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Organizational Values and Their Management within Strategic Business Networks

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1 Introduction

This study deals with the management of business networks (see e.g. Ritter et al. 2004; Harland and Knight 2001). In particular, this study focuses on a research area that combines two general notions. First, a number of organization studies suggest that organizational values can be managed to the benefit of the organization (e.g. Kilmann et al. 1986; Wiener 1988; Collins and Porras 1991; O'Reilly and Chatman 1996). Second, a number of relationship and network studies suggest that shared values play a significant role in developing and maintaining network cooperation (Dwyer et al. 1987; Jarillo 1988; Morgan and Hunt 1994; Wilson 1995; Achrol 1997). By combining these two general notions we can formulate the following argument: organizational values can be managed in order to develop and maintain network cooperation.

To my knowledge, no study has so far explored this argument further. The overall goal of this study is to address this knowledge gap. More specifically, I will attempt to answer the following research questions, the empirical focus being a strategic business network:

1. What characterizes organizational values at the network level of analysis as compared to the organizational level of analysis?
2. What kind of outcomes do organizational values have in a strategic business network, and what characterizes the relationship between organizational values and these outcomes?
3. How do network members manage or try to manage organizational values in a strategic business network?

The paper is structured as follows. First, I will start by defining my viewpoints to strategic business networks and network management. Second, I will define organizational values, present a model of the antecedents and outcomes of organizational values, and clarify my viewpoint to managing organizational values. Third, I will present my analytical research framework. Fourth, I will provide an overview of the research methodology. Finally, I will present the case network of this study: Lääketeollisuus ry.

2 Strategic business networks and their management

Interorganizational networks have been studied from many different perspectives with many different theoretical backgrounds (see e.g. Araujo and Easton 1996; and Grandori and Soda 1995). This study borrows mainly from two network research disciplines: the Industrial Networks approach (see e.g. Håkansson 1982; Axelsson 1995; Turnbull et al. 1996; McLoughlin and Horan 2002) and the Network Organizations approach (see e.g. Miles and Snow 1984; 1986; Jarillo 1988; Snow et al. 1992). However, at times I will use also sources that cannot be traced back to these two disciplines. Network scholars have identified several kinds of networks, for instance *dynamic networks* (Miles and Snow 1984; 1986; Snow et al. 1992) and *marketing channel networks*, *intermarket networks*, and *opportunity networks* (Achrol 1997). In this study, I will focus on *strategic business networks* (see e.g. Jarillo 1988; Gulati et al. 2000).

Jarillo (1988, 32) defines *strategic networks* as "long-term, purposeful arrangements among distinct but related for-profit organizations that allow those firms in them to gain or sustain competitive advantage vis-à-vis their competitors outside the network." Gulati et al. (2000) define strategic networks in terms of enduring interorganizational ties that are of strategic significance for the firms entering them, including e.g. strategic alliances, joint ventures, long-term buyer-supplier partnerships, and other similar ties. Although the above definitions are helpful, as such they lack clarity and are in some parts different to my own definition of a strategic business network. In my opinion, the key features of a strategic business network are the following. First, strategic business networks are *intentionally* developed and managed networks (Möller and Svahn 2003). Second, the existence of a strategic business network is motivated by the pursuit of *strategic* business goals that are *shared* and *mutually beneficial* among the network members. Third, the members of a strategic business network should have a mutual understanding of which organizations belong and do not belong to the network, i.e. the network should have *clear boundaries*. Fourth, a strategic business network often has one or several key players (i.e. hub firms), who assume a more visible role in developing and managing the network; however, this does not mean that the key player(s) would be in total control of the network. Fifth, a strategic business network may involve also one or several non-profit organizations, such as universities, research institutions, and non-profit associations. Drawing the definition together, I define a strategic business network as *an intentionally developed and managed*

interorganizational cooperation between three or more organizations for the pursuit of mutually beneficial strategic business goals.

The focus of business network research has increasingly been shifting from understanding business networks to managing business networks (Ritter et al. 2004). A key question relating to the manageability of business networks is *to what extent can a firm manage its network(s)?* There appear to be two main schools of thought regarding this question (Harland and Knight 2001; Ritter et al. 2004). One school of writers argues that (strategic) networks can be managed by a hub firm. The other school of writers argues that networks cannot be managed, because they are complex adaptive systems in which individual firms can only "cope" within the network.

These polar viewpoints to network management can be attributed to the difference between intentional/deliberate networking and unintentional/emergent networking (Möller and Svahn 2003; Ritter et al. 2004). As such, they are both valid, although different, viewpoints – they only define the terms "network" and "managing" differently (Harland and Knight 2001). My focus is on strategic, intentionally developed and maintained networks. Next, I will briefly describe my viewpoint to managing such networks. I believe that the extent to which a firm can manage its network(s) lies somewhere between full control and no control at all. In these terms, there exists "some degree of mutual interdependence such that each party has some ability to influence the other" (Ritter et al. 2004, 177), although any single firm has only a limited control over its network(s) (Håkansson and Ford 2002). Further, the term "managing" can be used interchangeably with terms such as "coordination", "maintenance", and "control".

Trust and commitment have been shown to play key roles in network coordination (Dwyer et al. 1987; Morgan and Hunt 1994; Wilson 1995; Achrol 1997). In general, however, there are at least 10 different categories of coordination mechanisms: (1) communication, decision, and negotiation mechanisms, (2) social coordination and control, (3) integration and linking roles and units, (4) common staff, (5) hierarchy and authority relations, (6) planning and control systems, (7) incentive systems, (8) selection systems, (9) information systems, and (10) public support and infrastructure (Grandori and Soda 1995). In this study, I will focus on organizational values – a sub-category of social coordination and control – as a coordination mechanism for managing strategic business networks. Next, I will turn to organizational values and their management.

3   Organizational values and their management

Organizational values are a core component of organizational cultures (Schein 1992; O'Reilly and Chatman 1996). Consequently, research on organizational cultures provides a key background to research on organizational values. Organizational cultures can be studied from at least two perspectives: as something that the organization *has* (i.e. as a variable) or as something that the organization *is* (i.e. as a metaphor for the organization) (Smircich 1983). In this study, I will adopt the former viewpoint. Hence, I will treat organizational culture as an organizational variable that influences and is influenced by both various intra-organizational variables (such as trust, commitment, and managerial action) and extra-organizational variables (such as professional cultures, education systems, and national culture). Adopting the culture-as-variable viewpoint, I will assume that it is possible to manage an organizational culture, although the extent to which it can be managed may be limited (Smircich 1983; Deshpandé and Webster 1989). This viewpoint provides the background to studying organizational values and their management, which I will discuss in the following chapters.
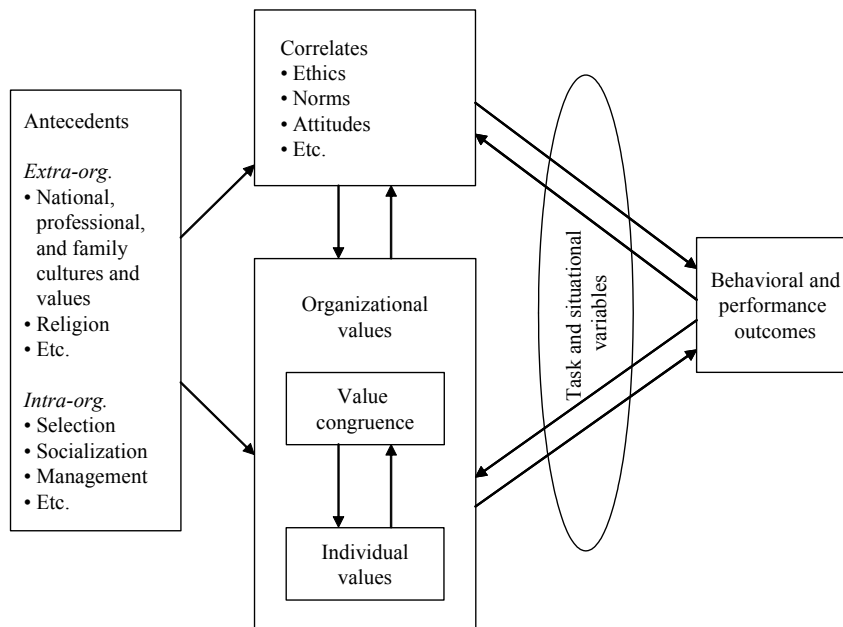
3.1   Definition of organizational values

In general, organizational values define how an organizational actor should behave in a given situation (Sagie et al. 1996; Meglino and Ravlin 1998). I will use the following definition: organizational values are *beliefs held by organizational actors (individuals or groups of individuals) about desirable end states or modes of behavior, which serve as the basis for making choices* (modified from Connor and Becker 1994). A few key points about the definition: (1) There are two kinds of values: values about desirable end states, such as happiness, wisdom, or money, and values about desirable modes of behavior, such as honesty, achievement, or effectiveness. (2) Although values *serve as the basis* for choices, they do not *dictate* choices, and behavior may also be inconsistent with values (Rokeach 1968, 167). (3) Different environmental and situational variables and constraints may influence (e.g. restrain, weaken, amplify) the relationship between values and behavior (Meglino and Ravlin 1998; Sagie et al. 1996; England 1993). (4) The definition is not limited to either espoused values (i.e. "ideal" or "stated" values) or actual values (i.e. "values-in-use" or "real" values). (5) Finally, although organizational values are fairly stable, the importance of a certain value may change over time and across situations (Meglino and Ravlin 1998).

3.2   Antecedents and outcomes of organizational values

Organizational values have been found to be related to various organizational variables. Based on frameworks provided by Meglino and Ravlin (1998), Sagie et al. (1996), and Connor and Becker (1994), I have outlined a general framework of organizational values and their primary antecedents and outcomes (see Figure 1).

Figure 1. Model of organizational values and their antecedents and outcomes.

In general, the antecedents of organizational values include different kinds of extra- and intra-organizational variables. Extra-organizational antecedents include socio-cultural background variables, such as national, professional, and family cultures and values, and religion. Intra-organizational antecedents include variables such as selection of employees, socialization processes, and managerial action. Further, there are different kinds of correlate variables, such as organizational ethics, norms, and attitudes, which influence and are influenced by organizational values.

Both organizational values and their correlates are related to different kinds of behavioral and performance outcomes within the organization. Organizational values are related to behavioral/performance outcomes at least in two ways: (1) values can influence outcomes directly and (2) values can have an effect on outcomes to the extent that they are congruent within the organization. The first kind of influence (values →

outcomes) is the direct result of employees applying values in action. The second kind of influence (value congruence → outcomes) can affect outcomes, for instance, by clarifying communications, and removing ambiguity and conflict. The link between the organizational values and their outcomes is two-directional: organizational values both influence and are influenced by the behavioral/performance outcomes.

Finally, the relationship between values and their outcomes may be moderated by different kinds of task and situational variables, such as peer pressure, lack of resources, or time restrictions, so that similar values may not always lead to similar outcomes.

3.3 Managing by values

The idea of managing organizational values in order to improve organizational performance was popularized in the early 1980s (most notably by Peters and Waterman 1982; Deal and Kennedy 1982; Kilmann et al. 1986). Since the early 1980s the idea has received increasing academic and non-academic attention (Collins and Porras 1991; O'Reilly and Chatman 1996; Lencioni 2002).

Despite the potential benefits of managing organizational cultures and values, some have questioned the morals and ethics of it, because it may threaten individual freedom (Willmott 1993; O'Reilly and Chatman 1996; Bagraim 2001). For instance, Willmott (1993, 529) writes that advocates of cultural control often try to create a "system of beliefs and rewards … that invites employees to suspend doubt in the good sense of subjugating themselves to the authority of the core corporate values. Far from enabling an active process of comprehending the possibility and necessity of choosing between competing values …, identification with a single set of values is demanded." Nevertheless, since organizations do have values and values do influence different organizational outcomes, it seems reasonable to expect that managers should try to manage organizational values to the benefit of the organization.

Managing organizational values can be seen as a social form of organizational control that complements the more traditional control systems (Jaeger 1983; Simons 1995; O'Reilly and Chatman 1996; Pruzan 1998). In practical terms, many recipes for managing values have been introduced by both academic and other writers (e.g. Jaeger 1983; Wiener 1988; Collins and Porras 1991; Osborne 1991; 1996; McDonald and Gandz 1992; Ledford et al. 1995; O'Reilly and Chatman 1996; Anderson 1997; Blanchard and O'Connor 1997; Maccoby 1998; Driscoll and Hoffman 1999). Common elements to all such recipes are that they instruct companies to (1) develop a

strategically important set of "core values" for themselves and (2) implement an action plan to diffuse the core values at all organizational levels.

After the organization has developed a set of core values, it has in general two complementary means by which it can diffuse the organizational values: selection and socialization (Chatman 1991). *Selection* occurs when an organization chooses to employ new persons who (a) have similar values with the organization's values instead of dissimilar values and (b) are open to adopt the organization's values. *Socialization* is the process by which an individual comes to understand and adopt the organizational values. Socialization processes may be endorsed with, for instance, (a) programs that consistently and continuously clarify and communicate values within the organization, (b) programs that endorse employee participation which increases their commitment to the values, (c) values-driven employee training and support systems, and (d) values-driven reward systems (see e.g. Posner et al. 1985; and O'Reilly and Chatman 1996).

3.4   Managing networks by values

A number of studies suggest that having shared values plays a significant role in developing and maintaining interorganizational relationships and networks (Dwyer et al. 1987; Jarillo 1988; Morgan and Hunt 1994; Wilson 1995; Achrol 1997). These studies show that shared values help, for instance, to increase trust and commitment, and ease communications between relationship partners and network members. In general, having compatible cultures or sharing cultural similarities seems to be important for the success of business networks (Snow et al. 1992; Achrol 1997; Dyer and Singh 1998; Griffith and Harvey 2001)

A mismatch of organizational values between network members is, however, often inevitable. When such a mismatch occurs, it can be handled by "cultural mediators" (Crane 1998) or "relationship promoters" (Walter 1999). These are individuals, or groups of individuals, within the network that act as bridges between relationship partners mediating cultural knowledge and facilitating communication and the development of mutual trust and commitment between the partners (Crane 1998; Walter 1999).In light of the above it comes as no surprise that Jones et al. (1997) urge relationship and network scholars to pay more attention to how shared values function as a governance mechanism for network cooperation. However, there have also been voices of criticism among network scholars. For instance, Desmond (2004) criticizes that cultural and values-based control mechanisms often cannot replace bureaucratic

forms of control, but more usually serve to complement bureaucratic control. Further, although cultural control may be powerful when it works, managers should be careful in trying to apply it because it may easily lead to reverse effects to that intended (Desmond 2004; Kunda 1992). The voices of criticism aside, I agree with Jones et al. (1997) that there is a need for further understanding on this topic. In the next section, I will present my analytical research framework with which I will approach the task.

4   Framework for analysis

4.1   Three analytical perspectives: integration, fragmentation and differentiation

I will use three different analytical perspectives in analysis: *integration*, *fragmentation*, and *differentiation* (Meyerson and Martin 1987; Martin and Meyerson 1988; Martin 2002). The three different perspectives provide different, yet mutually complementing analytical viewpoints to studying a cultural context – such as organizational values and their management within a strategic business network.

The *integration perspective* defines culture as something which is shared and homogenous to an organization. Culture is seen as the integrating mechanism, the glue that holds the organization together, implying a harmonious, "strong" organizational culture. According to Martin and Meyerson, three characteristics are central to the integration perspective: (1) consistency across cultural manifestations, (2) consensus among the cultural members, and (3) usually a focus on leaders as the creators of the organizational culture. Therefore, researchers from the integration perspective (1) focus on cultural manifestations that are consistent with each other among an organization, (2) implicitly or explicitly assume that members of an organization – from various hierarchical levels, functions and divisions – share similar cultural patterns, and (3) often portray leaders as the primary source of cultural content and change. Cultural ambiguity (i.e. cultural uncertainty, contradiction, and confusion) is denied. The integration perspective assumes that cultural change takes place through a revolutionary process: the old organizational culture has to be first unlearned before a new culture is adopted, and a short period of cultural ambiguity may be experienced only between unlearning the old and learning the new. According to the integration perspective, the change process can and should be controlled by top management. (Meyerson and Martin 1987; Martin and Meyerson 1988; Martin 2002)

The *differentiation perspective* is characterized by the acknowledgement of diversity among the organizational culture. Researchers from the differentiation perspective pay attention to inconsistencies, lack of consensus, and non-leader-centered sources of cultural content and change. Organizations are not seen as homogenous entities with a single dominant culture, but are seen as collections of different subgroups with different values and cultural manifestations. Different subcultures may have positive (enhancing), negative (conflicting), or orthogonal (indifferent) relationships to each other. Hence, the differentiation perspective acknowledges that some cultural ambiguity may be present in an organization between (but not within) different subcultures. According to the differentiation perspective, there are multiple sources of cultural content and change, such as national, occupational and ethnic cultures. Other sources of cultural change include, e.g., demographics, technology, and organizational leaders. The differentiation perspective allows an incremental process of cultural change, as different subcultures are loosely coupled to each other and exhibit change in different paces. As a consequence, controlling cultural change is seen more problematic than from the integration perspective. (Meyerson and Martin 1987; Martin and Meyerson 1988; Martin 2002)

The *fragmentation perspective* differs from the integration and differentiation perspectives in the treatment of ambiguity. Whereas the integration perspective denies ambiguity and the differentiation perspective allows ambiguity between (but not within) different subcultures, the fragmentation perspective acknowledges that ambiguity may be accepted as a natural state of the organizational culture; complexity and lack of clarity are legitimated and even made the focus of attention. Hence, a culture seen from this perspective would have no shared, homogenous set of values, except one: an awareness of ambiguity itself. Ambiguity is the way things *are*, not a temporary state waiting for the emergence of a homogenous culture. Researchers from the fragmentation perspective, therefore, search for confusion, paradox, and everything which is not clear. From this viewpoint, a culture cannot be characterized as generally harmonious or full of conflict. Some values and cultural manifestations are shared, some are disagreed about, and others are being ignored. Consensus, dissensus and confusion coexist, making it difficult to draw cultural boundaries within an organization. According to the fragmentation perspective, an organizational culture is always in constant flux and state of change, as individuals constantly adapt to differing situations.

Naturally, conceived from this perspective, cultural change is virtually uncontrollable. (Meyerson and Martin 1987; Martin and Meyerson 1988; Martin 2002)

The integration, differentiation and fragmentation perspectives offer different kinds of viewpoints in to any cultural context. Martin and Meyerson contend that if we seek full understanding of any cultural context it is important to embrace all of the three perspectives simultaneously. The three perspectives "should be thought of as a set of three lenses, each one to be used in turn, again and again, in order to defocus and refocus, capturing a full view of all three aspects of any one cultural context" (Martin and Meyerson 1988, 122). It would be a misunderstanding to conclude that a particular organization has culture or values that are best characterized by one of the three perspectives – on the contrary, any cultural setting at any point in time will have some aspects reflecting all three perspectives (Martin and Frost 1999; Meyerson and Martin 1987).In this study, I will use the three-perspective approach. In practice this means that I will, first, do analysis from three perspectives: (1) what is shared at the level of the entire network (= the integration perspective), (2) what is shared only at the level of sub-groups (e.g. groups of organizations or groups of individuals) instead of the network level (= the differentiation perspective), and (3) what aspects are best characterized as ambiguous (= the fragmentation perspective). Second, I will analyze how the three perspectives are interrelated in light of the empirical data, which hopefully raises new theoretical insights into organizational values, their outcomes, and their management in a network context.
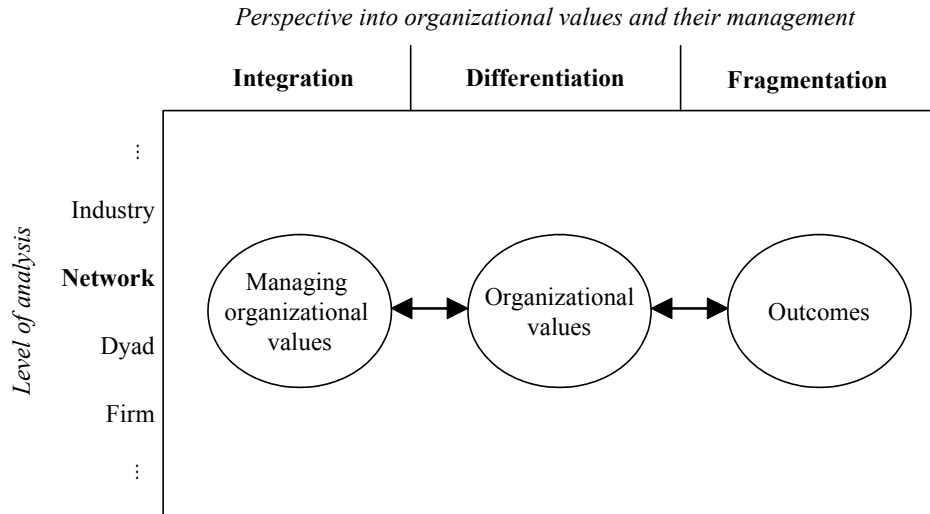
4.2 Multiple levels of analysis: focus at the network level

The primary level of analysis in this study is, quite naturally, the network level. In practice, this means that I will look at the empirical data from the viewpoint of the whole network and frame my analysis accordingly. However, although I am primarily interested in the network level of analysis, I will keep the analysis open to also other levels of analysis (e.g. team, firm, dyad, network, industry and society). This is an important point to make, because cultural values and their antecedents and outcomes are multi-level constructs that are interrelated within and between different levels of analysis (Sagie and Koslowsky 1998).

4.3   Research framework

The research framework (see Figure 2) integrates my definitions of organizational values, values-driven outcomes, managing values, the three-perspective approach to analysis, and the idea of using simultaneously multiple levels of analysis.

Figure 2. Analytical research framework.

Perspective into organizational values and their management

Integration   **Differentiation**   **Fragmentation**

Industry / **Network** / Dyad / Firm (Level of analysis)

Managing organizational values ↔ Organizational values ↔ Outcomes

The research framework will guide the collection and analysis of empirical data. In other words, I will consider the theory-driven research framework as a lens which will provide a "particular, explicitly defined framework within which the details of a case and the data can be assessed", and which will help me to use my "imaginative powers and break away from the confines of mundane reality" (Alasuutari 1996, 374-377). Next, I will turn to the methodology of this study.

5   Methodology

5.1   Worldview: moderate constructionism

In this study, I will adopt a worldview that can be called "moderate constructionism" (Kvale 1995) or "weak constructionism" (Schwandt 2000, 198-199). In general, constructionism regards all knowledge context specific and socially constructed, a worldview that is widely held in current Nordic research on business networks (Tikkanen 1996). Hence, a constructionist worldview doubts that "any method

or theory, discourse or genre, tradition or novelty, has a universal and general claim as the 'right' or the privileged form of authoritative knowledge," while it does allow us to "know 'something' without claiming to know everything" (Richardson 2000). Moderate constructionism, in particular, rejects the notion of a universal truth, but accepts the possibility of specific local, personal, and community forms of truth.

In line with this thinking, I take a middle road into studying the *hows* and *whats* of real life, as suggested by Holstein and Gubrium (1997). Hence, I am interested in understanding both *how* the meaning-making process unfolds in the process of social construction and *what* meanings or constructs there are in the real world as evidenced by substantive data (Holstein and Gubrium 1997). In practice, then, I am interested in both *how* the interviewees convey different meanings and *what* the interviewees convey during the interview in relation to the reality that they are part of.

5.2 Research approach: abduction and systematic combining

My approach to research process is similar to what Dubois and Gadde (2002) call systematic combining, which follows the logic of abduction rather than induction or deduction. Systematic combining is a process characterized by "continuous movement between an empirical world and a model world," where "theoretical framework, empirical fieldwork, and case analysis evolve simultaneously," during which "the research issues and the analytical framework are successively reoriented when they are confronted with the empirical world" (Dubois and Gadde 2002, 554). According to Dubois and Gadde (2002), systematic combining is especially suitable for single case research aiming at theory development.

5.3 Methodological tool: single case study

I have chosen single case study as my methodological apparatus. Case study research in general has commonly and successfully been used in studying business networks, especially within the IMP tradition (Halinen and Törnroos 2004; Welch 2000). Case studies are suitable for the studying of business networks, because they are capable of capturing the dynamics of the studied phenomenon and providing a many-sided view of a situation or an object of study in its specific context (Halinen and Törnroos 2004; Easton 1995; Eisenhardt 1989).

A common argument against case studies is that they provide little basis for scientific generalization (Yin 2003, 10; Lukka and Kasanen 1993). However,

generalization is not the goal of single case studies. Rather, single case studies aim at providing understanding of a phenomenon and its context (Dyer and Wilkins 1991). This is the case also with business network research (Borch and Arthur 1995; Dubois and Gadde 2002; Halinen and Törnroos 2004).

5.4   Data collection and data analysis

The research data will consist of two types of data: interviews and archival data. Ideally, it is my intention to start data collection during summer 2004 and finish it in spring 2005. Interview data will form the core of my research data and the archival data will be used in a more supportive role.

I will approach interviews with an "active interviewing" mindset proposed by Holstein and Gubrium (1997; 1995). An active interview is not "merely a neutral conduit or source of distortion, but is instead a site of, and occasion for, producing reportable knowledge itself" (Holstein and Gubrium 1997, 114). Hence, I will treat the interviews as social encounters in which knowledge is constructed together by me and the informant(s). In practice, I will conduct semi-structured interviews. The purpose of the interviews will *not* be to have the interviewees talk about what kinds of values the network has or how the network manages values. Rather, the purpose of the interviews will be to prompt "real life" stories about the network cooperation *per se*: e.g. what goals does the network have, do the goals of individual member firms and the network as a whole differ from each other, how does the network operate in practice, what kinds of troubles or obstacles has the network encountered, what has triggered the obstacles, what has been done to overcome the obstacles, and what kinds of roles do different network members play within the network? These "real life" stories will then provide the empirical data which I will analyze, using the research framework presented in Chapter 4.3, to *interpret* what kinds of values the network has and how the network manages these values.

The archival data will consist of e.g. annual reports, plans of action, and value statements. Welch (2000) suggests that archival data can be used in three different roles for a case study: (1) to add 'empirical depth' to a study by generating new data and enabling verification of existing data from other sources, (2) to provide a longitudinal perspective and explain processes of change and evolution, and (3) to challenge existing theories and build new theoretical models. These are the roles of archival data also in

this study. Hence, I will use archival data as a "way of complementing, strengthening and even challenging data gained from interviews" (Welch 2000, 202).

In data analysis, I will use different analytical techniques for data analysis, such as coding, categorizing, and thematizing. Computer software such as nVivo will potentially be used as an aid for this work.

5.5 Quality of the study: validity and generalizability

Validity, reliability and generalizability are often put forward as hallmarks of true scientific research. However, these constructs are rooted in the modern, positivist philosophies of science and as such are not applicable to postmodern, constructionist research contexts (Kvale 1995). In determining the quality of research, some postmodern researchers have simply ignored or dismissed the traditional conceptions of validity, reliability and generalizability, whereas others have offered extended conceptions that fit the postmodern philosophy of science. I follow the latter approach by adopting the following conception of validity proposed by Kvale (1995).

Kvale (1995, 19) proposes that in a postmodern context "knowledge is validated through practice." Drawing on this notion, he outlines three approaches to validity in postmodern, social constructionist research: (1) Validity as an expression of craftsmanship, with an emphasis on increasing the credibility of research by continually checking, questioning, and theoretically interpreting the findings. In a craftsmanship approach to validity, the emphasis moves from inspection at the end of the research process to quality control throughout the stages of knowledge production. (2) A communicative concept of validity, with an emphasis on testing the validity of knowledge claims in a dialogue. Validity is decided or developed in a communicative process, which involves the research subjects (i.e. informants), scientific community and general public, in addition to the researcher. (3) A pragmatic or action-oriented concept of validity, which emphasizes the notion that truth is whatever assists us to take actions that produce the desired results (in an ethical way).

Validity thus defined, I will now turn to the generalizability of this study. In light of the discussion in Chapter 5.3, I contend that single case research should not be evaluated in terms of generalizability (or the lack of it), but in terms of whether it succeeds in contributing to increased contextual insight or not. Indeed, from a constructionist viewpoint, the purpose of case studies is not to reveal universal truths but to reveal local and historically specific understandings (Alasuutari 1996).

However, Lukka and Kasanen (1993) note that a case study may be "generally useful", if it is based on a thorough understanding of the following four arenas: (1) theoretical knowledge of a substance area, including concepts, models, claims, interpretations, and research tradition; (2) prior empirical results and their interpretations, including laboratory, survey and case studies; (3) the researcher's own empirical results and their interpretations; and (4) the environment of the phenomenon, including history, institutions, and markets. If a researcher is enlightened in these four arenas, Alasuutari (1996, 378) argues that it is possible for he or she to discuss "the relevance of the case results in a larger (but historically and culturally specific) framework, a process that is comparable to generalization is survey research". Hence, even though my goal is not to offer generalizability in a positivist or probabilistic sense, I do hope that the results of this study will be useful also in other contexts and not just in the specific context of this study.

6   Case description: Lääketeollisuus ry

I will use Lääketeollisuus ry (www.laaketeollisuus.fi) and their network of 70 Finnish pharmaceutical companies as my case network. This network operates as an advocate for the Finnish pharmaceutical industry in issues relating to governmental pharmaceutical policy in Finland and the European Union. Lääketeollisuus ry fits well to the definition of a strategic business network that I presented in Chapter 2: it is characterized by intentionality and it has a formal focal organization (i.e. Lääketeollisuus ry), which coordinates the network. The network operates through operative committees, which are steered by the board of Lääketeollisuus ry. Both the operative committees and the board are chaired and administered by representatives from the member organizations.

Lääketeollisuus ry is a "coopetitive" network: it involves aspects of both cooperation and competition (Bengtsson and Kock 2000). The members co-operate in some issues (e.g. influencing governmental decision makers on pharmaceutical policy), but compete in other areas (e.g. drug discovery, manufacturing and/or distribution). Simultaneous co-operation and competition in the network is facilitated and governed by the focal organization, Lääketeollisuus ry, which operates as an intermediate actor between the network members, as suggested by Bengtsson and Kock (2000).

Halinen and Törnroos (2004) have identified four challenges in using case studies for studying business networks: (1) the problem of network boundaries; (2) the problem of complexity; (3) the problem of time; and (4) the problem of case comparisons. The fourth challenge, the problem of case comparisons, does not apply to this study, because this is a single case study. However, the three other problems will be addressed next in light of the case network.

The first challenge, the problem of network boundaries, relates to the difficulty of separating the content and context of a business network – where does the network end and where does its environment begin? In this study, it is relatively easy to define the outer limits of the case network: The network is a formal community or union of 70 pharmaceutical companies, controlled by a focal organization (i.e. Lääketeollisuus ry), which keeps and updates a list of the network members. However, it would be too complex and resource-consuming to collect data on all the 70 companies. Instead, I will follow Brito's (1999) approach, who suggests that the answer is to concentrate on an "issue-based net" within the larger industrial network, i.e. "a net of relationships amongst actors who are concerned with a particular issue through mutual or conflicting interests." I will follow this approach and focus on a group of 5-10 companies (= actors) and 2-3 key focus projects (= issues) that form an issue-based net within Lääketeollisuus ry. This subset of member companies and focus projects is a relevant and justifiable sample of the whole network, because it forms such a critical mass within the whole network that it has the ability and resources to mobilize all members of the whole network towards a desired collective action (Brito 1999).

The second challenge, the problem of complexity, refers to the complexness of networks in terms of, for instance, their structure, socio-political environment, and boundaries. Because of the complexness, it is not easy to describe a network with all its actors, resources and activities, and links between them. The key to mastering network complexity is to choose an appropriate theoretical perspective that helps the researcher to focus on one or a few aspects of the network at a time (Halinen and Törnroos 2004). In this study, I will try to deal with network complexity by adhering to my analytical framework (see Chapter 4.3), which defines the aspects of the network that I will analyze and describe.

The third challenge, the problem of time, comes from the realization that change is an issue that is built into the industrial network approach (Halinen and Törnroos 2004; Easton 1995). Therefore, even when change is not the focus of the study *per se*, it

has to be taken into account in the study of networks (Halinen and Törnroos 2004). In doing this, one has to decide how to incorporate the concepts of time and network change into research in terms of methodologies, frameworks, and theories. In this study, the collection of data will be done during a 12 month period (in autumn 2004 and in spring 2005). However, my focus is on a longer time period that covers the operation of the case network during the last 5-10 years, i.e. since the beginning of the focus projects. This helps me to appreciate the temporal dimension of the network. In practice, the 5-10 year time period will be covered by retrospective interviews and archival documents.

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