

**Control in Inter Organizational Life
Drawing on Mary Parker Follett's view to illuminate control of
coopetitive retailer-suppliers relationships in France**

Damien Mourey

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Introduction:

The adoption of an inter-organizational perspective for the research in control has been praised by many scholars for more than ten years. The lack of interest of the research community to novel cooperative and coordinating inter-firms practices making it possible to effectively manage business processes which cut across legal and national boundaries have been stressed (Otley, 1994, p. 293). The fixation of the research community on the traditional hierarchical organization has also been vividly regretted (Hopwood, 1996, p. 589). In the wave of this call to more responsiveness to these new ways of combining resources between firms, a bunch of academic studies have been published producing new knowledge on a still emerging field of research : the control of strategic inter-firm relationships. In particular, some authors stress the need to conceive of new tools and accounting techniques to address the specific requirements imposed by the management of inter-firm business processes. The development of *open book accounting* techniques (Kajüter and Kumala, 2005), the *total cost of ownership* (Carr et Ittner, 1992), the diffusion of *inter-organizational balanced scorecards* (Kaplan and Norton, 2006) and the use of the *value chain* concept to carry out strategic cost management analyses (Shank, 1989; Shank and Govindarajan, 1992) are viewed as answers to make do with the complexity of effectively managing those inter firms processes. Other scholars have challenged this view stressing that the relational context in which these management tools and techniques are used should not be left out. The risk of resorting to a too instrumental approach disconnected from the inter-organizational everyday life in which they are engaged is pointed out. For some scholars, the relational context should even come first in the conceptualisation of the control processes underlying the development of these inter-firm relationships (Lord, 1996; Tomkins, 2001; Coopers and Slagmulder, 2004).

However, as pointed out by Caglio and Ditillo (2008), the results of these researches drift apart dramatically and are somewhat unsatisfactory: no one knows how to piece together these pretty bits. These authors stress the diversity of the perspectives taken to analyse inter-firm relationships, the lack of complementarity - and sometimes of consistency - between the research objects and, *last but not least*, the limitations of the methodologies used. They call for a major turn in that they suggest research should focus more on the *control problems* faced by inter-firm relationships and their evolutions over time. *Cooperation, coordination and appropriation concerns* are the main issues identified in the literature (Caglio and Ditillo, 2008; Dekker, 2003). So far, academic researches have mostly developed *control solutions* for taken for granted *control problems*. Their conceptualisations derive mainly from the *decision making paradigm* and its unabated use of generic and static concepts and theories - such as the agency and the transaction cost economy theories, the writing of formal agreements, the clan, the optimisation of a pre-existing set of tasks, and the not so obvious concept of trust. In this functionalist and rationalist view of inter-firm control, *control problems* suffer from blackboxing and needs to be challenged.

Following in the footsteps of Caglio and Ditillo (2008), this paper aims at studying the *control problems* faced in a specific inter organisational setting through the study of cooperative and

coordinating practices in the retail business in France. Sixteen international suppliers of the consumer goods industry have recently embarked into a *category management* approach with a French major retailer. Walking away from the functionalist and rationalist approaches of inter-firm control, we draw on Mary Parket Follett's pragmatist-inspired view of coordination and control (1919, 1924, 1925, 2005) to study how control is co-actively exercised by the actors of these inter-firm relationships. We argue that the main *control problem* faced by the actors of these relationships is *neither* a problem of information exchanges spiced up with a risk of opportunistic behaviour *nor* it is a problem of *what is* or *what should be*. It is a *problem of ignorance of what may be done together*.

We argue that the necessity, in a *hypercompetitive* (D'Aveni, 1995) business environment, to render intelligible the constantly evolving management situations these teams jointly have to face is the main *control problem*. Exploring and creating together new possibilities for collective joint action is what makes these managers tick. But this is not easy. This inter firm cooperation is indeed constantly exposed to breakup threats since the structure of interests of the co-participants *within* and *between* the different teams involved constantly risks drifting apart. Control is co-exercised to prevent this from happening. It should therefore not be portrayed in terms of *aligning and cascading* mechanisms, but should rather be understood as an ongoing social process of *purposing and contributing*. The main contribution of this paper is to elaborate the concept of *circular control* that owes much to Follet's ideas. *Circular control* accounts for this not-so-obvious micro social process sustaining the co-production of new knowledge between teams' members whose common fate is to cooperate in spite of all that should tear them apart.

The structure of the paper goes as follows. The first part describes the *qualitative and grounded* methodology used for studying these practices. The second part portrays the main features of the inter-firm relationships studied and the rather equivocal and ambiguous relational, institutional, legal and historical context to which they relate and from which they can't be detached. The third part details some exemplary moments of this rather weird form of cooperation based on voluntarism. The fourth part draws on Mary Parker Follett's three main theoretical concepts - the *law of the situation*, the *circular response* and the *constructive conflict* - to conceptualise how control is used. We argue that the handling of these relationships constantly moves from a *control-over* approach (based on domination or compromise) to a *control-with* approach (based on the Follet's principle of integration). The actors of these relationships constantly hop from one world to another. We eventually elaborate the concept of *circular control* to account for this sort of strange dance which takes place during face-to-face interactions where *moment* is just king.

1. A qualitative methodology to study on site a system of practices

Entering a fieldwork has nothing to do with luck and can not be forced: it is the outcome of a negotiation with the actors of the field who have authority to either let you in or brush you aside (Girin, 1990). From the very beginning the researcher has to make do with an initial request formulated by these key actors. The researcher's activities on fieldwork will be first and foremost subjected to this set of contingencies. We made a deal with the merchandise director of the hypermarket chain. He was willing to entrust us with a rather operational position in a category management approach. The latter was about to be launched with sixteen international suppliers of consumer goods producers. Category management is a retailing concept in which the total range of products sold by a retailer is broken down into discrete groups of similar or related products; these groups are known as product categories. It is a

marketing strategy in which a product category is managed as a strategic business unit. An important facet of category management is the shift in relationship between retailer and supplier : instead of the traditional adversarial relationship, the relationship moves to one of collaboration, exchange of information and data and joint business building. The official goal of this cooperation is for both parties to grow faster than the market does in terms of turnover and margin generated by these categories. For each of them, a *joint business plan* and an inter-firm *balanced scorecard* have been co-conceived and developed. These management tools are produced on a monthly basis and help mediate the various interactions between the teams' members during *top to top meetings* and other performance evaluation reviews. We were assigned the responsibility to produce on a monthly basis these inter-firm balanced scorecards and to assist in the novel budgeting process named *joint business plan*. The researcher was therefore an actor of the development of this category management process. We were granted the authorisation to attend to all meetings and gatherings organised for the monitoring of this deepened partnership. We had access to the IT network of the retail group, its Extranet, we could also extract data from all the databases used by the merchandise managers and we had access to the common directory of the merchandise direction. As long as we were up to the job assigned to us, we could also carry out all the activities we found it necessary for our research work. Over more than one year, we spent on the average three days per week at the European headquarter of this retail group where the office of the merchandise direction of the French business unit was located. We have been in contact on a daily basis with most of the actors of these relationships who were both co-producing the inter-firm scorecards and using them in joint performance evaluation meetings.

We claim that our research methodology combines two different techniques: the *participant observation* as conceptualised by Goffman (1975) and the one associated with the *grounded theory* perspective as it was originally promoted by Glaser and Strauss (1967). The best way to describe what this intense immersion within a complex and vast fieldwork looked like is certainly to refer to the description given once by Goffman to the concept of *participant observation*: “By participant observation, I mean a technique that wouldn't be the only technique a study would employ, it wouldn't be a technique that would be useful for any study, but it's a technique that you can feature in some studies. It's one of getting data, it seems to me, by subjecting yourself, your own body and your personality, and your own social situation, to the set of contingencies that play upon a set of individuals, so that you can physically and ecologically penetrate their circle of response to their social situation, or their work situation, or their ethnic situation, or whatever. So that you are close to them while they are responding to what life does to them.” (Goffman, 1975, p. 125).

Getting there requires a long lasting exposition to the social context of the fieldwork explored and specific features of the researcher's personality: “Now about exploitation of the place you're in. I think you should spend at least a year in the field. Otherwise you don't get the random sample, you don't get a range of unanticipated events, you don't get deep familiarity. It's deep familiarity that is the rationale - that plus getting material on a tissue of events - that gives the justification and warrant for such apparently “loose” thing as fieldwork” (Goffman, 1975, p. 130). However, gaining deep familiarity with the actors of the field and their practices is not enough to bring new theoretical knowledge. Qualitative researches are sometimes portrayed ironically, as Coase once put it, as “[a] mass of descriptive material waiting for a theory, or a fire” (cited by Suddaby, 2006, p. 637). An intense theoretical activity is what makes a qualitative research a *grounded one* (Ahrens & Chapman, 2006). The need to reorient periodically the investigation process on the field as soon as the conceptualisation of the case evolves is the key feature of a successful *grounded* research. It is

the dynamic interaction between, on the one hand, the ongoing knowledge produced through the immersion and the interactions with the actors of the field and, on the other hand, the continuous search for a conceptual frame making it possible to account for it which makes it a *grounded research*. And, as Suddaby puts it, “grounded theory is not easy” (Suddaby, 2006, p.640).

The latter stresses two important features which make it possible to qualify a qualitative research as a *grounded* one. Firstly, “exemplary research using grounded theory requires considerable exposure to the empirical context or subject area of research. Contradicting prevalent ideals of scientific detachment from context, the constant comparison method implies an intimate and enduring relationship between researcher and site. Because of this close long-standing connection, the personality, experience, and character of a researcher become important components of the research process and should be made an explicit part of the analysis (Strauss & Corbin, 1998) “(Suddaby, 2006, 639). Our previous professional experiences of almost ten years as management accountant at Unilever’s and at Carrefour’s associated with the careful way we consciously exposed ourselves to the field and gained deep familiarity with the actors are important elements for claiming this point. But there is more. The possibility of comparing and contrasting constantly over one year the development of sixteen relationships backs up the claim that the *constant comparison* principle was abided by. Plus, the cross-checking of the various pieces of information partially collected and produced through our interactions on the fieldwork was made possible by interviewing actors belonging to different organizations and projecting different visions on the joint activity systems. Last but not least, the consultation of an abundant press coverage related to the French governmental reform aiming at changing the legal environment presiding over the distributors-suppliers relationships has turned out to be an external and precious source of information.

Secondly, Suddaby stresses that “successful grounded theory research has a clear creative component” (ibid., p. 640). Referring to the seminal texts of *grounded theory*, he insists on the interpretation process of the data collected and produced by the researcher on the field. Creativity in this process has nothing to do with what he terms the “neurotic overemphasis on coding” some scholars may have resorted to while claiming using grounded theory. The belief that “pouring textual data into a software will yield results” is just a fallacy. The concept of *circular control* detailed at the end of this paper is the product of this interactive and grounded research. It did not pre-exist but it constitutes the main theoretical contribution of this research. It has emerged over time in a quite similar way as it is portrayed in the following extract: “As a meaningful context that is structured by diverse participants acting within political, economic, social and material arrangements, the field is not open to the researcher’s favourite explanations (Campbell, 1988). [...] the field is “insistent” on the logics of its specific functioning. With those logics the researcher’s theorising must engage” (Ahrens and Chapman, 2006, p. 821).

This research stands out clearly against the traditional approach of inter-firm control. Following in the footsteps of scholars having called for the adoption of qualitative methodologies to produce new knowledge, we have conducted a *grounded* research as it was originally exposed by Glaser and Strauss. Referring to Goffman’s view of participant observation we subjected ourselves to the set of contingencies that play upon the actors of the field to gain deep familiarity. Our methodology contradicts the prevailing ideals of scientific detachment from context. We argue that there is much to gain from qualitative and grounded

research to shed new light on complex social phenomena which have so far mainly been studied at a distance: the size of the fishing nets traditionally used is so large that too many important features slip through them.

2. Presentation of the main features of the inter-firm relationships studied

This section describes the main and specific features of the inter-firm relationships studied. Firstly, the *category management* approach is detailed in a rather decontextualised and generic manner. Secondly, we portray the general historical, legal, institutional and relational context in which the new cooperative practices take place. We argue that they can't be detached from one another.

2.1. Playing the so appealing “making more money” card

The actors of our relationships have recently embarked into a *category management* approach. The official goal of this cooperation is for both parties to grow faster than the market does in terms of turnover and margin generated by these categories. For each of them, a *joint business plan* and a *balanced scorecard* have been co-conceived and developed. These management tools are produced on a monthly basis and help mediate the various interactions between the teams' members during *top to top meetings* and other performance evaluation reviews. This new approach constitutes a major change for both parties, at least officially. The chosen supplier is named a *category captain* and the main actors of these relationships treat themselves like *partners*. These relationships have so far been plagued by an overemphasis on the commercial negotiation and its somewhat counterproductive search for higher rate of back margin by the retailer. It is now recognized among the representatives of the retail company that, by doing so, many opportunities of business growth might have been missed.

The merchandise director of the hypermarket chain of the second largest retail company in the world has officially decided to upgrade the management of key suppliers' relationships. It is now proposed to move their centre of gravity toward a more business oriented approach: the joint management of a category of products such as the coffee market, the ice cream market etc... It is to become the strategic unit of analysis making it possible to better coordinate the various existing inter-organizational sub-processes which have been loosely coupled so far. In this perspective, the commercial negotiation is no longer *the* main lever of action but becomes *one* among others such as the pricing policy; the management of promotional flows and the launch of innovative products; the development of E.C.R techniques of cooperation (the latest known being the Collaborative Planning Forecast and Replenishment); the joint use of shoppers' data collected through loyalty cards in order to design more efficient promotions; the development of new promotional mechanisms and the analysis of their relevancy for each category; the launch of a new cross-selling technique; the development of ready-for-shelf packaging etc... The category management approach aims at defining a *joint business plan* per category of products gathering a set of joint actions whose official objectives are to grow faster than the market does in terms of turnover and margin. The official performance indicator of these new cooperative practices is that both the category captain and the retailer should outperform the global market for each category. A specific instrumentation is being jointly developed comprising a budgeting process and a balanced scorecard per category. These management tools are used to mediate the various interactions between teams'

members. *Top to top* meetings are being held on a quarterly basis. They gather on both sides the main actors of these relationships such as the C.E.O, the heads of the purchasing, logistics, merchandise and hypermarket exploitation departments. Other category management meetings are constantly being held at different levels of the organisation. Category management relies on the hybridization of different knowledge to help the actors of these relationships co-conceive new ways of combining resources and meet consumer and shopper needs while maximising the global turnover and margin of the category for both parties. The value of this trade partnership lies in the possibility now given to yield the knowledge detained over the shopper by the distributor *and* over the category's customer by the supplier to co-produce new knowledge on the category. It is also expected that the adoption of this new strategic unit of analysis will help improve the coordination of so far loosely coupled inter-organizational business processes.

What could be more sensible and appealing for consumer goods producers which have spoken in favour of this turn for so long? It is no surprise that all main suppliers are willing to endorse the role of *category captain*. Most certainly no one can tell in advance where this new path could lead. Neither the openness of mind displayed by the distributor's team nor the ever-to-be-overcome difficulties to get along with a partner having different interests and views of seeing the world should be played down by the suppliers' teams. At the end of this not-yet-designed and full-of-ambushes road, there *may be* new possibilities of doing business together. Hope and voluntarism are the main drivers of this weird cooperation, nothing else. This is the main reason why these actors have embarked into this odyssey in spite of all the existing differences of opinion threatening permanently their now officially upgraded partnerships. Category management is not about *what is* or *what should be* but about *what may be*: the co-enaction of new possibilities of collective joint action. The following section will be dedicated to the description of the broader and multi-faceted context in which this approach takes place and which can not be ignored.

2.2. The novel cooperative practices studied can not be detached from a broader historical, institutional, legal and relational context

The relationships between the French retailer and the sixteen international and major players of the consumer goods industry have gone through a lot of ups and downs over the years. The best way to describe them is to ironically portray the actors of these relationships *as forty-five years old friends*. The fast evolution of the hypermarket model in France has gone hand in hand with the development of rather tough and sometimes very tense commercial negotiations with suppliers which have caused them to experience all possible and imaginable situations over time. Remembering from those very painful and (sometimes) happy endings of these past showdowns prevents the producers from adopting a too naïve stance on the proposed category management approach. Of course, they officially rejoice at being now considered as strategic partners, they express their gratitude and the honour they feel for having been selected as *category captain*. Still, everybody knows that there is no such thing as a fresh start, at least in the retail business in France. The reading of a French parliamentary report dated 1999 describes without complacency the naughty and tricky practices sometimes used by a retailer to "persuade" a supplier to accept the "proposed" negotiation terms: "[...] some retail chains or store managers have developed genuine systems to let the situation of supplier's products on shelf deteriorate so much that the latter has no other choice but to bow to the retailer's demand or to retreat". When a commercial relationship goes out of rail, one producer may reach the brink of dark abysses in no time when the retailer decides to play dirt: its products are placed at the worst position on the shelf and can not be easily accessed by the

shopper; its allocated shelf space is left unattended; many stock-outs happen deliberately and especially on Saturdays; selling prices to the final consumers are purposely increased during short but devastating commercial periods etc...

This parliamentary report has led to the elaboration of a new law whose main guidelines were being discussed at the same time as the launch of the category management approach. The evolution of the legal context framing these relationships is important to understand the category management process under study. Everybody knows that the interests of the international suppliers and those of the retailers are just not the same. They use at the same time institutional organizations to lobby the position of the legislators but they rarely discuss this topic in the so-called *top to top* meeting. During many of them, the CEO of the hypermarket chain tried to make friends with some suppliers' CEOs explaining that the trend towards more legal restriction should be resisted. "We need a legal adviser before and a lawyer after each new commercial initiative" he explained. He was referring to the dramatic increase in the legal fees to be paid should one distributor be caught red-handed while not abiding by the new regulation. Each and every supplier's CEO would answer with a nod and remain silent waiting for the storm to pass. Only once, a quite frank reply was formulated: "it is very difficult to differentiate between the distributors who will abide by the new rules and the others. We have requested these new rules and the reinforcement of the legal and financial consequences of any breach of them. It is for us the only way to make sure the distributors will play fair". A devastating price war was feared by most producers referring to what happened to the Dutch retail business when a brutal liberalisation of this sector took place a couple of years ago. However, most distributors think that the debacle of the Dutch retail business is a far too easy smoking gun endlessly exhibited in order to avoid questioning the real fears of the producers: to be forced to cut down their prices and to experience a not so pleasant kind of pressure on their margin level.

Another interesting feature of these inter firm relationships is that they display a rather balanced power of negotiation. Some analyses of inter-firm relationships in the literature show an asymmetrical power of negotiation. Sometimes, it is so unbalanced that it would be more appropriate, applying the principle of substance over form, to resort to a hierarchical framework of analysis. This is not the situation of our case. A wave of business consolidation has taken place in both the retail and consumer goods industries. For example, the retail company accounts for 25% of the turnover of the Nestlé Group in France. At the same time the Nestlé Group accounts for 10% of the global turnover of the grocery products sold by this retailer in France and accounts for 40% of the turnover of the categories of products for which it proposes a range of products. An international supplier also invests a lot of resources on the selling surfaces to help boost its sales. Should a conflict arise between them, there is no doubt the supplier would allocate these resources to other distributors. On top of this, these relationships are characterised by the absence of hierarchical links between the different teams.

It is impossible to detach the category management approach from the broader and more complex historical, institutional and legal context in which it develops. The cooperation they engage is a very particular one. They cooperate in spite of all their differences of interests which could rapidly bring their relationship on the verge of collapsing. Everybody knows about it and tries to make do with it. This cooperation is based on voluntarism in that, the only way to move on with their conflicts of interests and to get over these differences is to conceive of new solutions, to improvise new ways of combining resources, to enact new possibilities of collective joint action. It is therefore precarious and all but guaranteed.

3. An inter-organizational life full of possibilities and miseries

In this section some exemplary moments of the category management approach are reported. First, we detail the breakup of the relationship between the teams' members of the cheese category. Then we illustrate the new possibilities of collective joint action created by this approach on the coffee category. Eventually, we detail how the "ready-for-shelf" packaging project initiated by the retailer's team has evolved over time.

3.1 A chronicle of an unannounced breakup

When the moment came to select the category partner on the cheese category, three suppliers were potential winners: they had the required resources to play this role and displayed a wide offer of products covering most of the sub-segments of this fragmented market. However, the distributor's team was lukewarm about each and every of them. Eventually, the one cast was the supplier having the lightest backlog of accumulated and unsolved conflicts with the purchasing department at this time. The merchandise manager in charge of this category in the distributor's team would have preferred another supplier for business reasons. It was planned to develop some sub-segments of this category for which the chosen supplier was not the most dynamic actor.

Everyone was playing nice at the beginning. The *top to top* meetings turned out to be very fruitful and both teams rejoiced at the satisfactory gains in market shares displayed by the Nielsen's charts. With no doubt, they both outperformed the market at that time. However, six months after the first *top to top* meeting, the distributor's team decided to end unilaterally this deepened and so far satisfactory cooperation. The reason invoked of this breakup was that this supplier was suspected to grant better *back margin* conditions to other French distributors. There is much to gain from remembering those two inter-firm meetings which took place during the rainy days of September 2006. "We want to kill them, I want to play it tough and dirt"; "the buyers are furious at them": these sentences could be heard from the merchandise Director of this food business a few minutes before the beginning of a preparatory *top to top* meeting. He arrived late at the meeting and the first thing he did was to display in front of the eyes of the supplier's manager in charge of their commercial relationship a photocopy of a promotional offer of a competitor. He said enigmatically: "never talk about it but always think about it". The supplier's team did not lose its composure and the meeting resumed with an analysis of the "remarkable results" obtained with another specific operation.

However, everybody knew there was something in the air. Obviously, another retail chain could afford to propose a product of this supplier at a price this retailer could not be aligned with. This was certainly an unintended consequence of the modification of the law which took place in 2006. It allowed the distributor to reinvest a part of their back margin in price reduction. Since the retail chain of our case study, considering the existing contractual terms with this supplier, couldn't align with it, this proved that better conditions were granted to this competitor. The supplier was summoned to deliver an explanation, to correct straight away this "anomaly" and to compensate for this "unacceptable" loss of margin undergone by the distributor over the last three years. The commercial manager of the supplier who was on tenterhooks tried to explain that he was not responsible for the pricing policy of his different clients and he had no intention to get involved into this. He gave assurances that there was no such thing as an "unfair" treatment of the retail chain. A second preparatory meeting was planned on Friday the same week. During this meeting an episode of less than twenty seconds happened which made everybody understand that the thrill of this cooperation was just gone

and that the actors were back to the old ways of doing business: suddenly, without any consideration for the participants of this meeting, the buyer of this category entered the meeting room, remained silent and moved stealthily till he reached the place of the commercial manager of the supplier's team. Then he violently threw onto the table another promotional leaflet of another competitor where the selling prices of two references had been furiously underlined with red ink. He left the meeting room without having said the slightest word and left us shaken by this break-up scene played with mastered direction.

This episode shows the ambiguity of this weird cooperation since it is characterized with permanent tension of trust and distrust. However, there is no true evidence that the retailer suffers from unfavourable commercial conditions by this supplier. There is only a perception of that by the buyer. Indeed, the comparison of different selling prices exhibited in promotional leaflets can prove terribly wrong. In the past, a buyer couldn't compare at all the level of commercial conditions granted by a supplier since the back margin level was kept secret and couldn't be reinvested in price reduction. Suppliers would draw on their own experience of dramatic art, including psychodrama, to make the buyer believe he was granted a special treat. A "good" negotiation was generally closed on such a belief. Following the legislation change another part of the commercial conditions has now become "transparent" for the buyer. However, the iceberg is still deeply hidden by dark waters. The pricing comparison excludes all other compensations a supplier may give to a client and which are not a part of the back margin that can be reinvested in price reduction. For example, the supplier may finance, through other budgeting lines, commercial activities on the selling surface to help promote and boost sales. Last but not least, a supplier may choose to sustain the loyalty card policy of a distributor by giving extra budget for rewarding the loyal customer. There is no such thing as "truth revealed" even by those so far unheard control mechanisms like promotional leaflets. There are only presumptions and hypotheses on the partner's behaviour which are tested during unexpected trials. When such a trial is to take place and by whom it is triggered can not be foreseen and is not even always premeditated. This leaves each and every inter-firm meeting with a special atmosphere of suspense. Everybody is aware that the performance evaluations reviews they experience are risky social situations haunted by fate. All suppliers' and distributor's teams have got secrets. And it is better to maintain them deep down buried in the darkness side of the cooperation. What happened to the cheese category team could have happened to any of them. Sometimes you don't anticipate sufficiently the impact of a change or you make a wrong move raising questions leading to others and this will bring in no time your inter-firm relationship on the verge of collapsing. Sometimes, you have to make do with a tough buyer willing to play the bad cop to make an example. Sometimes, you are just dealt an awful hand.

3.2. The co-making over time of new business processes, ideas and concepts

"We feel the willingness of the distributor's team to move on quickly and to shake up our habits. This dynamic carries us. We are forced to find internally new solutions to meet our client's demands, even if it questions taken-for-granted ways of doing things". This message by a senior manager of the category captain of the coffee category shows a pragmatic and voluntarist approach of the supplier's team. The category management approach is viewed as a laboratory, a platform for exploring, testing and combining new ways of doing things together: « Three years ago, the coffee market was deflationary. Who could have foreseen that it would now grow at a two-digit rate? [...] Pragmatism is dictated by the market itself. Gains and losses of market shares are very quick, the market sanction gets faster and faster. The first plus of this category management approach is the exchange of information. It is also the

ability to value risk taking initiatives: what is forbidden is to refuse to explore new levers to boost the value of our business. Most of them are proposed by the retailer.”

Cards have been dealt again between the main players of the coffee market following the successful launch of a new segment, the coffee tabs. Nestlé, Douwe Eghbert and Kraft Foods are the three main players. They have opted for different approaches as far as the technological choices and the distribution channels of their caps coffee products are concerned. Nestlé has decided to short-cut the retailers and to sell directly to the final consumer in specifically designed Nespresso shops. The distributor is therefore deprived of a margin on a growing segment of the coffee market and dislikes this idea very much. The category captain selected has had a different approach in that it sells its offer through the retailers. However, these two suppliers have chosen to sell *specific caps* which can only be used on certain devices. What matters to increase one's market share is therefore to sell as many machines as possible: once bought, the client becomes captive and has no other choice but to buy the related caps. The coffee category is also very important for the retailer: the penetration rate peaks at 85%, almost every adult aged between 30 and 50 years old is a regular consumer, and the yearly average consumption per inhabitant in France is 5kg. This category is a traffic builder since the purchase of a coffee product is listed at 88% and 65% of the coffee buyers shop these products in their main store. 70% of the total sales are made through the retail chains in France and this category accounts for 6,1% of the global grocery turnover of a retailer. The market can be broken down into three main segments: soluble (26% of market share and a growth rate of -0,7% in 2006), roast (60% of market share and +1,3% of growth rate) and the caps (14% of market share and a growth rate of +34% in 2006).

It can be argued that the category management approach has led to new joint initiatives aiming at fighting back against unfavourable trends for both the distributor and the category captain. First, the merchandise department has decided to increase the global assortment of coffee products by 6%. Second, the grocery store managers in charge of this category can opt for three different typologies of assortment, each of them displaying a different number of references. 30% of them have upgraded their choice in 2006. The merchandise manager of this category wants to increase the offer of coffee caps while maintaining the offer on the two other segments. The category captain has proposed three other initiatives. Two actions aim at reinforcing the association between machines and caps. He proposes to design a furniture making it possible to cross-sell coffee caps near the place where machines are sold. He also considers implementing machines on top of the coffee shelf itself. But there is more. One major proposal is to move the coffee filters which account for 6% of the global shelf space. This is not easy since this range of products does not belong to the grocery sector but to the non-food one. Within the distributor's organization itself, you have differences of opinions and contradictory interests. The non-food merchandise managers do not want to hear from such a move and have resisted it for years. The category captain, who does not sell coffee filters, proposes a new solution, the design of an “alley's wing”, in order to move the coffee filter out of their traditional implementation. This solution might also satisfy the non-food merchandise department.

Another example shows that there is no such thing as an alignment between the different members of a same organization. The category captain explains that he does not understand why the retail chain promotes the sales of Nespresso machines. Every machine of this kind sold implies a reduction in the coffee turnover and margin made by the retailer since the Nespresso caps are not sold in the retail business. He therefore parallels this weird situation as a friendly shot at war. The Food merchandise director needs not being told about this but,

sometimes, it is just easier to get along with an external supplier than with an actor of your own organization.

Moreover, the merchandise director has decided to communicate to this supplier the list of the 20 stores in France displaying a market share on site on this category inferior to the national average performance of the retail chain. Through face-to-face meetings with the store managers concerned, a diagnosis of the store situation and action plans have to be co-conceived locally and followed up in order to try to fill in the market share gap. These are some of the various initiatives which have been co-developed thanks to the category management approach. There is no determinism here: some experiences will eventually be stopped, other will be deepened and transformed over time. It is not a question of success or failure but a question of being able to make new links, to favour new cooperation practices between different actors of the organizations, to enrich the possibilities of everyday inter-organizational life. What is at stake is the flexibility to often actualize, co-enact and redesign their joint system of activities.

3.3. Information exchange does not overcome the diversity of opinions

The development of ready-for-shelf packaging is presented by the representatives of the hypermarket chain as a main lever to improve the performance of the supply chain management between the suppliers and the distributor. This subject ranks first on their agenda and all suppliers are urged to take action to develop new packaging addressing this need. The rationale behind this request is the following one. The finished products at the sourcing units are gathered by group of 6 or even 12 units to form a logistic unit. Then, the cases are manipulated, stored and transported till they reach the selling surface. A store's employee has to open the case first and then replenish the shelf by taking one by one all the consumer units included in the logistic case. Why couldn't it be possible to elaborate a packaging at the level of the sourcing unit which would be directly put onto the shelf once it has reached the selling surface? The retailer's representatives claim that productivity savings could be gained all along the supply chain. It is argued that 20% of the activity time of a replenisher is dedicated to the opening of the logistic case unit, 70% to the placing of the consumer units onto the shelf and 10% for the handling of the packaging. The suppliers have long been very reluctant to this idea for two types of reasons. First, at the beginning they did not really see their own economic interest in this approach since it was clear enough for them that the extra costs were at the level of the sourcing unit and the savings were located mainly at the store level. Second, the management of their respective sourcing units has been driven by a logic of complexity reduction. It is not easy to ask for a specific investment for a single client, however important it might be.

The dynamics of the ready-for-shelf approach has made it possible to quickly modify the hypotheses upon which most suppliers elaborated the economic evaluation of the project. The ignorance of what could be done together is at the heart of the controlling process co-exercised on this emerging process. No one can tell what would be the cost and gains of this approach for either the supplier or the distributor. No one can tell to which extent this approach can be generalized without affecting negatively the customer's behaviour. No one can tell what will be the effects of the implication of the marketing teams for conceiving of new packaging solutions aiming at better communicate on their brands and reinforce the visual segmentation of their products displayed on the shelf. No one can tell what would be the marginal margin growth resulting from the reduction of the level of out-of-stock products expected by this new packaging. No one can tell how the coming European regulation related

to the use of eco-packaging will impact the costs-and-gains economic analysis. Moreover, the global analysis of this retailer's request leads each supplier to analyse their position in terms of balance of power. How many retailers will eventually be asking for the same request? Will we be the only supplier of the category to refuse to develop a solution? Couldn't it be possible to conceive of degraded and less expensive packaging solutions which will nonetheless trigger productivity gains on the selling surface? No cost-and-benefits analyses have been jointly carried out. No rules for the sharing of the extra costs incurred and the productivity gains have been discussed. But the controlling process has made it possible to co-produce new knowledge on the emerging process. The positions of the different actors are not stationary. Of course, we do not mean to imply that these teams will necessarily reach a happy ending, which could be possible but, in our case, far too idyllic. But we want to stress the following point: this is not the same thing as to disagree and express differences based on the same facts and to disagree while having a totally different understanding of what is at stake. As Follett (1924) once put it: "We need experts, we need accurate information, but the object is not to do away with difference but to do away with muddle. [...] The object of accurate information is not to overcome difference but to give legitimate play to difference. [...] Difference based on inaccuracy is meaningless. We have not done away with difference but we have provided possibility for fruitful difference".

3.4. Walking away from the traditional view of inter-firm control

We now argue that the functionalist and rationalist approaches of inter-firm control won't fit with our case study. A major source of frustration is to be found in the oversimplification of the systems of activities analysed in these researches. They mainly focus on the inter-organizational dimensions of the relationships. The joint system of activities is considered in isolation with the broader systems of activities of each organization. It is most likely that they overlap at least partially and sometimes even conflict with one another over time. The differences of opinion existing *within* the same organization on the stakes, modalities and willingness to develop further inter-firm cooperative practices with key suppliers are often neglected. Each and every member of the same organization is supposed to be aligned with the general goals and objectives of the "desired" inter firm cooperation. One may argue that the conceptualisation of the managerial activity as belonging *either* to an inter-organisational setting *or* to an intra-organizational one is just an analytical comfort and that this trade off has nothing to do with the messy reality of everyday inter-organizational life. This "aligning and cascading" (Kaplan & Norton, 2006) approach to tackle social and complex inter-organizational phenomena will be of little help when what is to be done *together* is yet not clear. Moreover, it leaves us with the impression that setting inter-organizational targets will turn managers having different experiences, agenda and interests into true believers. However, target setting does not overcome the diversity of opinions; it just gets the action started. There is no such thing as compelling evidence leading the different managers to abandon their own experiences and ways of seeing the world for a unanimously recognized and "just revealed" better one. Inter-organizational life is just not like going to church.

Another major limitation of these researches lies in the restricted definition of the perimeter of the inter-firm value chains analysed. Sometimes, the author defines *a priori* the boundaries of what is to be looked at and therefore confines, from the very beginning, his results within a restricted space and time perimeter of the inter-firm value chains. However, this turns out to be a major methodological flaw when one tries to analyse the dynamics of strategic business relationships. One way of defining what is strategic in a relationship is, indeed, to underline the continuous search for new ways of combining and testing resources, of being together

different. This may imply the transformation or even the creation of new joint activities leading to a reconfiguration of the joint value chains, to the emerging of new cooperative practices and linkages between different parts of the organizations. Researchers studying strategic inter firm relationships should be responsive to the new, to the unexpected and one should recognize that some methodological choices just can't let this happen. As a result, we stress that most of these studies share a common point in that we rarely know what the managers really do to effectively sustain and develop these inter firm relationships and their underlying business processes. In fact, one may even argue that inter-firm coordinating and cooperative practices might have never been studied at all. These practices got lost in the static conceptualisations traditionally associated with this field of research: the latter sort of bring the desert with tem.

4. What Mary Parker Follett knew about control

It has been stressed many times before that Mary Parker Follett's contribution to the conceptual management literature on control has long been neglected by the researchers' community (Parker, 1984; Fiol, 2005). Her ideas were contemporary to Fayol's and Frederick Taylor's but received a rather scant attention at that time. She was one of the more neglected management thinkers of her day (Parker, 1984). We can't be far wrong to state that justice has still to be served to recognize how groundbreaking her conceptualization of control is. In order to grasp it, one needs to understand her major concepts which are the *global situation*, the *circular response*, the *constructive conflict* and her conceptualization of *coordination*.

4.1. The law of the situation

There is no consensus in management sciences for the definition of what an organization is. It is often portrayed as a structured form for a finalized action. The emphasis is then placed on rules, structure, hierarchy, tools, organizational mechanisms, goal setting and the need for enticing cooperation. On the contrary, other scholars have focused on *organizing* (Weick, 2003) conceptualised as an ongoing process of making sense for and through a collective action. The pragmatist inspired concept of *management situation* (Follett, 1924; Girin, 1989) offers an intermediate level of analysis between these two approaches which are either too deterministic or lay too much emphasis on situational elements. What is to be controlled by the actors of the category management process is not a stable set of pre defined tasks linked with one another through dependency relationships. What the actors of our inter-firm relationships try to control is the development of management situations through the engagement of a collective process of inquiry (Dewey, 1938).

The concept of situation questions the all-things-being-equal way of analysing an inter-firm relationship and its traditional breakdown into pretty bits which are afterwards reassembled through presumed cause-and-effects linkages. Follett criticized "the fallacy which dissected experience and took the dead product, subject and object, and made them the generating elements". Only one law is to be considered: the "law of the situation": "We cannot study the "psychology" of the workman, the "psychology" of the employer, and then the "facts" of the situation, as so often seems to be the process of investigation. We must study the workman and the employer in their relation to the facts – and then the facts themselves become as active as another part of the "total situation". We can never understand the total situation without taking into account the evolving situation. And when a situation changes we have not a new variation under the old fact, but a new fact" (Follett, 1913, p.13). A situation is to be analysed

in a systemic and dynamic way. It is just not enough to identify the different variables of a situation without considering how each of them affects the others. "Facts must be understood as the whole situation with whatever sentiments, beliefs, ideals, enter into it" (Follett, 1919, p.13).

What the actors of our inter-firm relationships try to control is the development of management situations through the engagement of a collective process of inquiry (Dewey, 1938). No one knows in advance the end of a management situation since it always presents an indeterminate character. What could be done *together, here and now* is not pre defined knowledge but the product of the interactions mediated through the use of management tools. Controlling is viewed as a joint activity sustaining the co-production of new knowledge on a fast evolving management situation, the organizing of a hybridization of different pieces of knowledge brought by a variety of actors of the situation. Making links between events, letting some people enter the situation and bring their own experiences is what these managers do to control these situations which are always indeterminate and evolve through the action of each.

4.2. Hypercompetitive business environments

In our case the management situations over which control is co-exercised do not match with any existing formal organization: they cut across them, are underground and fast-evolving. Moreover, they evolve in *hypercompetitive* (D'aveni, 1994) business environments. They are permanently modified by a flow of events and surprises. *Hypercompetition* implies that competitive advantage is temporary and can not be sustained because of the dynamics of competition. In such a business environment, other organizations have the possibilities to imitate rapidly the production of goods, services, operational processes or to obtain the underlying resources of a transitory competitive advantage. "Hypercompetition may be viewed, therefore, as just a faster version of traditional competition. But that's like saying that a hurricane is a faster version of a strong wind" (D'Aveni, 1994, p.217). Strategy can be viewed as the ability to innovate and to generate a succession of temporary competitive advantages which may not be linked with one another in a linear way or through a pre defined path. In our case they would be better explain through the small wins model proposed by Weick (1995). In this conceptualisation, there is no such thing as a man with a plan. Should one be willing to stick to the long-lasting ballistic metaphor which has prevailed to portray the strategy in the classic view, one could say that, in our case, strategy is just like "shooting in the dark". In a hypercompetitive environment, what matters is the organization's ability to change, the speed at which practices are changed, the organizational flexibility, the innovation and the surprises you may create to disrupt the market (Johnson, Scholes, Whittington, 2006). In our case, the actors seek to create themselves new ways of combining resources, to explore new ways of doing things together, to let new possibilities of collective joint action emerge through the dynamics of the situation.

This conceptualisation of strategy gives some credit to the everyday managerial activity in inter-organizational life. This view is also consistent with a *strategy as practice* approach also known as *strategizing* (Johnson, Melin, Whittington, 2003). "Although most executives would like sustained advantage, they are forced to operate as if it does not exist. The challenge is therefore, not so much achieving sustaining advantage as it is coping with not knowing whether such an advantage actually exists - except in retrospect (Eisenhardt, 2002, p.91). "Within a few parameter, managers move as they see fit" (Eisenhardt, 2002). The notions of success or failure are not appropriate to evaluate the different joint actions taken by these managers. "The slogan for the total quality management, "Do it right the first time", is

not viable in companies trying to develop new things for what is “right” is not yet clear. A new set of management slogans has emerged in the Internet era – sense and respond, launch and learn, try and trash”. This is exactly what our managers do: betting on new ideas of collective joint action which have emerged through the dynamics of the situation, see what happens and move on to something else if the evaluated results are not satisfactory.

4.3. Setting our differences to work for us

Follett provides us with two major theoretical concepts illuminating the co-exercised controlling process of the case: the *circular response* and the *constructive conflict*. The *circular response* can be clearly understood when one acknowledges that “there is no result of process but only a moment in process” (Follett, *ibid.*). A situation is always evolving and reciprocally influenced by its actors: it’s “we plus you” influencing “you plus we”. “This reciprocal influence, this evolving situation, fundamental for politics, economics and jurisprudence, is made clearer if the words thought, purpose, will in a description of the behaviour process, we substitute thinking, purposing, willing. [...] Again there is a tendency to conceive of thought as the thing we have left over when we have finished thinking, the thing which thinking produces. All static expressions should be avoided. [...] We must be careful of the “eds” because they lead to “wholes”, the wrong kind of wholes, the “influence of the whole on the parts” etc. [...] An “-ed” becomes a stopping place of thought, and when man cannot think any further it is dangerous” (Follett, 1924). In our case, the concept of category of products relies on one major characteristic: no one has *a priori* the knowledge of what could be done at a category level. A category of products implies the hybridization of knowledge over both the customer of the category and the shopper at the store level in order to co-produce new knowledge. Cognition is distributed and knowledge creation is a social process of reciprocal influence.

The notion of *constructive conflict* stresses the following argument. Inter-organizational conflicts are neither good nor bad in themselves. But the way they are managed is decisive to evaluate the degree of control on the global situation managers have to face. Domination, compromise and integration are the three main methods of conflict solving. Only the ability to get over differences by creating something new making it possible to integrate the wishes of each parties can lead to a better control on the situation. Integration is to be understood as an ongoing process of unifying experiences with other experiences to hopefully co-produce new knowledge. In Follett’s view, the integration process means that the negative implications of conflict can be minimized by “setting it to work for us”. No one can tell whether such an adjustment will always be possible but getting control over an evolving situation implies to create the conditions to give it a chance.

4.3 Circular control

We now define *circular control* as the ongoing micro-social process of coordinating a relational whole. Follett distinguishes a relational whole from an additional whole. A relational whole is more than the sum of its parts. Coordination requirements are at the heart of the need for control of these relationships. But unlike the traditional view, coordination should not be conceived of in a static way, as an optimization of pre-defined tasks. Follett emphasized four main degrees of coordination (Sethi, 1962):

1. Coordination by direct contact of the responsible people concerned
2. Coordination in the early stage
3. Coordination as the reciprocal relating of all the factors in a situation
4. Coordination as a continuing process

Follett's view on coordination rejects the "fallacy of ends" that has veiled the static conceptualizations of this concept in control. Inter-Organizational life can not let us think like this anymore as, in a hypercompetitive environment, a "situation changes faster than anyone can report on it". Inter-firm control has mainly been conceptualized so far with the static idea of achieving an inter-organizational purpose or objective. But what Follett knew about control at that time and has been left out by the academic researchers is that *purposing*, not *purpose* is the driving force underlying the unifying process of a relational whole. *Circular control* is not a "control-over" but a "control-with" approach of the handling of these inter-firm relationships. *Circular control* of these joint management situations gets generated from within and can not be enforced by an outside body. *Circular control* is not *coercitive* control but *coactive* control. The unifying of a relational whole is what this co exercised control brings and integration is the process designed to achieved it. Yet, as Follett stressed, "[...] this unity, this interrelatings of parts, is the essential characteristic. It is always in unstable equilibrium, always shifting, varying, and thereby changing the individual at every moment" (Follett, 1918).

Conclusion

This research stands out clearly against the traditional approach of inter-firm control mainly in two ways. First, following in the footsteps of scholars having called for the adoption or qualitative methodologies to produce new knowledge, we have conducted a *grounded* research as it was originally exposed by Glaser and Strauss. Referring to Goffman's view of participant observation we subjected ourselves to the set of contingencies that play upon the actors of the field to gain deep familiarity. Our methodology contradicts the prevailing ideals of scientific detachment from context. We argue that there is much to gain from qualitative and grounded research to shed new light on complex social phenomena which have so far mainly been studied at a distance: the size of the fishing nets traditionally used is so large that too many important features slip through them. Furthermore, we should not be afraid to parallel our experience on the fieldwork as one managing a *research situation*. It cuts across the management situations faced by the actors of the field on a very specific point: no one knows in advance the end of it. We would like to quote at length a very important part of Follet's claims that only experiment illuminates the facts of a situation and makes it possible to get at them. "The thing most necessary to remember in analysis fact-finding, namely, that the interpretation of facts depends on needs. The interpretation of existence has always and will always serve our needs. The perception of facts, our "attention", is determined by our

needs and desires. [...] The satisfaction of human needs is the fundamental law of human existence. Since Freud, the importance of the “wish” has been before everyone’s eyes, but many advocates of fact-finding have not seen the significance of the Freudian “wish” in its relation to the interpretation of facts. [...] Facts become such for us when we attend to them. Our attending to them is bound up in a situation. The kind of objectivity which some of the fact-worshippers are endlessly seeking will be endlessly hidden for them. We want, we say, “impartial”, “impersonal” investigation of a fact, but the significance of that fact, by all the yet-known laws of the universe, must be part of the wish which demanded the “disinterested” investigation” (Follett, 1913, p. 11). We stress that our experience on the field and the ongoing theoretical process have brought to life facts that would have been left unattended otherwise.

Seconds, we have argued that the decontextualised approaches of inter-firm control were of little help in our case study since what is to be done together is yet not clear. Most of the time, controlling an inter-firm relationship is viewed as a problem of information exchange under the threat of the adoption of an opportunistic behaviour. The implementation of a set of control mechanisms – mainly formal but sometimes social (Dekker, 2003) – is often proposed associated with a trade-off between the building of trust and the writing of contract.

In this paper we have elaborated the concept of *circular control* to account for the controlling process of inter-firm relationships in the French retail industry. The not-so-obvious development of these cooperative practices lies in the necessity for both parties, in a hypercompetitive environment, to permanently explore and experiment new ways of combining resources. *Circular control* is a micro-social process sustaining the emergence of new possibilities of collective joint action. Control is co-exercised over management situations which always present an indeterminate character and are put on the move and unfold through the action of each. The need for each party to situate themselves *vis a vis* the fast evolution of the management situations they jointly face and upon which they wish to act explains the need for coordination conceptualized as Follett did. The concept of circular control owes much to the pragmatist inspired conceptualisations by Follett. On the one end, it is a social process of reciprocal influences, a process of “cooperating experience” (Follett, 1924) based on the principles of *constructive conflict* and *circular response*. On the other hand, we have underlined the necessity to link agency with a wider context. This case study is the tale of actors cooperating with one another in spite of all that could tear them apart. They are gold diggers consciously exposed to the hazards of fortune and to the danger of being discredited by making a faux-pas. The concept of *Circular control* takes the opposite view of what is generally taken for granted: knowledge is not pre-given but co-produced; social situation should not be “neglected” but the study of practices should come first; and, *last but not least*, the use of management tools should not be studied at a distance but linked with a wider context of action.

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