

Trust and Control in Network Relations: A Study of a Public Sector Setting

GUSTAF KASTBERG*

Abstract: This study contributes to the literature by addressing the role of trust and control in public sector settings in which several organizations cooperate; its aim is to advance the understanding of trust and control in relations in which several parties are involved. The empirical study presented is a longitudinal case study of the relationships between organizational units within a municipality and a shared service center (SSC) that provides IT and administrative services. The main finding is that, compared to actors in previous studies of dyadic relationships in the private sector, actors in network relations seem to consider trust a risky option. It is less tempting to rely on a certain party when that party in turn is entangled with other parties. This situation causes a more intensive use of formal control. Another result is that increased trust between two parties might lead to more emphasis on formal control by a third party.

Keywords: trust, control, interorganizational relations, public sector

INTRODUCTION

In the public and private sectors, more and more aspects of organizational activities are dependent on external parties (Broadbent and Guthrie, 2008), creating interorganizational relations (IORs). Shared service centers (SSCs), outsourcing, and strategic alliances are examples of this trend. The public sector is increasingly organized and controlled by establishing intraorganizational boundaries that work in the same way as interorganizational relationships (Peters, 1998). Models such as the purchaser-provider split and voucher systems have, for example, been introduced to varying degrees in different countries as part of New Public Management (NPM; Hood, 1991). What characterizes these

*The author is from the School of Public Administration, Gothenburg University, Sweden.

Address for correspondence: Gustaf Kastberg, School of Public Administration, Gothenburg University, Gothenburg, Sweden.
e-mail: gustaf.kastberg@spa.gu.se

models is that they are neither purely market-based nor purely hierarchical arrangements. These 'impure' IORs have been labeled hybrids (Kurunmäki and Miller, 2011) in order to capture the way they combine various logics of organization. Despite a growing body of literature focusing on private sector IORs, less attention has been directed toward such arrangements in the public sector (Cristofoli et al., 2010).

Consequently, questions have specifically been raised regarding both the private sector (Otley, 1994; Hopwood, 1996; Tomkins, 2001; and Dekker, 2004) and the public sector (Kastberg, 2008; Grafton et al., 2011; and Kurunmäki and Miller, 2011) regarding how the coordination and control of activities between organizations should take place, which forms of coordination are the most effective, and the effects various options have. In recent times, however, attention in the private sector oriented literature has been directed not only toward what can be described as traditional, formal methods of control but also toward the role that trust plays in relations between parties (Williamson, 1975; Das and Teng, 1998; Doz, 1996; Gulati, 1995; Mouritsen and Thrane, 2006; Chua and Mahama, 2007; Gulati and Nickerson, 2008; and Vosselman and van der Meer-Kooistra, 2009). The interest in the role of trust in private sector IOR settings is not reflected in the public sector oriented literature, which contains only a few explicit discussions of trust and control (Cäker and Siverbo, 2011).

Various attitudes toward the relationship between control and trust appear in the literature. Some scholars maintain that a greater degree of control has a negative impact on trust between parties (Ghoshal and Moran, 2006; Dekker, 2004; Power, 1997; and Mulder et al., 2006). However, researchers have also pointed out a positive link between trust and control in the sense that one reinforces the other (Gulati, 1995; Tomkins, 2001; Poppo and Zenger, 2002; Vosselman and van der Meer-Kooistra, 2009; and Langfield-Smith, 2008) and that different forms of control affect trust in different ways (Das and Teng, 2001; and Emsley and Kidon, 2007).

That the literature does not provide a clear-cut picture of the relationship between trust and control and that the results of previous studies are contradictory have led to calls for further study (Chua and Mahama, 2007; Dekker, 2004; Bijlsma-Frankema and Costa, 2005; Vosselman and van der Meer-Kooistra, 2009; and Emsley and Kidon, 2007). Requests have also arisen that new studies expand the focus to networks of relations rather than concentrating on one relation between two parties (Chua and Mahama, 2007; Caglio and Ditillo, 2008; and Håkansson et al., 2010). It has been proposed that the relation between two parties might be affected by a third or fourth party in a way that has consequences both for the levels of trust and for the choice of control mechanisms (Tomkins, 2001). *The aim of this study is therefore to advance the understanding of trust and control in relations in which several parties are involved.* The empirical focus is on network constellations with 'a number of positions and nodes' (Tomkins, 2001). This aim is specified further in the concluding section of the presentation of the

theoretical framework, where we introduce some theoretically guided research questions.

Although we aspire to contribute to the more general discussion on the role of trust and control between organizations, the empirical focus of this study is on public sector organizations. In line with Bijlsma-Frankema and Costa (2005) and Baldvinsdottir et al. (2011), we here argue that it is important to pay attention to the specific setting. Bachmann (2001) also argues that hybrid situations somewhere between the ideal types of the market and the hierarchy might provide new insight into the relation of trust and control.

Before further discussion, the concept of hybrid relations and the specificity of public sector relations need some explanation. Two often distinguishing features of the public sector are the existence of a higher hierarchical level mandating that organizations cooperate (Grafton et al., 2011; and Kurunmäki and Miller, 2011) and that the involved actors might not always have the choice or opportunity to leave the relation. This organizational setting may affect the relationship, and one would perhaps here expect a better starting point for a trustful relation than, for instance, in a voluntary relation in a competitive environment. However, IOR control studies indicate that, organizationally, separate units seem to have room for maneuver that affects the relations and the use of control measures (Kurunmäki and Miller, 2011; and Carlsson-Wall et al., 2011). This observation aligns with descriptions of public sector organizations as loosely coupled (Weick, 1995) and with the observed effect of NPM initiatives that strengthen the autonomy of organizational units and sharpen the boundaries between them (McNulty and Ferlie, 2004). Others have observed that sanctions might be used less extensively if the organizations formed part of the same organization or public sphere (Cristofoli et al., 2010). Of course, while this study focuses on a public sector setting, there are many situations in which private sector IORs exhibit similar attributes (Castells, 1996).

The term IOR is used here even though in the public sector the organizations interacting in fact sometimes belong to the same parent organization. We use the concept of IOR because it is a common label for the phenomenon in focus both in the private sector literature and in the growing body of public sector-oriented literature (Cäker and Siverbo, 2011; Siverbo and Johansson, 2011; and Cristofoli et al., 2010).

The rest of the paper is structured as follows: First, we present a discussion of the underlying theoretical assumptions about trust and control; the empirical study follows. It is a three-year longitudinal study of the relations between different actors involved in an SSC. After presenting the study, we interpret the empirical descriptions in accordance with the reasoning in the theoretical framework. The paper then closes with a discussion of the study's conclusions and limitations.

THEORETICAL FRAMEWORK

According to researchers, even in cases when trust and control are the core concepts in focus, in-depth definitions of the two are seldom provided (Bijlsma-Frankema and Costa, 2005; and Baldvinsdottir et al., 2011) and the questions what trust is and what control is are seldom asked and answered (for an exception, see Emsley and Kidon, 2007). Each concept has been discussed extensively in isolation but not in relation to each other and to network settings; the discussion here draws on these studies.

The theorizing here builds on Luhmann's (1979; 1988; and 1995) conceptual framework. Luhmann must be regarded as one of the central references in the discussion of trust, both in accounting literature (Tomkins, 2001; and Baldvinsdottir et al., 2011) and in sociological literature more generally (Möllering, 2001). According to Luhmann (1995), the reduction of complexity is a fundamental problem in all interaction. If all the possibilities and risks were considered in each situation, interaction would become impossible. The uncertainty would be perceived as overwhelming, and the actors would choose not to interact. Luhmann stresses that while trust and control are two different strategies, both have the effect of reducing complexity.

Trust and Control

A common definition in the literature is that trust involves the *willingness to subject oneself to vulnerability and a positive expectation of the other party's behavior* (Mayer et al., 1995; Das and Teng, 2001; and Emsley and Kidon, 2007). Luhmann reflects further on what characterizes trust and describes it in the following way:

If you choose one action in preference to others in spite of the possibility of being disappointed by the action of others, you define the situation as one of trust . . . In the case of trust you will have to consider an internal attribution and eventually regret your trusting choice. (Luhmann, 1988, p. 96)

According to Luhmann, trust is a matter of attribution. A behavior expected of the other party allows risk taking in the form of exposure to opportunistic behavior. It may well be that the other party does not deserve the trust or that, as Luhmann puts it, the nanny turns out to be a 'lemon' (1988). Furthermore, Luhmann (1979) emphasizes the importance of seeing both sides of trust/distrust. The alternative to trusting is not believing that the other party has good intentions; this is an expression of distrust. In this case, some kind of control or guarantee will be required before a relationship can be established. Both alternatives, trust and control, are described as strategies that make effective behavior possible because they reduce complexity (Luhmann, 1979). A further range of opportunities opens up if the trust strategy is chosen. Less energy needs to be expended worrying that the other party will act in an opportunistic way. The range of opportunities decreases if the control strategy

is chosen because more energy must then be spent ensuring that one party is not deceived by the other.

Trust, Risk and Suspension

Trust becomes an obvious phenomenon only if there is a risk of distrust (Luhmann, 1979). Trust can therefore be described as a reflexive activity in which an actor chooses to believe that another party will act in a particular expected way. Trust is about exposure to risk but cannot be reduced to merely a risk calculation. Rather, in the sociological literature, trust is described as based on good reasons rather than on precise data (Bachmann, 2001). The trusting actor will try to find good reasons to trust but might fail to do so and therefore refrain from interaction. That risk is reduced but not eliminated forms a core part of the definition of trust (Luhmann, 1988). Because of the component of risk and owing to the lack of knowledge built into the concept of trust, Luhmann (1979) describes trust as a mixture of ignorance and knowledge. If factors other than control are imposed by one of the interacting parties—such as, for example, legislation affecting the actors' behavior—according to the definition, this is not a case of trust. In such situations, the actors are not obliged to make positive attributions, since a structure is in place safeguarding against opportunistic behavior.

Möllering (2001) addresses the problem of lack of control and uses the concept of suspension to capture this dimension. Suspension means that actors narrow their scope and 'bracket' the world (Möllering, 2005). Without the bracketing, the complexity—and hence the experienced risk—might be perceived as overwhelming, and action/interaction would become impossible or would at least require control measures (Luhmann, 1995). We return to the concept of suspension later, since the empirical study indicates that both some control measures and the existence of several interacting parties reintroduce the world and make the interactions riskier.

In some literature, trust is treated as something that one individual directs toward another (Lindenberg, 2000). However, several authors have stressed that trust does not exist only between individuals (Blomqvist, 1997; Zaheer et al., 1998; Tomkins, 2001; and Gulati and Nickerson, 2008). People who act on behalf of the organizations are expected to act in certain ways simply because they represent those organizations.

Trust and Networks

The concept of trust in networks of relations has been addressed in the accounting and control literature only to a limited extent (Tomkins, 2001). Blomqvist (1997) refers to a study of interpersonal trust in network relations but states merely that network settings might either enhance trust or erode it. In an organizational context, and especially when considering hybrid relations, studies

that have observed the effect of internal fragmentation on organizations are relevant (Lind and Thrane, 2010). Relations between two different organizations have been described as trustful to varying degrees, depending on who in the organization has been observed (Thrane and Hald, 2006).

The precise way each party's perception of another influences the relation is unclear, although Tomkins (2001) speculates that three-party relations might make the trust alternative more problematic. If two parties become involved in a close trusting relationship, a third party might perceive that relation as negative. This is also what Cristofoli et al. (2010) note in their study of public sector relations, in which third-party involvement seemed to enhance reliance on bureaucratic control. What they observe is that contract-based relations were characterized by more extensive use of control in cases with high political visibility. The explanation for this that the authors outline is that services with high political visibility are more closely scrutinized by citizens and the media, making the involved parties more eager to control the relation.

Control—Communication and Different Forms

Control is an alternative strategy for complexity reduction, and whereas the trust alternative rests on positive assumptions regarding the other party's intentions and capabilities, the control alternative rests on a negative assumption—that is, on the assumption that the other party is likely to behave opportunistically (Bachmann, 2001). Control then becomes the means of reducing risk while simultaneously making interaction possible.

Whereas trust involves attribution, control involves communication. Control and the exercise of power presuppose at least a controller and that the other party understands that the controller is exercising control and expects certain behavior (Luhmann, 1995). Control has been defined in various ways, but we adhere to Baecker's (2003) statement that control entails introducing a norm that brings about a desired behavior or outcome and, consequently, creates tension if the behavior or the outcome deviates from what is expected. Quite often, control requires a clear link to sanctions (Bachmann, 2001). Control is therefore based on the parties making sure, or at least feeling confident, that the other party understands and submits to the control initiative (Åkerström Andersen and Born, 2000). While trust draws attention to the internal processes of each actor, control draws attention to communication between parties.

Several IOR studies of the private and the public sector indicate the importance of noting that several control initiatives are usually in the game at the same time (Otley, 1994; Chua and Mahama, 2007; Kraus, 2007; Emsley and Kidon, 2007; Siverbo and Johansson, 2011; Cristofoli et al., 2010; and Grafton et al., 2011). In studying how parties rely on trust and control in their interactions, it is therefore important to note which control measures are taken. In previous studies (e.g., Das and Teng, 2001; Kraus, 2007; and Dekker, 2004), Ouchi's (1979) now classic framework comprising the two main categories,

bureaucratic/behavioral control and market/output control, has been used to classify the control activities. While bureaucratic and behavioral control involves monitoring and prescribing how activities are carried out, market control entails focusing on the output of the operations.

Studies indicate that control initiatives might have different purposes and effects (Dekker, 2004; and Mourisen and Thrane, 2006). Dekker (2004) argues that one must consider that even if a high level of trust in the other parties' intentions exists, there might still be a need—and use—for formal control in order to facilitate coordination. Tomkins (2001) notes the function of control, as well, and builds his reasoning on Luhmann's (1979) distinction between the need for information when trust is lacking and the need for information for 'the mastery of events'. We must pay attention to the facts that parties to varying degrees use different control measures simultaneously and that the ambitions behind the attempts to control may vary.

Implications of the Framework

The preceding discussion, based on Luhmann's conceptualization, helps formulate theoretically guided research questions. We have presented clear definitions of trust and control, and the two concepts must be understood as different alternatives on which interacting parties might rely. Trust is an act of attribution in which one actor's (positive) expectation of the other party allows for risk taking and exposure to opportunistic behavior. Control, on the other hand, is an act of communication in which actions are taken in order to minimize the potential risk.

The first question relates to a specific setting in which several parties are involved in an interaction. The few extant studies on trust and control in networks (Tomkins, 2001; and Cristofoli et al., 2010) indicate that interactions among three or more parties might affect the propensity of the parties to rely on the trust option, but in what way and why have not been scrutinized. In addition, we can expect different parties to relate to control in different ways. The overarching question is therefore how the recognition of several involved parties affects the situation in terms of trust and control? However, the theoretical reasoning also leads us to ask two more specific questions.

The interacting parties' strategies will be characterized as predominantly either trust based or control based (Bachmann, 2001). Furthermore, in the section defining trust, we emphasized that each actor's reliance on trust must be considered in order to understand the relationship. The first more specific question is therefore to what extent the actors rely on either the trust option or the control option? The earlier discussion of control presents the need to consider the likelihood that discrete control initiatives are in use simultaneously, possibly affecting trust in various ways and being perceived by different actors in different ways. Accordingly, the second more specific question is what (if any) control measures are taken and by whom in the relations? In the analysis of

the empirical case study, we first address the two more specific questions since elaborating on the answers will allow us to address the overarching question.

The theoretical reasoning, paired with our definitions of trust as an act of attribution and of control as an act of communication, also has implications for the empirical approach. Since trust is about attribution, each actor's perception of the other parties must be in focus. Moreover, the observation that different control initiatives might be perceived in different ways highlights the importance of capturing the interacting parties' perceptions of control. The aims of empirical research must therefore be to identify and include relevant actors and to capture the ways they perceive other actors, how they relate to control initiatives, and the extent to which they trust the other actors.

METHOD—A LONGITUDINAL CASE STUDY

The previous section stresses the importance of capturing the parties' perceptions of one another and of the use of control. A qualitative approach can help realize this goal and capture events and processes in context (Möllering, 2001). Therefore, the aim can be described as providing new angles, alternative explanations, and surprises (Mouritsen et al., 2010).

Data Collection and Method of Analysis

The empirical case presented here represents the establishment of relations between organizational units (users) within a municipality (one of the larger ones in Sweden) and a shared service center (SSC) that provides IT and administrative services. The users are the operational units in the municipality, which was organized according to the principle of municipal districts (there were 21 districts when the study was carried out), in which each district was responsible for providing the same services (elementary schools, eldercare, and social services) as the others were. Each district had its own political committee. Aside from the municipal districts, several special/functional administrations and municipal companies were also potential users.

The study's empirical foundation was gained primarily through three substudies. The first interview study was conducted during the second half of 2006, the second during early 2008, and the third substudy took place yet another year later. In all three, the main source of information was interviews, 65 in total. In addition, observations were made and documents studied. The respondents were selected with the aim to capture different angles of the relationship. In addition to individuals with various roles who were active on different levels within the SSC and the purchasing unit, respondents also included individual users and members of the SSC committee.

The interviews lasted between 40 and 90 minutes, and the respondents were promised anonymity. Four SSC committee meetings were observed. The

interviews were recorded and then transcribed. The interview guides that were used were semistructured and followed the same thematic structure:

- How do you perceive the present situation regarding the SSC and the organization around it? How do you perceive recent incidents or events/current discussions?
- How do you experience actor A/B/C? How would you describe relations with A/B/C?
- More detailed questions about the relations and different dimensions of the control initiatives.

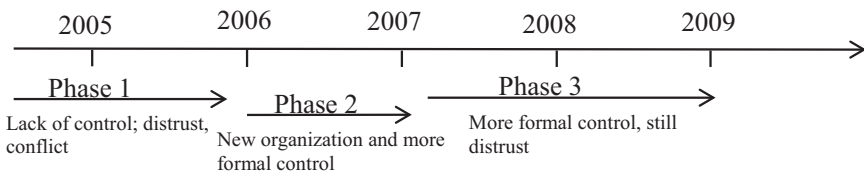
The empirical material underwent a process of categorization. The first step in handling the empirical material was identifying broader categories. In the next step, subcategories were identified, using in the process a software program (Atlas 5.2). Thirty-one main codes were generated and formed the basis for further analysis. The procedure was repeated in each of the substudies.

PRESENTATION OF THE CASE STUDY

The presentation that follows has been structured to mirror the core observations in the theoretical discussion. In order to capture the time dimension, we have divided the presentation of the empirical material into three phases (Figure 1). It is important to recognize that the phases are broad categories and that overlaps exist.

Figure 1

The Three Phases

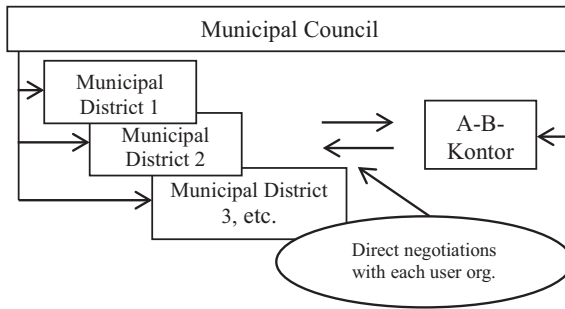


Phase 1—Lack of Control; Distrust and Conflict

Here, we first address what happened before the first empirical study was carried out—that is, before 2006 (Figure 2 illustrates the relationships at that time). The relationship between A-B-Kontoret (later renamed the SSC) and the municipal districts could be characterized as horizontally rather than vertically integrated, and all the municipal units using the services negotiated directly with

A-B-Kontoret (see Figure 2). For a number of years, A-B-Kontoret was required by directives from a central level in the municipality to yield a return. One respondent representing the users described the situation by saying that A-B-Kontoret was very profit oriented and business minded. All the municipal districts had defined their own needs and written their own orders. According to several respondents, however, this led to a plethora of specially ordered systems in the municipality and to unnecessarily high costs.

Figure 2
The Relationships Before 2006



When respondents in the first interview study were asked to describe the background of the changes, they emphasized central issues, such as that municipal IT systems and IT management had been, and continued to be, all too fragmented and confusing, that costs were too high in relation to what was received, and that control was too weak. The changes that were initiated were thus associated with a number of problems. A-B-Kontoret was described overall as too free and independent and self-governing. The question was raised whether A-B-Kontoret was working for the best interests of the municipality. Users took the initiative of comparing in order to find out whether cost levels were reasonable. The results indicated that rates were not competitive compared to the market price. The comparisons that were made and their results were questioned by A-B-Kontoret, which made its own comparisons showing that A-B-Kontoret's prices were competitive.

With regard to trust, it appears that several parties lacked trust in one another, both at the time of the first substudy and in earlier years. A lack of trust from the municipal districts stemmed from a conflict of goals related to costs. 'More IT for our money,' a recurrent demand, expressed distrust in A-B-Kontoret's purported intention to work in the best interests of the municipal districts. The Municipal Secretariat and what became the purchasing unit distrusted A-B-Kontoret primarily owing to a lack of management and control over the situation. Representatives of A-B-Kontoret felt strong distrust *vis-à-vis* the other parties because they experienced the others' distrust as misdirected

and unfounded. In the first substudy, one respondent described the situation as follows:

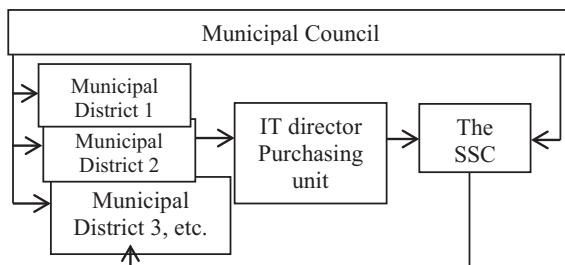
The relationships have been unclear depending upon which side you ask. If you ask the Municipal Secretariat, you will probably get the idea that they have been quite clear, but if you ask A-B-Kontoret they probably haven't experienced that clarity... That has made the situation rather toxic. (SSC employee)

In sum, relations could be described as distrustful. This led to a rearrangement of the relations. The initiators and main drivers of change were the users and the Municipal Secretariat.

Phase 2—Rearranging Relations and Introducing Formal Control

The rearrangement of relations meant that both new organizational units, including a purchasing unit (headed by the IT director) and user forums, and new control initiatives were introduced (the relationships are illustrated in Figure 3). Another change was the establishment of a committee, the SSC committee, which consisted mostly of user representatives. The SSC was to handle only matters linked to the execution of operations, while the purchasing unit was to be responsible for strategic issues and for formulating specific orders. According to the model, the purchasing organization was also to determine which systems and IT solutions were needed. So as to appreciate the need for IT and administrative services in the operations, user forums were to be introduced. In these forums, users and representatives of the purchasing unit could discuss relevant services and prioritize tasks.

Figure 3
The Relationships After



Changes were initiated regarding the control situation, as well. The control initiatives aimed at strengthening both behavioral control and output control (Ouchi, 1979). One output control activity that all the respondents described as central was the recurrent comparison referred to as benchmarking. The guideline was that the SSC should be on a par with or below the comparable

market average in terms of cost. The respondents who represented the SSC were also of the opinion that this was the rule they were meant to follow—that lower costs, and only lower costs, would keep the purchaser from going elsewhere on the market. One SSC representative described it as follows:

So, the challenge is to produce cost-efficient services and products that can pass the benchmark. That is what motivates our existence. We have no other way to justify ourselves... (SSC representative)

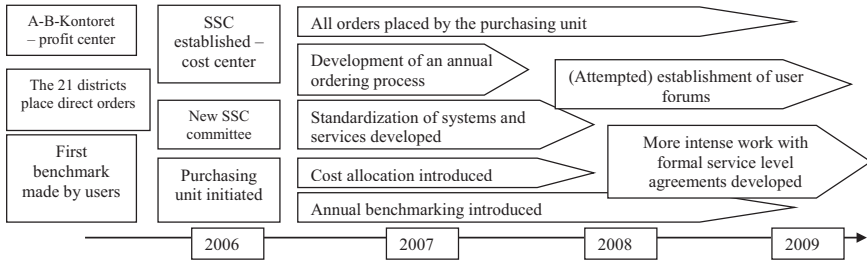
Greater confidence in the benchmarking activity was gradually established by the involved parties, possibly as a consequence of the fact that the purchasing unit and the SSC defined it as a joint process. However, each party related to benchmarking in a different way. SSC representatives viewed it as an important source of information about improvements that would secure a satisfactory outcome, as well as proof that could be shown to indicate that their operations met the expectations of the purchasing organization/user. The respondents representing the purchasing organization viewed benchmarking as a framework and guarantee that the SSC would behave in a desirable manner. From the users' perspective, interviews emphasized that benchmarking was viewed as a way of weighing the costs of the purchasing unit and of the SSC together so that the total was reasonable. The benchmarking activities offered a way for users to make sure that both the purchasing unit and the SSC were kept in line.

Apart from benchmarking, much effort was spent introducing behavior-oriented control and a cost-allocation model supporting this. The SSC was to function as a cost center and not—as its predecessor, the A-B-Kontoret, had done before it—as a profit center. Respondents pointed out that the reason for applying a cost-accountability model was to create transparency and discourage any profit-seeking behavior. The aim was that all costs should be traceable; the costs would then be allocated to those who had made use of the services at a level analogous with the extent of their usage. A formal order was required for everything that was done. Transparency regarding costs would, according to several respondents, guarantee that the SSC would participate only in activities that were defined by the purchasing organization. One respondent representing the SSC described the efforts the unit had made and the ways these efforts would help them both to make improvements where needed and to prove that they were cost efficient:

For the SSC it is very beneficial to have that kind of cost control. It helps us identify the weak spots. It will also be easy to provide material for the benchmarking. (Respondent working at the SSC)

Another attempt to control the behavior of the SSC was appointing an apolitical civil service SSC committee. Descriptions of the thoughts regarding this construction make apparent the central importance of the goal that members of this board safeguard the interests of users.

Figure 4
Initiated Organization and Control Activities



What we observe is therefore that during the first year after the introduction of the new organization of the relationships, several control initiatives were taken, and each party tried to find its new role. Figure 4 is an attempt to both illustrate the initiatives taken and show that the efforts to make them work in practice continued throughout the study.

When it comes to the degree of trust, not much improved during the second phase, according to interviewees' descriptions. However, one can observe a lack of trust between the new purchasing unit and the SSC. The new SSC committee was also looked upon with distrust by several of the respondents who worked within the SSC. Several members of the committee had backgrounds in municipal district organizations that had expressed criticism of the A-B-Kontoret.

Phase 3—Intense Control and Distrust

During the third phase, we can observe that the actors still struggled with implementing some elements of the control model, including the user forums. The routines for articulating more specific orders were gradually developed during the period of study and were problematized in the third phase by those who placed orders for products and services as well as by those who executed the orders. Both parties experienced the degree of micromanagement as an obstacle to productivity development. According to SSC respondents, the purchasing unit should have cared less about how orders were executed and more about what was ordered. While the SSC representatives maintained that the attention to detail was too great, opinions were also expressed that the purchasing organization had not been effective enough at placing clear orders with well-defined assignments. The latter was indicated throughout the entire study period, and in the final phase it was pointed out that the purchasing organization had not adequately defined so-called service level agreements (SLAs):

The levels and objectives aren't defined, which I find strange because it shouldn't be that difficult. It's weird that we, the providers, try to make them establish levels

and objectives. Actually, we could choose not to care so much, and it would be easier to say that we've delivered according to what can be expected. But in fact that isn't good. The full picture must be in place since otherwise we risk losing customers. (SSC representative)

The poor quality of order forms was a major problem and was blamed for the lack of clarity regarding who was responsible for what. Respondents from the SSC expressed a fear that their operations would be subject to unjust criticism because users would mistake the results of poor orders for the SSC's inability to deliver what had been requested.

However, the introduction of a cost-accountability model to the SSC had another negative side effect that arose during the interviews: Previously, when all the municipal districts had handled purchasing on their own, no overall picture of the total IT costs across the municipality had existed. However, after the introduction of the new cost-accountability model, overall costs became evident. One could not only see the total cost but also notice an increase in total costs. This insight caused conflict between users and purchasers that originated in different perspectives regarding how to perceive total costs. User respondents emphasized that the total costs of IT services had to be kept down. Respondents representing the purchasing unit perceived the users' view on total costs as problematic and considered the overall cost in itself unproblematic as long as it was viewed in relation to operational benefits.

Respondents representing the SSC reasoned along similar lines but expressed worries regarding the different opinions of the user representatives and the purchasers. This was because they experienced a risk that they would be blamed for the increase in costs, while they felt that they were simply executing the directives they had received.

In attempting to characterize the various parties' involvement in the issue of control, it appears that both the SSC and the SSC committee promoted the establishment of formal control. Respondents who represented the SSC expressed frustration throughout the study that control had not been established quickly enough.

One issue discussed and problematized considerably in the last interview study is that the purchasing unit did not succeed in establishing user forums (with user representatives) that functioned well in providing information about what had been ordered or finding out what should be ordered. The user forums were a key part of the overall model, but after the three study years the forums were still not up or running in accordance with the model. As a consequence, there were strong reactions from users when levels were determined and a total cost for a certain service had been specified, since these were not supported by those who would be paying. This situation was described as the result of a lack of strategy regarding the mandate that the user representatives really had. Some respondents, for example, argued that the lack of financial awareness in the user forums could have been avoided if more financial administrative personnel had been appointed.

The operations have representatives in the user forums, and it might be that they were not always chosen with great care. And they probably did not always consider that if you place a representative in the forum, that person must have the right prerequisites—that is, they must talk about the issues with colleagues. I feel that this is very urgent. (SSC employee)

The dysfunctional user forums comprised an issue that irritated and worried several of the SSC respondents because these respondents were subject to criticism for deficiencies in the deliveries. Users did not know that what had been delivered was a reflection of what had been ordered. Some were of the opinion that this criticism could eventually lead to questions about the very existence of the SSC.

Did Parties Rely on the Trust Option?

Here we turn to the question how the relationships could be characterized from a trust perspective. The situation at the beginning of the study period could be described as one in which the purchasers, the users, and the SSC committee members all distrusted the SSC. The description provided here of how the situation evolved indicates that while some relationships seemed to improve in the sense that the parties came to trust each other more, other relationships evolved in the opposite direction. The evolution of the relations is summarized in Table 1.

The purchasing unit's perception of the SSC seems to have become more positive during the period in which the study was conducted. However, the interviews with purchasing unit personnel also stressed that the outcome of the benchmarking activities was crucial for future relations.

The SSC maintained a skeptical attitude toward the purchaser and the users throughout the study. The overall picture given by SSC employees was that they could rely only on their own performance and that the purchasing unit might choose the market option at any time. Only if they could prove that their operations were efficient enough would they have a future as an internal provider of shared services. One fear articulated by representatives of the SSC is that the purchasing unit could be overrun by users if, for example, they were dissatisfied with the service delivery or cost levels. Even if they had a relatively good relationship with purchasing unit representatives, the SSC representatives did not dare trust the purchasers because maybe, after all, the purchasers 'weren't the ones calling the shots.' This attitude is mirrored by the SSC's constant pushing for more formalized control-based relations, as described in the preceding section.

The relationship between the SSC and the SSC committee improved considerably. Both parties, previously distrustful of each other, demonstrated changed attitudes by the end of the empirical study. For example, members of the committee and representatives of the SSC both spoke of committee members as ambassadors for SSC operations. It was also hard to trace

Table 1
Key Observations Regarding Trust

<i>Relation</i>	<i>Defined in Trust Terms</i>	<i>Description</i>	<i>Quotes</i>
SSC and SSC committee	Improved	Both parties went from distrust to trust	Well, the committee and the operations—there are no difficulties or ambiguity of any kind. I think that the committee is provided with sufficient information, and there's a trust in the operations from the committee and also from the operations regarding the committee. (SSC committee member)
SSC and purchaser	Partly improved	Purchaser trusted SSC more, but SSC did not trust purchaser more	But the cooperation is functioning better, and we can see that in the survey that we conducted. We improved to 71, which is a pretty good result. So they are happy with us, but we are not as happy with them. (SSC employee)
SSC and users	Remained distrustful	Neither party trusted the other	Yes, but they actually ought to be able to be best in their league. But they aren't; I haven't encountered that feeling, the wish to be best in the class. (User representative)
SSC committee and users	Growing distrust	Users' feelings shifted from trust to distrust	Well, this was not the intention from the beginning [that SSC committee members would act as SSC ambassadors]. (User representative)
Purchaser and users	Growing distrust	Each party started questioning the other	There has been skepticism among the users of the services toward the way in which IT operations have been run within the municipality, and the IT director has been blamed for the situation. (SSC committee member)

any attempts by the committee to actually control the operations of the SSC.

However, the committee members serving as ambassadors for the SSC also led to increased distrust among the users. The empirical material indicates that certain users perceived the role of an advocate for the SSC operations as conflicting with the role of a user representative. Over time during the study, one could see that users became more skeptical of both the SSC committee and the purchasing unit headed by the IT director. Among the users, an attitude characterized by distrust toward the SSC remained. For example, users questioned the sincerity of the SSC's ambition to seek the lowest possible costs.

ANALYSIS AND DISCUSSION

The analysis in this section is guided by the specified research questions. We follow the argumentation in the theoretical framework, emphasizing the importance of focusing on each actor and on the ways they related to control and trust as strategies. The first section of the analysis addresses two specific research questions: To what extent did the actors rely on either the trust option or the control option? What (if any) control measures were taken in the relations, and by whom? The second section of the analysis addresses the overarching research question: How does the recognition of several involved parties affect the situation regarding trust and control?

Trust or Control?

Overall, what we observe in this case is ever-increasing reliance on formal control during the period; several governing activities were ongoing. The case attests both output-oriented control, such as benchmarking, and behavioral control, such as more formalized orders, which were described as tremendously detailed. The SSC unit was not to do anything other than what had been ordered and specified and indeed appears not to have done so. Further, an element of direct control is also evident, apart from control through orders. Together, these different control initiatives created a relationship that can be characterized as strongly controlled and moving toward ever-greater formalization. We can also observe the ways various perceptions of the control initiatives demonstrate that while one party might use a given initiative to signal trustworthiness, another party might use it to reduce the development of trust between other parties. The use of benchmarking described in the interviews illustrates this.

The various actors related differently to the benchmarking activities and used them in various ways. In reviewing the SSC's relationship to benchmarking, one may assert that benchmarking was an important way for the SSC to show that its operations stayed within reasonable limits. Benchmarking was used as a way to present 'evidence' that justified the municipality's use of the SSC's

services. Using benchmarks could therefore be regarded as an expression of the way accounting information can serve as a tool for sending signals that generate trust among the parties in a relationship (Vosselman and van der Meer-Kooistra, 2009). For the purchasing unit, however, benchmarking was rather a tool for emphasizing accountability and was viewed as the most important indicator in financial control.

For users, benchmarking appears to have filled an additional function whereby the results were regarded not only as a measurement of the way the SSC performed but also of the performance of the SSC committee and the purchasing unit. User interviewees emphasized that IT costs must be viewed as an overall cost for the purchasing unit and the SSC. For users, the development of a greater level of trust between the purchasing unit and the SSC was not solely positive. On the contrary, the SSC committee of user representatives was originally set up to guarantee critical review of the SSC's work from a user perspective. Benchmarking was thus a way to confirm that trust between close parties had not become too great. We can therefore see how, for users, benchmarking constituted a tool not only for cost control but also for counterbalancing the risk that accompanied improved relations between the SSC, on one hand, and the purchasing unit and the committee, on the other. While the SSC used benchmarking to signal trustworthiness, we observe that users applied benchmarking in order to limit the growth of trust between other parties. This observation provides a more complex view of the relation between trust and the use of formal control than that in previous studies on dyadic relations (Das and Teng, 1998; and Vosselman and van de Meer-Kooistra, 2009), in which it has been assumed that different parties relate to control initiatives in the same way.

What we observe is the use of more and more control initiatives. What about trust as an option? According to the theoretical framework outlined earlier, the definitions of trust and control emphasize that trust as a basis for interaction cannot coexist alongside an emphasis on control (Luhmann, 1979). This makes it difficult to define any attitude as purely trust based in the present case, although as indicated in Table 1, some parties showed increased trust in other parties. Even so, the latent threat of procurement on the open market framed the attitudes of all actors throughout the study. Nor did the SSC or, in particular, the users seem to seek a more trusting relationship. For the SSC, formal control appears to have been a possible way to prove and signal credibility. While the purchasing unit wanted to downplay the formal control initiative, the SSC drove development toward an increasingly formalized relationship. The absence of formal control was perceived as too great a risk.

The response, in summary, to the first two research questions is that the control option stands out as the main option for the actors. It is difficult to see signs of a general increase in the level of trust among the various parties. Thus, the many control initiatives had served not to strengthen trust but rather to ensure that the relationship was safe for the participating parties. In the

introduction to this paper, we speculated that perhaps when various cooperating organizational units belong to the same overarching public organization, this would provide a stronger foundation for trustful relations than that present when organizations are autonomous. The analysis in this study does not point in that direction.

Formal Control, Trust, and Controversies

This section addresses the third research question: how the recognition of several involved parties affects the situation regarding trust and control. What the analysis shows is that the control initiatives made it harder to suspend (Möllering, 2005) the rest of the world and that the network of relations caused actors to perceive the trust option as riskier. Three observations in the empirical material illustrate this and provide the foundation for the conclusions.

The first two observations indicate that the formalization of control actually led to conflicts and controversies that, in turn, caused the parties to perceive the relationship as riskier and trust as a less suitable approach. First, the actors perceived total costs in different ways. The cost-accountability model was introduced in order to enable transparency in terms of cost representation and to eliminate any specific incentives for the SSC to raise its revenues. One side effect was the generation of a total IT cost in the municipality. The purchasing unit, however, did not consider the total cost relevant because IT costs were considered subordinate to operations and were not considered a separate expense item. Users, however, were of an entirely different opinion and saw total cost as not only relevant but also problematic, given that it was increasing. The discussion of total cost indicated that goal incongruity between the parties comprised a central dimension of the relationship. This led to unease at the SSC since risk was involved. The SSC could be blamed for the higher total costs, which contributed to its desire to clearly formalize orders; formalization would result in 'evidence' proving that the purchaser and the users had created the high-cost situation through their ordering. Altogether, cost control entailed facilitation of the relationship, since the result was transparency. At the same time, though, a debate on total cost was generated that damaged trust and the relationship between the purchasing unit and the SSC.

A second observation pertains to the way control processes in the purchasing unit were organized. According to the governance model that was to be applied when using the SSC's services, the users and the purchaser should have established forums and procedures for determining wishes and priorities that would then form the basis for placing formal orders. Functioning procedures were, however, not established, leading users to seriously question orders they did not consider correctly placed. Nonfunctioning procedures also meant that users did not know what had been ordered or what could be expected, provoking criticism of the SSC's service levels. SSC representatives perceived this as negative and unfair. They believed that the problems were caused by internal

deficiencies in the relations between the users and the purchasing unit and were therefore unwilling to accept blame for the problems.

An initial answer to the third research question is therefore that the introduction of control might in itself contribute to the perception of relations as riskier. As the two observations indicate, recognizing that different parties may relate to one control initiative in different ways demonstrates that an initiative might, in fact, simultaneously promote and hinder trust. In this case, the described controversies between different units regarding control resulted in damaged relationships with the third party and in a lower level of trust. What transpires between two parties can have an impact on other relations and create instability that impedes and increases the cost of interaction. The conflict between A and B resulted in a problematization of the relationship between B and C.

Turning to the impact of trust between parties, we can also observe that increased levels of trust in fact also led to distrust. The third observation concerns redefining roles. A clear role shift took place in the relationship between the appointed SSC committee and the SSC organization itself. In the beginning, the relationship was frosty, and both committee members and representatives of the organization looked upon committee members as representatives of service users. The relationship gradually improved, and the committee members increasingly came to be looked upon as representatives or ambassadors for the organization itself. One possible interpretation of the reasons for the shift is that committee members and SSC representatives grew to know one another as time passed. However, a consequence of the improved relationship was that users felt an increased level of skepticism toward the SSC committee, leading to greater emphasis on benchmarking, as described in the previous section. Accordingly, the growth of trust between A and B, as a consequence of the transformation of A, led to C's emphasizing formal control.

CONCLUSIONS

In the first section of the paper, we specified the aim of contributing to knowledge about trust and control in interactions involving several parties. The main contribution of this research is that in relation to previous studies (Tomkins, 2001) of dyadic relationships in the private sector, the actors in the network relations examined here seem to consider the trust option riskier. It is less tempting to rely on a certain party when that party in turn is entangled with other parties. This causes more intensive use of formal control. However, contrary to what other studies have argued (Gulati, 1995; and Vosselman and van der Meer-Kooistra, 2009), more control did not provide a foundation for trust to develop. Formal control was used both to signal trust and to limit the growth of trust; formal control sometimes also had side effects that problematized relations. The latter, for example, can be observed in the case of the

cost-allocation model's introduction, which led to conflict regarding total costs. As argued in the theoretical section, trust presupposes an act of suspension (Möllering, 2001), and entanglement in a network of relations and the use of formal control make it more difficult to suspend the world outside the relationship of two parties.

Two main observations help explain the conclusions further. First, the growth of trust triggered both distrust and calls for more formal control. When trust emerges between two parties in a relationship it might, as observed in the present study, be regarded negatively or skeptically by a third significant party, who might push for increased formalized control. This does not necessarily call into question the results of studies focusing on dyadic relations (Vosselman and van der Meer-Kooistra, 2009; and Das and Teng, 1998), but it does place them in a wider context. While the development of trust might be regarded as positive and have positive effects for the two interacting organizations, the effects might be negative—or at least regarded as such—by a third party. When studying public sector settings in which three-party relations are common, this is an important consideration.

This observation also corroborates Tomkins's (2001) speculation about the ways third parties might affect the situation. It also aligns with the observation made by Cristofoli et al. (2010), who explicitly address the IOR in a public sector setting. In their study, the third party was the public, whose involvement triggered the purchasing organization to enhance control in a case where the operations carried out were regarded as politically sensitive. In the present study, the politicians and the public did not appear as significant parties, a circumstance that stems, of course, from the fact that this particular service was not directed at the public. Nevertheless, the present study and the study carried out by Cristofoli et al. (2010) indicate that multiple-party relations in public sector settings cannot uncritically draw on theories for two-party, private sector IORs. As implied, no evidence in the studied case supports the idea that control and trust, as has been claimed, reinforce each other in a positive spiral (Vosselman and van der Meer-Kooistra, 2009).

Second, we can see in this study that different control initiatives affect the situation differently, an observation that concurs with the conclusions drawn by others (Emsley and Kidon, 2007; and Das and Teng, 2001). The statement that a certain type of control initiative always has the same sort of impact is, however, a simplification. The preceding discussion of the case study shows not only that different control initiatives might have a different impact but also that a single control initiative can have several simultaneous consequences, not least because different actors draw on them in different ways. As the case indicates, divergent views of control initiatives might exist between parties and these variances might also affect others (third parties). In the case studied, cost control led to transparency and confidence, but the cost-control model also generated a struggle regarding the importance of total costs, in turn affecting the situation negatively. Rather than relations developing toward a greater or lesser degree

of trust in a linear fashion, it appears that a control initiative (as in the case of the cost-control model) can simultaneously reinforce and weaken trust.

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