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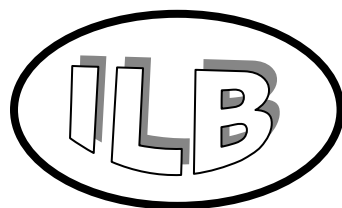
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Strategic Management of Food Networks: Towards Understanding of Network Goals

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Abstract

Current interorganizational literature almost exclusively analyzes the network effects on single firms participating in networks. This study expands this view theoretically by focusing on food supply chain networks. Specifically, we argue that both, network-level and firm-level goals have to be achieved to structure long-term and successful network relationships. By implementing simultaneously partnering and supply chain management strategies, the network's management will ensure goal consensus among the network actors and goal compatibility between the network levels. Thereby, preconditions for the achievement of network-level and firm-level goals will be installed.

Keywords: *Network goals; network levels; goal consensus; goal compatibility; focal company.*

1. Introduction

For several decades the need for a rapid response to end-consumer demands has been recognized by the agri-food business. One of the most evident consequences of this recognition is a shift from competition between individual organizations towards competition between supply chain organizations (Van der Vorst et al., 1998). As a result, today many food products are produced in vertically cooperating organizations or networks. The rationale for networks implies that exchange relationships are connected (Anderson et al., 1994) in the sense that exchange in one relationship is contingent on or has consequences for exchange in the other relationship (Yamagishi et al., 1988). In the agri-food business this is particularly important because of the development, signaling and monitoring of quality aspects (Ménard and Valceschini, 2005). The predominant focus in much of the existing research has been on individual or dyadic relationships between organizations, such as those between a manufacturer and a retailer. However, to fully understand interfirm relationships greater attention must be directed to the larger network. For example, the industrial networks perspective, as presented by the Industrial Marketing and Purchasing Group (e.g. Hakanson and Snehota, 1995; Wilkinson, 2001), posits that the implicit assumption of *ceteris paribus* which underlies much of the extant dyadic research, is an unrealistic one. In line with transaction cost analysis (Williamson, 1991) and the extant network perspectives (e.g. Hakanson and Snehota, 1995), we posit that to meet supply chain network objectives depends on how connected relationships are organized. Supply chain networks embody collaboration of more than two firms (Omta et al., 2001), their members maintain highly intensive and recurrent interactions. Moreover, we posit that those supply networks are guided by a focal actor as those networks that are not guided are unable to meet the demanding challenges of today's markets (Lorenzoni and Baden-Fuller, 1995). The focal actor generally stands for the organization that is recognized by customers as responsible for the specific pro-

duct (Hanf and Köhl, 2005). Various authors (e.g., Swinnen, 2006; Reardon et al., 2007) emphasize that today the role of focal companies is played by retailers in the food supply chains. As supposed, food retailers possess enough power to realize their business concepts and, therefore, they are capable of convincing their suppliers to engage into long-term exchange relationships. However, several studies show that suppliers often require retailers to make significant idiosyncratic investments to enhance the suppliers' presence in the end market (Jap and Ganesan, 2000; Medcof, 2001). Therefore, to maintain a long-term functioning of its network, the focal actor is supposed to set the network strategy and to implement it (Jarillo, 1988; Lorenzoni and Baden-Fuller, 1995). More specifically, the managerial task of the focal company is to deal with problems of two domains – establishing good working relationships (cooperation) and establishing effective and efficient delivery processes (coordination) (Gulati et al., 2005). While problems of cooperation arise from conflicts of interests, problems of coordination originate from unawareness of existing interdependencies or lack of knowledge. However, both are intertwined (Ariño, 2003).

One of the main issues in developing successful cooperation is alignment of interests and the setting of initial conditions (Jap and Anderson, 2007). Whereas the establishment of clear goals is recognized as a prerequisite of an organization's strategic success (Simon, 1964; Porter, 1980), problems of both cooperation and coordination are considered as a consequence of distinctive goals that are established at the firm, dyadic and network levels (Duysters et al., 2004). However, we contend, that the importance of the latter is still undisclosed after having reviewed approximately 300 articles on network, supply chain and interorganizational performance in 17 international peer-reviewed management and agribusiness journals. Two of the major findings of that review were that a) in spite of declaring the analysis of network performance (e.g. the level of the achievement of network goals), almost all studies analyze how goals of single firms are achieved in the network, and b) although the scope is regarded as network goals they are analyzed in terms of the single firm participating in the network. As such, we conclude that supply chain network goals and supply chain network effectiveness/performance are still poorly conceptualized constructs. In addition, with respect to the numerous collaborative failures, the understanding of network goals is unlikely to be achieved in managerial practice either.

The aim of this paper is to provide a theoretical elaboration on the relationship between a focal firm's supply chain network management and supply chain network goals. First, we will elaborate on supply chain network goals. Specifically, we will discuss the concept of supply chain network goals as a prologue of collective strategies developed by a focal firm and the importance of goals to explicate the supply chain network's effectiveness. Second, we will elaborate on how a focal firm can pursue successful supply chain network management. Specifically, we will discuss what creates and guides a successful supply chain network. Finally, we come up with conclusions.

2. Supply chain network goals

2.1 Network goals as a starting point of collective strategies

A major challenge the focal company faces in a supply chain network is to structure the exchange relationships such that its suppliers and customers remain in the relationships and act in the best interests of all the parties (Jap and Ganesan, 2000). Consequently, from the focal company's perspective, it is necessary to develop a strategic approach which accounts for objectives of all the chain actors and is agreed upon by them. In the interorganizational literature, such an approach is defined as a collective strategy (Bresser and Harl, 1986).

Starting from the work by Astley and Fombrun (1983), a number of studies (e.g. Bresser and Harl, 1986; Sjurts, 2000) have addressed collective strategies as the type of strategies that is

implemented by collaborating organizations. Because collaboration *per se* means common work of numerous actors to achieve common goals (Chen et al., 1998) collective strategies can be subsumed as those aiming to create a framework of activities to achieve common goals. Consequently, by initiating adoption of the collective strategy, the focal actor goes beyond just addressing its own goals; it also proposes the ways to achieve network goals. In this context, several authors (e.g., Duysters et al., 2004; Contractor et al., 2006) argue that the network's management should specifically involve mechanisms to maintain exchange relationships and achieve goals set at least at two levels, i.e., the network and firm levels.

However, in our view, the goals at which collective strategies aim remain underconceptualized with respect to differentiation between network levels. In particular, researchers and practitioners fail to acknowledge the importance of the whole network's objectives, although literature emphasizes co-existence of individual and common goals in an interorganizational relationship (e.g., Van de Ven, 1976; Wathne and Heide, 2004; Winkler, 2006). Instead, the scientific and practical interests rest on the effects of networks on the single firms and their dyads. In their extensive review on "whole networks", Provan et al. (2007) have found only 26 studies (of approximately 50,000 in total) dealing with issues at the network level of analysis. They have concluded that,

Researchers often talk of a network of relationships, but it is not the network itself that is being studied, thus ignoring the basic network theoretical insight that actors and actor-to-actor relationships are likely to be influenced by the overall set of relationships (p. 483).

Similarly, in a narrower interorganizational context of supply chain performance (i.e., the degree of the achievement of a supply chain's goals), most analyses concentrate on the single firm's performance in a supply chain. Having reviewed the literature on supply chain performance, Shepherd and Günter (2006) suggested that,

Researchers should consider developing measures of supply chain relationships and the supply chain as a whole, rather than measures of intra-organizational performance (p. 253).

In our view, this statement does not require additional justification for business practitioners because having understood how the whole network performs, one will be able to explicate at least some patterns of the firm's performance (Baum et al., 2000; Dyer and Nobeoka, 2000; Ellram et al., 2002; Sanders, 2005). The network's goals, thus, include the network-level and firm-level goals (Sydow and Windeler, 1998). The focal firm, as a strategy-setting element of the supply chain network, has to take particular interest in the achievement of both.

In this context, we understand the network-level goals as the predefined set of outcomes which can be achieved only if all the network actors work together to achieve them. Such goals can be regarded as common to or shared by all the network members, and their achievement is the essence of collaboration (Huxham and Vangen, 2005). Provan and Kenis (2008) provide examples of network-level goals in the public sector, e.g., strengthened community capacity to solve public problems; regional economic development; responsiveness to natural or made-made disasters, etc. In food supply chain networks, the achievement of total chain quality can be considered as an example of the network-level goal because it addresses increasing consumers' demands and minimizes the risk of food scandals. Providing solutions for such complex issues requires multilateral coordination and more than just achieving the goals of individual organizations (O'Toole, 1997).

However, the commonness of goals in a supply chain network largely depends on the efforts by the focal firm. The focal actor deliberately engineers the supply chain network and is, therefore, responsible for implementation of collective strategies as well as for setting network-level goals (Schermerhorn, 1975; Lorenzoni and Baden-Fuller, 1995). The other network actors, i.e., independent and self-oriented firms, have rather an "in or out" option. Yet, losing a particular network actor (being already "in") can induce substantial losses (Jap and Ganesan, 2000). In this

context, unclear definition of common goals or lack of agreement upon them are the main reasons why 50 per cent of all interorganizational projects fail (Brinkhoff and Thonemann, 2007). Therefore, the focal firm has to ensure that all the members pursue network-level goals (Kochan et al., 1976; Doz et al., 2000).

Obviously, each firm enters a supply chain network with its own reasons to cooperate. Nevertheless, single firms have to take into account that the network has its own rules (including goals) which should be followed (Dyer and Nobeoka, 2000). Furthermore, since the supply chain network is deliberately organized by the focal company that makes decisions about the network-level goals (Lorenzoni and Lipparini, 1999), this is especially in the interest and within the grasp of the focal company that the other network actors agree upon the network-level goals.

Although joint action does not automatically imply the need for common goals, cooperation with common goals creates long-term collaborative advantages and is even necessary (Pitsis et al., 2004). By reaching an agreement among the network members on such goals as total chain quality, the focal company creates initial conditions for collaboration and stabilizes the network relationships because goal commonness also serves as an integrating mechanism (Winkler, 2006). To the extent that the parties' goals become aligned *ex ante*, the likelihood of subsequent motivation-related problems is greatly reduced (Wathne and Heide, 2004: 75). However, collaborative advantages are often future-oriented and more uncertain than individual goals; therefore, the network faces the risk of interfirm rivalry (Park and Ungson, 2001). In order to reduce it and facilitate the achievement of the supply chain network's goals, the issue of goal commonness has to be explicitly addressed by the focal company.

Accordingly, to measure the supply chain network's effectiveness, one should employ measures indicating the extent to which such common goals are achieved. For example, performance of just-in-time (JIT) system introduced by a retailer can not be analyzed only by benefits to this retailer. Reduction of inventory in terms of JIT requires that a retailer's suppliers substantially improve their quality and that there is a low level of holdups at each upstream stage of a supply chain (Davy et al., 1992).

Despite the importance of network-level goals, the sole focus on such interorganizational objectives does not encompass measures of the network's effectiveness entirely. One has to consider also firm-level goals since each actor enters the network with its own objectives. An endeavor to achieve them can influence the attainment of network-level goals (Wathne and Heide, 2004; Winkler, 2006). Furthermore, non-achievement of goals of the particular members can lead to the network's collapse if these members cannot be equally substituted (e.g., Park and Ungson, 1997; Park and Ungson, 2001). Therefore, analyses of supply chain networks have to consider not only the network level but also the firm level. Firm-level goals might include, for example, access to resources or markets, increased sales, risk reduction, etc. (Table 1).

Table 1. Examples of the supply chain network's goals

Network goals	
<i>Firm-level goals</i>	<i>Network-level goals</i>
Access to input and sales markets; reduction of environmental uncertainty; access to knowledge, etc.	Improved customer responsiveness; chain quality; end consumer satisfaction, etc.

For a network to perform effectively, it is of particular importance that the goals set at the different levels are achieved to a satisfactory extent. Additionally, the network's management, i.e., the focal company, has to take into account that specific interrelationships between goals of the different levels can either favor or constrain the supply chain network effectiveness.

2.2 Interrelationships between goals of the different levels

Interorganizational goals were paid relatively much attention in early organizational and marketing literature (e.g., Kochan et al., 1976; Van de Ven, 1976; Frazier, 1983). Starting from the end of 1980's, the number of publications explicitly devoted to this issue has declined. However, the premise of interorganizational goals has been recently addressed again indicating the reviving importance of the topic (Huxham and Vangen, 2005; Winkler, 2006; Provan and Kenis, 2008). Our interest in this context is in a) conjecturing of potential interrelationships between goals set at the different levels of a supply chain network and b) in viewing from a static perspective the potential consequences of these interrelationships for the network's management. Drawing upon the notion of goal compatibility (e.g., Etgar, 1979; Brown and Day, 1981), we suggest that due to the potential "firm level – network level" interrelationships, goals in supply chain networks can be generally grouped into two categories: compatible, and conflicting goals (Table 2).

Compatible goals are the goals of the different network levels that can nurture the achievement of each other. In other words, without having compatible goals at the firm level, the achievement of network-level goals is most probably impossible. For instance, at the network level, the goal set by the focal company is to achieve a certain level of chain quality based on introduction of tracking and tracing system. One of the complementary goals in this case would be an endeavor of an individual network actor to gain necessary knowledge from a supply chain network about requirements of a corresponding certification scheme. If network actors lack such knowledge, then the achievement of chain quality is problematic. Furthermore, compatible goals exist due to a high level of agreement on the nature of tasks completed by individual actors and also appropriate approaches to these tasks (Frazier, 1983). Because each member of a network specializes in performing of particular functions, such an agreement indicates the members' awareness and readiness to contribute to the achievement of network-level goals.

Table 2. Interrelationships between firm-level and network-level goals

Goal interrelationship	Preconditions	Outcomes
<i>Compatible</i>	High level of ideological agreement on the nature of tasks and the appropriate approaches to these tasks (Frazier, 1983) Insensitivity of the organizational domain issue (Schermerhorn, 1975); domain similarity (Doz et al., 2000) Similarity of cultural values (Park and Ungson, 2001)	Reduction of misunderstanding between the actors; improvement of transactional efficiency (Park and Ungson, 2001)
<i>Conflicting</i>	Structural differentiation (Kochan et al., 1976) Differences in policies and procedures used to achieve individual members' goals and common goals (Brown and Day, 1981; Frazier and Summers, 1984); distinctive interests with regard to actions to be undertaken (Frazier, 1983) Each party has its own business philosophy and interests (Eliashberg and Michie, 1984)	Manifest conflict (Brown and Day, 1981) Relationship break off (Kumar and van Dissel, 1996) Poor communication and mutual distrust (Park and Ungson, 2001); communication difficulties (Leonidou et al., 2008) Negative effect on network satisfaction and network continuity (Bradford et al., 2004)

Conflicting goals are the goals of the different network levels that can hinder the achievement of each other. Very often, conflicts among actors arise not because of goal incompatibility itself but because of disagreement on how to achieve goals (e.g., Brown and Day, 1981). Thus, due to different characteristics, tasks, responsibilities, and reward expectations, goals of individual actors can conflict with network-level goals (Kochan et al., 1976; Huxham and Vangen, 2005). Conflicting goals can become apparent, for example, due to actors' distinctive views on transaction specific investments needed to install electronic data interchange (Jap and Ganesan, 2000). Coping with such goals requires additional efforts by the network's management. Eliashberg and Michie (1984) report that managers devote more than 20 % of their time to interorganizational conflict management. This is not surprising because compliance of individual exchange partners with the network is crucial for the achievement of network goals and, therefore, for network functioning (Doz et al., 2000).

Overall, the above discussion proposes that the supply chain network's effectiveness depends to a certain degree on the ability of its management to facilitate and maintain the goals' commonness and moderate interrelationships between goals of the different levels. In other words, it is necessary to attain goal compatibility between the network and firm levels. Incompatibility of goals causes constraints for the network's harmonious work and becomes apparent in conflicts between the network actors and the focal company which sets network-level goals. Generally, goal incompatibility is the result of differentiation among the networks actors. Therefore, the supply chain network management has to ensure an acceptable level of integration of the network actors.

3. Supply chain network management

Integration of the exchange partners requires that the supply chain network's management properly deals with the problems of two domains – cooperation and coordination (Gulati et al., 2005; Hanf and Dautzenberg, 2006; Xu and Beamon, 2006; Payan, 2007). Because problems of cooperation arise due to the conflicts of interests, the cooperation task is to align the interests of the participating actors or, in other words, motivate them to work together (Gulati et al., 2005). The accomplishment of this task is typically addressed by implementation of the partnering strategies that aim to design the relationships within the supply chain (Mentzer et al., 2000). More specifically, partnering strategies involve the use of formal and informal mechanisms of cooperation. Formal mechanisms include contracting, common ownership of assets, monitoring, sanctions, rewards and the prospect of future interactions (Williamson, 1985; Gulati et al., 2005). Identification and embeddedness serve as informal mechanisms (Granovetter, 1985; Kogut and Zander, 1996; Gulati and Sytch, 2007).

In turn, the problems of coordination appear as a consequence of uncertainty about the actions of interdependent actors. Therefore, coordination is related to joint actions and can be generally referred to as the alignment of actions (Gulati et al., 2005; Payan, 2007). The fulfillment of this task consists in gaining or transferring knowledge about the behavior of interdependent actors and the character of existing interdependences. The alignment of actions in supply chain networks is addressed by implementation of the supply chain management strategies (Simatupang et al., 2002). Generally, supply chain management strategies should involve the mechanisms named in the coordination literature. Formal coordination mechanisms include programming, hierarchy and feedback (Thompson, 1967) whereas informal mechanisms incorporate shared experience, leadership, culture, norms and values (Kogut and Zander, 1996).

The focal company has to develop the partnering and supply chain management strategies as components of the overall collective strategy (Hanf and Dautzenberg, 2006). Furthermore, these strategies have to be implemented simultaneously because coordination problems may persist even if cooperation problems are solved and vice versa (Gulati et al., 2005). By implementing partnering and supply chain management strategies separately, the focal company faces the risk of passing over the situations in which the perception of goal incompatibility by network actors can reside. This can subsequently lead to a lack of consensus on network-level goals among actors. Thus, while a number of authors suggest that goal consensus arises from domain similarity (e.g., van de Ven, 1976, Doz et al., 2000), partnering and supply chain management strategies also play an important role in maintaining agreement on network-level goals. Especially, such informal mechanisms as identification, embeddedness, shared experience, norms and values enable actors to agree on goals (Wathne and Heide, 2004; Gulati et al., 2005). Besides, the focal company should pay attention to sharing appropriate information about network-level goals. Otherwise, for the other network actors, these goals will remain the firm-level goals of the focal company (Gagalyuk and Hanf, 2008). Additionally, communication is the way the other network actors participate in the decision making process (Mohr and Nevin, 1990). Appropriate communication, thus, creates preconditions for actors to consent on goals as it helps clarify the extent the network-level goals are compatible with the firm-level ones.

Therefore, consensus on network-level goals depends on firms' perceptions of their compatibility with firms' own goals (Doz, 1996). The degree of goal compatibility is generally caused by how compatible social and organizational characteristics of the network actors are (Smith et al., 1995; Doz et al., 2000; Provan and Kenis, 2008). The social context in which partners operate is partly defined by the cultural and institutional background of the partners. Furthermore, the similarity of cultural values may reduce misunderstanding between the partners while lack of fit with a partner's culture leads to poor communication and mutual distrust (Park and Ungson, 2001: 44). Not only the similarities in cultural values but also the perceived status and legitima-

cy of partners as well as perceptions of procedural justice influence goal compatibility among network actors (Doz et al., 2000).

In addition, the extent to which the firm-level objectives match the network-level goals depends on organizational compatibility (White and Siu-Yun Lui, 2005). Dissimilarities in organizational structures and processes can create problems in coordination by causing disagreements over operating strategies, policies, and methods. Organizational dissimilarities are typically manifested in differences of capabilities and strategies of firms. Therefore, opinion of the network actors about managerial routines, marketing policies, quality control, etc. may differ from that of the focal company (Park and Ungson, 2001: 45).

Thus, it is necessary to ensure a certain level of cultural, organizational and strategic fit of the network actors. In this context, a number authors (e.g., Kochan et al., 1976; Frazier, 1983; Leonidou et al., 2008) stress that where goal compatibility is absent, there is a need for a power process. The notion of power typically arouses associations with explicit domination of one actor over the others. Indeed, the focal actor can employ hierarchical mechanisms (e.g., control, sanctions) to make the participants comply with the network-level goals. However, not always acting in such a way will have positive effects on partner compliance. Moreover, the exercise of power based on coercive sources, e.g., financial penalties or withholding of important support (Goodman and Dion, 2001), can aggravate communication difficulties caused by cultural dissimilarities and elevate any underlying causes of conflict to a manifest state (Leonidou et al., 2008: 93). Thus, the use of hierarchical authority can deepen incompatibility between the network-level and firm-level goals, especially in the case of great cultural and geographic distance (Leonidou, 2004).

On account of this, partnering and supply chain management strategies include also mechanisms which represent non-coercive bases of power. The use of such mechanisms as rewards, identification, and information exchange enhance the partners' willingness to exert effort for the network-level goals (Gulati et al., 2005; Leonidou et al., 2008). Furthermore, such mechanism as recommendations helps to achieve the desired perceptual change of objectives and subsequent performance of the intended behaviors (Frazier and Summers, 1984: 45).

However, not only the fit of culture, resources and strategies of the single firms should be attained. The effective use of the cooperation and coordination mechanisms requires (and enables) deployment of network-specific structural factors which can be also referred to as alliance capabilities (Kale et al., 2002) or network-level competencies (Provan and Kenis, 2008). In this context, a dedicated alliance function allows developing of network management routines needed to maintain cooperation and information exchange among actors (Ireland et al., 2002). In a supply chain network, it is especially important that the focal company performs such a function and has corresponding competencies matching the needs of the whole network. Possession of network-level competencies enhances communication and knowledge transfer within the network and thereby provides an understanding of partners' goals, interests and expectations. Only real understanding of these aspects can help organize the harmonious work of the network actors to achieve both, network-level and firm-level goals.

Overall, in ensuring goal compatibility, an emphasis has to be primarily put on the development of partnering strategies, since their task is to align the interests of the network actors or, in other words, to motivate them to work together. As known, motives serve as the causes that lead individuals to select some goals rather than others (Simon, 1964). Therefore, interest alignment can be defined as the degree to which the members of the organization are motivated to behave in line with organizational goals (Gottschalg and Zollo, 2007). The function of supply chain management strategies is to enable communication of goals among actors via organization of the programming and feedback processes. Altogether, appropriate implementation of the partnering and supply chain management strategies contributes to the achievement of the network-level and firm-level goals (Ireland et al., 2002).

4. Summary

This study attempts to contribute to an understanding of goals set in interorganizational networks. In particular, we have focused on food supply chain networks that consist of relationships among individual firms representing different stages of the food supply chain. As a type of strategic networks (Gulati et al., 2000), supply chain networks manifest goal-orientation themselves and involve traditionally self-oriented participants. Consequently, one of the main points that should be addressed by the network's management is the tension between intra- and inter-organizational goals. To deal with this task properly, one should gain an understanding of goals set in the supply chain network. Scanty research efforts on this issue as well as numerous collaboration failures in business practice indicate that this understanding is still missing.

Therefore, our aim in this paper was to conceptualize the goals and their role in management of the supply chain network. This topic has to be of particular interest for the network's focal actor as it sets network-level goals and implements a corresponding strategic approach named collective strategy. In our view, the supply chain network's focal actor is a brand-owner, a food manufacturer or a food retail company, whose concern about chain quality requires maintaining of tight and long-term exchange relationships with the chain partners. To structure such relationships so that the partners simultaneously comply with the overall network's requirements and are satisfied by collaboration, the focal company has to align the interests and the actions of the involved parties. Thus, it implements partnering and supply chain management strategies (as the components of the overall collective strategy) to address the interrelationships between network-level and firm-level goals.

If both, the network-level and firm-level goals are achieved to a satisfactory level, a network can be regarded as effectively performing. By ensuring goal commonness among actors and goal compatibility between the network and firm levels, the network's management paves the way for attaining of beneficial outcomes at both levels. Especial attention should be paid to management of conflicting goals since they negatively influence network effectiveness (Provan and Kenis, 2008). Conflicting goals arise due to a number of factors which stem from cultural, resource and strategic differences. Partnering and supply chain management strategies involve cooperation and coordination mechanisms suited to preclude and resolve conflicts.

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