

Strategic networks initiated by public authorities

Work-in-progress

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Abstract

The objective of this paper is primarily to describe and analyse the structure of a strategic network and the influence support from public authorities had on the network. The opinion among researchers' concerning public involvement differs; some argue that it is mainly negative while others claim that public support can be significant for the networks. The case presented in this paper shows that the effect of involvement from public authorities was more positive than negative, and that it even may be crucial for establishing of strategic networks among small and medium-sized enterprises. The case also indicates that the question of whether the development is initiated internally or externally is secondary. The involvement among the participants in the strategic network appears to be more vital. Hence, the creation of business involvement is a significant factor for the success of a strategic network and the structure of the network seems to be an essential part of this.

Keywords: Strategic networks, structure, public authorities, business involvement

Introduction

The interest in the discussion about the involvement of public authorities in strategic networks and clusters among private companies in Sweden has increased during the last years. The large financial support these are given from the government, and also from the EU, is one reason. The opinion differs among researchers' concerning public involvement. Varamäki (2001) found for instance that collaborations initiated by public promoters and authorities have a much weaker foundation than those collaboration that were initiated by companies involved. Ager et al (2003) did also conclude that internal initiatives are preferable for developing collaborations. However, the same study found that horizontal collaborations are in need of external funding during the first phases, which could last for years. Moreover, "public sector resources may be vital" according to Lundequist and Power (2002, p 698).

There are two interesting elements in the discussion. First, the debate often treats collaborations as being a homogeneous phenomenon, but collaboration can be carried through in numerous ways with each way needing different kinds of organisations and support and lead to different outcomes. Strategic networks, clusters, business networks and so on do not have a common agenda. According to Varamäki and Vesalainen (2003) for instance, there are five different types of collaboration models for a group of small and medium-sized enterprises (SME), each with a different outcome. Increased strategic intensity in the collaboration is assumed to lead to a higher degree of formalisation. The models vary in intensity and tightness. Someone from outside, such as a customer, does not lead any of the five collaboration types, although the initiative to collaboration can be external. Some kind of "front figure" is otherwise very common in literature. Ager et al (2003) discuss "Project Managers", Jarillo (1988) refers to a "hub" and the customer is the driver according to Hines and Rich (1998).

The second issue is the definition or specification of "public involvement". Does it refer to all forms of public involvement? If so, most of the financial support given today would then be seen as negative for the outcome. This appears a bit strange considering the earlier mentioned observation by Ager et al (2003) about horizontal collaborations. Regional development is an important reason for public authorities' interest in financial support for collaborations of various kinds. The "cluster approach" has been a recurrent tool to support regions in Sweden during the last decade and still is. Nutek (Swedish National Board for Industrial and Technological Development) have had projects like "Träklusterprogrammet" (The Wood Cluster program) and now are running the current program "Regionalt klusterprogram" (Regional Cluster program). But financial aid has also been given as support to strategic networks. Nutek for instance started an experiment in 1995 with what they called "SME-consortiums and networks". A total of 122 networks/SME- consortiums were launched. The EU initiated the programs known as Objective 3 and Objective 4, the latter supported more than 1600 networks in the period 1996-2000.

The successful collaboration in the Italian manufacturing industry is often given as an example of collaboration initiated by companies involved. Lorenzen (1998) discusses furniture-manufacturing districts in northern Italy. The companies are highly specialised, strongly interrelated and many co-operative relationships exist. A product develops from raw material into a finished product through close collaboration between a number of companies. External support is minor or non-existing.

Ager et al (2003) divided the networks studied into three categories: regional strategic development networks, vertical business networks, and horizontal business networks. In the first category a majority are financially supported by national authorities such as ALMI Företagspartner AB¹, NUTEK, regional authorities such as the county administrative board or local authorities such as the municipally. The networks are often initiated and run by the supporting actor. Both the other categories on the other hand, only involve private companies. The networks are self-supporting, but might apply for external support for specific projects. The researchers found successful networks in all categories, but the majority was among the vertical business networks.

The latter categories have similarities with the networks discussed in Human and Provan (2000): broker-led multilateral networks. The "broker" is a separately created administrative entity. One of the two networks studied obtained small external grants for special projects, the remaining funding was provided through membership fees. The other network was founded thanks to large grants. The

¹ A company that stimulates growth and development for SME. The Swedish government owns the company.

organisation chose to have small membership fees and kept relying on grants. The first network was fairly successful whereas the second failed.

Furthermore the support and administration can be from a powerful lead firm (Lorenzoni & Ornati, 1988). The lead firm often dominates the network to some extent.

Companies also form collaborations within R&D with potential competitors or customers in the hope of reaping economies of scale and scope. Aldrich and Sasaki (1995) found that Japanese R&D consortia obtain most of their funding from the government and US consortia are mostly financed with member fees. The authors do not discuss whether or not one form is better than the other.

Thus, "external involvement" can differ in both "range and framing and external funding can lead to success. This indicates that the involvement of public authorities in networks can be positive. Furthermore, the examples even suggest that the key question as to the relative success of a network initiative does not depend on whether a development is internally or externally initiated.

The empirical basis for this paper is collaboration in the Swedish furniture manufacturing industry. This industry consists mostly of SME, the average company has 25 employees and more than two out of three workers are employed in companies with less than 200 employees (Nutek 1997:54). The same survey found that the dominating players on the furniture market are the furniture retailers. Much of the development is performed at the large retail chains (eg Ikea, Mio and Em), and some manufacturers are more like subcontractors than suppliers. The manufacturers lack marketing and product development since it is taken care of by the large retailers. Another finding was that the large retailers often oppose the manufacturers having their own brands. This leads to a lack of knowledge and competence among manufacturers in areas such as product development, design and marketing. The increased competitiveness from low cost countries is making this lack of competence more noticeable and the importance of changing the situation more urgent. The authors of the survey see collaboration as a fundamental issue for improving the situation for the manufacturers. The industry has since the survey was carried out been the target of a number of official projects, which aim to support collaboration.

Main purpose

This paper aims to illustrate the effect that involvement from public authorities can have on a strategic network, the issue will be discussed in this paper. Furthermore, the structure and organisation of a horizontal strategic network will be discussed. This paper is not an attempt to develop new theory, but rather to use case data to draw attention to interesting matters in the discussion and the complexity of the issues in focus.

Thus, the purpose of this paper is primarily to describe and analyse the structure of a strategic network and the influence support from public authorities had on the network.

Methodology

During this study I was able to interview the management of a supplier network, some of the involved companies and the common customer. This resulted in multifaceted analysis material.

The empirical data was mainly collected during 2004 through personal interviews with one or two representatives from five of the involved companies in the supplier network (out of approximately eleven that have been involved in the network at some period of time), the coordinator of the supplier network, and the two Project Managers that were involved. A representative of the common customer was also interviewed. Some of the documents from the active years have been used in the study as well.

According to Eisenhardt (1989), to use case studies makes the research process interactive. A case study means interaction between the different steps, from theory to case and back to theory again and so on (see also Yin, 2003). This is a natural way for me to work and the movements between the steps coloured the entire research process.

The paper is structured as follows. After the introduction and methodology the case is presented. This is followed by a literature discussion and analysis. Finally, a final discussion and conclusions are presented.

Trä 50² - a network in a network

In the late eighties, the local government of Älmhult promoted a network for the wood manufacturers in the district, known as "Sydpoolen". The idea was to assist companies within the wood industry. There are quite a few in that geographic area. A proposal for the network was presented to the Provincial Government and a group was allocated money and the authority to carry through a pilot study. The group assigned was "Utvecklingsfonden", today called ALMI Företagspartner AB, and the assignment began in 1988.

The person in charge of the study thought that Ikea, the largest employer in Älmhult, could become an important part of the network. The MD of Ikea Trading (ITAB) at the time, invited him for further discussions when he was introduced to the idea. It was made clear during the meeting that it was of interest for Ikea to see their suppliers in a network. Ikea saw the possibility of trying their ideas on a group of suppliers.

The men continued to develop the idea. The first task was to choose which companies to invite. The geographic area quickly extended beyond Älmhult, and the limit was set at approximately "a 2 hour drive", which is about 150-200 km. They agreed on a limit since they believed it is hard to collaborate over too large a distance. All Ikea's suppliers in the agreed district should be contacted.

It was a fairly easy task to sell the idea to the companies and this was done by visiting the companies and meeting each MD and/or owner. During the fall of 1988, the first two meetings with all the interested companies present took place. The idea was presented and discussed at the first meeting and at the second Sydpoolen was founded. 14 companies decided to join at that time, although the number more than doubled after some years. Sydpoolen included suppliers to Ikea as well as other wood manufacturers.

The idea was that Sydpoolen should be project-based, a method not everyone was familiar with. The first event in Sydpoolen was therefore a two-day seminar about the method. An important part of the seminar was the discussions concerning the participants' goals and priorities. They ended up voting on which area to start working with and the "winner", quality and to import ISO 9001, became the first project launched by Sydpoolen. The agreement was to work on that project for three years and see how it had developed. It was essential that the areas discussed were non-competitive, as the idea was to create win-win situations.

Sydpoolen was a non-profit association with marketing focus from the start, but the members soon decided to start a joint stock company owned by the association. The reason was to prevent one single owner from taking control. Until the mid '90s, the coordinator of Sydpoolen was the only employee, but then an administrator was employed. The coordinator kept an eye on the outside world to keep updated and to see if new influences could be turned into an activity or project for the companies. As stated earlier it was a project-oriented organisation that only worked with development projects. All training, courses and so forth were set within the framework of the projects. Each company paid an annual service fee to Sydpoolen AB. The first project concerned quality and ran from 1989 to 1992. The companies were divided into smaller groups and each group was given a Project Manager who helped. The project involved many departments from each company and according to the coordinator included the employees and not just the MDs. The project went well, the companies involved were very satisfied and Sydpoolen lived on. One of the activities of Sydpoolen eventually led to the founding of Trä 50.

Ikea convened their Swedish suppliers to a meeting in Helsingborg in the early nineties. The suppliers were told that if they did not improve, Ikea would stop having Swedish suppliers. It was primarily the price and too long delivery times that Ikea criticised, but it also complained about the calculating

² For a more complete description of the case see Andersson (2005)

models. Shortly after, the coordinator for Sydpoolen participated in a seminar about ABB's program to halve lead-times. He realised that this was of interest for Sydpoolen and was a way to solve the problems for the Ikea-suppliers in the group.

He initiated a small group to discuss the idea more thoroughly. The people participating were representatives of Wood Centre (Träcentrum) in Nässjö, Stora, Kinnarps, and ITAB. They discussed different ideas concerning the lead-time from order to end customer and how a project could be carried through. The group realised that the concept had become more and more specific to Ikea, thus the material that was presented in the autumn of 1992 was a project for the Ikea suppliers in Sydpoolen and was called Trä 50.

The aim of the project was to shorten the time from order to end customer from 35-37 days to 3-7 days, which obviously is much more than 50 per cent, but a major part concerned logistics within Ikea and was not the suppliers' responsibility. Ikea had until then put effort into the planning of distribution, but now logistics were becoming increasingly important.

All the Ikea suppliers in Sydpoolen were ready to join Trä 50, which became a network in the network. Some additional Ikea suppliers were also invited; finally, there were eight companies in Trä 50. The coordinator's idea was to include the most important Ikea suppliers in Sweden and he more or less succeeded. Trä 50 originally was the name of the lead-time project, but the group later made it the name of the network. More or less all the companies produced flat furniture³ and a majority of them produced almost exclusively for Ikea. Two of the companies have been owned by the same holding company as Ikea since 1991-1992. Ikea is a coveted customer because of the large quantities it requires. But Ikea's advantage put the suppliers in a weak position, the purchasers almost said "lower the prices" before they said "hello". With Trä 50 the suppliers saw a chance to improve their position.

The project received some financial support from public funds, but the participating companies themselves provided most of the funding.

The participants were competitors. Even if they differed in focus and did not compete about the same orders from Ikea, they were still more or less able to produce the same products. But they regarded each other as colleagues. The companies had more in common than Ikea. Most of the companies were family-owned and the number of employees was approximately between 70 and 200. Their focus was on production and thus for the majority marketing was not a prioritised area. All the MDs had a wish for continued expansion and improvement.

The group of eight members did not stay intact over the years, some left, others joined. The number of companies in Trä50 was never more than nine, but most of the time there were eight. When one left, another company was invited to join. The group had a really good time together and wanted to keep the pleasant atmosphere, thus both the company and the people representing it had fit in with the others.

In the lead-time project the companies, together with the Project Manager, worked out a plan to show what areas to improve and in which order. The result showed approximately 15 areas. All the companies were not interested in all the areas but everybody had their interest covered. Some examples of the areas are: purchasing, calculation, organisation development and packaging. The project was carried out over a three-years-period between 1992 and 1995.

The group met at seminars a few times a year, and in all they had 12-15 seminars in the project. Each company hosted at least one seminar, which lasted from morning until lunch the following day. Interesting guests were invite to speak or join the discussion. Attendance at the seminars was always high and there was seldom anyone missing. This was the trend in all Trä 50's activities. Neither before nor after, did the project leader meet a more dedicated, hard working and positive network. There was never a conflict despite the fact that the people involved were strong personalities, and never remarks such as "what is the meaning of this".

³ Flat furniture consists of products such as tables, doors for cupboards and so on, different kinds of furniture that have board as the basis.

In 1992, the year the project started, the companies' total turnover was approximately SEK 800 million and the total number of employees was about 830. In October 1995, at the end of the project, the turnover was SEK 1 200 million and they had 1 100 employees. However, the work at the companies did not terminate and the development and rationalisation process continued for many years.

The next project was initiated by one of the members and focused on business and marketing. According to the Project Manager (who was not the same person as in the lead-time project) the central goal was to increase the members' knowledge in the area of management called "strategy development". The project was divided into two areas; partnership with Ikea (project p) and to initiate exports to a common market (project e). The coordinator applied for financial support from public funds for each of the projects. This project also ran for three years.

The partnership discussions concerned more formal 18-36 month agreements. ITAB had high demands on the companies that would become its partners and did not choose to sign agreements with all the companies involved in Trä 50. The most important thing, according to the Project Manager, was to have a continuous discussion with Ikea. The South European suppliers were gaining ground and so were the factories in Eastern Europe, which made it important for the companies involved in Trä 50 to make themselves visible at Ikea.

In project e, it was essential that the market was neutral in the sense that none of the companies had customers there already. Finally, Japan was chosen since a company similar to Ikea was on the rise there. When the business in Japan was almost settled, the project experienced two major setbacks. In other words, the plan to establish failed. One reason, according to one MD, was that the companies were not ready for marketing collaboration. The network was not adapted to that. But the companies learned a great deal about marketing during seminars and negotiations, and they greatly appreciated this.

These two projects had a less concrete outcome than the lead-time project, according to the Project Manager. These projects were more about relationships and increased knowledge and awareness, which are hard to measure. The companies' production volumes continued to increase during the project period, but mostly due to the fact that Ikea expanded quite extensively.

Bonus agreements in purchasing, study tours abroad, experience exchange meetings and study visits at each other's companies were some of the other activities in Trä 50.

Ikea was not a member of Trä 50, but the company was involved in the founding of Trä 50 and different representatives from Ikea were often invited to seminars and discussions. For example the MD at Ikea at the time, Anders Moberg, attended seminars. ITAB and Ikea of Sweden were otherwise the principal contacts for Trä 50. The attitude to Trä 50 was mainly positive although some people were more reserved. The Ikea's suppliers are welcome to collaborate but Ikea would not consider giving financial support to collaborations or initiate them.

All the people involved in this study refer to Trä 50 as a successful collaboration. Their (the representatives from the companies) expectations when joining Trä 50 differed to some extent, but in spite of that, the result was the same. Personal growth, new contacts, and development that led to increased possibilities are some of the achievements they mention. The coordinator and the two Project Managers also describe Trä 50 as successful. They refer to reached goals, increased turnovers, an atmosphere of trust, and increased knowledge.

"None of the projects failed, some of them did not reach the aims to 100 per cent, but none of them was terminated prematurely. We kept pushing the survival time for the companies some years forward and that is what it was all about." (The coordinator of Trä 50)

When it comes to group activities there has not been much action in Trä 50 since 2000-2001. According to the coordinator, the reasons are many, but one important factor is the negative trend in the industry at that time. The managers only had time for their own companies and after that new projects have not been started.

Analysis and discussion

A number of issues from the case could form the bases for interesting discussions. This paper focuses on the structure of the network, or networks, and the impact the involvement of public authorities' had on the networks. The issues are to some extent linked and will be discussed simultaneously.

In many ways Trä 50 was a successful collaboration between competitors. Despite the competition, they managed to create a successful collaboration, with an open and trusting atmosphere and without disagreements. They regarded each other as colleagues and saw the advantages of having similar production instead of the problems that this could bring.

The local authorities involvement in "Sydpoolen" is unquestionable. The initiative was completely an official decision from the local government. The industry, which was to be the one of interest, was decided, wood manufactures in the municipality of Älmhult, and a coordinator was hired. These predetermined variables influenced the process to some extent.

Each company was contacted and invited to join. Therefore, the collaboration form of Sydpoolen is comparable to Jarillo's (1988) strategic networks. "Strategic" refers to a network in which the companies make a strategic choice to work actively to get benefits for the company, a long-term arrangement. Furthermore, Jarillo calls the firm that initiates the strategic network a "hub firm", and the hub firm also leads the strategic network. The hub firm can lower its costs by farming out activities that others can carry out more efficiently. But the hub does not have to be a company, it can be a person or a group of people and the tasks can vary (Roxenhall, 1999). The coordinator in Sydpoolen, and later also for Trä 50, was this hub. He had a prominent role with tasks such as visiting possible members, inviting people to meetings, coordinating different activities, and arranging study trips. Moreover, he founded Sydpoolen and initiated Trä 50.

The reasons why companies collaborate will influence the activities in the network and probably also its organisation. If the reason for instance is exports, a joint sales office may be started. The main reason SME choose to collaboration in networks seems to be lack of resources (eg Nilsson and Nilsson, 1992; Lorenzen, 1998). Nilsson and Nilsson (1992) investigated strategic networks and found that "The idea to collaborate commonly springs out of two different situations, it is either from a voluntary situation or a crisis. The first is a possibility, the latter a threat"(p 10). The companies can experience a lack of marketing knowledge, facilities, training etc and collaboration can be the way to survive. The promoters determined the basic structure of both Sydpoolen and Trä 50, and the reasons why these companies were asked to join. However, the motive to start Trä 50 was the "threat" from Ikea, a crisis like the one Nilsson and Nilsson (1992) mentioned. But the reason why the companies accepted the invitation to join the networks became the basis of the activities. The members discussed and decided which areas to work with and so on. Hence the final structure was the result of preliminary work, threat and the wishes of the companies.

The direct influence from the local authorities gradually decreased as the work with Sydpoolen began. The industry's chance to influence the network increased instead. The coordinator's initiative to meet with Ikea can be seen as obvious considering Ikea's important role in the municipality of Älmhult. Involvement of both public authorities and industry is considered essential in regional development (eg Christensen & Kempinsky, 2004) and to involve Ikea can be seen from that perspective.

By showing their interest for the idea, Ikea, or more specifically ITAB, became a part of the selection process. In the end, every wood manufacturer in the region that was interested in joining Sydpoolen was welcome, but the geographical area had been increased to include additional suppliers to Ikea. The Ikea's interest in improvement among their suppliers became very clear at the meeting it held in the early nineties and as did the fact that the company does not priorities staying in Sweden or in certain regions. It might be assumed that this kind of threat is not uncommon, powerful multinational companies can put pressure on their suppliers, regions, and even countries in order to succeed. The threat might have been rather empty and only meant as a "wake up call", but it still gives an interesting perspective on the case.

These facts mean that the initiative to involve Ikea in the founding of Sydpoolen is not as obvious as it first seemed. Ikea did not get involved in order to develop the region; the company does not need to have the suppliers “next door” to the main office. Ikea might have seen the chance to get their suppliers to develop which would be positive for themselves too. In other words, it could be argued that public funding was about to sponsor some of Ikea’s development since public funding financed Sydpoolen at the start.

But the issue is not black or white. Ikea’s involvement in Sydpoolen appears to have been nonexistent after the network’s initial meeting. It was not until the formation of Trä 50 that Ikea really got involved again. Then ITAB, which was also owned by the same holding company as two of the members of Trä 50, participated in forming the structure of the first project. Last but not least, all the members of Trä 50 were large suppliers to Ikea. However the initiative came from the hub, employed by Sydpoolen, and not from the local authorities. The hub worked close to the companies and it was their needs and possibilities that were central. The suppliers saw Trä 50 as a possibility to make them stronger in negotiations with ITAB. Thus, Trä 50 was not working to benefit Ikea, but for suppliers. The involvement of the participating companies in forming the projects in Trä 50 was essential.

Furthermore, each project in Trä 50 was financed separately from different funds and not only by the region or municipally. Moreover, the companies financed most expenses themselves.

The structure of Trä 50 differs to some extent from Sydpoolen. It can be compared to the “supplier organisations” or “supplier associations” that are discussed in Hines et al (2000) and Hines and Rich (1998). They refer to supplier association as a group of a company’s most important suppliers. The purchasing company initiates the supplier associations with the aim of facilitating the transfer of explicit and tacit knowledge with and among the suppliers. In a supplier association, according to Hines et al (2000), the customer’s influence is high. The work in the supplier association gives the customer competitive advantages, but the customer has also become more dependent on the suppliers. Thus collaborating suppliers can increase their influence on the customer.

Even if the customer, Ikea, was part of the “founding team” of Sydpoolen and Trä 50, Trä 50 is not really a supplier association as defined by Hines and Rich (1998). Ikea, for instance, was not the leader of Trä 50. The structure of Trä50 is illustrated in Figure 4.1. The similarities to Hines and Rich (1998) are that it is suppliers that collaborate and actual business is kept outside the network, ie the customer is still negotiating contracts with each individual supplier. One difference is that Hines and Rich (1998) never illustrate the supplier association as a separate entity. The second difference is that the suppliers and not the customer drive Trä50.

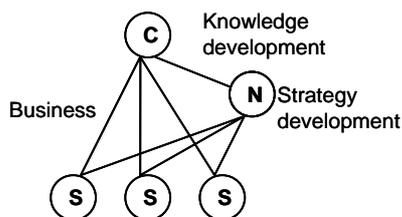


Figure Error. Nel documento non esiste testo dello stile specificato..1: **A supplier network (N), Trä50, and the links with the Suppliers (S) and the Customer (C) and the issues that defines some of the relations.**

‘In contrast to Hines and Rich (1998), the collaborations described by Varamäki and Vesalainen (2003) do not give a single firm a leadership role. Instead, the companies are on an equal level. Both their description of what they call “the development circle” and “the loose co-operative circle” fit the description of Trä 50. Knowledge exchange was an important part of Trä 50. The Project Managers were resources that the companies shared and used to develop their own firms. A joint firm was not started, they did not have any kind of joint business in the group. The bonus agreements that were signed with some suppliers can also be regarded as a shared resource. The number of members in Trä 50 matches the recommendations for “the loose co-operative circle”. Thus, Trä 50 is a “loose co-operative circle” that at the same time has all the activities that characterise a “development circle”. Trä 50 also exhibits the mutual trust and the commitment to the collaboration that is of high importance in a “development circle”.

During the projects, in especially Trä 50, the role of the hub could be considered to be divided between the coordinator and the Project Manager. The coordinator kept the group going, and glued it together while the Project Manager designed the project and the goals with the companies and helped the companies to reach them. They ran the network as a team⁴ and helped Trä 50 achieve its the goals.

The participating companies in Trä 50 were dedicated and worked hard to get results. They suggested activities and were part of everything that went on in the network. Each chose which areas to improve in the lead-time project for instance no one had to work on, what was in their view, less prioritised issues.

To sum up, Trä 50, just like some of the examples of networks in chapter one, shows that also networks with support from public authorities can be successful. However, the Trä 50 case also supports the idea that the key question is not whether a development is internally or externally initiated. Instead, the relative success of a network seems to depend on other variables; one recurrent variable is business involvement.

Sahlin-Andersson (1996) argues that running a project is all about creating involvement among the parties concerned, and in Trä 50 the participants' high degree of involvement was remarkable.

The coordinator and the Project Managers were all impressed by the high attendance at meetings, how hard the members worked and the enthusiasm that they showed. There was never a conflict or negative attitude when work had to be done. The companies' representatives comment on how much fun they had together. This friendship built up a trustful and open atmosphere. Thus the involvement motivated the members to work hard to reach the goals of the projects.

Sahlin-Andersson (1996) presents some significant tools for creating involvement. One of these is to refer to successful examples. A majority of the members in Trä 50 had been a part of the first project in Sydpoolen, which had worked out well and was the source of inspiration for new projects. The successful project could also be used as reference when new members were contacted, or when it was necessary to apply for financial support. The project structure had been tried out and had worked well and so the parties involved were comfortable to use it again.

Organisation is another tool discussed by Sahlin-Andersson (1996), the importance of involvement. The participants should not only carry out direction, but also be a part of the whole process. The members of Trä 50 decided the structure of the process, the areas to work with and the specific goals together with the Project Managers. Each company worked with the area it wanted to and was not bound to spend time on less prioritised areas. The participants hosted meetings, proposed new project ideas and so on.

Action is more important than taking decisions according to Sahlin-Andersson (1996). By having seminars a few times a year the work progress had to be accounted for a number of times each year. Thus each company had to perform between the meetings to reach the stipulated goals and not lag behind. This ensured continued action and results could be seen early in the process. The network also had activities other than the two larger projects. Bonus agreements and study tours for instance kept the members busy.

Beside the tools mentioned by Sahlin-Andersson (1996), the case in this paper indicates that there are additional at some additional factors concerning creation of business involvement.

The common customer, Ikea, was the glue keeping the participating companies together in the beginning. The threat given by the customer encouraged the suppliers to disregard the competition from other companies in Trä 50 and to focus on collaboration and development instead. The threat constituted a significant reason for the high degree of business involvement in Trä 50. The companies saw the possibility to improve and did not want to neglect that chance.

⁴ The Project Managers were not involved at the same time. The "team" refers to the coordinator and one Project Manager at a time.

Finally, the coordinator's hard work in creating a structure and a principal direction for Trä 50 that would suit the concerned companies provided good groundwork for appropriate development models. The models were comprehensible, practicable and appealed the companies. The organisation, work progress, and the themes of the projects all contributed to create an environment that encouraged the participating companies to get involved.

Final discussion and conclusions

It has been shown that a number of parties influenced Sydpoolen and Trä 50. What roles did these parties have?

The question has no simple answer as illustrated in the analysis. The authorities' influence in the founding of Sydpoolen was large, but was non-existing at all in the founding of Trä 50. The coordinator was an employee at Sydpoolen AB when Trä 50 was launched, and not a resource provided from ALMI as before. Financial support came mostly from official funds but was applied for after the projects were defined and thus this influence was minor.

Ikea had influence especially on Trä 50 in different ways. The position of Ikea was a basic reason as to why Trä 50 was founded; there are two arguments for this. The term "threat" has already been discussed. This term both reflects the power position Ikea had in the buyer-seller relations, and also the actual "threat" Ikea made to the suppliers now and then to make them lower their prices. It made the suppliers realise that they needed to collaborate. Furthermore, Ikea was the issue that brought the suppliers together. The threat was not only the reason for these companies to collaborate but was also the glue that kept them together in the beginning. But Ikea was also a part of the discussions that preceded the founding of both Sydpoolen and Trä 50.

Two "Ikea-owned" companies were in the network from the start and these companies had probably the latest information concerning what was going on at Ikea and might have known what areas Ikea were concentrating on. This was likely to be helpful information for Trä 50. The influence Ikea had on Trä 50 caused by having the same owner as two members is difficult to evaluate. It could be said that Ikea's view of how to run production was transferred to the other participants by showing them the Ikea-owned factories. How much these companies were representing Ikea thoughts at the time of Trä 50 is open to question though, since Ikea had just bought the companies.

Ikea's influence can also be noticed in the business project. The background, the reasons as to why the project was initiated from the beginning was because the suppliers in Trä 50 had too few customers; many of them had only Ikea, which made them vulnerable. Hence, the dominating position Ikea had was the reason the project was started at all.

However, there are not enough arguments to back up the claim that public funds were used to support Ikea. The company benefited from the activities, especially those of Trä 50 since the company's suppliers developed. But the development at the single furniture manufacturer was more important and the jobs that were saved there by keeping it in business. It is hard to support a manufacturer without also benefiting a third party. Ikea did not only benefit thanks to Trä 50, but also had to face a stronger and more skilled counterpart in negotiations.

Thus, Trä 50 was initiated in line with the ideas of the local authorities, but without them being directly involved. The business industry had more influence, especially Ikea and the improvements the suppliers in Trä 50 made, for instance during the lead-time project, benefited Ikea. However, the interests and development of the participating companies was without doubt the focus of Trä 50.

The conclusion is that the involvement from different external parties had a more positive than negative effect in this case. The mix secured the importance of Trä 50 and the activities they had for the market and the region. The interest from the large customer ensured the suppliers that they were doing something important and made them work hard to reach the goals. Local authorities were the promoters of Sydpoolen but after the initiation of the network had only a background role. The founding of neither Sydpoolen nor Trä 50, was "bottom-up", but this did not weaken the base (cf Varamäki, 2001). The participating companies build up a good atmosphere, which became the basis of the networks. In the case of Trä 50, the enthusiasm and commitment from the companies was more

significant for its success than the contribution from public promoters. The trusting and friendly atmosphere they created made them work hard to reach their goals.

Hence, the business involvement that was created in Trä 50 was a key factor for the success of the network. A number of factors contributed to the creation of this business involvement in Trä 50. The perceived threat from the common customer Ikea, previous successful collaborations among the members, a promoter that found appropriate developing models, a structure that encouraged involvement from the participants and made them an essential part of the discussions and decisions, and a project process that had a number of accounting dates, which encouraged work to progress. As long as the members were active, so was Trä 50.

Thus, it appears that the question whether the development is internally or externally initiated is of secondary importance. But the fact is that Sydpoolen and Trä 50 would not have existed without help from the promoters. Ikea supported the idea and participated in the founding of both Sydpoolen and Trä 50, but by itself would never have initiated a supplier network. The participating companies saw each other as competitors and had not thought of collaboration. Without the initiative from the regional officials these companies would not have been in this kind of network. Hence, involvement of public forces does not have to be negative, but can on the contrary, be crucial (cf Lundequist & Power, 2002). Public backing can even be pivotal in creating dynamic development in small firms. However, total external management of the network does not leave much room for the participating companies, thus the involvement cannot continue to be strong.

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