INTRA-ORGANIZATIONAL CONFLICTS AS DRIVERS FOR EXTERNAL RELATIONSHIPS AND NETWORK FORMATIONS

ABSTRACT

Most research within the IMP tradition has focused on the formation of relationships and networks between business actors. We argue, however, that internal interests and tensions within organizations need to be re-entered into research within the IMP tradition if we are to fully understand formations of external relationships and networks as well as their development. The argument put forward in this paper is that internal conflicts within a company, originating from local branch office competition about limited internal resources, can function as drivers for such local branch offices to form and develop external strategic relationships and networks that can be used as a means in enhancing the local branch offices' intra-organizational power. This paper address this issue by illustrating how a regional strategic network including competitive actors was formed by local branch office managers and where one of the purposes was to achieve strengthened internal power and an influential position within their intra-organizational hierarchies. This paper thus contributes to research by focusing on internal tensions as drivers for external network formations.

Keywords: intra-organization, conflicts, drivers for network formations, power games, co-opetition, activities, resources, actors.

Competitive paper

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INTRODUCTION

Strategizing in a network context is about “identifying the scope for action, within existing and potential relationships, and about operating effectively with others within the internal and external constraints that limit that scope” (Håkansson and Ford, 2002, p. 137). The ability to develop and maintain cooperative relationships is a core aspect of company strategy; and, in accordance, so are the resulting decisions as to what actors, resources and activities to involve since a relationship is an investment implying costs in time, money and other resources. However, although the internal constraints were included in the definition of strategy by Håkansson and Ford (2002) most research within the IMP tradition has focused on the formation of such relationships and networks between organizations while neglecting the internal aspect (cf. Håkansson and Gadde, 1992). Recent research (cf. Boconcelli and Håkansson, 2008) has however once again pointed at the importance of further taking the interrelation of internal and external conditions into consideration as the organizational structure of the company is influenced by, and influences, the way a company interacts with its counterparts. For instance, Boconcelli and Håkansson (2008) discuss the necessity of considering the effects that decisions on outsourcing and insourcing have on relationships and networks. The importance of considering internal conflicts was also discussed by Nordin (2006) as he concluded that the internal conflicts in implementing an alliance were stronger than the conflicts with the alliance partner. We take this one step further and argue that internal conflicts within organizations need to be re-entered into research if we are to understand external relationships and network formations, as well as the development process. The argument put forward in this paper is that tensions and conflicts within the company, originating from competition between local branch offices about limited internal resources, can function as drivers for branch office managers to form and develop external strategic relationships and networks in attempts to enhance the branch office intra-organizational power. The underlying logic is that a network is an inimitable resource in itself (Gulati, Nohria, & Zaheer, 2000). Accordingly, it could be argued that external networks can be used with a strategic intent as a way for branch offices to affect the internal power balance through their access to scarce resources (Schotter and Beamish 2011). In other words, the position of a local branch office within the external network can be perceived as a resource to affect the constant threat of closure, relocation, or downsizing of tasks and employees that branch offices face. Hence, internal tensions and conflicts need to be included in our analytical models on how and why networks are formed and develop the way they do. The use of networks to affect internal conditions has to some extent been studied within the MNC literature in their studies of centers of excellence (cf. Moore, 2001) and in studies on the effects of subsidiary embeddedness on the head quarter’s control. However, to our knowledge, research on how internal tensions and conflicts can affect network formations is still a research gap that needs to be filled.

This paper address the issues of internal organizational tensions and conflicts as drivers for network formations by studying how a Regional Strategic Network (RSN) (cf. Johanson & Lundberg, 2010) including competitive actors can be used by local branch office managers as a means for affecting their branch office’ internal power within the organizational hierarchy. Local branch offices may be regarded as low-power actors, that is, actors who are currently positioned in relatively weak or low-status position vis-á-vis other actors (Bouquet and Birkinshaw 2008) due to hierarchical dependencies. Low-powered actors may, however, achieve power from resources accessed through their local interface, for instance through tacit knowledge, which creates bargaining power in negotiations with the head office (Scotter and Beamish 2011). In the presented case, local branch office managers attempt to strengthen the impression of their units as active and resourceful, by entering into cooperation with other actors in the region, among others competitors, in an RSN. Such networks are commonly formed for the purpose of regional development and may include actors representing local government, local companies and local universities (Lundberg, 2008). RSNs operate with support from governmental agencies or other organizations in order to develop an industry sector or a certain type of operations in a region (Johanson and Lundberg 2011) and are often run in the form of projects (Lundberg, 2008). They are engineered (Doz 1996) and defined by membership, i.e. consisting of actors that formally have entered the network, in contrast to organically developed business networks (Ford et al. 1997) that are defined by business relationships between companies and not require formal membership.

METHOD

In order to illustrate and analyze how internal organization conflicts can be drivers for network formation a longitudinal case study of an RSN was conducted. The network consisted of 14 companies and one publicly funded organization, mainly subunits of banks and insurance companies. The case-study method was selected as networks are “embedded in different spatial, social, political, technological and market structures and thus somewhat unique and context specific” (Halinen & Törnroos, 2005, p. 1286). The study is comparative, qualitative and primarily based on frequent participating observations and conversations during network activities (1-2 per month) in 2003-2009. The activities were meetings with the hub, seminars, conferences, study-visits, social activities, network meetings, a business-development program and the work of the different sub-groups.

Comprehensive interviews were conducted with the RSN network hub at four points in time – in 2004, 2006, 2009 and 2011 - and four RSN member representatives were interviewed in 2012 for a follow-up. The interviews followed a semi-structured protocol, were recorded and transcribed. Informal conversations with the members of the hub were, furthermore, conducted at every network activity. In addition, data has been gathered in the form of written documents such as memorandums describing network meetings, the network’s funding applications, project reports, self-evaluations, marketing material, newsletters and trade-related magazines.

During the collection of data, notes were made on what activities and actions local branch office managers took in order to activate the RSN. During the interviews questions were made to capture how the managers perceived their actions, their strategies and reasons for acting as they did as well as why they chose to focus on certain activities and what results they expected as networking outcome.

Conflicts related to perceived gaps in influence and/or control over critical resources in low-powered, competing actors in turn generating competitive and “political” strategies are subsequently presented as a point of departure. Following are the impact these strategies have on the formation of RSN´s analyzed in terms of actors, resources and activities. Thereafter the case is introduced and analyzed and finally findings, the contribution and managerial implications are presented.

THE CONCEPTUAL FRAMEWORK OF REGIONAL STRATEGIC NETWORK FORMATION

A basic assumption within the IMP tradition is that companies are described as heterogeneous actors that are actively interacting with others in order to find "solutions to their different problems." The focus here is on the heterogeneity between companies but this assumption implicitly ignores the heterogeneity that exists within companies.

Sources of tensions and conflicts working as drivers of intra-organizational development

Tension has been denoted as "two co-existing contradictory forces with conflicting goals"(Fang et al., 2011, p. 774). Intra-organizational conflicts are strongly associated with people´s affective experiences and occur in a wide variety of ways and contexts (Gamero, González-Romá and Peiró 2008), and can be categorized according to **task**, **process** and **relationship** (Pache and Santos 2010). The term conflict often signals negative emotions and behaviors viewed from a psychosocial perspective, but may also be a normal consequence of managing (Schotter and Beamish 2011) in a collaborative constellation.

Goal divergence of firms and differing perception of reality are sources of conflicts occurring between collaborating firms (Welch and Wilkinson 2005), but can also be sources of tensions and conflicts in the intra-organizational context, here defined as a task-related conflict. **Task**-related conflicts (Pache and Santos 2010) can occur in competitive environments where conflicts are interpreted as an attempt to gain influence at the expense of others, or situations where there is a potential for great personal gain or loss (Gamero, González-Romá and Peiró 2008). Both common and individual goals normally change over time and incompatibility between head office initiatives and the individual goals of local branch offices may serve as a contextual antecedent for conflicts (Schotter and Beamish 2011). Task related conflicts may also be related to goals in terms of one company perceiving another company as interfering with the attainment of its goals. Such conflicts may degenerate to relationship conflicts if not approached.

R**elationships** with other local branch offices (Schotter and Beamish 2011), competition between units (Pache and Santos 2010) and personal disagreements about preferences and positions can be sources of conflicts (Gamero, González-Romá and Peiró 2008). Resource dependencies between the organizational subunits may, alsocreate pressures often causing conflicts (Schotter and Beamish 2011) internally within the company. Perceived gaps in resources, unfair allocation of resources within departments (Munster 2007), or between the units, and unfair distribution of power, rewards and organizational dependencies also generate conflicts within organizations (Schotter and Beamish 2011).

Process-related conflicts may be caused by organizational change, management acting in self interest, introduction of new management practices and resistance to downsizing (Schotter and Beamish 2011). Growth strategies may also be an issue generating conflicts (Pache and Santos 2010) at differing levels within an organization. Local branch offices desire for autonomy

(Schotter and Beamish 2011) is another source of conflicts that may emanate from viewing differing units as competing with one another for financial, human and psychical reasons. Such competition may manifest itself in social and political processes such as lobbying, negotiating and initiative taking linked to organizational change and is often closely tied to the decentralization of decision making (Birkinshaw and Lingblad 2005).

Going back to the assumption within the network approach that actors are active but transferring it to the intra-organizational level implies that the identified sources of intra-organizational conflicts may also be considered as working as internal drivers for action. We will therefore take a closer look at those who act and the driving incentives and power they may have, or perceive that they have, when acting as a local branch office.

"Low-powered" actors, managerial driving forces

Power is usually defined as "the ability of one party to get the other to do something it would otherwise not do" (Welch and Wilkinson 2005, p. 206). Power in organizations may arise from structure, hierarchy, or resource dependency (Schotter and Beamish 2012). But power arrangements are not static as they evolve with changes in regulation, with changes in culture, with the introduction of new actors, or with external shocks (Pache and Santos, 2010).

Local branch offices are often semi-autonomous in relation to their environment and resources. They are expected to, and capable of, making their own strategic choices within certain limits. Such "low-powered" actors have been found to assert certain locally bound influencing power (Schotter and Beamish 2011) that are paralleled with strong dependencies to head-offices and they are willing and able to use their limited power to stimulate change, innovation and growth within their corporate network. Those who gain influence over corporate decisions seem to share the ability to optimize their strengths on three goals: increased *legitimacy* in the eyes of top executives by *controlling resources* regarded as unique and valuable to the organization and by becoming a *central* actor in the various networks in which the corporation is embedded (Bouqet and Birkinshaw 2008,). But what motivates these "low-powered" actors to act for more legitimacy, better control over resources and influence? There are reasons to believe that the motives often emanate from related and personal experiences of gaps and conflicts.

The control of key resources is an important factor in understanding a company's network centrality and position (cf. Henders, 1992). However, we argue that by focusing on the effect for the company, research becomes ignorant of the centrality or power that a local branch office may gain, which in turn can have an effect on the entire company. Hence, by studying the effects on the entire company of inter-organizational interactions researchers miss the intermediary level of sub-units and the outcomes of intra-organizational interactions on the inter-organizational network.

When sorting managerial driving forces into the three categories task, relationship and process we find task-related managerial driving forces to emanate from the low-powered actor's position, which may lack legitimacy and be vulnerable to claims. Such low-powered actors will act in order to increase their legitimacy with parties important to their existence and mode of functioning (Bouquet and Birkinshaw 2008). Low-powered actors may also possess interpersonal and individual power linked to their personality, experience or positions. Individual power related to being an expert or having access to certain information are regarded as the most critical types of power (among others) as expert power creates credibility with head offices related to product, service, organizational interactions and internal coordination processes. Information power, on the other hand, creates more favorable resource dependency positions for the sub-units in their relationships with the head office (Schotter and Beamish 2011, p. 246)**.**

Relationship-related managerial driving forces may emerge as managers seek to find ways to control critical resources heavily needed by the parties that they wish to influence. In so doing they also identify ways of reducing dependencies (Bouquet and Birkinshaw 2008). Controlling resources that are critical for coping with the demands of the external environment (Schotter and Beamish 2012) is of significant importance to the pursuit of power (Bouquet and Birkinshaw 2008). Low-powered actors may also seek to gain internal and external centrality. They have to consider how well-connected (related) actors are to other units within the company as well as to external networks, as actors need to be interlinked to gain power. It is their centrality that makes their resources valuable and such centrality is shaped as a result of how the interdependent parts of the system interact with each other ((Bouquet and Birkinshaw 2008). R research show a trend in decentralization of corporate control to regional centers which decreases the risk a local and through such decentralization, sub-units may gain a high degree of ruling over their day-to-day affairs, setting of agendas, programs and directions (Pang, Cropp and Cameron 2006). Process-related l driving power or may emerge for low-powered actors that are able to provide more complex and tacit sets of services, provide specialized information that has ramifications for the entire firm or come up with innovative ideas and practices that can be transferred to other parts of the company (Bouqet and Birkinshaw 2008). Low-powered actors such as subunits can gain influence over time if they are able to develop unique bundles of resources and capabilities adapted to new sets of environmental contingencies. (Brock and Birkinshaw 2004; Schotter and Beamish 2011). Intra-organizational conflicts and managerial driving forces are incentives generating strategies and interaction affecting network formations. Starting in the task, relationship and process-oriented categories and the common quest for gaining control over critical resources, increased legitimacy and centrality we assume, in line with Bouquet and Birkinshaw (2008), that a strategy for low-powered actors may be to “enter the political game”.

Entering political games

Within the network approach companies are regarded as dependent on actors in their network in for their supply, sales, R&D as well as in terms of gaining access to other actors in surrounding networks. As a consequence companies cannot form strategies or act independently but rather are influenced by their existing relationships. Due to the interdependencies conflicts, cooperation separation and integration are concurrent in the relationships. This furthermore implies that a company’s position within the network is defined by the relationships that the company has within a specific network context. This position is not static but changes with the changes in the company’s direct and indirect relationships. Again, these arguments can also be used internally within the company as managers in sub-units are interdependent in relation to other subunits as well as their surrounding external networks.

Entering political games may be a relevant strategy for sub-units as large and complex organizations often work as political arenas in which such influence seeking games take place between different parties, such as individuals, departments and/or branch offices. Vital decisions may, consequently, reflect political motives rather than consensus on facts among the involved ones. In order to play the political game, the sub-units or local offices may choose to involve the head office in all decisions, or, alternatively, act as gatekeepers: filtering, summarizing and acting as “story-tellers” presenting positive performance-related information. Bouquet and Birkinshaw (2008) argue that power games can be classified in two dimensions first: individual efforts or collective modes of action, second: the complexity versus simplicity of the problem solved by a particular move. Six differing power games can be obtained by combining the two dimensions: deference, cooptation, representation, coalition building, feedback seeking and co-opetition (Bouquet and Birkinshaw 2008). In this paper we limit our scope to representation, coalition building and co-opetition which we regard as a way of building coalitions..

Representation implies identifying and asking a collective of “advocates” or intermediaries to defend the views and interests of certain low-powered actors on particular sets of issues. Representation is a game of self-promotion and may therefore be perceived negatively by others. Using intermediaries may, however, resolve such problems and provide more credible claims of competence (Bouquet and Birkinshaw 2008). Other advantages of this game include increased legitimacy, better resources and improved access to networks of influence. In an inter-organizational perspective government representatives may act as advocates, intermediaries or facilitators and represent a positive force in the success of a group by offering resources and valuable contacts. The facilitators’ role in this context is to identify the types of cooperative activities that meet the group´s objectives and ensure that relevant types of companies have the opportunity to join, The role is critical in introducing actors, teaching new ways and conveying the potential benefits of more coordinated action (Wilkinson et al. 1998). It is therefore typical of the RSN setting which is characterized by the bringing together of previously rather unrelated companies (Lundberg, 2008). In the RSN context it is often referred to as a hub role with reference to the coordinating and driving role that is critical in all strategic network contexts (Jarillo, 1968).

Coalition building involves the mobilization of a complex set of power influences. In other words it implies initiation of collaborative relationships. According to Bouquet and Birkinshaw (2008), this game is played by differing categories of social actors who intend to obtain power by acting as a collective entit: They give as examples R&D consortia, trade associations and industry alliances but RSNs is another example as coalition building efforts may involve the formation of relationships for a broad range of purposes. The low-powered actors’ abilities to establish good interpersonal relationships is regarded critical to success as is these actors’ motivation to act collectively with others on common goals (Bouquet and Birkinshaw 2008).

Relationships are defined as “mutually oriented interaction between two reciprocally committed parties” (Håkansson and Snehota 1994, p. 152) characterized by their mutuality, long-term process character and context dependency (Törnroos and Holmlund 1997). Relationship initiation is central in coalition building whether conducted directly in terms of individuals making contact with each other, or indirectly by the involvement of a third party, as for example an intermediary bringing individuals together. The process of relationship initiation may occur over differing periods of time and after a varying numbers of encounters – time is here related to growth of trust

(Leek and Canning 2011). Relationships between the members are required for cooperation in RSN´s, as in all networks. However, both social andr business relationships between RSN members are often weak or absent initially. Social relationships can promote relationship development and precede the development of business relationships (Jack et al. 2008) as social relationships offer an infrastructure for the development of trust and legitimacy due to the exchange of redundant and overlapping information that facilitates judgments of trustworthiness (Shane et al. 2003). Relationship development can be described as a sequence of interaction episodes (Håkansson 1982; Holmlund 2004) comprising complex patterns of information exchange (Blankenburg et al. 1996).

Coopetition, may be regarded as a power game in itself (Bouquet and Birkinshaw 2008), but also, we argue, as a choice of path when it comes to coalition building. Co-opetition has been defined as "*simultaneous competition and cooperation between the same global rivals*" (Lou 2007, p. 129) and takes place when companies engage in both competition and co-operation within a given relationship (Morris et al 2007). Co-opetition is usually motivated; by the willingness to share risks and costs; by the quest for synergistic effects through the pooling of R&D resources (Das and Teng 2000); by shared handling of new regulatory constraints or industry standards (Nakamura 2003), or by commitment to common goals in certain domains (Lou 2007). Competitors may be a critical resource, among other, of organizational learning and critical resources and lead users (Menton 2011, p. 46). Co-opetition is also perceived as a risky relationship, often ending in failure (Ritala, 2011, p.2).

Following the resource based view, incentives for implementing a co-opetition strategy may be divided in three categories; increasing the size of the market or creating a new one; increasing efficiency in resource utilization and improving the firm´s competitive position (Ritala 2011). Co-opetition can be seen as a positive-sum game for all participants as the competing partners often follow a similar logic and therefore have sufficient absorptive capacity and experience related to value creation in certain contexts. This similarity will, in turn, provide ability as well as motivation to integrate resources (Ritala 2011, p. 13) Co-opetition is, however, a complicated game to play and entails both benefits and costs to the participating firms. Financial and time-related costs from co-opetition may however, undermine the gains of the relationship and cause companies to experience loss of control over key activities or resources, including proprietary information (Håkansson and Ford 2002; Morris et al. 2007). Companies are especially vulnerable when partners become less committed to the cooperative side of the relationship, or when they focus only on own benefits (Morris et al. 2007).

Co-opetition may occur within the company at different levels dependent on strategic intent and organizational need (such as between sub-units), but also, and sometimes simultaneously, on the inter-company level (Tidström 2008). The scope of co-opetition may increase from being limited atstart, and orientated towards fulfilling concrete tasks and goals (Andresen et al. 2012; Bouquet and Birkinshaw 2008), to more sophisticated partnerships that may provide significant benefits to all actors involved.

Co-opetition is found to be beneficial in industries with only a few major actors and could have favorable effect on the industry dynamics like combining resources linked to technology, products or services. As co-opetition is risk intensive most successful outcomes will be achieved if only a few carefully selected competitors are included in the setting (Ritala 2011). In such a setting the competitors usually engage in cooperation within activities far from the customer, but compete near the customer (Bengtsson and Kock 2000). An explanation to this may be that activities at the lower end of the value chain and thus nearer to the customer may have a larger impact on the competitive advantage of a company than activities upstream the value chain (Tidström 2008).

It is, however, important to recognize that co-opetition implies that the actors in the relationship, besides from acting on common strategies, also aim to reach their own objectives (Morris et al. 2007). In order to play this game the actors need to have ability for complex thinking which comprise embracing paradoxes and multiple perspectives when interacting. The capacity to keep alive the vision, passion and commitment that motivated the desire to effectuate change, and the capacity to stand still in the middle of chaotic actions are thus vital (Bouguet and Birkinshaw 2008; Andresen et al. 2012). Executives must identify proper areas in which the parties can compete and those in which they should cooperate and balance the levels of cooperation and competition (Morris et al. 2007).

In the next section we will further address how the external network can contribute as a source for influencing, when sub-units take on the challenge to affect intra-organizational conditions?

From strategies to implementation in an RSN context

RSN´s, like business networks, are made up by actors, resources and activities. We argue that these concepts, initially developed to provide a basis for studying roles and sets of actors in industrial development processes (Håkansson and Johanson 1992; Håkansson and Snehota 1995), can be applied more generally to understand formation and interaction in RSN´s as well (Andresen 2011). RSNs have certain features resembling business networks, as RSN actors may have business relationships and the activities and resources in play may influence the participants and their business networks.

The actors and their goals

The actors’ goals and expectations are assumed to influence their choice of activities, the possibility of attracting external funding (Provan and Kenis 2008) and the development of relationship commitment and collaboration. An actor’s goal may be to use the RSN membership to achieve its own goals (Andresen 2011). However, consensus on broad network-level goals may, in the absence of hierarchy, stimulate network members to be involved and committed to the network and thus more likely to work together (Provan and Kenis 2008). Joint goals for the RSN may be difficult to define as RSN members often differ in background and line of business, but is important for collaboration (Huxham and van Vangen 2004) and may serve as integration mechanisms that stabilize relationships (Child and Faulkner 1998). Goals affect performance in many ways: by directing attention towards goal-related activities, by motivating people to persist in the activities through time and by stimulating strategy development (Tuujsärvi 2010).

Resources

Actors bring resources to the network which may be classified as tangible or intangible (Håkansson et al. 2009), human, intellectual and knowledge related, social or physical and mutually dependent (Blankenburg and Holm 1990, p. 27). In an RSN perspective, resources include both the resources controlled by individual members and the resources shared by all network members, such as public funding and grants. In RSNs the actor-related resources are combined with project-related and common resources. These combined resources facilitate initial and joint activities and cooperation (Lundberg 2008). Resource value in RSNs is assumed to be created in the same way as in business networks, that is, via activities in which resources are applied, recombined and transformed to form new resources (Håkansson et al. 2009; Snehota 1990; Gadde et al. 2003).. Recruiting organizations with specific legitimacy may induce others to join the network. The interaction process itself has to be legitimized in order “to make network members willing to work together, to build and maintain the levels of involvement and norms of cooperation that would be critical for sustaining the network” (Human and Provan 2000, p. 340). When members perceive the interaction process as beneficial and legitimate and contributing to the process, legitimacy is conferred on the entire network and its goals (Gebert-Persson et al. 2010).

Activities

”Activities are undertaken by actors who activate their resources in a process in which other resources are refined” (Dubois 1994, p. 23) While activities in business networks are categorized based on production, sales, services, communication and money transactions (Håkansson et al. 2009). Collaborative activities in inter-organizational networks such as RSN´s can be described in terms of knowledge sharing, resource sharing and the development of shared policies and norms (Imperial, 2005). Knowledge sharing and knowledge development are vital to actor development and an effective method creating interaction (Andresen 2011). Companies’ need to acquire knowledge can, however, be divided into two categories: first, the knowledge that companies are aware of needing but do not possess and, second, knowledge that companies lack but are unaware of needing (Johanson 2001). Knowledge sharing addresses both categories, as both may be regarded as incentives for resource sharing. Resource sharing refers to pooling of resources in order to develop new products and services, reach new markets, gain new customers or reduce costs (Imperial, 2005). RSN´s differ from business networks in that they usually have common resources like public, project-related grants. in turn facilitating resource sharing activities. These activities and the resource sharing activities the resources aim to render are often strong reasons for designing and joining RSN´s (Andresen 2011). .

Policy-making, or the development of shared policies and norms may both be a reason for joining an RSN and an outcome of interaction (Andresen 2011). This might imply activities influencing the integration of EU, national, and regional policies into guidelines influencing grants and state and regional planning documents. At the RSN level, activities intended for developing shared policies, regulations, and social norms involve efforts to develop shared value preferences (Imperial, 2005). This thus resembles the political behavior and actions in networks as discussed by Hadjikhani and Håkansson (1996) and Hadjikhani et al. (2008)

CASE PRESENTATION

The BIP (Bank, Insurance and Pensions) RSN was established in May 2003 by a local science park linked to the municipality. The initial aim was to stimulate cooperation among a group of companies, public organizations and the university in Sundsvall, a Swedish town with 100 000 inhabitants. The initiating science park employed a part-time administrator for the role of coordinating the BIP, in the following also called the network hub. In addition, a reference group of three; representing the local university, the business community and public organizations, was assigned to support the hub.

Actors

Actor composition. The 15 participating organizations represented the financial sector and all but one were local branch offices with their national head offices located in the capital Stockholm. The financial sector was one of three business sectors in the region that by the municipality were deemed to be of strategic importance and therefore to be financially supported. This recognition from local government facilitated access to financial support from other resourceful governmental actors as well. The local branch offices were represented in the BIP RSN by their local managers and some of their subordinates. The members of BIP were homogenous in the respect that representatives had similar education and training and that some of them had worked together before the network was formed. The BIP members were mostly large national and international organizations, from the private, public and academic sectors. The member organizations offered similar products and services and most of them regarded each other in terms of competitors.

The actors' goals and motives for participation were varying. For some, network participation was spurred by fear that their business operations might be relocated or reduced, while others saw a chance to improve their local branch office' intra-organizational position, for instance by relocation of highly qualified jobs to their local branch office. Some also wanted to support the development of the region.

> *They were to have a revelation about what Sundsvall is. We wanted to become known, so that our head office would relocate and retain the operation, and increase employment in Sundsvall.* (Representative from a member bank)

Regional development was an objective shared by the university representatives and in addition there was a common interest in knowledge and research development.

The first network meeting was well attended, the member representatives (local managers) were full of enthusiasm and many creative collaboration proposals emerged. Due to the competitive situation, the member representatives decided to look for cooperation on shared, competition-neutral issues and goals. At the fourth network meeting in November 2003, the members agreed on a vision: 'to create the prerequisites required for this region to become Scandinavia's most important knowledge centre in the field of banking, insurance and pensions.

Resources

The actors of the BIP RSN brought both human and physical resources to the collaboration. In addition they accessed various common resources from the science park, through their membership-fees as well as grants from the municipality that guaranteed a certain frequency of common activities and the funding of the hub.

In 2005 the BIP – network applied for and were granted funds from the county to implement a business development program in cooperation with the local university.

Activities

Three sub-groups were formed of which one was to market the BIP cooperation so that it would become well known in the Swedish financial sector in general, but also in the head offices of the members' own organizations. A marketing strategy and marketing material were developed and distributed to all employees within the network and to the media. The marketing group gained national attention through their activities and an eager official at one of the big Swedish banks' head office called a local subordinate and asked: 'we are in that network – aren't we?' after having read about BIP in a national financial newspaper. The second group worked to attract further establishments, relocations and investments to the region and to their own local branch offices. This group began by mapping the member organizations in order to identify new opportunities for growth and collaboration. The third group focused on employee skill enhancement by developing sector-related courses in cooperation with representatives from the local university.

In 2004 a business-development course was launched. The course consisted of six lunch-to-lunch meetings that also included many hours of social interaction in the evenings. Of the 15 BIP members, 14 took part (in total 18 local managers and subordinates). During this course an idea was raised to create a research centre together with the local university. As a result the network was re-organized in autumn 2005 into four new working groups. The first was to market the network within their organizations but also externally. The second was to develop sector-related courses and a specialization alternative focusing this area of businesses for third-year students in business administration at the local university. The third group focused on arranging activities for employees in the member organizations and the fourth worked with the development of the research centre.

During the work with the university courses, the members faced difficulties in marketing these courses within their own organizations as decisions on such development efforts normally was taken by the HR departments which had quite some courses to offer themselves.

The group assigned to develop activities for employees arranged a meeting in autumn 2004 during which the BIP's vision, goals and the assignments of the sub-groups were presented. In total approximately 400 employees participated at that meeting and similar events were held once a year in the years to come. Their activities functioned as a marketing channel for the BIP's activities and created an arena for people from different financial companies to meet and interact These events were often reported in the member organizations' internal magazines and on their web sites. By mixing employees from all member organizations in development-related activities this network of competitors achieved a cooperation recognized by others as something quite new and unique for this line of trade. Historically the industry had feared accusations of cartel formations. Critique (from a related line of trade) was also raised that the BIP opened up for cartel building. However, this critique was met by BIP pointing to the fact that the undertaken activities mainly focused on competitively neutral issues.

In 2004 the sub-group focusing employee skill enhancement decided to involve representatives from their head offices in the discussions and in the work with developing sector-related university courses. The reason was that they needed approval from head office to assign their local employees to the courses. Similar issues related to the role of head office HR (human resources) departments were identified by the other two groups as well. A meeting with the corporate managers from the head offices of the member companies was therefore arranged. The network hub (i.e. the coordinator), one of the member organizations and the municipality co-arranged this meeting that took place in October 2004 at the premises of one of the member companies. In all 30 representatives from 12 of the 15 BIP member organizations' head offices participated accompanied by the head of the municipality, the CEO of the science park, the vice chancellor of the university and the member representatives (local managers). At the meeting the head of the municipality emphasized advantages related to the establishment of the BIP and member representatives presented the network with its vision and achievements so far. Furthermore the vice-chancellor of the university presented the university´s vision for cooperation with trade and industry in the region in terms of available programmes, courses and research of interest for this sector. Finally the member representatives brought their head office representatives for lunch for further discussions. The meeting was regarded as a success by the member representatives as so many of the top-executives had participated and expressed positive feedback regarding the network initiative, the meeting, the achievements of the network so far and the potential benefits of future participation. A key factor for the success was believed to be the adding of a list of names, titles and organizations of the invited ones to the invitation and to the programme presented at the meeting.

Members of head-offices were also contacted by their local managers in person before the invitation was distributed. Some of the managers felt that they had to 'market the arrangement' in order to make their peers attend:

> *It wasn't difficult – but it wasn't obvious either – I needed to pad out the text – it was important to explain what might come of it. Everyone is short of time and a whole day had to be set aside.* (Representative from a member bank)
>
> *It is not enough to send an invitation – you have to call and explain.* (Representative from a member insurance company)

Soon after the meeting the arranging member announced that its head office had made a decision to relocate 60 positions to the municipality. This decision was followed by further relocations. In total the local unit received 100 new positions. These decisions were motivated by head office's conviction that qualified personnel would be easy to find locally due to the ambitions of and efforts made by the university and the municipality, together with the favourable prices on the local real-estate market. Furthermore, the local manager in Sundsvall suggested that 20 employees in Sundsvall would be able to do the same work as 40 employees in the other unit in Gothenburg due to more efficient routines and access to qualified personnel.

Later on, other member-organizations' head offices followed suit and relocated to, or expanded their operations in, Sundsvall (for example about 40 new jobs in another insurance company according to one of their representatives). All in all the activities of the BIP may have contributed to relocation or development of approximately 150 new jobs in the municipality over a three years period. Despite difficulties in establishing direct links between the member organizations' relocation and expansion decisions and the activities of the BIP, some of the member representatives believed that the network activities influenced the decision-making in a positive way over the years.

In the fall of 2007 a second meeting with head office managers was arranged. The reason was that the BIP wanted to market its achievements: the research centre, sector-related research and previous positive relocation experiences. This second meeting was also well-attended: the vice mayor of the municipality and the municipal manager, the professor in charge of the sector-related research centre at the local university, the head of the county and the coordinating hub from the science park. A partly municipality-owned company, working with attracting new establishments and investments to the region, also took part in the meeting to present local establishment advantages. In total, 39 persons from the head offices of 13 BIP members participated and the BIP received positive feedback. No significant relocation decisions followed this time but, taken together over the years, the BIP representatives felt that their activities, to a greater or lesser extent, have contributed to the establishment and relocation of about 150 positions to Sundsvall as well as to retaining numerous positions. However, when actively acting in favour of expansion of local branch offices, the representatives sometimes risked to annoy or provoke people in their own organizations located elsewhere, as one representative expressed it:

> *What you do when you commit yourself is that you take a risk – because it's not a case of committing yourself to your own work.* (Representative from a member bank)

In 2007 group four's work finally gave result and a research centre was formed. The BIP's members, the county and the university contributed in funding the research centre and a project application was approved by the European Union Objective 2.

FINDINGS

In a majority of the research on network formations the chosen analytical level is of the company and its dependence on scarce resources as the explanatory variable for networks In contrast, this paper sets out to illustrate and explain network formation as driven by intra-organizational tensions between different parts of one company. These tensions can be in the form of conflicts emanating from threats of closure, downsizing or relocations of local branch offices or their managers. By so doing, the analytical level becomes one where we need to identify individual manager's and sub-unit's motives in order to understand the drivers for network formations.

Tensions and conflicts as drivers for network formation

In the BPI RSN we can find all types of intra-organizational tensions and conflicts where tensions can be found in terms of actors expressing fears of relocations or reductions of their business operations in the local branch office. One participant also expressed that the goal of the network formation was to gain attention from the head office by showing the unique resources, activities and actor network that were to be developed through the RSN formation. The tensions and conflicts thus spurred the network formation which was perceived as a means to influence the respective member companies' internal organizations. Hence, the intra-organizational conflicts and tensions perceived by the local branch office managers resulted in a strengthened cooperation as they formed and developed relationships with competitors in the region. The case illustrates that *task, goal and competition* related conflicts, such as outsourcing of jobs from head offices or relocation of jobs, drives network, and more specifically RSN, formations, which is in line with what has been reported by Gamero et al. (2008). Internally related r*elationship* conflicts in the form of hierarchical resource dependencies was another source of conflicts that spurred the local branch office managers to seek external resources that could be used to reduce this internal resource dependence. Related to this was the local branch offices' *desire for autonomy,* which also is in line with the research by Gamero et al. (2008).

Low-powered actors and their motives for interaction

We argue that local branch offices may be regarded as low-powered actors as they strive to increase their legitimacy and control over resources in dialogue with head offices. Their motives were most often related to keeping the local staff of employees, upholding the local operation and developing assignments, services and products. In order to achieve legitimacy and resources, local offices seek to attain centrality in terms of being regarded as important in their own organization as well as among external actors in their operating context. In the effort of gaining increased control and influence, a competitive situation may occur in relation to other local branch offices that in turn may generate conflicts.

The local branch office managers perceived a need to increase their influence and positions internally, indicating a *task-related* managerial incentive to reach a legitimate effect of their activities. This in turn affected their activities externally as they wanted to engage in relationships with competitors in order to increase their legitimacy as perceived by the head offices. In order to strengthen the perception of the local branch office managers' expertise and access to information, the network also engaged the university in the RSN as well as local politicians. Experts on network formations were also included in the group. These findings are in line with

Schotter and Beamish (2011) arguments as the selection of actors to be included in the network can be seen as attempts to gain information power in order to create more favourable resource-dependency positions for the local branch offices. The managerial incentives also affected the network formation as the local branch office managers used their internal and external relationships to increase their centrality and legitimacy, which in turn could generate better control over critical resources. In line with Pang et al (2006), the managers made their own decisions on certain issues such as agendas and day-to-day affairs which also boosted the effort on gaining further autonomy. In order to affect the threats of closures or reductions in the local business operations they tried to create unique bundles of resources and capabilities through the RSN cooperation. This is also highlighted as the head office representatives were invited in an attempt to make this explicit. An outcome was that the number of employees rose in the local branch offices that were members of the RSN. *Process-related* managerial driving forces emanated as the relationships in the network resulted in the members gaining access to specialized information and access to public grants related to R&D. This in turn enabled development that might be transferred to other parts of their companies. These findings are in line with the arguments put forward by Brock and Birkinshaw (2004) which demonstrate the relevance of applying such MNC findings also to the intra-organizational considerations of local branch offices.

Having identified the drivers we go to the strategies that these drivers activated. We found the politicking or *political-game strategies* to be a choice of action relevant to RSNs and for analysing RSN formation as RSN´s comprise actors from private and public sector with differing logics, goals for collaboration and have access to common, public funding. The first strategy or game in the RSN-formation process is the one of *representation***,** in line with Bouquet and Birkinshaw (2008), implying the search for advocates or intermediaries to defend their view. Then, or in parallel, relationship building is initiated. In the presented case, the Science Park took on the initiating role supported by the municipality and the county administration, identified further actors, relevant cooperative activities and common goals, thereby driving the process further in line with descriptions by Wilkinson et al. (1998).

The second game, *coalition building through co-opetiton***,** then started. The coalition building was initiated in order to improve the participating actors' control over critical resources and increase their centrality and legitimacy. By choosing to initiate a RSN of competitors certain possibilities opened as did certain challenges. Among these actors there was knowledge on how to organize the establishment of good relationships among the RSN members, as recommended by Bouquet and Birkinshaw (2008), and the actors did commit to common goals early on in the process. Similarities between the actorshelped this coalition building as well as the fact that there were actors few large actors in terms of potential access to resources, which are regarded as important in a winning strategy by Ritala (2011). The chosen co-opetitive coalition building strategy implied organization of **activities** far from customers but competition near customers which is a relevant strategy according to Bengtsson and Kock (2000). The actors never loosed their organizational separateness and aimed all the time to fulfil their own goals as well as the RSN goals. An example of this was when they used the listing of names on the invitation to the meeting with head-office as a way to market themselves, point at their local position and support and thus gain internal legitimacy and centrality.

In sum, the locally bound resources developed in the RSN enabled the low-powered actors to increase their intra-organizational influence.

CONTRIBUTION

The purpose of this paper has been to extend IMP research by addressing how internal tensions within organizations can create conflicts functioning as drivers for relationship and network formations. We have illustrated this discussion by showing how local branch offices wishing to strengthen the units' positions in their respective intra-organizational hierarchies formed an external network in the form of an RSN including competitive actors. . The research in this paper thus adds to research within IMP by illustrating how relationships and networks are formed not only for strengthening a unit's external position but also with an aim to strengthen its intra-organizational position. It is argued that internal tensions and conflicts are important drivers of network formations and the dynamics within the inter-organizational networks. The internal tensions were a drive to use the external network in order to improve the legitimacy of the sub-unit. The findings moreover lends support for further studies of RSNs formations as they show that RSN membership can have an effect not only on an organizational level but also on an intra-organizational level as the influence and power of sub-units can be affected.

MANAGERIAL IMPLICATIONS

This paper illustrates that low-powered actors such as local branch offices can choose to activate external relationships and networks in order to affect their intra-organizational position. However, although the case illustrates an example where the local branch offices managed to strengthen their positions vis-à-vis their head offices, it is still important to keep in mind that activating a network also can have negative side effects. A side effect indicated in this case is that activating an external network with the purpose of gaining power or strengthening the position can also be perceived by the head offices or other sub-units as a threat causing further internal conflicts implicating that the effects may be the opposite of what the goal was. The political game thus needs to be carefully played. If the activities are perceived as negative the result may be the opposite rendering loss of legitimacy, less resources and decreased centrality consequently decreasing instead of increasing autonomy. Still, to form and actively participate in networks have many positive effects for the local branch-office as well as for the head- office where the network positions as access to resources can benefit from these activities.

LIMITATIONS AND FURTHER RESEARCH

We argue that tensions and conflicts as drivers of network formation has been a neglected topic within IMP research but that it is important to consider if we are to grasp the full picture. This paper has presented a number of motives that have been shown to work as drivers for the formation of an external network but such drivers and their outcomes need to be further explored as this study is limited to one RSN only.

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