
<tr><th>Structural Cost Management</th><th>Executional Cost Management Effects</th></tr>
<tr><td colspan="2">SUPPLY Division 3 (elements based on Table 4.1)</td></tr>
<tr><td>Outsourcing: The structural decision to outsource is by large based on direct input factors in the value chain, though dis-considering executional hinges and skills of the organization</td><td rowspan="2">The lack of provision of quality in the processes caused for instance by insufficient communication and specification hampers product quality, challenge flexibility and capacity utilization; thus incurs additional operating cost and partly affect non-expected structural cost conditions (e.g. scale was assumed unchanged)</td></tr>
<tr><td>Insourcing: The structural decision to insource is based on executional challenges</td></tr>
<tr><td colspan="2">SUPPORT (elements based on Table 4.2)</td></tr>
<tr><td>Outsourcing: The structural decision to outsource is by large based on costs of direct, non-core input factors in the value chain</td><td rowspan="2">The commitment to continuous improvement and the exploitation of the linkages between the company and its customers as well as suppliers seem prominent; and mandatory as to the strategic intent</td></tr>
<tr><td>Insourcing: The structural decision to insource is based on structural choices as to for instance scale, complexity and technology thus knowledge</td></tr>
<tr><td colspan="2">PROVIDE (elements based on Table 4.3)</td></tr>
<tr><td>Offshoring and outsourcing: The structural decision to outsource is by large based on direct input factors in the value chain, though dis-considering executional hinges and skills of the organization and structural drivers such as scope</td><td rowspan="2">The lack of provision of process efficiency in the processes caused for instance hampers flexibility and capacity utilization; thus incurs additional operating cost and partly affect non-expected structural cost conditions (e.g. scale was assumed unchanged and scope was dis-considered)</td></tr>
<tr><td>Insourcing (backshoring): The structural decision to insource is based on executional challenges and the alteration of strategy

Outsourcing: The structural decision to outsource is based on executional challenges and the alteration of strategy</td></tr>
<tr><td>Outsourcing: The structural decision to outsource is based on the alteration of strategy and another approach that emphasizes mastering a multiplicity of suppliers in a network in close corporation with the suppliers</td><td>Emphasis is on cost in the whole value chain</td></tr>
<tr><td colspan="2">DELIVERY (elements based on Table 4.4)</td></tr>
<tr><td>Outsourcing: The structural decision to outsource is by large based on costs of direct, non-core input factors in the value chain</td><td rowspan="2">The commitment to continuous improvement and the exploitation of the linkages between the company and its customers as well as suppliers seem prominent; and mandatory as to the strategic intent</td></tr>
<tr><td>Insourcing: The structural decision to insource is based on structural choices as to for instance scope, complexity and technology thus knowledge</td></tr>
<tr><td colspan="2">LEVERAGE (elements based on Table 4.5)</td></tr>
<tr><td>Outsourcing: The structural decision to outsource is by large based on costs applying a ‘total cost approach’</td><td rowspan="2">The commitment to continuous improvement and the exploitation of the linkages between the company and its customers as well as suppliers seem prominent; and mandatory as to the strategic intent</td></tr>
<tr><td>Insourcing: The structural decision to insource is based on structural choices as to for instance scale, complexity and technology thus knowledge. Cost is very prominent in the decisions. LEVERAGE applies the term competences to both innovation and efficiency</td></tr>
<tr><td colspan="2">EXPERIENCE (elements based on Table 4.6)</td></tr>
<tr><td>Outsourcing: The structural decision to outsource is by large based on costs</td><td rowspan="2">The commitment to efficiency through capacity utilization and quality management</td></tr>
<tr><td>Insourcing: The structural decision to insource is based on structural choices as to for instance scope, complexity and technology thus also knowledge. Cost seems a driving argument, EXPERIENCE has altered the value chain significantly over the last half a decade</td></tr>
</table>

Table 5.2 depicts the various notions of both structural cost management issues as well as the associated executional cost management effects in the emplotted narratives. It is for instance conveyed that the implication on the management of various executional drivers, which causes the incurred costs, becomes a key argument for the re-alteration of the value chain. It is also conveyed that there is in general not a single effect; but rather multiple effects.

This empirical exploration seems to underpin the notion that although literature suggests a conceptualization based on the assumed peculiarity between structural and executional cost drivers and likewise the cost management effects and actions, these delineated subsets must be considered intertwined in terms of alterations of the value chain configurations in a structural cost management context. As an example, in the emplotted narrative about SUPPLY Division 3 the intertwined notion of the structural cost drivers and the executional cost drivers seems quite noticeable.

Shank and Govindarajan (e.g. 1992 and 1993) as well as Anderson and Dekker (2009ab) suggest the distinction between structural cost management and executional cost management as well as the concept of structural and executional cost drivers[135].

This particular research does not as such reject the constructs that among others can be built on production theory and production economics; indeed they are supportive, and this research effort suggests that these distinctions might be traced in organizational practice.

However, as it is for instance exhibited in the emplotted narrative of SUPPLY Division 3 and PROVIDE, various executional cost management themes were not considered in the initial mobilization of the arguments behind the decisions, though these had significant impact in the subsequent value creation processes. This created new management situations and ambiguities, which gives rise to other '*enacted environments*' based on the meaning formation processes (e.g. Weick, 2001, p. 179).

The before mentioned implications in SUPPLY Division 3 very much resemble the experiences in PROVIDE. Hence, the emplotted narratives also exhibit explanations that seem to reinforce the importance of an intertwined mobilizing of structural and executional cost management implications in the structural cost management decisions schemes.

[135] It is for instance and based on the theoretical domain in Section 2 recalled that the definition by Anderson and Dekker (2009a) 'captures' both the *improvement of cost performance* within the frames of a *given* strategy and cost structure as well as the design of an overall cost structure coherent with the *strategy*. The former is within literature referred to as executional cost management. The latter is labelled *structural cost management* and addresses for instance according to Anderson and Dekker (2009a) in particular managements' alignment of organizations' cost structures and strategies. Hence, another way to think about the domain of structural cost management is according to Anderson and Dekker (2009a) that structural cost drivers reflect the organizational structure, the investment decisions and the operating leverage of the firm, and structural cost management may be conceived as '*the choice between alternative production functions that use different inputs or combinations hereof to meet a particular market demand*' (Anderson and Dekker, 2009a, p. 202). 'Contrary' executional cost management is concerned with whether the organization is on the efficient frontier for a given production function. This is by large embedded in the economists' understanding within production theory hence in turn production theory and economics

Hence, the implications and organizational effects are materializing intertwined in the organizing process within this particular analytical setting. Thus, the implication of the asymmetric notion of structural decision -> executional effect -> structural decision is justified, theoretical confirmative and explained important in these outsourcing decisions.

In that way, this research signals caution as to a confined mobilization in organizational cost management, which leads to the proposition that in a decision that arguably relates to structural choices, the associated cost arguments might be incomplete due to unexpected or dis-regarded executional occurred issues. This can lead to organizations altering the decisions; not for structural reasons but for executional occurrences.

Thus, the executional costs drivers within the realm of executional cost management should be a part of structural cost related decision. That is arguably the case leading to the subsequent alterations due to unforeseen occurrences. However, and as exhibited as explanations, it is not the case in the initial structural outsourcing decision in basically all the emplotted narratives, though with a noticeable difference in deviation and thus the management effects. This is discussed in subsection 5.3 and 5.4.

However, and before that is discussed, it is equally important to notice that in for instance the emplotted narrative about SUPPLY Division 3, the initial cost calculations are not only insubstantial in the above mentioned sense; i.e. the non-intertwined conceptualization of structural and executional cost management themes in the structural outsourcing decisions. It also relates to the insubstantially in mobilizing structural cost drivers. This also accounts for other emplotted narratives, e.g. that of DELIVERY.

It is for instance quite interesting to note that the literary structural cost drivers of scale and complexity (e.g. Shank and Govindarajan, 1993) are not necessarily considered in juxtaposition to issues of for instance scope. This is observed although scope related alterations undeniably materialize in new altered management situations. That attracts attention to for instance scale and complexity in several of the emplotted narratives.

Hence, the perceived incompleteness of the decision scheme is not only due to the disregarding of various executional cost management issues, which becomes effects of the cost structural decision. The structural cost alterations likewise have other cost structural effects, which creates altered management situations and implicate top management's enactment of the organization's cost structure.

The alteration of scope and complexity, e.g. the change of product provisions due to among other the market conditions, also had an impact on the possibilities for capacity utilization, which additional underpins the importance of considering the executional cost drivers and executional cost management issues in relation to structural cost alterations.

This will be subject to elevated discussion in this and the subsequent sections.

However, it should here initially be suggested that in several of the emplotted narratives, this seems explained by the multiple intertwined executional effects and actions, which then can act as interweaving and intervening factors in top management's enactment of the cost structure. In addition, it seems noticeable that this is also explainable by the reciprocity between '*ecological change*' and '*enactment*', where top management activities are '*being shaped by externalities*' (Weick et al, 2005, p. 414).

Thus, the emplotted narratives do exhibit various explanations that among others suggest the intertwined mobilization; hence that considerations regarding the structural cost management calculative practices associated with structural cost management decisions. However, the research also exhibits the importance of an embracing mobilization of the various structural cost drivers in the development of options regarding the organizational cost structures in the outsourcing decision. This adds to the understanding of the effects of asymmetric knowledge and the intertwined conception, which is altered and created by top management's enactment in the contextualized empirical setting.

The aforementioned example of SUPPLY Division 3 illuminates only a couple of the instances. Likewise, the other emplotted narratives offer other similar effects of the structural cost management decisions.

The inborn nature of executional cost management effects is quite obvious, thus also somewhat expected, building on extant literature both within Management Accounting as well as Economics as presented in Section 2.

However, what is perhaps more interesting is the intertwined organizational effect(s) in the emplotted narratives, where for instance both flexibility in terms of swift deliveries and quality management in relation to products and processes appear intertwined in the exhibition of how these effects materialize.

The structural alterations give likewise rise to structural cost management issues related to for instance scale and complexity. Thus, in terms of for instance the initial outsourcing events both types of effects are illuminated and discussed, which is possible due to the configuration of the empirical setting. Thus, it seems reasonable to suggest that it is actually the empirical setting that enables the discussion of these effects compared to an empirical setting, which had been constituted by only one event.

The next subsection, i.e. subsection 5.2.2, unfolds these effects, where the structural cost decisions do embed, and give managerial rise to, both a multiplicity of executional cost management issues intertwined as well as intertwined structural cost management themes, where the structural and executional cost management themes in turn interweave. Subsection 5.2.2, does not take the starting point, if the cost calculations catered for these subsequent effects of the structural alteration of the value creation process. This is evoked in this subsection and subsection 5.2.3, though it is subject to more thorough elevation in subsection 5.3.

The reason being, that it is important to discuss the structural and executional cost management actions and effects, and the management situations that they give rise to in subsection 5.2, prior to discussing for instance the use of the calculations and the mobilization of the 'cost argument', because these effects have to be related to the calculative practices to discuss their substantiality more carefully in relation to the top management's enactment of the organizational cost structure.

Thus, subsection 5.2.2 initially provides is the understanding of materialized effects of using the calculations in structural cost management and the new management situations, which on beforehand is not necessarily depicted in the cost calculations.

It then offers a 'springboard' to discuss the substantive cost effects and hence subsequently reflect upon the procedural processes undertaken by the organizations' management.

It is of course recognized that other important factors can interweave in process, apart from costs management themes. This is a topic in section 5.4, which consequently illuminates how for instance other cues interrelated in top management's enactment as part of the organizing of the organization's cost structure. Thus, subsection 5.4 will cast additional light upon for instance the inventive and interpretive effects and in turn the making of sense with and about Strategic Cost Management.

5.2.2 Materialized effects of the cost based structural outsourcing decisions

The intertwined nature of the structural and executional cost management issues is profound in the emplotted narratives. This is of course not surprising, some might even advocate it as 'common sense', in as much that the structural cost decisions among others relates to the choice about the organizational cost structures, while the executional cost management issues becomes subject to the chosen and implemented cost structure. Thus, they interrelate as somewhat expected as structural decision -> executional effect -> structural decision. This is well-articulated in literature and in contemporary contributions as conveyed in Section 2, thus the research is confirmative hereto.

However, structural cost management themes become in the emplotted narratives, likewise, subject to the implemented altered cost structure, and the executional cost management themes are, thus, in turn intertwined and interacting. This creates, perhaps reinforces, new management situations constrained by the initial structural decisions. This portrays a more complex process in top management's enactment of the organization's cost structure and very much irradiated Weick's conceptualization. It is for instance advocated that organizations' actions create their environments '*that subsequently constrain their actions*' (Weick, 2001, p. 179).

This suggests in relation to this research that top management's ability to manage the cost structure '*is to take action in respect to it*'. However, it is explicitly exhibited that these '*actions become the raw materials from which a sense of the situation is eventually built*' (Weick, 2001, p. 183). Thus, in the emplotted narratives the actions and environments are inseparable, and as such enactment is highly contextual. Thus, top management directs attention to, for instance, received cost driver '*stimuli as a result of their own activity*' (Weick, 1995, p. 32), which is what seems exhibited in the emplotted narratives across.

Summarizing, the exhibited plausible intertwined effects in the emplotted narratives can be illustrated, though simplified, as in Illustration 5.1

Illustration 5.1 Structural and executional cost management themes intertwine in the enactment

Even though Illustration 5.1 is a simplified illustration, it irradiates that this research exhibits a more complex process as to the actions, effects and the subsequent management situations that this gives rise to with combined structural and executional cost management effects and actions.

However, to discuss and analyze the effects and the way in which they materialize intertwined more comprehensively, it is necessary to carve out representative effects across the emplotted narratives, which can then justify a sufficiently detailed discussion.

This 'carving out' of the effects across the emplotted narratives has been inspired by the mobilization of narrative '*vignettes*' in Gehman et al (2013). However, the carved out effects across the emplotted narratives are not new 'antenarratives' as understood in Gehman et al (2013), who build explicitly on Boje (2001)[136]. Instead, and in this research they constitute a representative palette of effects across the emplotted narratives generated by the mobilization of cost driver literature and contributions as elevated in Section 2. This builds on among other the various etic statements as empirical instances thus exhibited thematic effects.

This is then also applicable for each organization and enables to carry forward the emplotted narratives as a precept of theorizing (Czarniawska, 2004a) to elevate the exhibited explanations and in turn provide constituency for the explanatory propositions. The way in which these representations are carved out is illustrated with an example in Appendix 2 that both irradiates examples of immediate effects and intertwined effects.

These numerous effects are then presented comprised as an overview in the upcoming Table 5.3. Table 5.3 illuminates some overwriting similarities and differences across the emplotted narratives in terms of cost driver themes, though also recognizing that these effects might, and indeed they do, materialize in different ways in each organization. This is discussed later.

The representative palette of thematic effects relates for instance to the thematic issues of scale, scope, competences, complexity, capacity utilization and quality; and as conveyed building on extant literature on cost drivers as it is theoretical and taxonomically enlightened in Section 2.

[136] Gehman et al (2013) explicitly refer to Boje (2001), when they establish their narrative vignettes (Gehman et al, 2013, p. 90)

It is, however, not these ‘heading’ of the thematic effects that are the only emphasis. It is also the way in which these effects materialize and creates altered management situations, which can further add to the understanding of top management’s enactment and in turn for instance the supportiveness of the costing approaches prior to the outsourcing ventures in the organizations. These are subsequently portrayed in Figure 1, which thus elevates the effects that are exhibited in Table 5.3.

Prior to presenting Table 5.3 and the discussion of these thematic effects and the way they materializes, there are two important notions to the reading of Table 5.3; one which relates to the understanding of the comprehensiveness of these thematic effects and one, which has to do with the literary based cost driver labelled ‘complexity’.

As to the comprehensiveness of Table 5.3; of course, all the before mentioned thematic cost driver themes are likely subject to management attention. Capacity utilization, for instance, is an exhibited management focus in all the emplotted narratives.

However, it is not a cost driver theme that creates new management situations in all the emplotted narratives. This is only the case in some of the emplotted narratives. Thus, the effects that are conveyed in Table 5.3 portray exhibited conditions and explanations as to the **new** management situations. Thus, these are exhibited explanations subject to management ambiguity and tension in that of organizing (e.g. Weick et al, 2005; Czarniawska, 2008).

It should, likewise, be noted that the exhibition of an effect is not the same as these effects and altered management situations were totally unexpected; hence not to some extent catered for prior to the decision. However, this differs substantially across the emplotted narratives. The latter will be the key theme in subsection 5.3.

As to the effect ‘Complexity’ and in turn partly ‘flexibility’ in Table 5.3; the notion of ‘flexibility’ is quite profound in literature, e.g. within the realm of Management Accounting and Supply Chain Management as a driver of both costs and a reason behind the decision to alter the value chain configuration. The ‘flexibility’ is based on the exhibited explanations in the emplotted narratives perceived ‘only’ as part of a more multifaceted construct in a managerial perspective, namely that of ‘Complexity’. Hence, it has been necessary to establish a more multifaceted perspective of ‘Complexity’ based on the empirical exploration and the articulation in the emplotted narratives, when the effects are carved out across the emplotted narratives.

The notion of ‘Complexity’ comprises three different management perspectives in this research. The first is the complexity of and within the product range (the depth and breadth of the product range) labeled ‘Complexity A’ and in line with for instance the conception by Shank and Govindarajan (1993) as a structural cost driver.

Complexity as the organizational abilities and ‘flexibilities’ in relation to product development labelled ‘Complexity B’, which within the emplotted narratives associates with for instance organizational competences. Thirdly, complexity can also be caused by requirements related to primarily flexibility in swift deliveries, for instance as additional service offerings. This is labelled ‘Complexity C’.

‘Complexity’ in this conception does then depict both structural and executional cost drivers.

Table 5.3 Overview of various exhibited key effects succeeding the initial outsourcing decisions

Emplotted narrative	1	2	3	4	5	6
Organization	SUPPLY Division 3	SUPPORT	PROVIDE	DELIVERY	LEVERAGE	EXPERIENCE
Primary outsourcing reason	Cost reduction	Cost reduction	Cost reduction	Cost reduction (and financial leverage)	Cost reduction	Cost reduction
Potential supportive reason			Vicinity to markets	Access to new competences	Vicinity to markets	(Vicinity to resources)
Main structural effect	Scope (and Scale)	Scale and Scope (and Complexity)	Scope (and Scale)	Scale and Scope (and Complexity)	Scale and Scope	Scope (and Scale)
Extracted Patterns						
Scale		Investment in manufacturing		Investment in manufacturing	Investment in manufacturing	Investment in manufacturing
Scope	Vertical integration		Vertical integration	Vertical integration	Vertical integration	Vertical integration
Competences incl. experience and technology	Loss of competences	Loss of competences		Loss of competences	Loss of competences	Loss of competences
Complexity A, number and type of products			Product range	Product range		Product range
Complexity B, flexibility as a foundation for product development		Product development	Product development	Product development	Product development	
Complexity C, as type of services (incl. flexibility in delivery)	Delivery times		Delivery times		Delivery times	Delivery times
Quality	Quality issues in the provision of the products					Quality issues in the provision of the products
Capacity utilization	Reduced capacity utilization	Reduced capacity utilization	Reduced capacity utilization		(Altered capacity utilization *)	Reduced capacity utilization
Managing linkages	Control Coordination	Transfer of 'knowledge' Coordination	Control Coordination Transfer of 'knowledge'	Control Coordination Transfer of 'knowledge'	Control Coordination	Control Coordination Transfer of 'knowledge'
Other thematic issues	Additional calculations (Various other unforeseen costs)		Additional calculations (Various other unforeseen costs)	Strength of supplier, workforce involvement		Additional calculations (Various other unforeseen costs)

*) 'Capacity utilization' portrays here alteration across LEVERAGE's locations

The thematic issues are discussed **across** the emplotted narratives in subsection 5.2.2.1 to 5.2.2.5, and building on this analysis subsequently also intertwined **per** emplotted narrative, i.e. 5.2.3.

It is also noted that Table 5.3 contains a thematic heading of 'Other thematic issue', where 'Other thematic issues' are effects that will be addressed subordinated to the other thematic effects and altered management situations. These representative effects in Table 5.3 have subsequently been combined with the way in which they materialize. This will then more concretely exhibit, which instances cause ambiguity, tension and management actions.

The combined representation of the extracted effects, and the way they materialize and become subject to management actions, are presented in a confining Figure 1. This Figure 1 is portrayed in association to the discussion of the effects of 'Quality in product provision processes', which is done in subsection 5.2.2.1. The subsequent subsections 5.2.2.2 to 5.2.2.5 will refer back to Figure 1 and its portrayed effects.

5.2.2.1 Quality in the product provision processes

The quality issue after the outsourcing is somewhat prominent in especially the emplotted narratives of SUPPLY Division 3 and in EXPERIENCE.

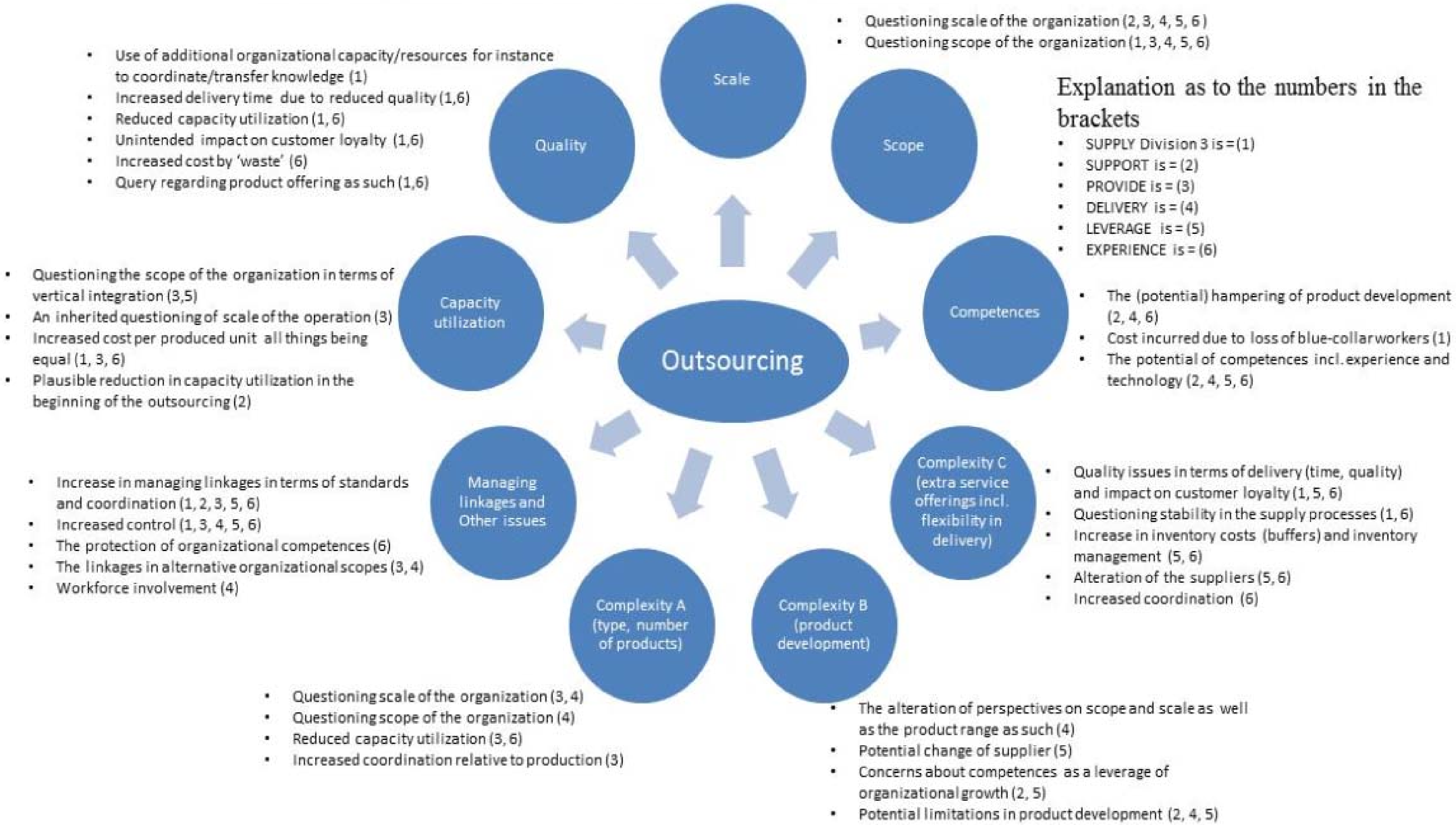
In SUPPLY Division 3, for instance, quality, during the production process and in the delivered product, is a managerial challenge after the outsourcing to Poland. The quality issues materialize in delays in the delivery processes to customers, and delivery time becomes a factor of managerial concern. This is further portrayed in management issues of reduced capacity utilization, which incur additional costs[137]. The use of capacity is affected in the sense that organizational resources are directed to other organizational tasks to handle the quality issues that occur. Organizational members are for instance stationed abroad, and increased organizational resources are assigned to coordination tasks.

In the emplotted narrative about EXPERIENCE, the quality issues also materialize in different ways. Quality of the products provided by EXPERIENCE has a particular significant importance, and EXPERIENCE has experienced quality problems related to its outsourcing. The emplotted narrative irradiates that such quality issues materialize in 'stop in the production', which affects capacity utilization. The 'stop in the production' is, as exhibited, explained by the profound attention to quality. EXPERIENCE does not accept alterations of 'taste' that significantly impacts customer loyalty. Likewise, the issue of quality materializes in dispense of intermediate products (due to quality) and the ordering of new intermediate products.

[137] The stop in production or the remedies to cater for the breach of quality could also be expected to lead indirectly to the further incurrence of costs, as SUPPLY Division 3's external supplier would at some point, all things being equal, be required to compensate for these costs. However, SUPPLY Division 3 is as also exhibited directly affected in their organization as the utilization of their work force alters

These exhibited effects, which give rise to new management situations, are illustrated in Figure 1 on the next page, where the numbers 1 to 6 relate to the number of the emplotted narratives; SUPPLY Division 3 is number 1. SUPPORT is number 2. PROVIDE is number 3. DELIVERY is number 4. LEVERAGE is number 5, and EXPERIENCE is number 6.

Figure 1. The effects that give rise to altered management situations



It should, again and very importantly, be noticed that the exhibited effects and the way in which, they materialize, are only those that exhibit altered management situations and ambiguities. This, to underscore, that obviously all the main effects exhibited by the circles in Figure 1, e.g. ‘Capacity utilization’, which build on cost driver literature and contributions, of course would be expected to be subject to managerial attention. However, those, which are specifically articulated as the way in which they materialize, i.e. the associated emplotted narratives, are those that in particular create the altered management situations in the emplotted narratives. Hence, Figure 1 thus portrays the instances subject to reciprocal exchange between the enacted environment and the subsequent actions, where enactment is triggered by top management that notices alteration of experience, variances or discrepancies (e.g. Weick, 2001; Weick et al, 2005).

Quality, as quality in the production process and products, is within Management Accounting literature associated with executional cost drivers (e.g. Shank and Govindarajan, 1992). In that respect, the breach of quality, as exhibited as the occurrence of quality problems, associated with the outsourcing of part of their value creation activity explicitly relates to executional themes such as the utilization of exiting capacity downstream (i.e. internal in SUPPLY Division 3) and the mobilization of organizational resources for the exhibited correctional purposes. This obviously incurs costs, as it is also exhibited in the emplotted narrative of SUPPLY Division 3.

However, what is also exhibited in the emplotted narratives is the managerial association to the delivery as such. This is not only in terms of flexibility as the ability to swift deliveries of altering batches, but likewise the emphasis on attention to the overall product range (i.e. Complexity) as such and its complexity in terms of the overall decision regarding the provision of the offering to their customers. This is a structural cost driver.

Thus, as such this seems to be confirmative of the notion by Anderson and Dekker (2009b), who, and as outlined in Section 2, propose that executional management issues becomes an ‘catalyst’ for structural cost management considerations. This is also related to management concerns regarding vertical integration of the organization, conceptualized for instance within cost driver literature as organizational scope. The occurrences seem to promote managerial investigation and concerns about the stability of delivery in the entire value creation process. This is quite observable in the case of EXPERIENCE, thus exhibiting a plausible intertwined explanation.

5.2.2.2 Complexity

The outsourcing ventures, as it is exhibited profoundly build on the notion of costs; also give rise to management situations that portrays the organizational notion of ‘complexity’. However, ‘complexity’ is in this empirical setting best explained as the aforementioned a multifaceted construct that among others relates to flexibility in the delivery, as a literary quite observable theme, as it is conveyed in Section 2. Complexity, in the understanding of the broadness of the product range, also thematically comprises effects that materialize in management situations related to the overall product range.

In addition, the emplotted narratives exhibit also an effect that materializes in flexibility, though as a management perception of the ability for product development. This in turn associates with management effects of for instance ‘Competences’, which is a structural cost management theme.

5.2.2.2.1 Complexity in relation to overall product range (Complexity A)

Complexity as a cost driver relates for instance, and as outlined in Section 2, to the understanding of how wide a product range and service to offer to customers (e.g. Shank and Govindarajan, 1993). This is a structural cost driver theme.

In the emplotted narratives about PROVIDE and DELIVERY, the outsourcing ventures give rise to new management situations that question the general product range of the organizations. In DELIVERY, for instance, it is exhibited that as the production volumes increase, DELIVERY increasingly evokes managerial considerations about bringing the production back. This alters the scope in terms of vertical (backwards) integration. This is reinforced by the notion that the power relation between the organization and the external supplier became somewhat ‘tense’. In that sense ‘complexity’ thus materializes not only in managerial concerns as to the stability of the provision of the product range as such. It also materializes in management ambiguities and evokes themes of the scope and subsequently the scale of the operation.

The management attention to depth and breadth in the product range also became an issue in PROVIDE. It materializes, though, in another way, as the market demand had an explicit exhibited impact. However, the transfer of the production, through their combined offshoring and parallel outsourcing, broadened the complexity abroad. It could plausibly be argued that this had a reinforcing negative impact on capacity utilization. When this is combined with the necessity to transfer knowledge and coordinate across inter- as well as intra-organizational linkages, it enforced the utilization issues as the product range grew.

When this is combined with the increase in the use of other components; it to some extend also induced management questioning the overall structure of the value chain configuration as such.

This is also contained as materialized effects in Figure 1.

5.2.2.2.2 Complexity in relation to flexibility in product development (Complexity B)

It is interesting that in this research, flexibility, under the thematic heading of complexity, also exhibits managerial situations that associate to, and illuminate, product development in relation to the enactment of the organization’s cost structure. Hence, the outsourcing ventures at a certain point give rise to management concerns about the ‘flexibility’ of augmenting existing products or develop new products. In this research it, clearly, associates to issues of organizational competences and the related cost structural management concerns.

However, these effects materialize in quite different ways, although they can be assembled in this representative thematic effect.

In the emplotted narrative about DELIVERY, it is quite intertwined with the management of the relationship as such and the growth in volume, which in turn relates back to the managerial themes of the scale and the scope as well as the depth and breadth of the product range, i.e. Complexity A.

Thus, and given that for instance scale and the decision about the product range as such are structural cost drivers, and both be reasons behind the alteration of the organizational value chain, this posits an enactment of a broader managerial perspective after the outsourcing of parts of the organizational value creation processes.

The management situation in PROVIDE is in this respect somewhat different, as the maneuverability with regard to product development experience pressure. The transfer of knowledge is restricted by management, and although the problems about capacity utilization are not as such exhibited to limit innovation, the emplotted narrative suggests managerial concerns about joint product development with suppliers at the later chronological stages.

The flexibility in terms of product development, hence the potential elevation of the complexity in the product range, is a profound theme in both SUPPORT and LEVERAGE. Both organizations actually exhibit managerial concerns as to this theme prior to engaging in outsourcing. However, both emplotted narratives exhibit, and quite plausible also potentially enforce, concerns after an outsourcing venture is decided.

LEVERAGE, actually to some extend caters for that in their calculative approaches on beforehand. However, they do, still, experience concerns as to product development effects, which materialize in new management situations. This subsequently gives rise to the choice of mode of production and supplier, which of course, all things being equal, and as conveyed in Section 2 brings transaction costs in mind, as it can incur additional costs in the organization. SUPPORT to some extend exhibits a product development concern on beforehand associated with the outsourcing. Their calculative practices are quite different compared to those of LEVERAGE, however the concerns and the enactment in the management situation is quite similar in nature. This is elevated in subsection 5.3

This is also contained as materialized effects in Figure 1.

5.2.2.2.3 Complexity in relation to flexibility and other service offerings to customers (Complexity C)

The literary theme of reduced flexibility in terms of extended delivery times in general and the flexibility in terms of delivery time for varying batch sizes is also exhibited in the emplotted narratives both as effects of the outsourcing and as reasons behind subsequent insourcing.

While SUPPLY Division 3 and EXPERIENCE both illuminate quite profound managerial situations due to problems in the provision of the products as such, and with various effects as discussed under the thematic heading of that of ‘quality’, thus relating back to the corresponding subsection, both emplotted narratives exhibit the delivery issue as being important.

Thus, this effect of the outsourcing could arguably be said to materialize in enforced management concerns and ambiguities about the outsourcing venture as such.

In EXPERIENCE it is exhibited that this partly explains the increased attention to stability in the provision of ‘the intermediate raw material’. In SUPPLY DIVISION 3 the similar concern materializes, though this associates with the provision to the customer. This is not to argue that EXPERIENCE does not assess the effect on customer. The emplotted narrative actually and explicitly emphasizes this. However, EXPERIENCE’s management attention to stability relates to the efficiency in the ‘finishing production’. This in a way acts as a buffer thus maybe shadowing the effect in the organization; despite that the organization experiences capacity utilization issues as well. This obviously also exhibits the intertwined notion of flexibility in delivery and the executional management issues of capacity utilization.

In the emplotted narrative of LEVERAGE flexibility as an effect becomes an issue. It materializes in the concerns as to the alterations of the portfolio of suppliers. Although, the organization to some extend has catered for potential incurred costs, e.g. assessed costs of inventory deemed necessary to underpin customer relationship, the managerial theme of flexibility in delivery also relates back to the perception of overall quality. However, in the emplotted narrative is seems explained that this also, perhaps primarily, associates to the enactment about the complexity in terms of the product range as such. Hence, quality is both related to the processes as an executional cost management issue and to the product range as such, which is a structural cost management concern.

As to PROVIDE flexibility is in terms of delivery not an overwriting issue in the way. It is exhibited that for instance the utilization of capacity is, plausibly, in the forefront to that. However, it is exhibited that flexibility in delivery becomes an issue with the broadened product range. This might be a contradiction in the way that the reduced capacity utilization could be perceived to open opportunities for use of slack capacity. However, it is here and as previously discussed challenging to management, as the transfer of knowledge is limited.

This is also contained as materialized effects in Figure 1.

5.2.2.3 Competences

Competences and effects associated to the loss of competences incl. experience and technological competences, and the way in which they materialize and induce new management situations, are considered quite pivotal effects in several of the emplotted narratives. There is, however, also some differences in the way, this materializes.

In DELIVERY and LEVERAGE this is exhibited to associate directly to the theme of product development and in turn their relationship to complexity in terms of the product ranges as such.

Thus, the effects materialize in both organizations to management situations and concerns related to development of the product range. It is not possible to exhibit the more specific effects as for instance in particular, defined losses of potential businesses.

However, in both situations it evokes the subsequent insourcing, and for instance in DELIVERY there is a direct, plausible connection between the investment and subsequent growth in the particular product range among other due to the mobilization of competences.

SUPPLY Division 3 experiences a quite materialized loss of knowledge, where the transfer of the manufacturing equipment leads to the loss of human knowledge and experience among the former blue-collar workers in the organization. This relates not only back to the operational challenges and additional incurred costs that SUPPLY Division 3 experienced as a consequence of the outsourcing decision. It also materialized in an altered view upon competences as such.

With attention to SUPPORT and LEVERAGE, they both exhibit similar competence related effects in the sense that in both emplotted narratives any outsourcing arrangement continuously give rise to plausible management concerns as to the potential loss of organizational competences. This is both related to competences in broad and to specific types of products and employees.

This is also contained as materialized effects in Figure 1.

5.2.2.4 Scale and Scope

Considered together, the emplotted narrative all have effects that relate to scale and scope of the organization. This materializes in such way that the organizations question the scale and the scope of the organizations. This is not as such surprising, as all the organizations are insourcing; thus part of the methodological approach as established in Section 3.

This will be discussed more thoroughly in terms of the for instance the enactment in the organizations in subsection 5.4. However, in terms of the effects and the ways in which they materializes SUPPORT, DELIVERY, LEVERAGE and EXPERIENCE share the similarity that the outsourcing ventures quite explicitly exhibit attention to investment in capital equipment as an evoked effect.

However, there are differences between the organizations as to which other effects and the way, they materialize intertwine with management questioning scale and scope.

LEVERAGE seems to exhibit an explanatory factor of that of vicinity to markets, which is however not in itself a profound cost driver, though it could relate and associate for instance to the structural cost driver of scope or scale depending on the perspective. EXPERIENCE and DELIVERY seem to exhibit that this effect is quite related to executional cost management issues of for instance capacity utilization and the linkages to suppliers. This in turn illuminates the issue of stability in the provision of supplies and the inter-organizational relationship management.

This to some extend also relates to the emplotted narrative about SUPPLY Division 3. However, in this emplotted narrative the questioning of the issue of scale seems to be intertwined primarily with the issue of quality.

SUPPORT on the other hand seems in turn to attend to the effect of scale and the subsequent management situations materialize in questions regarding investment in manufacturing equipment. This is exhibited intertwined with product development.

As to the scope the outsourcing ventures in SUPPLY Division 3, PROVIDE, DELIVERY and EXPERIENCE seem to materialize in the question of the value chain configuration in general as to backwards integration.

This is also contained as materialized effects in Figure 1.

5.2.2.5 Capacity utilization, Managing linkages and Other thematic issues

Capacity utilization is a prominent cost driver and observed as a reason behind outsourcing and insourcing. This thematic heading of capacity utilization is also exhibited in the emplotted narratives. The capacity utilization effect materializes, obviously, in reduced capacity utilization and thus all things being equal increased cost per product unit. However, it gives rise to different management concerns and situations in the emplotted narratives, which to some extend seems exhibited by the plausible root causes.

In PROVIDE, for instance, the reduced capacity utilization in by large driven by demand, where the batch sizes becomes smaller, and although the transfer of product production continues, this broadened product range cannot compensate for the effects of the demand conditions. Actually, the reinforcing factor of restricted transfer of knowledge somehow interweaves and imposes a plausible limitation for the range of activities. Hence, capacity utilization is a key concern, which evokes management's query as to the general structural setup of the value chain.

This materializes in the questioning of the scope in terms of vertical integration and eventually an exhibited explanation for the later reconfiguration and the establishment of other networks and an altered scale. The commencement very much relates to these various occasions, which each and all signal that top management commences changing '*flux of circumstances into orderliness of situations*' (Weick et al, 2005, p. 414) in several instances, and portrays the ongoing process of '*organizing*', where '*Enactment drives everything else in an organization*' (Weick, 2001, p. 187).

Obviously, any reduced capacity utilization would be expected to materialize in management concerns and ambiguities as to questioning the scale of the operation. This rather straight forward expectation is quite explicit in the emplotted narrative of that of EXPERIENCE; thus to some extend demonstrating the general conception as for instance conveyed by Anderson and Dekker (2009a), where they as elevated in Section 2 mobilize this argument building on production theory and production economics.

However, another plausible effect of the issue of reduced capacity utilization is exhibited in the emplotted narrative of that of SUPPLY Division 3. This intertwines to the linkages between the supplier and the organization. This initially correlates with the quality breaches. It subsequently evokes into management considerations regarding the vertical integration and in turn the transfer of the value creation activities.

The effect of managing the linkages between the outsourcing organizations and their suppliers is a general effect in several of the emplotted narratives, where it give rise to a priori unexpected increased coordination and control activities.

It is a quite profound issue both within contemporary literature within the realm of that of Supply Chain Management as outlined in Section 2 and is depicted as an executional cost driver within among other Management Accounting literature, likewise irradiated in the theoretical domain. It appears in significantly different ways and raises various management ambiguities. These effects in turn clearly contest the '*enacted environment*'. This has previously become an output of an instance of '*sensemaking*' (Weick, 2001, p. 189) and a subsequent decision to outsource, and which in turn is '*something that the organization's'* top management *'momentarily 'know' or feel they 'understand''* (Weick, 2001, p. 190). However, this is then contested due to the '*stimuli*' (Weick, 1995, p. 32) received by top management; '*stimuli*', which is a result of top management's own activity (Weick, 1995).

Within the emplotted narrative of that of SUPPLY Division 3 it relates in particular to the coordination and transfer of standards. This in turn relates to the exhibited quality effects. It could be claimed that the same is the management situation in EXPERIENCE. Contrary to the plausible explanations exhibited in these two emplotted narratives, in relates in LEVERAGE more prominently to the conception of organizational competences, and how that is conceived in association to the organizational development. Thus this exhibits a plausible longer planning perspective in LEVERAGE compared to the two aforementioned emplotted narratives.

In the emplotted narratives of those of PROVIDE and DELIVERY the management of the linkages has to some extend the same materialized management concerns. However, in these two emplotted narratives, the overwriting explanations seem more related to the questioning of the value chain configuration as such.

This is also contained as materialized effects in Figure 1.

While the importance of the effects and the way they materializes are discussed above, the thematic heading that comprises other issues also relates to that of calculative practices and the use of information. This, however, is discussed more thoroughly in subsection 5.3.

Prior, it is however important to elevate the intertwined nature of the effects and the way in which they materialize. This further supports the understanding of, how the calculative practices will underpin this in relation to the decision to outsource.

While subsection 5.2.1 briefly introduced the intertwined effects and management dilemmas in terms of structural and executional themes, this subsection 5.2.2 discussed these effects 'in isolation' across and the various way in which these 'isolated effects' materialize and create altered management perspectives and situations in the emplotted narratives. The next subsection, i.e. subsection 5.2.3, discusses the intertwined nature of the effects.

5.2.3 Intertwined materialized effect of the cost based structural outsourcing decisions

The intertwined nature is in itself of interest given the research purpose. In addition, this will offer supportive leverage to discuss for instance cost information as to the inventive and interpretive effects.

5.2.3.1 The exhibited intertwined conception

The effects as outlined in Figure 1 relate to cost driver literature as conveyed in Section 2, e.g. cost drivers such as capacity utilization and scale. The ways in which these effects materialize and create altered management situations and ambiguities are likewise exhibited in Figure 1.

It is also exhibited in each of the emplotted narratives that there are several effects of the initial outsourcing decisions, which create these new management situations and concerns. The key aspects are also illustrated.

The emplotted narratives may justifiably exhibit this palette of plausible effects and the way in which, they materialize more broadly, and Figure 1, likewise, enables an exploration under several literary cost driver headings. However, this does not, more thoroughly, exhibit the intertwined effects and intertwined management situations and concerns in the each of the different organizations; although this to some extent partly can be inferred from the discussion. This is important to discuss in more detail with the purpose of irradiating top management's enactment of the organization's cost structure and subsequently provide insights into the making of sense about and with Strategic Cost Management.

As an example, the thematic effect of quality in for instance the processes and the provision of the product, which is a literary executional management theme, does in the emplotted narrative about SUPPORT Division 3, who experiences the aforementioned exhibited breach in quality, lead to a management situation and additional attention to capacity utilization. This occurs both at the supplier in Poland as well as in SUPPORT Division 3's downstream processes. This is a literary profound executional cost driver and exhibited in the emplotted narratives, thus a thematic heading in Figure 1.

In this cost driver perspective a literary effect (e.g. capacity utilization) becomes a materialized effect of another literary effect (e.g. quality in processes).

This notion of an intertwined conception also reflects a kind of direct translation of the exhibited management priorities in the emplotted narratives; e.g. and building on cost driver literature an executional quality concern supersede in this situation capacity utilization at least to a certain point. These intertwined conceptions of 'literary effects of other literary effects and actions' are obviously discussed in the next subsection 5.2.3.2.

The emplotted narratives do, however, also exhibit effects and the way in which they materialize, where it is more difficult to carve out and exhibit for instance a more straight forward cause and effect relationship in the emplotted narratives. In the emplotted narrative about DELIVERY, for instance, the alteration of the vertical integration give rise to several effects that can be traced to cost driver literature such as complexity in terms of the product range as well as scale, which, like scope, also are considered structural cost drivers.

While, DELIVERY mobilizes all three cost driver effects in the subsequent insourcing, it is also exhibited plausible that these are mobilized highly intertwined. As an example the broadening of the product range enables leverage of scale. However, scale also becomes a basis for product development hence broadening of the product range. This is also discussed in subsection 5.2.3.2.

This does not make these 'inseparable' contemplations less important. Indeed and quite contrary, they would equally impart to the management ambiguity in terms of for instance the elevation and mobilization of cost calculative representations. They will obviously be subject to this discussion and theorizing as well. Hence, these intertwined conceptions are likewise important in top management's enactment of the organizations cost structure.

Thus, the difference between the elevation of 'the effects of another action and effect' and the more inseparable, intertwined exhibited effects is not the potential contribution to theorizing regarding for instance cost calculations inventive and interpretive effects. It is rather the potential for extended theorizing; hence an obvious opportunity.

This is discussed in subsection 5.2.4 across the emplotted narratives as to the structural and executional cost driver effects. This summarizes some of the main points in the discussion in subsection 5.2. This is carried forward in the discussions about for instance cost calculations related to the outsourcing ventures, the exhibited effects and the subsequent management situations and queries this give rise to. Prior, it is important to elevate these intertwined effects in more detail.

5.2.3.2 Intertwined effects within each of the organizations

This notion of an intertwined conception reflects a kind of direct translation of the exhibited management priorities in the emplotted narratives. Some of these 'materialized effects', thus the creation of elevated and more complex management situations and concerns, may directly be traced back to previous as well as contemporary literature's notion of cost drivers as conveyed above.

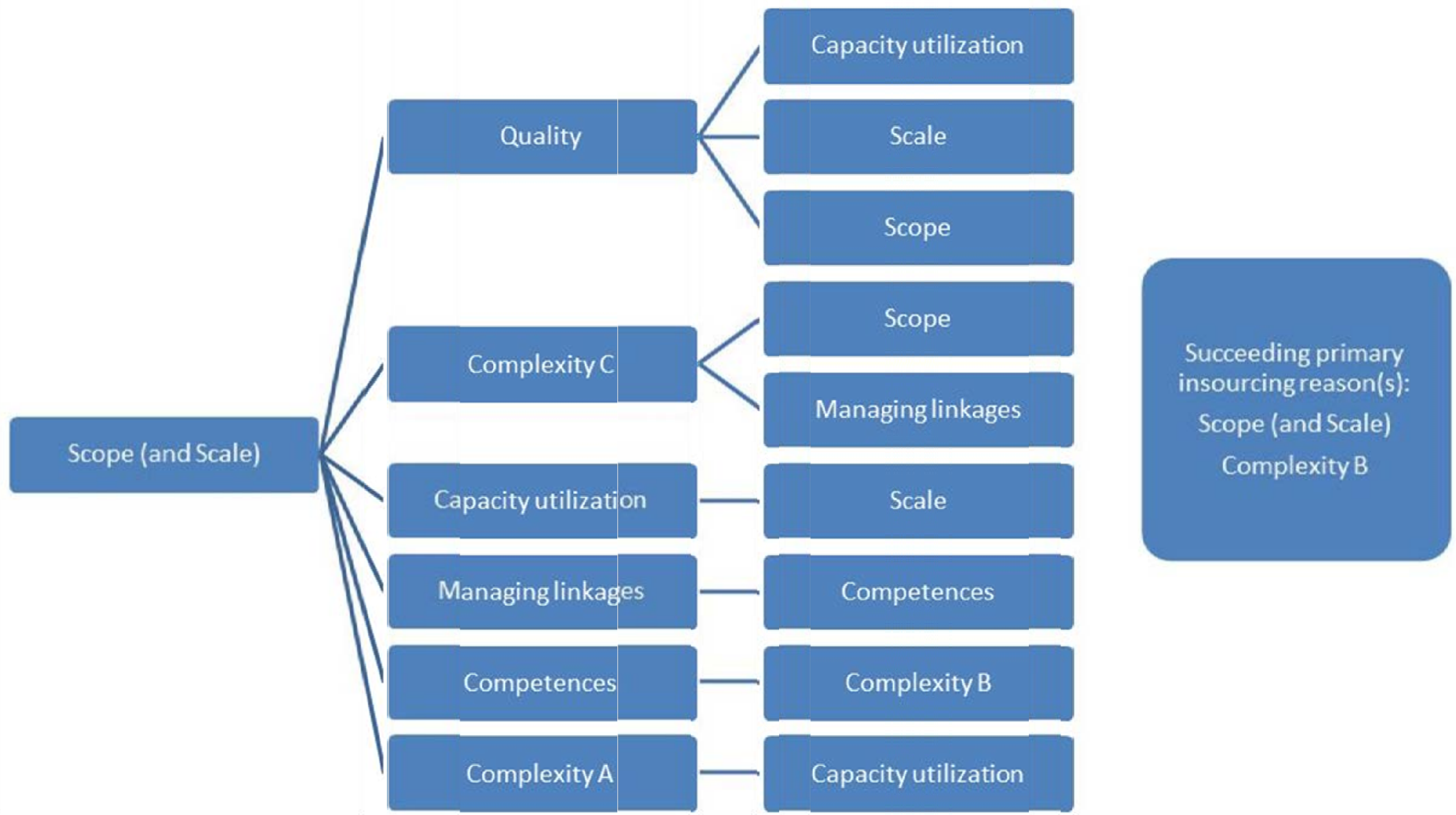
This can be illustrated by 'unpacking' Figure 1 in subsection 5.2.2.1 for each of the organizations; thus in each of the emplotted narratives.

This is portrayed for all the organizations and exhibited in Figure 2.1 to Figure 2.6 in Appendix 3.

Initially the approach is here illustrated by the effects and the way the materialize in the emplotted narrative about EXPERIENCE and will, thus, in turn also elevate the key summaries presented after each of the emplotted narratives and exhibit the intertwined nature of the various effects and the way they materialize.

This is conveyed in Figure 2 on the next page, where EXPERIENCE is used as the example. Thus, this Figure 2 is likewise presented as Figure 2.6 in Appendix 3. In the figure the succeeding primary insourcing decisions are also indicated, as they are conveyed in Section 4. However, these will subject to additional elevation and discussions in the later subsections.

Figure 2. Various intertwined effects that give rise to altered management situations in EXPERIENCE



In the illustration based on EXPERIENCE, i.e. Figure 2 on the previous page (and Figure 2.6 in Appendix 3), the ‘boxes’ to the left arrows illustrate immediate observable effects after the outsourcing, which gives rise to altered management situations. The ‘boxes’ to the right illustrate as examples, how these effects intertwine with various other key themes in the emplotted narrative about EXPERIENCE. Hence, and as an example, the emplotted narrative of that of EXPERIENCE exhibits in this format, for instance, the notion of quality in processes and products, which is intertwined with the literary effect of that of capacity utilization. The reason is that the quality aspect materializes in management ambiguities about the utilization of the capital equipment of the organization. Thus, it triggers subsequent top management’s enactment.

This is as such not scholarly surprising. It is rather confirmative in the sense that breach of quality in the processes and products could, and in EXPERIENCE it does, interweave with capacity utilization. A breach of quality could for instance embed stop in the production, which would obviously reduce the utilization of the capacity. However, what is also irradiated is for instance EXPERIENCE management’s concerns as to the structural cost themes of complexity regarding the range of products also intertwines with the executional cost management issues of capacity utilization. Hence, it exhibits a plausible explanation, where a structural alteration of the value chain with an impact on scope, evokes management situations and ambiguities about the product range, i.e. the structural cost driver theme of complexity, intertwined with an executional cost driver theme; i.e. capacity utilization. This was not prior part of the enacted environment, which is ‘*something that the organization’s’* top management *‘momentarily ‘know’ or feel they ‘understand’*’ (Weick, 2001, p. 190).

Hence, in this emplotted narrative a structural cost alteration rooted in scope becomes subject to structural concerns and queries about structural complexity (e.g. range of products) intertwined with executional considerations. It is also observed that there are multiple executional related effects, which in turn evoke multiple executional and structural themes. It is likewise observed that structural considerations are mobilized as immediate effects of structural decisions. Thus, such themes are only partly evoked by explicit executional themes, although these of course can interweave.

Although, the figure still is a very simplified illustration based on the emplotted narratives, it clearly visualize the intertwined nature of the effects, where a structural decision leads to multiple, and intertwined executional and structural effects. In turn, this leads to various structural decisions.

The alteration of the value chain configuration gives also rise to management themes of that of complexity as depicted for instance by flexibility. In the emplotted narrative about EXPERIENCE it is in turn related to for instance management questioning stability in the supply processes, which would infer an increased managerial attention to that of scope. At a later stage it actual does so.

In that way, EXPERIENCE shares some similarities with SUPPLY Division 3, where the intertwined effects are explicated in Figure 2.1 in Appendix 3.

SUPPLY Division 3 experiences, as exhibited, quality obstacles, which for instance materialize in issues within the literary realm of executional cost management, e.g. capacity utilization. This in turn ignites management queries as to that of the product offering as such.

This it related both to the structural choices regarding scope through the questioning of stability in the supplies (i.e. the supplies provided by the Polish company) with the intermediating factor of that of complexity in terms of for instance swift deliveries. This is an executional issue defined by the structure of the value chain.

The enhanced coordination efforts are pivotal. The same are the costs associated. These obstacles in the exploitation of potential benefits in linkages, which, in theory, is an executional cost management issue, evokes in turn the structural concern as to the scope of SUPPLY Division 3.

This emplotted narrative exhibit thus a somewhat straight forward illumination of the thematic structural and the executional cost management relationships as conveyed in Section 2. However, it also portrays the concern of mobilizing not only a structural and executional cost management relationship in the outsourcing evaluations. It likewise seems potentially to irradiate the intertwined nature of the structural themes of complexity and scope.

This is, however, probably exhibited even more visible in the emplotted narrative regarding DELIVERY, where the intertwined effects are explicated in Figure 2.4 in Appendix 3.

DELIVERY exhibits explanations about the intertwined nature mobilizing the whole pallet of the various ‘complexity effects’ (e.g. product range, flexibility and product development capabilities). However, the management of the linkages becomes also quite profound in this emplotted narrative. This also gives rise to management queries as to the organizational scope and scale of operation.

In this particular emplotted narrative the managerial attention to competences in terms of for instance knowledge, experience and technology, thus in that respect potentially a structural cost driver, interrelates observable with the aforementioned structural cost management themes and is constantly subject of management’s attention. However, this also intertwines with attention to workforce involvement, which is an executional cost driver.

This issue is also quite observable in the emplotted narrative about SUPPORT, where the effects are explicated in Figure 2.2 in Appendix 3.

SUPPORT has in that respect perhaps the ‘simplest’ depiction to explore. The outsourcing based on costs constantly gives rise the effects portrayed in complexity as the ability to develop products intertwined with the organizational competences. This in turn intertwines and materializes with scale of the operation.

The emplotted narrative about PROVIDE, likewise, exhibits interesting explanations as to the intertwined nature of the effects, which gives rise to a profound alteration of the value chain in terms of scope and subsequently scale.

The cost argument is also in this emplotted narrative an argument behind the initial alteration of scope, and scale, where the executional management theme materializes in the reduced capacity utilization. This intertwines with complexity in terms of product range as a structural management concern and, more profoundly, the questioning of both the scale and the scope of the organization.

This issue is illuminated in the illustration of the effects and in which they materialize in the emplotted narrative about PROVIDE as portrayed in Figure 2.3 in Appendix 3.

The emplotted narrative regarding LEVERAGE exhibits the intertwined conception of the various effects. However, in LEVERAGE, where the effects are explicated in Figure 2.5 in Appendix 3, it is complexity in terms of delivery that intertwines with the executional cost management issue of the continuous management of the linkages across the whole value creation process.

The exploration of the emplotted narrative in this way becomes also interesting in the sense that the exhibited explanation plausible, and continuously, evoke queries as to the scale of the operation as a structural cost management concern.

5.2.4 Structural and executional cost driver effects evoking management action and enactment

The discussion suggests that the outsourcing ventures in the organizations and as exhibited in the emplotted narratives do relate to a palette of effects, which materializes in new management situations and efforts. They are exhibited as both ‘isolated effects and management situations’ as well as exhibited as to its inherited intertwined nature and conception in general and in each emplotted narratives.

The exhibited thematic cost driver themes display conditions and explanations as to the new management situations, which are subject to for instance organizational ambiguity and tension in that of organizing.

It should, however, be noted that is not the same as these were totally unexpected; at least not to some extension catered for in the calculations prior to the decision. This will be the key theme in subsection 5.3.

Likewise, it is not the same as suggesting that if an effect is not exhibited is it not a management issue. Indeed, quite the opposite is the situation. The exhibited effects and the way in which they materialize are only those that are exhibited plausible explanations as to the explanatory proposition of that of evoking or significantly interweaving in the creation of the new, altered management situations and in turn the alteration of the organizational value chains.

While the discussion exhibits the various effects, what is perhaps even more interesting as to the discussion regarding for instance the cost calculative practices is the quite observable intertwined nature of the palette of explanations for the creation of altered management situations in the organizations. This discussion is enabled by ‘unfolding’ the emplotted narratives for each organization in the previous subsections. Hence, the exploration is based on the exhibited explanations.

The executional cost management effects become for instance a ‘catalyst’ not only for structural cost management queries (e.g. Anderson and Dekker, 2009b). They likewise seem in some instances to evoke managements’ attention to other executional cost management issues.

It is previously suggested that *’The organizing process of enactment incorporates the sensemaking activities of noticing and bracketing’* (Weick et al, 2005, p. 414), where these activities of noticing and bracketing are *‘triggered by discrepancies and equivocality*’ (Weick et al, 2005, p. 414) within the management situation and context. It could here be argued that executional cost management themes both are ‘catalysts’ as well as interweaving and/or intervening filters in the interpretation. This could for instance be through bracketing, i.e. their enacted environment ‘*is simplified*’ (Weick et al, 2005, p. 411), ‘more crudely’ and thus simplifying the reciprocity between action and environment. The act of ‘*bracketing*’ is in itself ‘*relatively crude*’ (Weick et al, 2005, p. 414).

However, it is also exhibited that in terms of their potential interweaving and/or intervening filters, it could evoke supremacy and displace management attention and explanatory basis in relation to the assessment of for instance cost calculations. This is the situation, whether they address expected, estimated costs or depicts actual incurred costs. What is perhaps particularly scholarly interesting are the exhibited explanations as to that of the structural cost management themes.

The outsourcing ventures do profoundly rest upon the cost argument, and they do embed structural change in the value chain configuration and the alteration of operating leverage. It is also exhibited in the previous subsections that this gives rise to executional cost management themes of optimizing the performance of the organizations.

While, this is not surprising and also explicated in Section 2, the structural cost management themes to alter the organizational value chain illuminate management situations and ambiguities that involve not only executional cost management concerns but likewise other structural cost management queries that in turn interweave.

Some of these structural themes are cost management cues infused by executional cost management concerns confined by the structural cost management approach. However, others are not necessarily explicitly related hereto. Such cues do for instance relate to the selection.

This might not be surprising in the sense that the methodological approach confines a sequential empirical setting, thus any subsequent insourcing would be based on a structural cost management decision.

However, as to the exhibited reciprocity between the management actions irradiated in the emplotted narratives in their organizational environments this is not 'linear'. If for instance the initial alteration of scope is sequentially confined by re-alteration of the scope by insourcing, several of the emplotted narratives exhibit an enactment of a somewhat altered conception of the management situation, which also mobilizes other structural cost management themes. This will in turn be developed in subsection 5.4.

Before that is discussed as to it theoretical propositions, each of the aforementioned effects, whether intertwined or portrayed in isolation, give rise to the discussion about for instance the cost calculations, and how they are mobilized in the outsourcing decision. This is the theme of the next subsection 5.3, which exhibits differences and similarities.

5.3 Cost in cost management related to outsourcing

Subsection 5.3 builds on the discussion of the effects and the ways in which, they materialize in subsection 5.2. These effects create altered management situations, ambiguities and give rise to new management issues and concerns as well as subsequent actions. Thus, this very much resembles the ongoing process of 'organizing' (Weick et al, 2005; Czarniawska, 2008), in which enactment takes up a central position as it '*drives everything else in an organization*' (Weick, 2001, p. 187).

This acts as a 'springboard' for discussing the cost calculative approaches and the embedded cost driver understanding as this forms part of the interpretive frames and has both inventive and interpretive effects (e.g. Weick, 1995) in organizing in this contextualized setting.

This will also be elevated in the next section 5.4, which introduces the reasons behind the subsequent insourcing and then supports the more confined discussion about the inventive and interpretive effects of the sequential alteration of the organizational value chains as exhibited in the emplotted narratives. This is in turn carried forward in the additional elevation about top management's enactment of the organization's cost structure and thus additionally support the theorizing about, for instance, how Strategic Cost Management practices might be '*enacted and given meaning*' (Baxter and Chua, 2003, p. 112) by top management.

Section 5.4 will also mobilize aspects of for instance strategic intent and the confined conception of cost management in the intersection between the organizational strategy, cost drivers and organizational value chain management and alteration. Thus, it will additionally contribute to the discussion and elevation of top management's enactment and the making of sense about their organizational approaches to Strategic Cost Management.

In that respect this subsection 5.3 introduces different perspectives that relate to the creation of sense surrounding the organizations' cost management approach mobilized with the exhibited explanations in the emplotted narratives in Section 4 and the effects and materialized management situations in relation to the cost driver theory as structure of the discussion in subsection 5.2.

5.3.1 Cost calculative practices and the mobilization of the cost argument

In all the emplotted narratives the notion of cost, e.g. strive for cost reduction through the utilization of for instance the relative wage levels of blue-collar workers, is the prime argument behind the outsourcing venture and the alteration of the value chain configuration and the operating leverage of the organizations.

The way in which the cost argument is mobilized and supportive is the key theme in subsection 5.3.1.1. The consecutive subsection 5.3.1.2 introduces the notion of unforeseen costs. Although contemporary contributions, as conveyed in Section 2, elaborate for instance around the non-theoretical cost construct of 'hidden costs', and as such some instances in the emplotted narratives could be labelled 'hidden costs', the key purpose of subsection 5.3.1.2 is to carve out and discuss incurred costs in a more cost theoretical perspective.

This can subsequently bridge theoretically to the discussion about structural and executional themes and the organizational approaches, which is the primary theme in subsection 5.3.2

5.3.1.1 The initial mobilization and use of the cost argument

Obviously and as exhibited in the emplotted narratives, there are other reasons than the 'cost argument' in broad that intertwine in the initial mobilization of the decision to alter the organizational value chain configuration. However, these subthemes are exhibited subordinated to that of the 'cost argument'.

In the emplotted narratives of that of PROVIDE and EXPERIENCE, for instance, 'vicinity to markets' seems also an explanatory reasons behind the decision to alter the organizational value chain configurations. However, in both emplotted narratives the cost argument clearly displaces that of 'vicinity to markets', as the outsourced activities equally had been performable in other geographical places as exhibited.

This is even more profound in the emplotted narrative of that of LEVERAGE, which also mobilizes 'vicinity to markets' as an argument. LEVERAGE's top management continuously emphasizes the cost reduction aspect.

Even in the emplotted narrative of EXPERIENCE, where the reason, not that literary profound though, of 'vicinity to resources' seems to be mobilized by EXPERIENCE, the cost argument for the alteration of the cost structure, thus structural cost management, is governing as to the initial outsourcing decision.

The emplotted narratives exhibit various approaches in terms of, how the external environment and the internal perspectives seem to evoke the mobilization of the underlying calculative approaches to the outsourcing ventures. In that way, the emplotted narratives are also exhibiting how the organizational notions of costs are mobilized. It is further exhibited, how cost in an external, institutionalized perspective may trigger, prime and edit meaning formation (e.g. Weber and Glynn, 2006) about the cost argument in organizations, and how this is bracketed by the organizations; which together with 'noticing' is '*an incipient state of sensemaking*' (Weick et al, 2005, p. 411).

As it is outline in terms of the methodological approach in Section 3, this is not an institutional theoretical[138] rooted research. However, and as likewise outlined, the perspectives on sensemaking (e.g. Weick et al, 2005) recognize the context for instance in relation to the situated creation of sense as the '*reciprocal exchange*' (Weick et al, 2005, p. 414) between enactment and actors' environments, and, perhaps even, relating two decades back to Weick (1995) in the perceived importance of this connection between the environment and the organization (e.g. Weick, 1995, pp. 69–70). Thus, this is also somehow being shaped by '*externalities*' (Weick et al, 2005, p. 414)[139].

[138] Institutional theory is not mobilized as a theoretical perspective as such

[139] The mobilization of externalities in a way just reinforces the importance in confining for instance the level of analysis and the assumption of sensemaking being highly contextualized and context dependent as also explicated in the methodology, i.e. Section 3

This enforces the confinement of for instance the level of analysis and the assumption of enactment as part of '*organizing*' is highly contextualized and context dependent, where the 'externalities' infuse for instance the inventive nature of mobilizing the cost argument that is then subject to top management's interpretation of costs and the organizational cost position.

In this discussion perspective, the emplotted narratives seem, probed and theoretically elevated across, to share the similarity that there is not external cues that as such were violating expectations that subsequently triggered sensemaking (e.g. Maitlis and Christianson, 2014). Apart from that this is an initial contextualization criterion as conveyed in the methodological section, in Section 3, as there are not case organizations, where the initial outsourcing decision depicts an extreme 'polar type' case (e.g. Eisenhardt and Graebner, 2007). It is, though, interesting to compare the exhibited explanations in terms of the external coupling to the notion of costs in respect of the initial outsourcing decision, which alters the organizational value chains.

While the emplotted narratives of that of EXPERIENCE, LEVERAGE and SUPPORT seems to exhibit a looser coupling (e.g. Maitlis and Christianson, 2014, p. 89)[140] [141] to externalities, relative to the other emplotted narratives, in the way these organizations mobilize the notion of costs initially. The 'opposite', i.e. a relatively tighter coupling, seems to be exhibited in the emplotted narratives of that of PROVIDE, DELIVERY and SUPPLY Division 3.

This is not to claim, that EXPERIENCE, LEVERAGE and SUPPORT is not coupled tightly to the environment. However, in the particular realm of costs and as a leverage of their competitive positions the enacted understanding seems to be somewhat more embedded and resistant to externalities. It seems in particular to the explained when these externalities do not offer highly contextualized direction; that is highly contextualized and fitting top management's enacted understanding as it is portrayed as '*something that the organization's'* top management *'momentarily 'know' or feel they 'understand'*' (Weick, 2001, p. 190).

Thus, in the emplotted narratives of that of DELIVERY and PROVIDE and SUPPLY Division 3, there seem to be a more instantaneous external priming effect (e.g. Weber and Glynn, 2006) from the environment. As to the priming by externalities (e.g. Weber and Glynn, 2006) in the way they '*inform and constrain identity and action*' (Weick et al, 2005, p. 409), these organizations then depict both a relatively tight coupling to non-contextualized specific externalities in terms of an at that time prevailing, positively 'outsourcing discourse' as well as a certain newness in that of outsourcing to the organization compared to the other organizations. However, while public discourses define for instance problems, '*to which corporate actors respond, those public institutions do not appear to direct solutions*' (Weick et al, 2005, p. 417). This research seems to illuminate this in the aforementioned emplotted narratives.

[140] Maitlis and Christianson (2014) refer to research regarding organizations' coupling to their customers, while the notion of coupling is here related to that of externalities as surrounding notions of costs and strive for cost savings as an instrument to leverage the competitiveness and in turn through outsourcing of activities and processes

[141] The attention to externalities in terms of the general mobilization of the cost argument seems even negatively couple in the emplotted narrative about SUPPORT at as to some cost components

Within the realm of sensemaking Weick et al (2005) also touches upon the sensemaking (micro)⇔macro relationship. However, Weick also advocates that the '*juxtaposition of sensemaking and institutionalism has been rare*' (Weick et al, 2005, p. 417). Thus, it perhaps calls for extended recognition hereto in among others outsourcing considerations.

The emplotted narratives of that of EXPERIENCE, LEVERAGE and SUPPORT on the other hand exhibit an explanation that suggest that the '*process is gradual and cumulative*' (e.g. Weber and Glynn, 2006, p. 1648). This seems in terms of for instance LEVERAGE to be embedded in a total costing approach; which has been reinforced and thus additional retained. This seems quite plausible to portray Weick et al (2005), who suggest '*these exchanges will continue only if the preserved content* [i.e. preserved in the Retention] *is both believed (positive causal linkage) and doubted (negative causal linkage) in future enacting and selecting*' (Weick et al, 2005, p. 414) and continue that: '*The reciprocal relationship between ecological change and enactment includes sensemaking activities of sensing anomalies, enacting order into flux, and being shaped by externalities*' (Weick et al, 2005, p. 414). This has the implication with reference to for instance the aforementioned notion about LEVERAGE that a *believed (positive causal linkage)*, would reinforce the existing costing approaches within organization.

It is not claimed that the level of coupling in DELIVERY and PROVIDE and SUPPLY Division 3, could be the most important explanation. However, it seems exhibited that there is plausible proposition of a co-explanatory effect. DELIVERY's coupling seems in that respect even somewhat incidental, and that could explain some of the effects and the materialized management situations. In case of SUPPLY Division 3, it seems somewhat 'imported' and, likewise, instantaneous in nature, due to change in management and in turn the lack of exhibited managerial understanding of the organization.

The same is not exhibited in PROVIDE, although that it seems exhibited that the organization as such is attentive to the, at that time prevailing, and somewhat institutionalized conception of the potential positive effects by outsourcing.

The initial mobilization of the 'cost argument' that is internalized and evoked in the quest for cost reduction is exhibited as the primary argument behind the initial alteration of the organizational value chain configurations. The emplotted narratives do in this respect exhibit a calculative approach that mobilizes the notion of 'miscomprehended costs', which is the main theme of subsection 5.3.1.2. This subsection also refers back to the intertwined conception of the actions and effects discussed in subsection 5.2.

5.3.1.2 The notion of miscomprehended costs

The mobilization of cost constructs such as 'hidden cost', 'unforeseen costs' and alike, which as irradiated in Section 2 are conveyed in literature and contributions, is illuminated in the emplotted narratives.

However, while the emplotted narratives do illuminate such, in this subsection the term 'miscomprehended costs' are used to signal both costs, as conveyed in Section 2, which have been researched by the mobilization of theoretically well-embedded concepts such as transaction cost economics to costs, which can be related back to 'blunt errors' in the calculative practices. The many effects of the calculative approaches seem profoundly exhibited in the emplotted narratives regarding for instance those of PROVIDE, DELIVERY, SUPPLY Division 3 and EXPERIENCE.

This is not to claim that the entire range of illuminated theoretical anchored cost driver effects and the subsequent management situations portrayed in subsection 5.2 are caused by the calculative practices and could in hindsight be claimed foreseeable in nature. This would of course be an unwarranted and unreflective argument and actually somewhat in contradiction to the explorative approach, which mobilizes the sensemaking perspective (e.g. Weick, 1995 and 2001).

However, the emplotted narratives of EXPERIENCE, PROVIDE, DELIVERY and SUPPLY Division 3 irradiate approaches, which illuminate the notion of either misconstrued costs or even blunt errors in the underlying cost calculations. A couple of these are exhibited in Table 5.4.

Table 5.4 A couple of examples of miscomprehended costs and calculative errors in the initial outsourcing decisions

	SUPPLY Division 3	PROVIDE	DELIVERY	EXPERIENCE
Examples of some miscomprehended costs	Costs related to coordination Costs due to loss of blue-collar workers	Costs related to coordination, also reinforced due to restricted knowledge transfer	Costs related to coordination and cost evolving due to the altered power in the relationship	Costs related to coordination
Calculative errors	Costs of transportation	Additional incurred costs, VAT and alike		

As to the example of miscomprehended costs, which is here exhibited by the executional cost driver of that of managing the linkages in the actual transaction process as well as in the transfer of knowledge in terms of upstream vertical integration. This will be discussed more thoroughly in the next subsection that among others addresses the structural and the executional cost drivers and the effects on the incurred costs.

There is no 'values' attached to the terminology of 'miscomprehended' costs, nor is it for instance claimed that this could be rationally catered for in the supportive cost calculations. What the organizations did experience, though, is for instance that in terms of costs incurred by the enhanced coordination efforts were higher than expected; in some instances even much higher than expected prior to the outsourcing decision. However, as it will be demonstrated in the next subsection 5.3.2, the organizations have embedded learning as to the experience associated with the outsourcing of activities within the value creation processes. This evokes the notion of elevating the organizations' cost calculative capabilities.

This has in turn enabled the irradiation of the plausible miscomprehended costs due to the sequential empirical setting. Thus, it portrays the possibilities of the methodological approach and the theoretical sampling in the research design.

The ‘calculative errors’ are as such of only limited scholarly value, other than the emplotted narrative of for instance that of SUPPLY Division 3 seems to attract at least the notion to the issue of sufficient attention to detail; i.e. the calculative error of leaving out cost of transportation. However, it could perhaps be argued that it might be related to the coupling to externalities in this specific emplotted narrative, with a management approach that seems to internalize a belief detached from a more thorough organizational understanding exhibited by a change in management just prior to the outsourcing venture.

In the emplotted narratives about LEVERAGE and SUPPORT there are exhibited examples of ‘miscomprehended costs’, however these two emplotted narratives exhibit some ‘extremes’ in their approach to costing, which depicts both some similarities and also quite different approaches. LEVERAGE portrays a ‘quite advanced’ total costing approach within the organization. The organization has developed and applies for instance ‘experience values’. SUPPORT seems at the other end of the continuum to have adapted an approach, where the costs associated with development are not assigned as cost components for instance to specific products.

This can be explained by the profound attention to internal development of skills and competences combined with the explanation that product development within their particular industry can incur costs that are not attributable due to their relative size, which otherwise would make SUPPORT unable to compete. This is in turn combined with for instance SUPPORT’s approach, where they mobilize opportunities over longer time horizons. This is discussed in the next subsection 5.3.2.

The issue of cost and cost calculations in relation to the structural and executional cost management themes are, thus, discussed further in the next subsection 5.3.2. Here is the notion of ‘miscomprehended costs’ carried forward in the discussion; though not applying a claim that these could be foreseeable in the organizations. Instead, it is rather to elevate the discussion and the subsequent theorizing about the effects of structural and executional cost drivers in the sequential contextualized setting.

5.3.2 Structural and executional cost drivers conditioned by the alteration of the organizational value chain

As it is discussed in the subsection 5.2 there are several intertwined structural and executional cost driver effects of the initial outsourcing decision and alteration of the value chain configuration. The next subsection, i.e. subsection 5.3.2.1, elevates the discussion of these intertwined structural and executional cost driver effects as to the effect on actual incurred costs. The subsequent subsection, i.e. subsection 5.3.2.2, addresses the implication on the management situation based on the asymmetric cost driver effects based on the dynamics of the alteration of the organizations’ value chains, and how the organizations adopt and apposite to the management situation.

5.3.2.1 Portraying structural and executional cost drivers and the effects on incurred costs

The exhibited effects discussed in the previous subsection 5.2 mobilize the theoretical anchored cost driver taxonomy. As such this subsection by large exhibits the structural and executional cost driver effects and the altered management situation and ambiguity this give rise to.

Table 5.5 exhibits, how the effects materialize in terms of somewhat more noticeable costs to the organizations ignited by the initial outsourcing. In that respect the table summarizes some key exhibited 'miscomprehended costs'. These costs, however, do not include 'calculative errors', e.g. costs of transportation in the emplotted narrative of SUPPLY Division 3, as these 'calculative errors' seems of limited value to academia.

Table 5.5 Some examples of miscomprehended costs as effects of outsourcing decisions

	SUPPLY Division 3	SUPPORT	PROVIDE	DELIVERY	EXPERIENCE	LEVERAGE
Coordination, Control including unexpected overhead costs	Costs related to coordination and control	Costs related to coordination	Costs related to coordination, also reinforced by restricted transfer of knowledge Increased, Unexpected overhead costs	Costs related to coordination as well as cost evolving due to the altered power in the relationship	Costs related to coordination and control	Costs related to control
Quality in products and processes	Cost of quality incurred by correctional efforts due to variance				Cost of quality incurred by correctional efforts due to variance	Cost of quality incurred by correctional efforts due to variance
Capacity utilization	Incurred costs by reduced capacity utilization	Incurred costs by reduced capacity utilization	Incurred costs by reduced capacity utilization		Incurred costs by reduced capacity utilization	
Complexity as to the provision flexibility in deliveries					Increased inventory costs	Increased inventory costs
Other	Costs due to loss of blue-collar workers			Costs evolving due to the altered power in the relationship		

The above Table 5.5 exhibits more significant, miscomprehended incurred costs effects as exhibited in the emplotted narratives, as they are traceable to the outsourcing events. In general, the above exhibited incurred costs are underestimated and not catered for in the initial basis for the alteration of the operating leverage of the organizations in the emplotted narratives.

These costs might by large, and within the literary realm of cost drivers theory, noticeable associated with executional cost drivers. These incurred costs are quite profound in the exhibited narratives and underpins the conception that the structural alterations of the value chain configuration materializes in the executional costs themes. Thus, the executional cost management concerns become effects of the structural decisions. However, it seems also to suggest that there is perhaps an underestimation of the multiplicity of such effects.

In this respect it is, however, quite interesting to understand that on one side, it seems exhibited quite plausible that top management has explicitly gained leveraged knowledge of these incurred cost effects, i.e. the costs related to the executional costs drivers become effects of the structural cost driver related decision. This portrays of an enacted environment that top management *'momentarily 'know' or feel they 'understand''* (Weick, 2001, p. 190). On the other side, and at the same time, the top management's concern seems to materialize in ambiguities about the structural cost position; though in quite different ways.

Besides the notion that this reinforces the ambiguities about other structural cost management issues, which arise from a specific change in for instance scope, it also confirms the executional cost management issues' catalytic effects as to the structural cost considerations (e.g. Anderson and Dekker, 2009b), which in a sense makes the management information asymmetric. This is also analyzed in the next subsection 5.3.2.2.

However, even though, this argument seems justifiable, there is a further cost driver consideration that is interesting to discuss. This relates back to Anderson and Dekker's mobilization of Tomkins and Carr (1996) about the confinement of the difference between structural and executional cost management. Anderson and Dekker suggest among other and as outlined in Section 2 that structural cost management may be conceived as '*the choice between alternative production functions that use different inputs or combinations hereof to meet a particular market demand*' (Anderson and Dekker, 2009a, p. 202), and 'contrary' that '*executional cost management'* and the management of the subsequent cost drivers are concerned with whether the organization is on the efficient frontier for a given '*production function*'. This is by large embedded in the economists' understanding within production theory (e.g. Hirschey and Bentzen, 2014) hence in turn production economics.

This might be compelling and in that respect Anderson and Dekker (e.g. 2009a) are right in suggesting that the structural cost drivers then '*reflect the organisational structure, the investment decisions and the operating leverage of the firm*' Anderson and Dekker (2009a, p. 2002). These are also structural decisions that are exhibited in the emplotted narratives and in turn discussed in the previous sections.

However, the mobilization of the 'production function' requires in its long-run conception a time horizon that in production theory enables an organization to alter the entire range of input variables as also irradiated in Section 2. In that sense it might be argued that a conception of the distinction between structural and executional cost drivers and effects provide some limitations to their practical applicability.

This is not in any way to contradict Anderson and Dekker (e.g. 2009a), which also ‘soften’ the production theoretical perspective. They for instance convey that ‘*In supply chain management, structural cost management includes the decision to seek an external supplier with or without contemporaneous production by the buyer, selecting one or more external suppliers, and designing the buyer/supplier relationship*’ (Anderson and Dekker, 2009a, p. 204).

This is also the confinement of the analytical approach in this research, where the discussions based upon the emplotted narratives not only suggest the intertwined conception between the various effects and the way in which executional and structural cost management effects interplay. The research also suggests that the way in which executional and structural effects coexist is highly contextualized and subject not only to for instance the mobilized perspective related to an outsourcing decision, but it likewise alters and materializes in various ways of adaptation within the emplotted narratives.

This is discussed in the next subsection, i.e. subsection 5.3.2.2. This could already be inferred, as some of the exhibited incurred costs in Table 5.5 actually exhibit plausible adaptation to cater for the new altered management situations; e.g. increased inventory costs.

5.3.2.2 Asymmetric information and adaption

The asymmetry in cost management is exhibited plausible in the sense that for instance structural cost alterations of the value chain materializes in a palette of executional management concerns. This subsequently gives rise to structural cost management effects and situations, which to some extend were not catered for prior to the actual decision to alter the structural cost position of the organizations; though there are explained observable differences.

However, and as discussed in subsection 5.2, it does also exhibit that several structural cost management implications as to concerns about for instance scale, scope, competences and complexity in the product range partly are mobilized intertwined. This intertwined mobilization is partly as a consequence of the executional cost incurrences, where the structural cost management considerations and concerns also, and eventually, become remedies of the experienced executional cost management obstacles in the emplotted narratives. The remedies for instance relate to subsequent insourcing, which is discussed in subsection 5.4.

These structural cost management concerns are, however, not depicted in actual incurred executional cost driver related cost, even though the organizations obviously also incur structural cost driver related costs. These are generally illuminated asymmetric to the main executional cost implications in the emplotted narratives.

This asymmetric notion is further enforced by the actions taken by top management in terms of for instance adaptation of remedies to cater for the cost management of the value chain. Thus, this also, and additionally, exhibits top management’s ability to manage the cost structure ‘*is to take action in respect of it*’ (Weick, 2001, p. 183).

The notion of adaptation also infers top management's action. However, some of these actions go beyond the actions that for instance could be portrayed by cost driver theory and taxonomy, as it will be conveyed. Thus, in the respect adaptation is brought further to support the understanding of the top management's enactment.

The structural cost management concerns are observable management concerns that either portray evoked management situations from the executional cost management themes and the associated incurred costs or by the provision of either a retrospective calculation such as that in the emplotted narrative of PROVIDE or illuminated in the 'quite advanced' total costing system of that of LEVERAGE. This infers two quite different notions of management intervention in chronological terms.

Hence, the emplotted narrative about LEVERAGE also illuminates an adaptation and annexation; thus a tight internal coupling given a chosen cost structure, which cumulatively embeds learning and 'experience values'.

In terms of management adaption of the implication of the altered cost structure associated with the outsourcing, these analyses of the emplotted narratives exhibit ways in which, this is done in the organizations; though this incurs costs. The quite obvious example is the aforementioned inventories and the associated increased, incurred inventory costs (e.g. in EXPERIENCE). Among other illuminated adaptations are management attention to coordination and control (e.g. in SUPPLY Division 3), which likewise incur costs.

Table 5.6 provides an overview of some of the means by which adaptation materializes in diverse ways; building on the discussion in subsection 5.2 and this subsection 5.3.

Table 5.6 Some examples of incurred costs as adaptation to effects of the outsourcing decisions

	SUPPLY Division 3	SUPPORT	PROVIDE	DELIVERY	LEVERAGE	EXPERIENCE
Mainly executional cost issues	Coordination Control	Control	Coordination Control	Coordination Control	Coordination Inventory Control	Coordination Inventory Control
Applying additional experience value					Experience values	
Mobilizing opportunities		Opportunity revenues[142]		'Opportunity revenues'[143]		

[142] SUPPORT has to some extend more explicated management conceptions of the potential, however it is exhibited somewhat loosely defined considering the lead times for the potential contracts
[143] It is only exhibited in one organizational instance in DELIVERY, where it in SUPPORT seems to be exhibited somewhat more internalized

LEVERAGE's application of 'experience values', which to some extend caters for materialized effects, could be viewed as an adaptive remedy. This builds on previous experience, and their approach and costing system has been developed over a longer period, which exhibits a situation, where an accounting concept cumulatively embeds the retrospective generated knowledge.

To some extend other emplotted narratives do exhibit to cater for, if not unforeseen executional cost management effects, then as an argument for incurring cost in the initial investment, where costs associated to more structural concerns are defused by the mobilization of more or less confined opportunities.

The notion of opportunity costs has only had scarce attention within the realm of Strategic Cost Management literature. However, Anderson and Dekker (2009b) actually convey this economic concept in a comment as to stock outs compared with purchase prizes and within their reflections about executional cost management. They do so with reference to a specific case organization in its mobilization of economic costs[144] compared to accounting costs.

This absence of opportunity costs in Strategic Cost Management is generally surprising in the sense that opportunity costs, for instance as foregone value, are incurred, when the decisions are made between two or more alternatives; e.g. choice about cost structure.

However, it might be argued that the mobilization of opportunities is depicted in the emplotted narrative regarding SUPPORT in the sense that if the organization does not insource to enhance knowledge, they seem to suggest that they will be unable to leverage future revenue streams, though these are not quantified in detail by management. However, in this emplotted narrative it might be argued that this is then to be depicted as negative opportunity costs ('opportunity revenue'), and thus comparable with a predicted cash inflow in an investment appraisal, though this is not necessarily attached to a specific project of product line but rather to the overall cost structure in SUPPORT.

However, the concept of opportunity costs is also and as conveyed in Section 2 somewhat vague in the sense that it requires the mobilization of opportunity sets, within an opportunity space. This would of course imply future projects and presentations of various options.

This mobilization of the leveraged understanding of the intertwined effects seems to offer a partway to discuss opportunity sets and in turn opportunity costs within the realm of Strategic Cost Management in the analytical and empirical environment; e.g. a strategic value chain perspective.

SUPPORT is not the only example in the emplotted narratives. It could also be argued that DELIVERY mobilizes a conception of 'opportunity revenue', likewise SUPPORT, in the sense that DELIVERY insourced based on an appraisal that portrayed negative cash flow over the period. Hence, it infers a perception of opportunities.

[144] Economic costs include the opportunity costs (e.g. Hirschey and Bentzen, 20014), whereas these opportunity costs are not portrayed in accounting systems (e.g. Zimmerman, 2011)

This is not to argue that for instance sensemaking suddenly is perceived as being prospective opposed to retrospective, as it is confined in the elevation of the methodological approach and thus as this explorative 'lens' is applied in this research. However, it seems to suggest that top management in some sense draw and incorporate prospective interpretations, though these could arguably be interpreted retrospectively, thus taking action as these 'prospective images' had already incurred in Strategic Cost Management and in the enactment of the organization's cost structure.

This is unfolded in the next subsection, i.e. subsection 5.4, which knits the previous two subsections, i.e. the subsections 5.2 and 5.3, together. Subsection 5.4 also mobilizes the reasons behind the insourcing interconnected with the effects the way in which they materialize and give rise to new management situations. Subsection 5.4, thus in a more confined way, makes sense of Strategic Cost Management in the contextualized setting and the intersection between organizational strategy, organizational cost drivers and organizations' value chain

5.4 Management sense with and about Strategic Cost Management

Hence, subsection 5.4, likewise, builds on subsection 5.2, though it carries forward the discussion in subsection 5.3 and more confined discusses top management's enactment of the cost drivers and cost positions in the intersection between cost structure, organizational strategy and value chain configuration.

The particular reasons behind insourcing are also mobilized and discussed. This enables a more comprehensive understanding in the empirical setting of outsourcing and insourcing events, as for instance another enacted top management understanding can potentially mobilize other or complementary reasons behind insourcing. Hence, this subsection 5.4 is confining the making of theoretical sense with and about the concept of Strategic Cost Management in the perspective of the previous contextualized discussions.

5.4.1 The reasons behind insourcing and the plausible effects in the sequential events

Literature posits that insourcing decisions and the underlying reasons are perhaps best understood in connection to previous decisions to outsource organizational activities and processes (e.g. Kinkel and Maloca, 2009). Likewise, the outsourcing decisions as to its dogmata, reasons as well as its effects could be illuminated further in connection with insourcing that perhaps questions outsourcing ventures' effectiveness; hence the underlying outsourcing intentions.

Contemporary contributions situated within Supply Chain Management suggest for instance and as conveyed in Section 2 the need to challenge present decision making schemes and practices based on '*pure cost efficiency considerations*' (Kinkel, 2011, p. 696). Within literature it is related to calls for among others research into decisional tradeoffs and calculative practices. The empirical setting of the sequential outsourcing and insourcing events offers the explanatory possibilities.

In subsection 5.2 the main focus was on the organizational effects and how these materialized in altered management situations after the outsourcing events.

This materialized in various executional and structural cost management effects, where top management's enactment was structured and discussed around cost driver theory and the derived patterns. The intertwined nature and subsequent management ambiguities were discussed as to structural and executional cost drivers and issues.

In subsection 5.3 the emphasis was among other on externalities, cost calculations as well as asymmetric information and adaptation.

As to the calculative practices it was not argued that in terms of 'miscomprehended costs', these could have be catered for in general. It was rather mobilized to understand and in turn discuss structural and executional concerns related to insourcing, and the way they interweave.

The exhibited explanations as to insourcing events are likewise exhibited in association to each of the emplotted narratives in Section 4.

These exhibited reasons behind the insourcing decision is in this subsection 5.4.1 irradiated together with the exhibited effects in Table 5.7 on the next page.

Table 5.7 Overview of some key main effects during top management ongoing enactment of the organization's cost structure

	Primary outsourcing reason, main structural effect and externalities	Main Executional Cost Management effects and management situation	Asymmetry between executional and structural cost drivers and examples of adaptation	Main Structural Cost Management effects and management situation	Primary insourcing reason and structural effects	Enacted Strategic intent and examples of embedded learning as to the executional and structural effects
SUPPLY Division 3	Cost reduction Scope (and scale) Externalities	Quality Capacity utilization Linkages *) Complexity C **)	Asymmetric Control	Scope	Executional issues Scope (and scale)	Organizational focus (overall complexity)
SUPPORT	Cost reduction Scale and Scope (and Complexity)	Linkages *) Complexity B **)	Asymmetric Control, coordination Opportunity	Competences Scale Complexity A **)	Scale, complexity and technology thus knowledge	Unchanged
PROVIDE	Cost reduction Scope (and scale) Externalities	Capacity utilization Linkages *) Complexity C **)	Asymmetric Control Coordination	Competences Complexity A **) Scale and Scope	Executional issues and significant alteration of vertical alteration Scope (and Scale)	Understanding of value chain management Broader cost perspective New approach to outsourcing
DELIVERY	Cost reduction (and financial leverage) Scale and Scope (and Complexity) Externalities	Linkages *) Complexity B **)	Asymmetric Coordination 'Opportunity'	Competences Complexity A**)	Scope, Scale and Complexity A and B **)	Understanding of relationship management
LEVERAGE	Cost reduction Scale and Scope	Linkages *) Complexity C **)	'Symmetric' ('Asymmetric') Coordination 'Opportunity'	Competences Scale (and scope) Complexity A **)	Scale (and scope), Complexity A and B **) Competences	Unchanged Experience values
EXPERIENCE	Cost reduction Scope (and scale)	Quality Capacity utilization Linkages *) Complexity C **)	Asymmetric Control Coordination Inventory	Competences Scale Complexity B **)	Scope (and scale), Complexity B**)	Unchanged Broader perspective on costs

*) Linkages refer to the management of the linkages in is exhibited as for instance increased control, transfer of knowledge and coordination

**) Complexity is divided in three 'categories', which are: Complexity A (product range as to the type and numbers of products), Complexity B (product development) and Complexity C (extra service offerings incl. flexibility in delivery)

Table 5.7 exhibits the primary reasons behind the subsequent insourcing of the activities in the organizations' value creation processes exhibited as plausible explanations in the emplotted narratives in association to the initial outsourcing events and the underlying drivers.

Table 5.7 also combines the effects that create the altered management situations and they ways, in which they materialize in the emplotted narratives, as well as examples of some of the way in which the organizations reacted to these effects in terms of correctional efforts and other ways of adaptation. Thus, Table 5.7 offers further perspectives of the intertwined nature of the various effects in the ongoing accomplishment of enacting the cost structure embedded in the organizational value chain.

Prior to the discussions that steam from Table 5.7, it should be recalled that all organizations have unchanged strategic intent in terms of for instance the direction of the organizations. Hence, the column to the right in Table 5.7 and the notion about enacted strategic intent associates various elevated knowledge perspective, which supports the understanding of the organizations' strategic intents.

It seems exhibited that senses about the executional as well as the structural cost implications were driven by plausibility in relation to the initial outsourcing events. This does in this respect not per se relates to the notion of retrospectively 'miscomprehended costs', though especially the emplotted narratives about SUPPLY Division 3 and PROVIDE seem to exhibit that the effects of calculative practices were somehow surprising. The emplotted narratives about EXPERIENCE and DELIVERY seem partly, but arguably more moderately, to irradiate this notion as well.

One plausible explanation could be that the approach to assess expected incurred costs in these organizations are attached to the externalities (i.e. SUPPLY Division 3, PROVIDE and DELIVERY).

Likewise, a plausible explanation could be the way in which such alterations are internalized in the organizations, thus the aforementioned newness to the organizations (i.e. SUPPLY Division 3, PROVIDE and DELIVERY) combined with previous altered company structures in terms of for instance ownership (i.e. PROVIDE and EXPERIENCE). As to the latter, the emplotted narrative about EXPERIENCE actually exhibits a situation, where the organization brought an outsourcing venture to its hold after a merger and based on previous their experiences. This also reminds about the internalized adaptation of learning and, how accounting concepts, in broad, evolve in their use.

The emplotted narratives about SUPPORT and LEVERAGE do in the perspective suggest a more internalized, anchored approach developed over a longer period.

However, these two emplotted narratives do exhibit quite opposite approaches to that of the applied calculative practices.

As it is exhibited, LEVERAGE has a ‘quite advanced’ total costing approach, which are cumulatively developed and the organization attaches ‘experience values’ to the decisions. This is not to say that LEVERAGE does not experience executional breaches in relation to the outsourcing events and must apply remedies such as increased inventory. This is also exhibited. However, this is subsequently incorporated in their approach to costing and applied through their total costing approach, either as leveraging more specific data or the elevation of organizational experience more broadly.

SUPPORT has a different approach in the sense that several costs are not attached to specific products. This is plausibly explained by the lead times as to contracting with customers, underpinned with the organizational emphasis on development of organizational competences as the base for innovation rather than specific attention to efficiency in production processes.

This does not mean that SUPPORT does not attend to efficiency. Indeed, this is exhibited as well. However, there is a clear management attention to the long run perspective plausibly driven by among others the lead times and conception of the structural cost driver of that of competences, though SUPPORT clearly are bracketing events based on their strategic intent. This has also remained unchanged and potentially reinforced. It thus exhibits a ‘*believed*’, i.e. a positive causal linkage (e.g. Weick et al, 2005, p. 414), that would reinforce the existing enacted costing approaches within organization.

LEVERAGE and SUPPORT do, despite the significant differences in that of attributing costs to specific products, share the similarity of positive organizational performance. This can plausibly be a supportive explanation for the unchanged strategic intent. The organizational interpretations quite plausible continuously reinforce the present enacted understanding. Obviously, the scale and complexity in terms of the product ranges have been subject to growth and the scope in terms of backwards vertical integration slightly alters with the consecutive outsourcing and insourcing events.

However, this is in both emplotted narratives exhibited as part of an internalized cumulative approach, increasingly reinforcing the approach both in general and to that of mobilizing cost as inventive effects and as to the interpreting effects of costs[145].

This is to some extend not the situation in the other organizations. This seems to be quite interrelated with the structural and the executional cost driver and cost management effects and the way in which they materialize in the emplotted narratives. This perspective on enactment is the key theme in the next subsection, i.e. subsection 5.4.2.

[145] The same argument could potentially be advocated in terms of the emplotted narrative about DELIVERY. The emplotted narrative about DELIVERY seems to exhibit an approach of mobilizing at least partly undefined opportunities in investment appraisals. This, at least to an extent, reminds of the approach of that in SUPPLY. However, and even though it seems to be exhibited by the insourcing of activities from the external supplier in Poland, this is not exhibited internalized as consecutive practices

5.4.2 The enactment of the structural and executional cost management in sequential events

The overall notion of that of ecological change, enactment, selection and retention (e.g. Weick et al, 2005) is as outlined in Section 3 mobilized together with the properties as a guiding construct for the exploration (e.g. Weick, 1995 and 2001).

Although, these properties can be represented crudely as a sequence (e.g. Weick, 1995), the prime focal explorative properties have been those of enactive of sensible environments, grounded in identity construction; focused on and by extracted cues; and driven by plausibility rather than accuracy. The retrospective and ongoing nature of sensemaking has been interwoven in accordance with the methodological considerations with the pivotal area of cost management in the intersection between strategy, cost and value chain configuration.

'Cost', for instance confined as organizational strive to reduce costs, is a key argument, though the intertwined nature among the various cost drivers are recognized. The various outsourcing ventures that are explored strongly exhibit the argument of costs.

However, and as exhibited more thoroughly in subsection 5.2, the initial outsourcing ventures by the organizations exhibit several structural and executional cost management effects that in turn materialize in altered management situations. The main emphasis of the executional and structural effects and subsequent management attention is also illuminated in Table 5.7 that confines the entire sequential processes; though condensed and discussed in the previous sections.

However, as to the exhibited explanations and also eligible based on for instance the combined reasons behind the initial outsourcing, the subsequent effects and in turn the insourcing of organizational activities they illuminate not only the intertwined nature of the structural and executional cost management effects and remedies. They also exhibit top management's enactment of the understanding and the management of the organizational value chain through actions, as management is '*to take action in respect of it*' (Weick, 2001, p. 183).

As it is outlined the elevation of the methodological approach, i.e. Section 3, the establishment of the empirical domain has also been subject to a probing that constitutes the organizations in the emplotted narratives as to their strategic intent. This means that as to strategic intent an in relationship to top management's enactment of the organizational value chain, the alteration of scope as to backwards vertical integration is the main value chain configuration effect that can be related to that of enactment of sensible Strategic Cost Management environments.

It is here interesting to discuss that the analysis exhibits a potential explanation as to the intertwined nature of the structural and executional management effects and the enactment of understanding of costs, the role of costs and the subsequent, potential change in scope as to backwards integration in the organizational value chain, which in some instances likewise alters and impact for instance the scale.

In the emplotted narratives about SUPPLY Division 3 and PROVIDE, the executional cost management effects (e.g. capacity utilization) are a key reasons behind the subsequent alteration of the scope as to backwards vertical integration.

Likewise, these two organizations are those, where the emplotted narratives exhibit the most radical changes. In case of SUPPLY Division 3 it actually leads to the divestment of SUPPLY Division 3 of the organization, though the emplotted narrative also exhibits that the remedies taken are likely to have enabled that positively. In addition, the emplotted narrative about PROVIDE exhibits a radical, positive change as to the overall confinement of the organizational value chain and the configuration of the organization.

The subsequent outsourcing now takes another turn in the sense that PROVIDE potentially sees themselves as the confining hub rather than that of an organization that vertical integrate, substantially backward in the value creation processes. This has not altered the cost emphasis, and the overall strategic direction of the organization is unchanged.

At the same time both organizations exhibit a highly asymmetric process, where the initial structural changes materialize in executional challenges that in turn lead to the alteration of the vertical integration.

This is not as such a potential critique of the 'miscomprehended costs'. It is rather the exhibition of an explanation. The effects of using the cost calculations, which arguably are subject to more general and non-context specific priming by externalities, lead to quite radical executional issues that have a quite noticeable impact on the later alteration of the organizational value chain; that is the strategic approach to scope and thus the value chain configuration.

On the more general level, these somewhat externally cost driven discourses depict that they are arbitrary to a single organization but affect the micro-level process of organizational sensemaking (e.g. Weber and Glynn, 2006). This in turn seems to influence the process of enactment, selection and retention by priming and bracketing the development of possible cost base options. Though, there is perhaps not exhibited a distinct linkage to a specific institutionalized discourse, it is exhibited plausible that both organizations, i.e. SUPPLY Division 3 and PROVIDE, are subject to such. This also partly seems to be initially bracketing the boundaries (e.g. Shank and Govindarajan, 1993) for the developed options; thus the subsequent choices in the organizations.

These two emplotted narratives are also the two organizations, which to some extent exhibit the least attention to complexity in terms of the overall product range and product development within the product range in relation to the executional cost management situations.

It is noticed that PROVIDE does exhibit the structural cost management theme of complexity as to the overall product range as an effect of the outsourcing.

However, this is primarily driven by subsequent altered market conditions (e.g. decreasing demand, which impacts capacity utilization). In terms of both organizations it seems exhibited that in the sequential empirical setting attention to complexity in terms of swift deliveries is rather an intertwined executional cost driver consideration.

Less radical changes in terms of the enactment of the understanding and subsequent implementation of the altered value chain enabled by insourcing are exhibited in the emplotted narratives about DELIVERY and EXPERIENCE.

These organizations also mobilize a broader approach to consider the structural cost effects, which could then be explained by the relatively lees, i.e. relatively compared to SUPPLY Division 3 and PROVIDE, required management attention to the executional cost management issues, although both organizations do experience some of the same executional effects an implement remedies.

This is for instance and as to the attention to structural cost management themes exhibited in the effects and the way they materialize regarding the complexity; i.e. complexity both in terms of the overall product range and the management issues related to product development.

It could, and then perhaps more boldly, be argued that the less radical executional effects, the longer the management perspective can be, and the less radical alterations of in this empirical setting the scope in terms of vertical integration supported by scale. This is not to argue that a tighter coupling and enactment less subject to executional cost driver concerns is preferable. The opposite could be the management situation, if a structural cost management approach and actual execution proved internalized and non-tenable in the long run. However, it seems exhibited in terms of the effect on the actual enactment of the organizational value chain configuration.

In this respect cost calculative approaches and the understanding of the organizations' cost drivers, whether these are structural or executional cost drivers would plausible have an impact.

It is exhibited that the conception as to the externalized discourse has an impact and requires a contextualized cost management approach. It is likewise exhibited that it is mandatory to apply a broader cost driver perspective in the decision making approach that leads to alteration of the organizational value chains by outsourcing of activities, thus recognizing not least the inventive value of cost cues in broad.

It is also exhibited that the conception of the multiple intertwined effects of the structural and executional cost drivers, plausibly, requires a thorough and detailed approach to mobilization of executional cost driver implications as effects of the structural alterations of the organizational value chains associated with the organizations' outsourcing events; although these alterations are structural in nature.

The exhibited intertwined nature of these structural and executional cost drivers does however also require the intertwined conception not only regarding the relationship between structural and executional cost drivers but also between the executional cost drivers as well as between the structural cost drivers to appreciate not only the inventive effects of for instance cost driver analysis but also the bode for a sufficiently contextualized interpretations, where organizational revenue are intertwined.

It is, thus, likewise exhibited that the intertwined nature of the various cost drivers are profoundly subject to the context and thus per se only of value, if they are explored and understood as to the actual organizational situation. This also applies for each of the cost drivers mobilized within this research context.

In the enactment of the organizational value chain, cost calculative practices and the understanding of structural as well as executional cost drivers and dilemmas have, thus, not only inventive and interpretive effects that for instance can be attributed to for instance their bracketing effects. The enactment is also for instance subject to triggering cues such as demand conditions despite calculative approaches. This suggests mobilization of opportunity sets.

6. CONCLUSION

Strategic Cost Management is defined by Anderson and Dekker (2009a, p. 202) '*as the deliberate decision making aimed at aligning the firm's cost structure with its strategy and with managing the enactment of the strategy*'[146]. This definition irradiates both the '*improvement of cost performance'* within the frames of a given strategy and cost structure, i.e. '*executional cost management*', as well as the '*design of an overall cost structure*' coherent with the organization's strategy, i.e. '*structural cost management*'.

Strategic Cost Management, which is rooted within the realm of Management Accounting, has mainly been researched and elevated in quantitative studies, which have taken the position of a given strategy and cost structure; often as contingency studies. The literature review also suggests that there has been a noticeable, disproportionate research attention to executional cost management issues and in particular research into specific costing approaches; e.g. activity based costing as an analytical object.

This obviously evokes curiosity, as Anderson and Dekker (2009ab) mobilize, amongst others, Shank and Govindarajan (e.g. 1992 and 1993), and suggest that what constitutes Strategic Cost Management is found in '*choices about organizational strategy and structure*' (e.g. Anderson and Dekker, 2009a, p. 202), as the structural cost management decisions determine the organizations' executional cost management maneuverability.

While the aforementioned definition and conceptual claims might signal a notion of rationality in decision making as well as an idea of an embedded, rational sequencing; that might be desirable, academia's theorizing related to for instance the cost structural alterations and the dynamics have received less attention. The perceived gap in qualitative research is not least literary profound regarding the overall cost structure design and alterations of organizations' operating leverage, although this embeds significant investments and pivotal tradeoffs. Thus, it highly affects the organization's competitive position.

The purpose of this research is to contribute to Strategic Cost Management by providing insight into the inventive and interpretive effects of cost management in the intersection between the organization's strategy, cost position and value chain configuration, and how top management enacts their understanding about the organization's cost structure. Hence, the researched has addressed the general research question of:

'*How does top management enact the organization's cost structure in value chain configuration?*'

This research exhibits plausible explanations of cost management and develop explanatory propositions about for instance inventive and interpretive effects of cost management as organizing; and in broader terms '*How is a given version of the world constructed*' (Czarniawska, 2008, p. 6).

[146] Anderson and Dekker (2009) slightly rewrite the definition by Anderson (2007), as they write '*managing the enactment of the strategy*' instead of '*optimizing enactment of the strategy*'

The research is conducted in an empirical setting that is constituted by among others outsourcing and subsequent insourcing of value creation activities and in the intersection and by the mobilization of the three key tenets, i.e. ‘value chain’, ‘cost drivers’ and ‘strategy’. In this perspective and as conveyed in the very beginning of subsection 1.1 it is suggested this can be understood by the mobilization of cost driver theory and taxonomy. This can be mobilized to portray for instance the perceived discrepancies, the actual events and actions as well as the subsequent effects and altered management situations this might give rise to.

Hence, this particular research offers insight into top management’s enactment informed by among others the mobilization of cost driver theory and taxonomy to understand the intertwined nature of the various effects and actions, the asymmetry of the various actions and effects and the subsequent management situations. In this particular way, this research becomes among others a contribution to extant literature, which suggests that the these cost drivers act as catalysts for leveraged executional efficiency and for reengineering processes to create altered cost structures, and the two modes are connected by the catalytic ‘*feedback path between executional and structural cost management*’ (Anderson and Dekker, 2009a, p. 204) in an empirical setting that embeds cost structural alteration of the value chain.

This research then becomes of overall importance for two reasons. It will generally strengthen knowledge about the ‘*complex economic and social forces governing the practice of structural cost management rather than a narrow group of executional cost management tools*’ (Anderson, 2007, p. 483). This is less understood within the realm. It will, likewise, add to the understanding of the intertwined cost driver effects and actions, which in an ‘*organizing*’ perspective test, perhaps contest, the literary notions about ‘best fit’ and rationality in decision making. This will in turn illuminate the substantiality of the cost argument in cost driven outsourcing events the empirical setting, which in sum will address the instituting literary calls.

This is researched a qualitative research approach, which applies abduction as the mode of reasoning with an iterative move between meanings and concepts, which mobilizes the theoretical domain, thus a theory-informed empirical approach, as well as the sensemaking perspective (e.g. Weick, 1995 and 2001).

The plausible explanations are exhibited in the emplotted narratives as the precept of theorizing (e.g. Czarniawska, 2004a), which elucidates the narrative mode of knowing.

6.1 Cost-driven outsourcing and cost effects

The empirical setting is, as outlined, among others constituted by outsourcing and insourcing of value creation activities and confined to alteration in the organizations’ scope by altered backwards vertical integration. This in turn alters the organizations’ operating leverages. The primary argument behind the outsourcing of the value creation activities is in the research predominantly cost reduction to underpin the competitive positions; thus cost-driven outsourcing.

The outsourcing decisions are all exhibited ‘deliberate’, and the organizations per se strive to ‘align’ the cost structure and organizational strategy. The research, however, exhibits incompleteness of cost calculative practices mobilized in the outsourcing decision. The ‘incompleteness’ relates both to ignored costs and miscomprehended costs. This materializes in unexpected subsequent costs incurred due to quality breaches in products and processes, the necessity of enhanced control and coordination remedies, increasing inventories downstream and/or downstream negative capacity utilization effects.

This research exhibits that the plausible explanations as to the incompleteness of cost assumptions in the cost calculations associated with the outsourcing decision mainly relates to a misinterpreted and/or disregarded interrelationship between the multiple intertwined structural and executional cost management cost drivers and effects. This intertwined effects and its implication for Strategic Cost Management is irradiated further in the next subsection 6.2.

However, there are exhibited substantial differences as to the perceived ‘incompleteness’. While all organizations portray experienced unrealized benefits and unanticipated effects in the outsourcing ventures, which can be associated to the multiple intertwined effects, the noticed alteration of experience, variances or discrepancies compared to the on beforehand assumed organizational benefits are exhibited quite different. It is for instance exhibited that the discrepancies that are noticed by top management and thus trigger their enactment vary in terms of among other coupling to the environment and newness to the organization as plausible underlying explanations.

In terms of the initial outsourcing decisions these could amongst other be

a. The newness of cost-driven outsourcing to the organization: It is exhibited that the organizations in which cost-driven outsourcing is practiced for the first time or with limited organizational-context specific experience, due to change in management, there are (relatively) less attention to the potential executional cost management effects due to the structural alteration of the organizational value chain; that is ‘relatively’ to the other case organizations.

b. The priming by externalities (e.g. Weber and Glynn, 2006) in the way they ‘*inform and constrain identity and action*’ (Weick et al, 2005, p. 409): These aforementioned organizations, i.e. those that exhibit explanations as to point a. above, are also those organizations, which seem tighter coupled to non-contextualized specific externalities in terms of an at that time prevailing, positively ‘outsourcing discourse’. These organizations seem to a (relatively) lesser extend to contextualize this ‘outsourcing discourse’ to the outsourcing scenarios in their specific organizational setting. These organizations, and perhaps also therefore, attach (relatively) lesser attention to the potential executional cost management effects of the structural alteration in the enactment of the organizational cost structure in value chain configuration. This tighter coupling to a non-contextualized ‘outsourcing discourse’ seems reinforced by change in management with (relatively) lesser knowledge about the organization.

Within the realm of sensemaking Weick et al (2005), amongst others, acknowledge the sensemaking (micro)⇔macro relationship, though it is also advocated that the '*juxtaposition of sensemaking and institutionalism has been rare*' (Weick et al, 2005, p. 417), thus calling for extended recognition hereto.

However, they observe that while public discourses define for instance problems, '*to which corporate actors respond, those public institutions do not appear to direct solutions*' (Weick et al, 2005, p. 417). This seems very much to be exhibited in this research, which in turn reinforces the contextualization of approaches to Strategic Cost Management and the concept itself.

This research seems to illuminate that. Thus, it is perhaps a perspective for future research within outsourcing (and insourcing) decisions. With respect to contextualization it is for instance exhibited plausible that under more significant organizational constrains and conditions top management might perhaps bracket, i.e. their enacted environment '*is simplified*' (Weick et al, 2005, p. 411), more crudely and thus simplifying the reciprocity between action and environment.

c. The internal organizational constrains and conditions: It is exhibited that the organizations in which cost-driven outsourcing is practiced under recently altered, major internal conditions (e.g. acquisitions and merger or emerging financial organizational constrains), there are (relatively) lesser attention to the potential executional cost management effects of the structural alteration of the organizational value chain. This is also exhibited in top management's enactment, which in these organizational cases seems in particular triggered by for instance (relatively) large alteration of experience, variances or discrepancies, which then becomes occasions to commence changing '*flux of circumstances into the orderliness of situations*' (Weick et al, 2005, p. 414).

   The act of '*bracketing*' is in itself '*relatively crude*' (Weick et al, 2005, p. 414). However, this is exhibited plausible that for instance given significant constrains and recently altered major conditions top management's enactment that incorporates 'bracketing' limits the number of possible meaning 'to crudely' prior to a selection that mobilizes extracted cues. This could in turn, additionally, explain the miscomprehended costs and (relatively) less attention to executional cost management themes.

These are plausible explanations in the research, which might also propose that they would have a cumulative, reinforcing effect, if they occurred and conditioned the specific organizational context simultaneously. It should, however, be recalled that the research approach still claims openness to other plausible explanations.

However, the subsequent insourcing is as exhibited and discussed not necessarily an enforced counter reaction that can be explained solely by the breach in expectations about the benefits of outsourcing decisions.

This has to do with the recognition of the enactment of the organization's cost structure and, how that is given meaning. This is amongst other the theme in the next subsection 6.2.

6.2 The conception and intertwined nature of structural and executional cost management effects

While the primary argument behind the outsourcing can be traced to cost reductions, the emplotted narratives also exhibit the effects of the structural alterations, the way in which they materialize and give rise to new management situations and ambiguity and the subsequent actions depicted as a process. Thus, the key creed of top management's enactment as the reciprocity between environment and actions is exhibited. This is amongst other possible due to the constitution of the empirical setting.

The research also explains that these structural and executional cost management effects are intertwined. This is as such not surprising, as structural cost management decisions and actions restrain executional cost management maneuverability. The research thus also exhibits that as '*enactment is first and foremost about action*' (Weick, 1995, p. 36), the organizations' actions create their environments '*that subsequently constrain their actions*' (Weick, 2001, p. 179).

The research purpose is among other to offer contribution to extant literature, which suggests that these cost drivers act as catalysts for leveraged executional efficiency and for reengineering processes to create altered cost structures. In addition, this literature suggests that the two modes are connected by the catalytic '*feedback path between executional and structural cost management*' (Anderson and Dekker, 2009a, p. 204). In this research's empirical setting that embeds cost structural alteration of the value chain, it is noticeable that the structural and executional cost management actions and effects intertwine in multiple, complex ways.

This insight is achieved by research into top management's enactment informed by among others the mobilization of cost driver theory and taxonomy to understand and articulate the intertwined nature of the various effects and actions, the asymmetry of the various actions and effects and the subsequent management situations embedded in top management's enacted environment.

These 'catalytic and feedback effects' are to some extend irradiated with in the literary realms of Management Accounting, Supply Chain Management, Strategy and Economics.

It is in that respect for instance exhibited that the alteration of scope, which is a structural cost driver (e.g. Shank and Govindarajan, 1993), in terms of altered backwards vertical integration gives rise to executional cost management situations and ambiguities in terms of for instance coordination and quality control in processes as well as downstream capacity utilization effects. Hence, this research is confirmative in that sense.

When the executional cost management concerns and subsequent actions become effect of, and subject to constrains entrenched in, the structural cost management decision; this embeds per se an asymmetric management situation. This is explained in the research, which however does not only confirm the asymmetry as conveyed in extant literature. The research exhibits perhaps a more complex notion.

The structural and executional cost management effects and actions are in this research highly intertwined in top management's enactment, as the reciprocity between action and environment, of the value chain configuration.

As to the intertwined nature of the structural and executional cost management themes, the research exhibits plausibly explanations, which contribute to a perhaps a more dynamic conception of Strategic Cost Management. Such conception should acknowledge creation rather than assuming a potential, prescriptive 'best fit' of the 'deliberate alignment' that posits a rational relationship between intent, action and effect.

a. The structural cost management decisions give rise not only to executional cost management actions: The research confirms that the alteration of the cost structure gives rise to executional cost management issues and actions. This subsequently evokes structural cost management decisions. This is, as to the relationship structural decision -> executional effect, literary confirmative. The empirical setting is, likewise, constituted by among others insourcing with cost structural implications. Hence, it is of course to no surprise that the empirical setting also exhibits the relationship structural decision -> executional effect -> structural decision. This is curbed by the confinement of the empirical setting.

   However, the research exhibits that this confined empirical setting embeds a multiplicity of intertwined structural and executional cost management effects and subsequent management actions. This portrays a more complex relationship, which in terms of the dynamic interaction is not literary profound within Strategic Cost Management. In that way the notion of the 'catalytic nature' in top management's enactment it is perhaps better explained by the relationship structural decision -> 'multiple intertwined' executional effects -> 'multiple intertwined' structural themes -> structural decision.

It is initially exhibited plausible that the structural cost management decisions give rise to executional cost management effects and subsequent actions. In its simplest conception, the research exhibits that a structural cost management decision to alter the scope gives rise to an executional cost management effect of coordination. This is addressed throughout literature and not in any way of interest to academia. It is also exhibited plausible that the structural cost management decisions give rise to multiple and intertwined executional cost management themes (e.g. control and coordination intertwines with capacity utilization). This is neither that scholarly surprising. It is thus perceived as confirmative, although these various executional cost management effects are exhibited to interweave and intertwine in a more complex and context dependent way, than Strategic Cost Management literature seems to promote in general.

However, and building on the above suggestion, a multiplicity of structural cost management concerns interweave in top management's management enactment.

These structural cost management concerns are not only effects of executional cost management effects and actions, which to some extend is brought into the forefront in the conception of Strategic Cost Management; for example in the explication of the 'catalytic effect' of for instance executional cost driver understanding. The structural cost management concerns are, likewise, intertwined with the (other) structural cost management considerations in top management's enactment. This is sometimes reinforced by executional cost management effects and interventions as explained in point a. above, and this is not only explained by for instance a breach in expected organizational benefits from a cost-driven outsourcing.

As an example the explanations regarding the top management concern as to the structural cost driver of 'Complexity' as to how wide a range of products and services to offer to customers (e.g. Shank and Govindarajan, 1993) is constantly evoked intertwined with structural cost management themes about organizational competences, scale and scope. It is, likewise, intertwined with executional cost management concerns as to suppliers' quality provisions and capabilities at the top management level.

b. The structural and executional management issues and actions are highly context depended: This may instantaneously infer a notion of common sense. The necessity of a contextualized approach to structural and executional cost management is exhibited; thus confirmative to previous contributions. However, what is meant here is not the exhibited relationship between for instance cost drivers such as capacity utilization subject to a chosen scale or likewise. The research also exhibits plausible explanations, that seems to evoke that the actions taken are also subject to the embedded experience and the mobilization of opportunities, thus potentially an extension of the explanations in subsection 6.1

One emplotted narrative exhibits, for instance, plausible explanations based on adaptation of a total cost approach combined with the mobilization of more 'arbitrary experience values'; that is 'arbitrary' in a Management Accounting perspective.

Two other emplotted narratives also exhibit plausible explanations by mobilizing of more 'arbitrary opportunities', which are not attached to a certain product or project; nor are they depicted in more concrete, quantifiable expectations. This is exhibited intertwined with the organizational strategy, where the strategic intent by large are unchanged. Thus, it confirms in that sense the mobilization of strategy, cost and value chain configuration intertwined. However, it might suggest that enactment in relation to; at least, structural cost management is also subject to the mobilization of revenue.

As a research perspective it seems valid to suggest the intersection between for instance the mobilizations of 'opportunity costs' combined with the prospective conception of strategy within the realm of Strategic Cost Management. It is not argued that sensemaking is not retrospective, and this is brought forward in subsection 6.3.

However, it is here observed that it seems plausible that the top management's enactment in cost management is intertwined with the mobilization of revenue.

This might suggest enactment in relation to Strategic Cost Management and in particular, how top management enacts the organization's cost structure in value chain configuration is augmented with the retention of previous experience and a prominent 'internally institutionalized' approach to cost management.

When this is combined with the suggestions about the crude act of 'bracketing' (e.g. Weick et al, 2005) the opportunities of the organizations play plausibly in case of more significant organizational constrains minor roles.

What is however also interesting is the underlying idea about the causes of costs and a distinction between structural and executional cost management actions and effects.

c. 'The executional cost management becomes structural cost management, and structural cost management becomes executional cost management': The cost driver taxonomy (e.g. Shank and Govindarajan, 1993) has been used in the dissemination of the particular representative effects and the management actions that they give rise to. The conceptual distinction between structural and executional cost management offers direction and is, indeed, supported by literature within the realms of Management Accounting, Economics and Strategy. However, what is exhibited is that not only do these structural and executional cost management themes intertwines in multiple, more complex ways, to some extent executional cost management themes might become structural in nature.

   This does not refer to the aforementioned intertwined and 'catalytic' contemplation. It is, instead, related to the time perspective evoked by top management.

It is exhibited that the time horizon, under which the actions and enactment take place, affects the approach, where in that perspective a shorter time horizon reduces variability in costs. This is not in any way new in the economist's perspective that mobilizes production theory and production economics. However, in terms of Strategic Cost Management the research exhibits the importance of understanding under which conditions and constrains top management's actions and enactment take place, before for instance a cost driver and cost management theme is per se assumed structural or executional in nature.

This does not in any way deny the conception of structural and executional cost management. However, it suggests a somewhat more open conception.

In that respect Anderson and Dekker (2009a) mobilize among others Tomkins and Carr (1996) and suggest that another way to conceive '*structural cost management*' is as '*the choice between alternative production functions that use different inputs or combinations hereof to meet a particular market demand*' (Anderson and Dekker, 2009a, p. 202). 'Contrary' '*executional cost management*' and the management of the subsequent cost drivers are concerned with whether the organization is on the efficient frontier for a given '*production function*'.

However, in this research the exhibited explanations convey that this particular mobilization of the production theory and production economics' perspective is perhaps of limited use, despite how compelling is might seem in the initial understanding and mobilization of the concept of Strategic Cost Management. This does indeed not neglect such a perspective. However, it advocates a particular attention to the time perspective in Strategic Cost Management.

6.3 Making sense about Strategic Cost Management in the empirical setting

This research suggests in terms of '*How does top management enact the organization's cost structure in value chain configuration?*' that Strategic Cost Management conceptually could be strengthened. This should, as to its theoretical elevation, commence by more explicitly irradiate the importance of the organizational context in which, it is subject to organizing as the ongoing process of ecological change, enactment, selection and retention. This will subsequently posit the asymmetry and dynamics in the creation of the ongoing meaning formation of the organizational value chain. This could additional emphasize the intertwined effects as suggested in subsection 6.2.

Enactment is the central hub in the organizing process (Weick et al, 2005; Czarniawska, 2008). '*Enactment drives everything else in an organization. How enactment is done is what an organization will know*' (Weick, 2001, p. 187).

Top management's '*enacted environment*', which is '*something that the organization's*' top management '*momentarily 'know' or feel they 'understand''* (Weick, 2001, p. 190) has become an output of an instance of prior '*sensemaking*' (Weick, 2001, p. 189) as organization (Weick et al, 2005; Czarniawska, 2008). In that respect and with emphasis on among other the aforementioned multiple intertwined executional and structural cost management actions and effects, the emplotted narratives clearly exhibit that top management's enactment is and ongoing construction. In terms of how top management enacts the organizational cost structure in the literary realm of Strategic Cost Management that contests a literary conveyed rationality.

a. Strategic Cost Management in the intersection between strategy, cost position and value chain configuration might be deliberate and purposely aligning the organization's cost structure. However, this research suggest that this embeds and potentially signals a rationality, despite how desirable and compelling it might be, which is not portrayed in top management's enactment of the cost structure researched by the mobilization of action. This is rather an ongoing construction, which per se makes a cost calculation and cost argument fragile in nature. This is also demonstrated in this research.

Enactment's key creed is the reciprocity between action and environment, and the enacted environments are instances of sensemaking as organizing. Thus, the organizations' actions create their environments '*that subsequently constrain their actions*' (Weick, 2001, p. 179). The research illuminates this. The structural decisions constrain the executional maneuverability, which in terms of effects and altered management situations becomes subject to management action.

This suggests that top management's ability to manage the cost structure '*is to take action in respect to it*', and that these '*actions become the raw materials from which a sense of the situation is eventually built*' (Weick, 2001, p. 183).

This leads to new enacted environments, which are also clearly exhibited in this research's understanding as top management's enactment. Thus, action and environment is inseparable in top management's enactment, and it is exhibited that top management directs attention to, for instance, received cost driver '*stimuli as a result of their own activity, which is suggested by the word enactment*' (Weick, 1995, p. 32). These cost driver stimuli are portrayed in various forms that spans from cost representations to top management's attention to effects that are not necessarily related to costs in the first place.

The research clearly exhibits that top management's enactment is subject to for instance noticing and bracketing and as for instance already concluded, this bracketing is '*triggered by discrepancies and equivocality*' (Weick et al, 2005, p. 414), where top management's enactment for instance is triggered by assumed discrepancies interpreted among others by different cost related cues. The research exhibits in respect of organizing that in for instance the situation of uncertain use of previous knowledge '*systems* [are] *able both to benefit from lessons learned and to update either their actions or meanings in ways that adapt to changes in the system and its context*' (Weick et al, 2005, p. 414). This affects top management's enactment. Some of the emplotted narratives clearly exhibit that these effects can be enforced by for instance internalization of a certain costing approach.

However, sensemaking is done retrospectively, as it is quite visible in the emplotted narratives. This would of course be expected, as this is also embedded in the research process and is an assumption in the applied explorative 'lens' as such.

What is of perhaps of particular relevance and interest in terms of top management's enactment in the realm of Strategic Cost Management is that there seems to be an element of a 'prospective' perspective.

The emplotted narratives among others illuminate the aforementioned asymmetric mobilization and conception of for instance cost drivers based on their theory and taxonomy, the intertwined notion of various executional and structural cost management effects, the substantiality of the cost argument and the ongoing creation opposed to, and despite, the assumption of a 'best fit'.

However, this research also suggests that top management to some extent draws and incorporates 'prospective interpretations'. Although, these could arguably be interpreted retrospectively, thus taking action as to these 'prospective images' perhaps had occurred. Hence, the emplotted narratives seem to exhibit that in top management's enactment as the central hub within the process of organizing, revenue becomes an issue, though it is bracketed in different ways.

It is not claimed that sensemaking is 'prospective', and it is not intended to start such a debate. However, when this is applied in a Strategic Cost Management perspective, it seems opens up interesting possibilities in association with the other suggestions in this conclusion.

b. This notion, which builds on the mobilization of different management areas such as Supply Chain Management and Management Accounting as well as for instance the centrality of action, creates awareness about opportunities and the opportunity sets of and within the organizations top management context. This perception should perhaps be strengthened within the realm. It will perhaps likewise and along that line be advisable to more explicitly acknowledge the potential of these points as well as revenue and opportunity costs within the realm of Strategic Cost Management.

It is exhibited that this is mobilized in top management's enactment of the cost structure in value chain configuration.

Anderson and Dekker (2009ab) seem to push this acknowledgement as well.

6.4 Limitations and perspectives

Obviously, the research approach and subsequently the exhibited plausible explanations offer limitations as to the explanatory propositions that are brought forward in the previous subsections.

This subsection 6.4 will not go into the general debate regarding limitations of qualitative based studies opposed to quantitatively developed contributions. It will, rather, address the perceived most important limitations as to this particular research more specifically and based on that provide some perspectives regarding potential research issues.

6.4.1 Important limitations

The multiple case study design with nine (9) and in turn six (6) mobilized case organizations could of course in itself have been claimed strengthened as to both the potential and substantiality of the explanatory propositions based on additional studies. The main view will among other cluster around the notion of introducing additional cases with the purpose of analytical generalization.

The case organizations in this multiple case study design seem to exhibit the plausible effects and actions in terms of the intertwined nature of the structural cost management and executional cost management themes and thus support these subsequent conclusions. However, this could of course be elevated in research building on the notion of literal replication; i.e. the prediction of similar results.

In terms, however, of noticed differences based on the production of contrasting results, under various contextualized conditions; the conclusions in the research have in particular limitations.

This is also the reason why differences for instance in terms of opportunities and the priming by externalities are conveyed as more modest explanatory propositions. However, this seems to open possibilities for research perspectives.

Similarly, and as to the top management 'voices', the research could have been broadened. The central issue is top management's enactment and as such, top management offers the top manager's perspective. That is clearly conveyed. However, it is also recognized that involving more people in the case organization could have supported exploration into the social processes of organizing, which could have offered more insight into for instance inventive and interpretive effects, where such social processes underlie for instance the shaping of interpretation. Although, it is recognized that top management's enactment is offered in her/his perspective, it could have provided valuable insight. However, it could also have changed the unit of analysis and made the multiple case study design embedded rather than holistic in nature. The former, is of course an obvious issue, however it enforces the nature and the limitations of the explanatory propositions based on the exhibited explanations as the mode of knowing and the mode of reasoning, where the top management perspective is the central theme in this research.

It should be recalled that the research takes the position of that of Pragmatism. It mobilizes abduction as the mode of reasoning, and it applies emplotted narratives as the mode of knowing as the precept of theorizing. As outlined in the elevation of the methodological in Section 3, it is assessed that this approach is methodological consistent in the way it knits the mode of reasoning and knowing. However, it has among others and as conveyed earlier the constituting implication that the research exhibits plausible explanations still claiming openness to other plausible explanations.

This does not impose a potential constrain on the research's relevance and potential contribution as such, but it reinforces that the research potentially contribute with plausible explanatory propositions still claiming openness to other explanations.

This is reinforced by the notion the research is conducted with among other a particular attention to the contextualization, hence among other the contextualized theorizing in this particular empirical setting. This of course embeds the conclusions and contribution to a more particular context.

6.4.2 Some perspectives

The research's conclusions as such and the notion of limitations give in turn rise to new research propositions and questions.

It should here be suggested that this could involve research into an overall similar empirical setting, which could address, for instance and given the notion of the asymmetric mobilization and conception of for instance cost drivers based on their theory and taxonomy and the intertwined notion of various executional and structural effects, how such is managed in other vertical integration scenarios.

Another interesting perspective for posing new research questions is research into differences depending on the reasons behind initial outsourcing events and the way that might impact top management's enactment of the organization's cost structure in value chain configuration thus in the realm of organizing. This research, for instance, establishes an empirical setting, where the cost argument, in broad, is prevailing. However, and although the 'cost argument' is profound in for instance outsourcing ventures, as it is informed by among other contributions within the literary realms of Supply Chain Management and Management Accounting, it might be explored if other reasons behind the value chain configuration might give rise to other effects, actions and top management's enactment.

In addition, the explanatory propositions might in itself be of such an interest that they might be subject to further research. In particular, it would perhaps be interesting to augment research into organizational opportunities and opportunity sets to understand, how these are mobilized within the realm of Strategic Cost Management as well as Management Accounting.

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APPENDIXES

Appendix 1

Key headings and subsections in the informational letter prior to the first interview with the top management

The informational letter was drafted by the Confederation of Danish Industry and CBS. The informational letter is in total four pages long. Although outsourcing and insourcing are the key themes, the themes of offshoring and backshoring are also mentioned in the informational letter. The reason is that it is also seen in some of the organizations.

The informational letter is structured in these subsections:

The background

This section outlines the background.

The purpose

This section outlines the purpose of the first interview and site visit.

The context

This section outlines the interest by the Confederation of Danish Industry and CBS.

This is followed by several key headings and with different questions.

Initial clarifying themes of outsourcing and insourcing (also offshoring and backshoring)

Initial themes to clarify the decision making process

Questions to initially explore outsourcing decisions (offshoring decisions)

That comprises among others

- Activities and processes
- The reasons that have driven the decision
- The assessment of costs and cost implications
- The initial conception of cost components in the organization
- Initial conception of risk

Questions to initially explore insourcing decisions (backshoring decisions)

- The relation to outsourcing (offshoring)
- The reasons that have driven the decision

Appendix 2

Some example of extracting representative effects based on Gehman et al (2013) in SUPPLY Division 3

Effects based on cost driver theory and taxonomy	Examples of immediate affects	Examples of intertwined effects
Scale		
Scope	Vertical integration is questioned in two steps, which leads to subsequent alterations	
Competences incl. experience and technology	Loss of competences both as competences in operating various technical equipment and knowledge in general terms	The thematic issue of competences leads to question the complexity (complexity B) in terms of product development capabilities
Complexity A, number and type of products		
Complexity B, flexibility as a foundation for product development		The thematic issue of competences (see above) leads to question the complexity (complexity B) in terms of product development capabilities
Complexity C, as type of services (incl. flexibility in delivery)	Delivery times were affected due to quality issues	This leads to the questioning of the stability of the upstream supply processes
Quality	Quality issues in the provision of the products, which in turn impacted not only capacity utilization	This impacts both capacity utilization and the service offering to their customers as delivery times are increased The thematic issue of quality in products and processes leads to question the scope of the organization
Capacity utilization	Capacity utilization is immediately affected in SUPPLY Division 3's Danish based operation	The thematic issue of capacity utilization in products and processes leads to question the scope of the organization
Managing linkages	Additional control and coordination measures are continuously implemented	The thematic issue of Managing linkages leads to questioning the scope of the organization
Other thematic issues	Additional calculations (Various other unforeseen costs)	

Appendix 3

This Appendix 3 contains the intertwined effects that give rise to altered management situations for all the emplotted narratives

The illustrations are numbered this way:

SUPPLY Division 3 is portrayed in Figure 2.1

SUPPORT is portrayed in Figure 2.2

PROVIDE is portrayed in Figure 2.3

DELIVERY is portrayed in Figure 2.4

LEVERAGE is portrayed in Figure 2.5

EXPERIENCE is portrayed in Figure 2.6

Figure 2.1 Various intertwined effects that give rise to altered management situations in SUPPLY Division 3

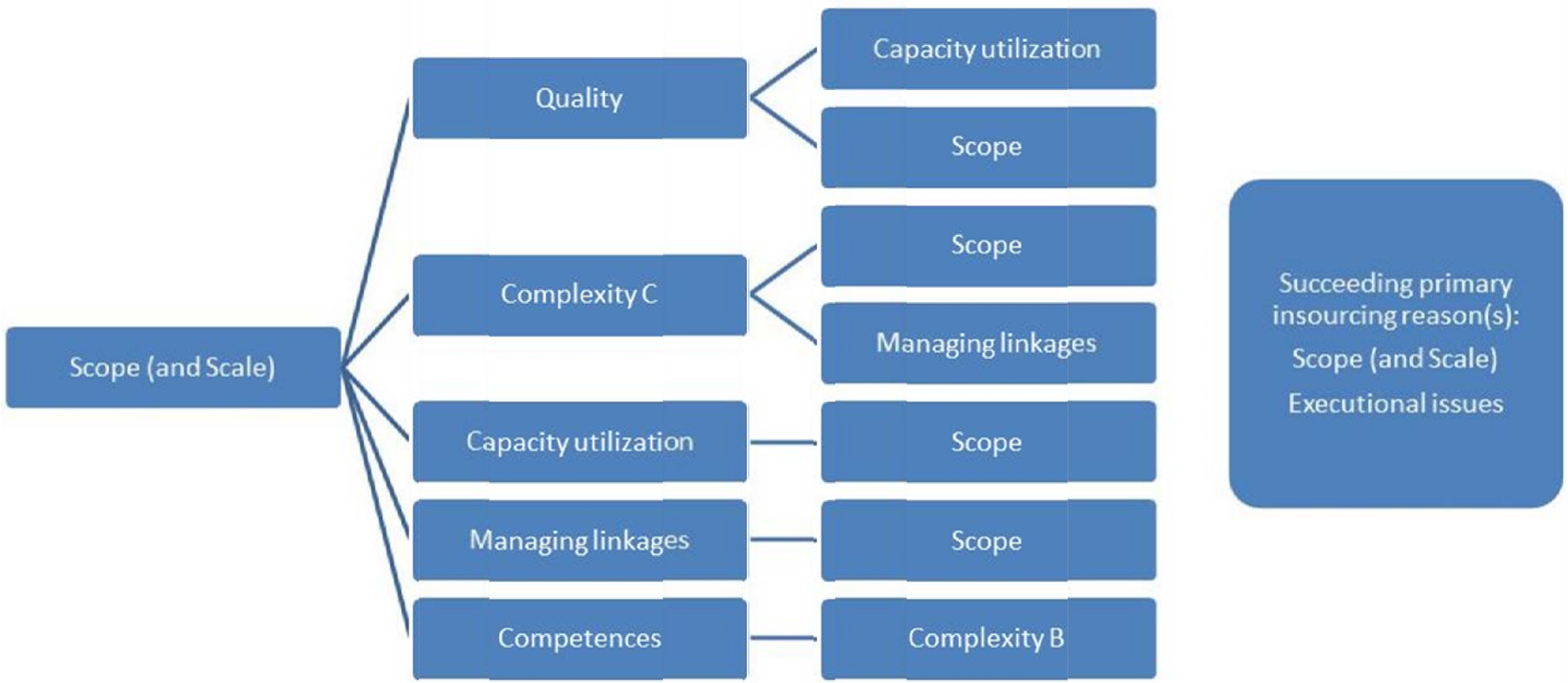


Figure 2.2 Various intertwined effects that give rise to altered management situations in SUPPORT

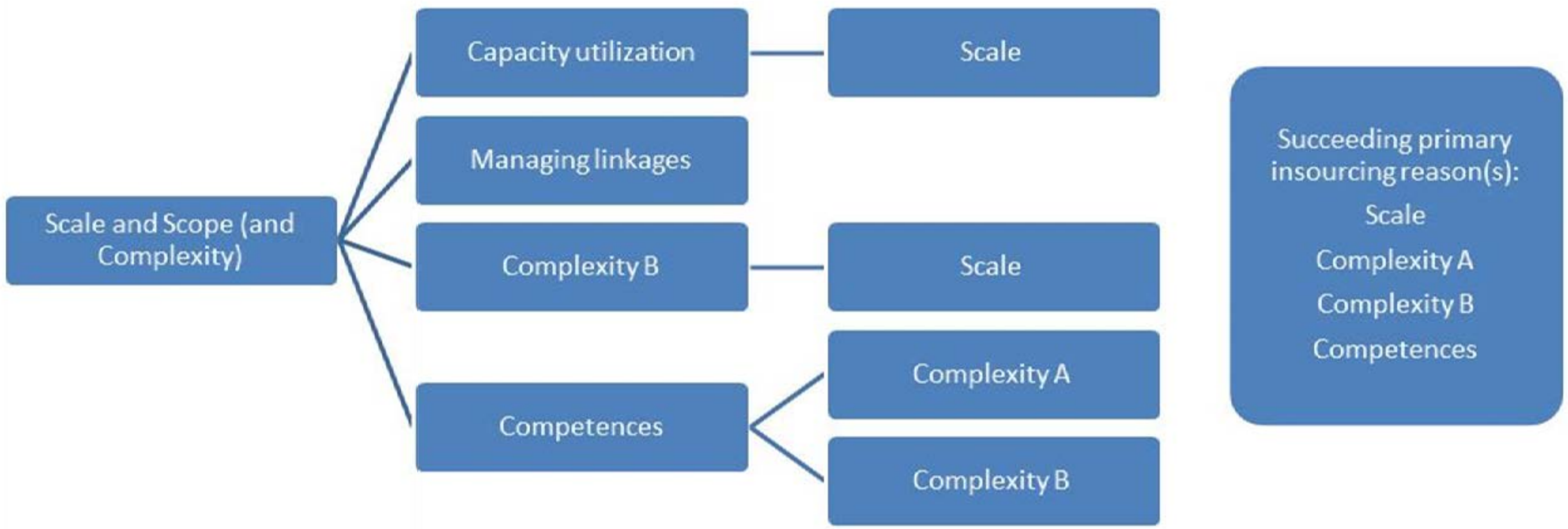


Figure 2.3 Various intertwined effects that give rise to altered management situations in PROVIDE

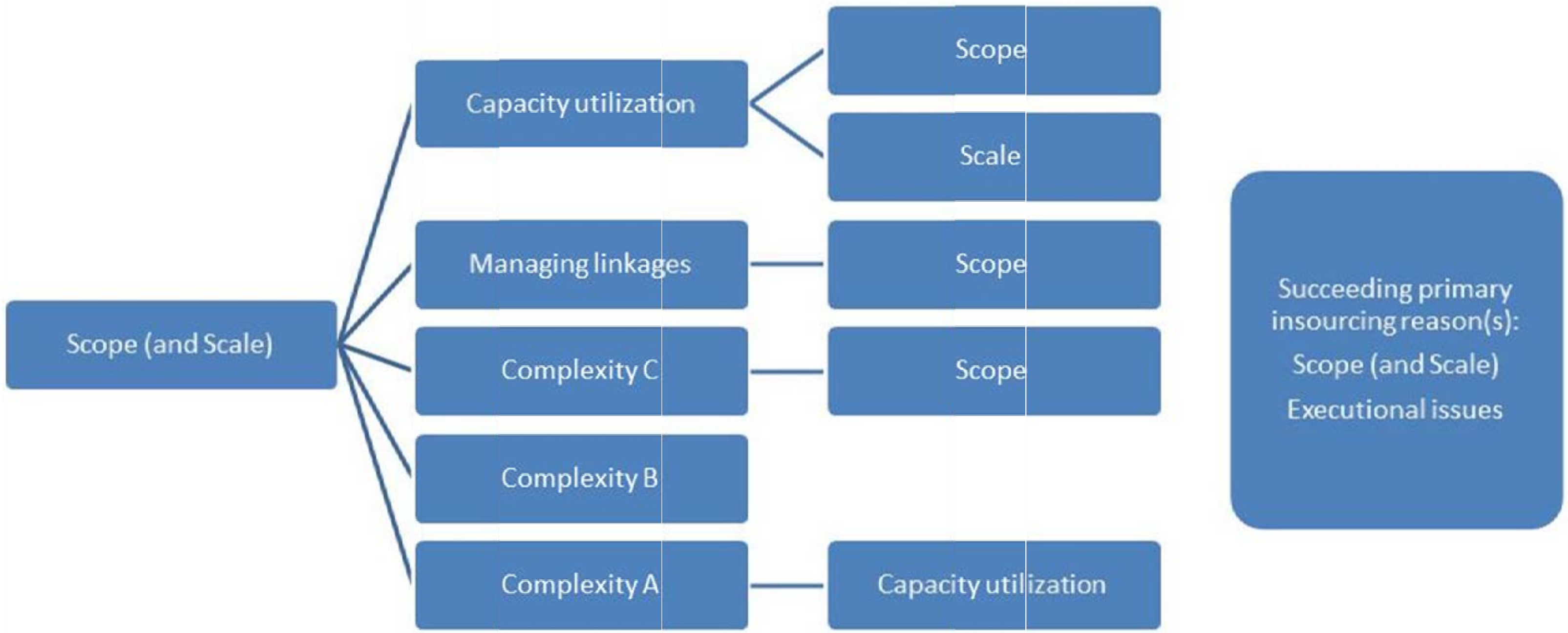


Figure 2.4 Various intertwined effects that give rise to altered management situations in DELIVERY

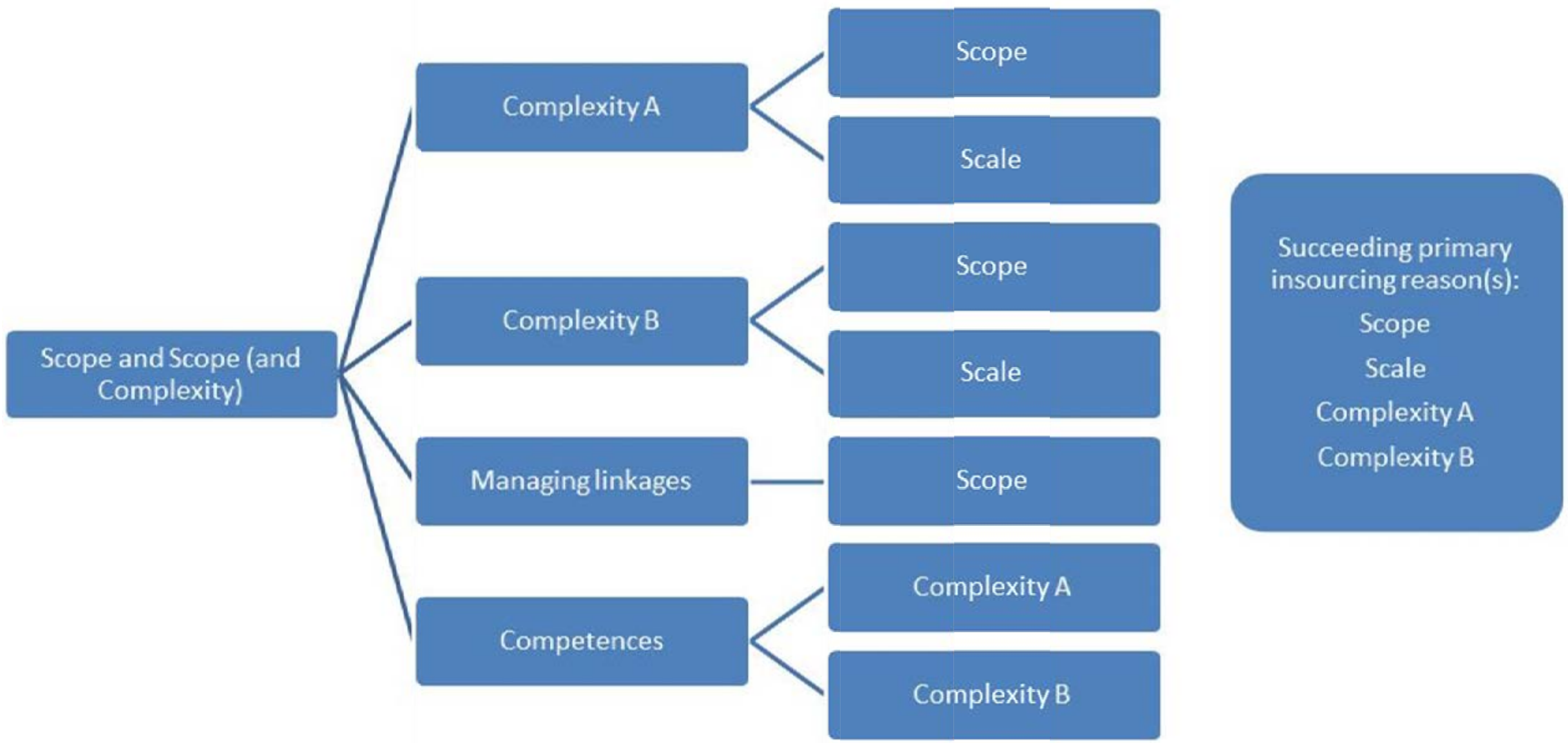
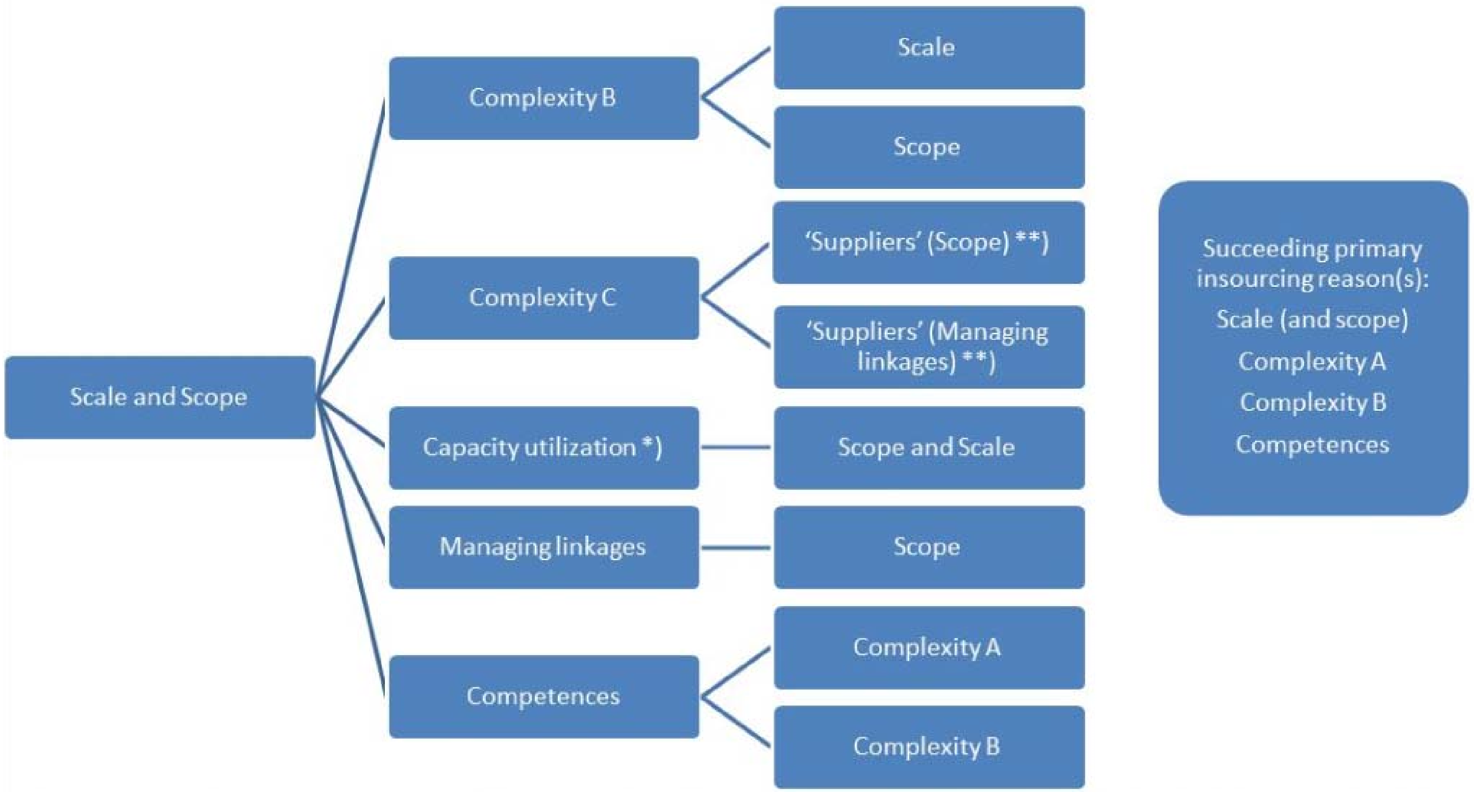


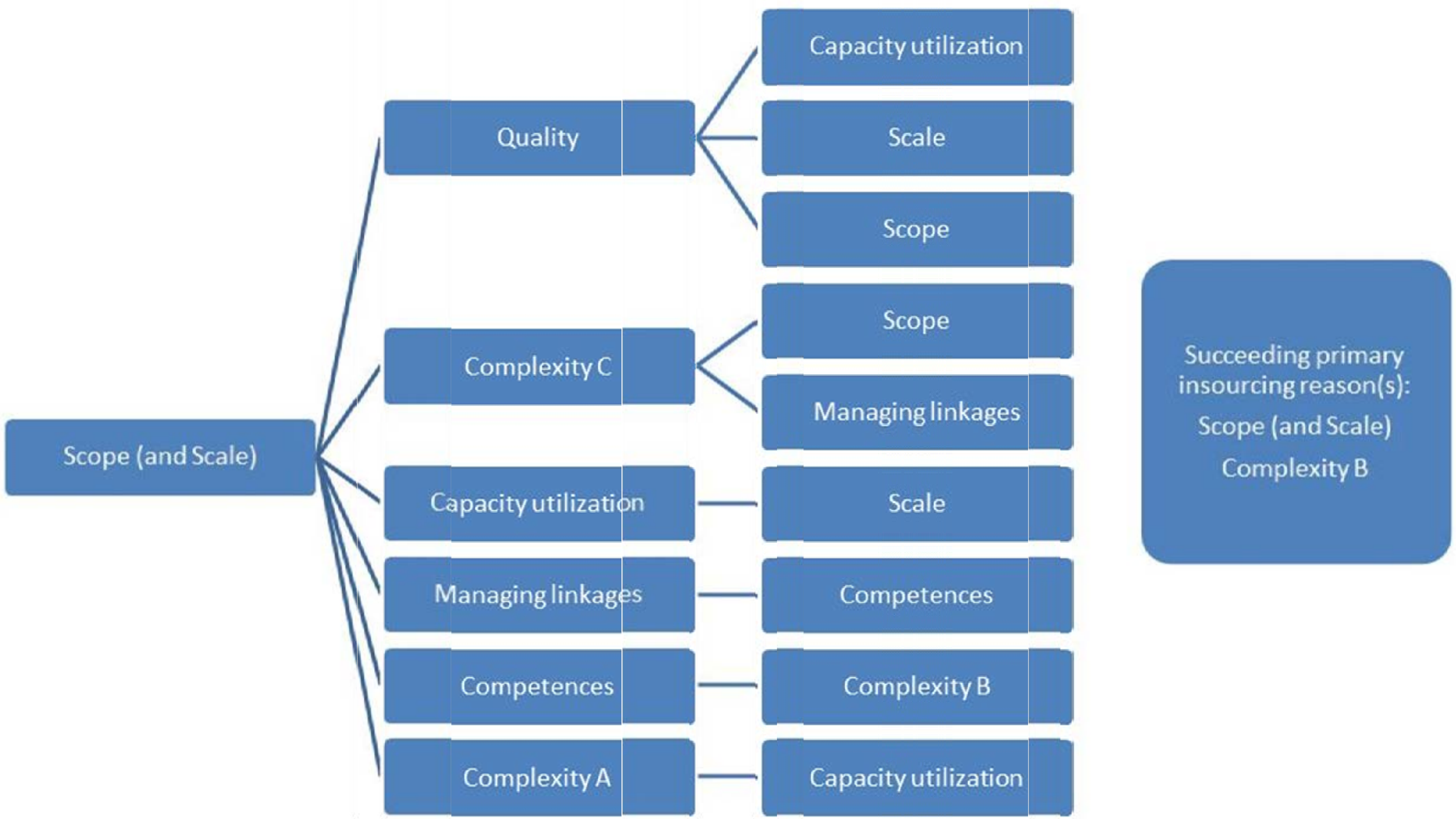
Figure 2.5 Various intertwined effects that give rise to altered management situations in LEVERAGE



*) LEVERAGE has to a large extent considered capacity utilization prior to outsourcing. It is embedded in their approach and does not a such create surprisingly altered management situations. It is mentioned here, as it impacts allocation between their locations. This is then subject to the ongoing, intertwined queries about scope and scale within the organization

**) The theme of complexity evolves in this emplotted narrative into 'alteration of suppliers', which relates to both management quires about the scope as well as the management of linkages

Figure 2.6 Various intertwined effects that give rise to altered management situations in EXPERIENCE



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