

2 Definitions

An analysis of leadership of networks requires first of all a detailed definition of the relevant terms, namely (1) networks and their governance, and (2) leadership as well as network leadership.

2.1 Network and Network Governance

Although the term network is commonly used in the management literature, precisely what scholars are talking about is not always clear. A variety of cooperative forms, such as strategic alliances, joint ventures, partnerships, collaborations, cooperative agreements, clusters, and inter-organizational relationships, are subsumed under the general term of inter-organizational networks. Despite differences in emphasis of specific aspects and certain variations among definitions, those concepts share several themes, such as interaction among separate entities, collaboration, and relationships as well as collective achievement. This study relies on the network definition of Provan, Fish and Sydow (2007, p. 482), that a network is a “group of three or more organizations connected in ways that facilitate achievement of a common goal.” Such *whole networks* are goal-directed, specifically created, bounded, and purposefully governed (Raab and Kenis, 2009). Provan and Kenis (2008, p. 230) also refer to the analysis of inter-organizational networks at the network level as an analysis of “whole organizational networks,” and McGuire (2011, p. 437) further defines inter-organizational networks as a structure “involving multiple nodes – agencies and organizations – with multiple linkages, ordinarily working on cross-boundary collaborative activities.” In contrast to an analysis of social networks, which focuses on linkages between people, an analysis of whole networks concentrates on linkages between organizations (Milward and Provan, 2006). Clearly, whole networks are characterized by a multi-organizational, multi-actor structure across organizational boundaries (McGuire, 2006). Multi-organizational networks aim to achieve collaborative advantages that single organizations cannot achieve alone (Agranoff and McGuire, 2001; McGuire, 2006).

One particular form of network is the regional network or cluster. Clusters are “geographic concentrations of interconnected companies, specialized suppliers, service providers, firms in related industries, and associated industries in a particular field that compete but also co-operate” (Porter, 1998, p. 197). Clusters or regional inter-organizational networks have become a popular political concept aimed at artificially imitating success stories such as S. Ruckdäschel, *Leadership of Networks and Performance*, Markt- und Unternehmensentwicklung Markets and Organisations, DOI 10.1007/978-3-658-07033-5_2, © Springer Fachmedien Wiesbaden 2015

Route 128, Massachusetts and Silicon Valley. According to Ebbekink and Lagendijk (2013, p. 735) “cluster policy initiatives have mushroomed” in an effort to create a “Silicon Somewhere” (Hospers, Desrochers and Sautet, 2009, p. 286) or “flagship ‘Valleys’” (Ebbekink and Lagendijk, 2013, p. 739). Billions in subsidies have been spent in regional cluster initiatives all over the world (European Commission, 2008; Lindqvist, Ketels and Sölvell, 2013).

While central criteria resemble the definition of whole networks, clusters add another focus on geographical proximity. In particular, the “geographic scope of clusters ranges from a region, a state, or even a single city to span nearby or neighboring countries (e.g., southern Germany and German-speaking Switzerland)” (Porter, 2000, p. 16). Although this limited specification might explain the widespread popularity and application of the cluster concept (Sydow, et al., 2011), scholars have often criticized the concept for its “lack of geographical precision” (Martin and Sunley, 2003, p. 12). Furthermore, researchers have found no statistical evidence for the influence of geographical proximity on performance (Müller and Jungwirth, 2011), as many designated clusters are actually whole networks (Provan, Fish and Sydow, 2007, p. 482) or are a “value adding web” (Festing, Royer and Steffen, 2010, p. 185), where geographical proximity is not the constitutive criterion. Cluster boundaries are often determined by political requests rather than by regional concentration (Müller and Jungwirth, 2011). Therefore, this study will focus on the concept of whole networks, even though many of the networks investigated explicitly refer to the cluster concept, for example on their homepages, probably owing to the brand recognition of famous clusters such as Silicon Valley or Hollywood (Palazuelos, 2005, p. 135).

Until recently, “an implicit but incorrect assumption that networks do not significantly differ” has prevailed (Provan, Fish and Sydow, 2007, p. 504). Networks were essentially defined as a unique form of organizing along the continuum of market and hierarchy (Powell, 1990; Williamson, 1991, 1995), but networks also vary and have different forms of governance. Network governance is the mechanism that is used to manage and lead a network (Provan, Fish and Sydow, 2007), and network management refers to how the activities of and within a network are managed and coordinated (Provan, Fish and Sydow, 2007). Provan and Milward (1995) found that networks are more effective when they are managed by a central coordinating entity. Moreover, Provan and Kenis (2008) identified the necessity of network governance in order to coordinate network activities effectively and specified three distinct forms: shared governance, lead organization governance, and Network Administrative Organization (NAO) governance.

In the first type of network governance, namely shared governance, the network is managed by its participants and lacks a formal governance structure, as the network is collectively managed through collaborative interactions. This form of governance has been described as heterarchical (Müller-Seitz, 2012) or “relational governance” (Bell, Tracey and Heide 2009, p. 626), where implicit rules and norms of reciprocity and trust regulate decision processes. Advantages of shared governance are the strong involvement of all network members, which enhances commitment, as well as the flexibility to respond to the members’ needs. However, increased interaction and complexity – especially if the number of network members increases – might lead to inefficiency, which makes shared governance especially appropriate for small and geographically proximate networks (Kenis and Provan, 2009). For the sake of completeness, the concept is mentioned here, but as this study refers to the concept of purposefully governed whole networks, self-organizing networks are excluded from the analysis. Additionally, self-organizing, organic, or heterarchical networks are excluded because an explicit leader of the network cannot be identified and leadership is shared among various network members (Bell, Tracey and Heide, 2009).

In the second type of governance, a lead organization or hub firm is responsible for the management of the network. In this hierarchical type of governance (Dhanaraj and Parkhe, 2006; Müller-Seitz, 2012), one organization, which is a member of the network, takes the reins because it is larger and more powerful, and has the legitimacy and/or resources to adopt that leadership role. Typical examples are buyer-supplier relationships (Uzzi and Lancaster, 2003) and Japanese Keiretsu manufacturing models (Gerlach, 1992). The lead organization coordinates all central activities within the network for the network participants. However, power relationships can also be a disadvantage for the network members if the lead organization pursues its own goals and interests, in which case network members might be less inclined to participate (see Müller, 2012 for a detailed analysis; also Jarillo, 1988; Gulati, 1998; Kenis and Provan, 2009). In this study, lead organization governance is excluded from the analysis owing to the difficulty of identifying it and its clear power and leadership distribution (Jungwirth, Müller and Ruckdäschel, 2011).

The third type of network is governed by the Network Administrative Organization (NAO) and is the form of management this study will focus on owing to its popularity and widespread application (Sölvell, 2008; Lindqvist, Ketels and Sölvell, 2013). NAO governance is similar to lead organization governance but the lead organization, in this case the NAO, is not part of the network. Rather, it is an external entity that is specifically created and exclu-

sively initiated for the purpose of managing the network (Provan, Fish and Sydow, 2007; Provan and Kenis, 2008; Sydow, et al., 2011). All network activities are coordinated by an organization that does not operate as a network member. NAOs are most often public or non-profit institutions and are defined by their centrality within the network. NAO-led networks are therefore quite popular for stimulating the public-private sector interactions (Provan, Fish and Sydow, 2007). A further strength of this mode of governance is its institutional embedding and the neutral and impartial position of the NAO compared to the lead organization, which might have its own agenda. However, lack of industrial knowledge of the network management or excessive bureaucratization might be possible disadvantages (Kenis and Provan, 2009; Jungwirth, Müller and Ruckdäschel, 2011).

The NAO can have different degrees of formalization, from an individual network manager to a more formalized structure with, for instance, a board or a network committee, staff, and a president. Network managers are often designated as “network orchestrators” (Dhanaraj and Parkhe, 2006), “boundary spanners” (Williams, 2002; Hogg, van Knippenberg and Rast, 2012), “intermediaries” (Howells, 2006), “process catalysts” (Mandell and Keast, 2009), “cluster facilitators” (Mandell and Keast, 2007; Ingstrup, 2010), “network promoters” (McGuire and Agranoff, 2011), and “cluster leaders” (Casson, 2003; Sydow, et al., 2011; Jungwirth and Ruckdäschel, 2013a). Generally, leadership of the network is institutionalized by the NAO and personified by the network manager. Leadership and in particular network leadership will now be defined in detail.

2.2 Leadership and Network Leadership

Leadership has been defined in terms of individual traits, behaviors, central goals, processes or underlying structures and instruments or in relation to the followers, and “there are almost as many definitions of leadership as there are persons who have attempted to define the concept” (Stogdill, 1974, p. 259). The general essence of “leadership in organizations is influencing and facilitating individual and collective efforts to accomplish shared objectives” (Yukl, 2012, p. 66). Traditional leadership within organizations is grounded in bureaucratic notions of hierarchy, alignment, and control (Uhl-Bien, Marion and McKelvey, 2007, p. 299). Leader-follower roles are clearly identifiable, linear, dyadic, and in causal relationship, implying that leadership causes followership (Meindl, 1995; Lazear, 2012; Yukl, 2012). The leader can exert influence and control having the possibility of hierarchical “fiat” within the context

of the hierarchical organization (Williamson, 1991, p. 274). The term “fiat”, which is derived from the Latin “let it be done”, refers to the hierarchical authority to give directives within a firm and can be traced back to Coase (1937), who mentioned hierarchical control and managerial authority between leaders and followers as constitutive criteria for the organization of the firm.

The delineation of leadership and management is controversial and dates back to the distinction between managers and leaders on the basis of personality differences (Zaleznik, 1977). While the manager favors stability, process, and control, the leader advocates change, vision, and new approaches. Kotter (2001) also argues that leadership and management are two distinct but complementary phenomena. While leadership focuses on empowering and inspiring people by articulating a vision, management concentrates on planning, organizing and problem solving. Despite these differences, both managers and leaders make a valuable contribution to the organization. In analogy to the concept of efficiency and effectiveness (which will be discussed later on), “Managers do things right, while leaders do the right thing” (Bennis and Nanus, 2007). Lunenburg (2011) concurs with these points of view, gives an overview over the depicted differences, and concludes that organizations provide managers with the mandate to lead, but that there is no guarantee that they will lead effectively. Bennis (1989, p. 7) notes bluntly that to “survive in the twenty-first century, we are going to need a new generation of leaders – leaders, not managers. The distinction is an important one. Leaders conquer the context – the volatile, turbulent, ambiguous surroundings [...] – while managers surrender to it.”

Nevertheless, the prevailing opinion of several researchers seems to be that the two concepts of leadership and management overlap to a great degree. Various researchers emphasize that the terms of leadership and management are generally used interchangeably and synonymously, as the boundaries are blurred (Huxham and Vangen, 2000; Van Wart, 2005; Fernandez, 2008; Bass and Bass, 2009; McGuire and Silvia, 2009; Yukl, 2012). Furthermore, they argue that the differences described between management and leadership could also refer to different leadership styles – autocratic versus democratic, task-oriented versus relational, etc. Managers and leaders are regarded as two extremes of a continuum (Lunenburg, 2011). In line with this reasoning, in this study the terms leadership and management as well as network leader and network manager will be used interchangeably. Within the context of networks, the terms are commonly used synonymously (Bell, Tracey and Heide, 2009; Silvia and McGuire, 2010; Sydow, et al., 2011), although the term management is more frequently applied. Syd-

ow, et al. (2011) confirm that there is little explicit use of the notion of leadership in networks, and although there is a “cry for leadership”, this cry is a silent one, whereas the use of management has become quite common (Sydow, et al., 2011, p. 328).

In particular, this study focuses on leadership of networks with an explicit network management in the form of an NAO. As touched on in the introductory part, network leadership differs from traditional hierarchical leadership and can at best be described as relational leadership for a couple of reasons. First, in networks a traditional principal-agent relationship⁶ is not applicable (Jungwirth and Ruckdäschel, 2013b). The network manager has no hierarchical “fiat” (Williamson, 1994, p. 324) over the network members, implying that she or he has to “make things happen” (Huxham and Vangen, 2000, p. 1160) despite a lack of authority to give directives. Second, outside the boundaries of the firm, the authoritarian relationship is diminishing. While leadership in hierarchical organizations is characterized by linearity, the network context is delineated as ambiguous, complex and non-linear (Winkler, 2006).

These circumstances have central implications for the behavior and skills required of the network leader: more relational skills, such as proactive leader traits (Lorenzoni and Lipparini, 1999; Williams, 2002; Parker, Bindl and Strauss, 2010), are required to nurture interaction and collaboration and, owing to a lack of formal hierarchy, the network manager has to facilitate network processes by focusing on relational mechanisms. Within networks, less authoritative and more enabling leadership tools assume a decisive role, and principles of “soft” guidance are required to replace command and control with the goal of enabling network members to organize and lead themselves (Agranoff and McGuire, 2001). Furthermore, as this study focuses on inter-organizational networks, the network members come from a variety of different organizations (public and private) and are autonomous. Consequently, goals are diverse among network actors, and reaching agreement on collaborative goals, which in contrast to the goals of hierarchical organizations are not predetermined, can be a difficult process (Jungwirth and Müller, in press). The network manager has a decisive role in aligning the different interests of the network members and in finding the least common denominator to achieve collaborative advantage (Hogg, van Knippenberg and Rast, 2012). Generally, network managers have to satisfy various interests of heterogeneous network members without losing sight of the network as a whole and its performance (Provan, Fish and Sydow, 2007; Provan and Kenis, 2008).

⁶ A traditional principal-agent relationship is characterized by the existence of hierarchical fiat, namely that the principal can exercise fiat through hierarchy (Picot, et al., 2012, p. 315ff).

In addition to the above considerations, properly defining network leadership requires pointing out what network leadership is not. Leadership *of* a network or leading a network does not mean leadership *in* networks. Leadership *in* networks affects only a subset of actors within the network and focuses only on specific aspects, such as dyadic interactions between specific network members or between subgroups of the whole network. This study focuses on leadership *of* networks, which concerns the entire or whole network, its network members and institutions, and its external relationships. This perspective implies that all members of the particular network are subject to the leadership activities of the network manager (Sydow, et al., 2011).

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