The role of motive congruence in strategic networks

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Abstract

Based on thoughts from literature on organizational fit, this study focuses on understanding why some firms gain more from network participation than others. We hypothesize that firms performance from participating in networks is dependent on network motive congruence and that this relationship is moderated by entrepreneurial orientation. Analysis of 55 organizations from two networks supports the role of network motive congruence for internally oriented motives, such as concerning economies of scales and joint research and development motives. However, motive congruence appears not as important in matters of externally oriented motives, such as entering new markets or sustaining existing market positions. Findings indicate that entrepreneurial orientation can moderate the relationship between network motive congruence and networking performance.

Keywords: Strategic network, Motive congruence, Networking performance, Entrepreneurial orientation
1 Introduction

A striking characteristic of research on inter-organizational collaboration in strategic networks is that it rarely examines the underlying motives for collaboration. Instead, it focuses on the formation of collaborations (Ahuja 2000, Gulati 1995), effects of antecedent conditions on collaborations (Kale et al. 2002, Dussage et al. 2000), and impact of collaborations on firm performance (Stuart 2000, Baum et al. 2000). Several studies take a process view, and characterize collaboration as either a competitive learning race between the partners or as a cooperative evolution into a trusting and integrated relationship (Johansson 2006, Doz 1996, Larson 1992). More attention has been directed attempting to understand the benefits of participation in strategic networks in recent (see for instance Bonner et al. 2005). Still, the understanding for why some firms gain more than others from their participating in networks constellations is limited. In this study we elaborate on the role of network motive congruence and the moderating role of entrepreneurial orientation in order to understand and explain why some firms gain more from participating in networking activities than others. We draw from literature on organizational fit when constructing hypotheses on how network motive congruence influences networking performance, and what role entrepreneurial orientation has for transforming (i.e. determining the influence from) motives to performance.

Although much literature have argued for the positive aspects that heterogeneity can bring into networking (see for instance Teng, 2006) there are also likely effects from homogeneity. Indirectly, we can learn from the literature that congruity is important in relationships concerning for instance leadership (Wexley et al. 1980) and in organizations focusing on voluntary work (Puffer & Meindl 1992). Indirectly also Saxton (1997) argued for congruity when proposing the importance of similarities between networking organizations. Yet, research focusing directly on the role of congruity between networking firms has to our knowledge not been performed, especially not in an attempt to understand why certain firms benefit more than others from being members in strategic networks.

Motives reflect the processes and factors that arouse and direct behavior. It is often characterized from unfilled needs, desires or deficiencies that spur corrective actions. Applied on strategic networks the concept represents the reasons for or purposes of the individual firm’s membership in the network; it serves as an answer to the question of “why?”. Moreover motives should not be mixed up with goals that can be defined as “an unrealised state or condition” (Hodge & Anthony 1988) and the term goal congruence that has its base in principal-agent theory (see for instance Reichelstein 2000).

We do assume that membership in networks are due to self-interest and that the motives for participating are aligned with creating competitiveness. Therefore it also seems plausible that when there is a closer fit between the motives the organization has for participation and the motives for network existence there are larger possibilities for the membership organization to gain from network activities. Although studies have hinted towards that the degree to which a firm is satisfied with the performance from participating in a network is dependent on whether there is a shared opinion about what
goals to achieve and how to achieve these goals (Wexley et al. 1980) there are still no, to our knowledge, studies that have tested this proposition. Furthermore, taking into account that the network and the membership firm can have a large spectrum of motives this makes the design and approach more complex. We do acknowledge that motives can be multiple and that they at least can be divided into two broad themes: internally oriented motives that focus on creating economy of scale or joint research and development; or externally oriented motives that focus on entering new markets or sustaining existing market positions.

In the next section we will present the theoretical fundaments for this study together with the hypotheses that will be test. Thereafter we will present the research methods including the sample, data collection, measurement and overall analysis strategy. We end the paper by presenting the results followed by discussions and conclusions.

2 Theory

We define strategic networks as a network of firms being geographically proximate, having operations within the same industry and interacting with the aim of specific business outcomes (see Human & Provan 1997, Wincent 2006). An administrative function is often present in order to support the coordination of joint activities in the network and to support the cooperation between the firms in the network (Human & Provan 2000). This type of networks is strategic in its very nature since it includes organized cooperation based on a joint purpose and the objective to reach common objectives (Jarillo 1988). These networks are created with certain motives about how to create specific business outcomes. Motives that will influence how and what the focus of network activities will be. At the same time the firms that enters the network has their own motives for entering and what they want as return from taking part in the network. Such motives can include developing new markets, sustaining existing market positions, economy of scale or even in terms of research and development. These motives are divided in to external or internal oriented motives following Ritter et al. (2004) division of network management activities. Although each of the motives may be separate and sufficient both the network and the membership organizations likely has multiple motives. We here argue that strategic networks and their membership organizations posits more or less of such motives and that although cooperation in such networks is driven by self-interest, the results of networking activities will be more positive when the self-interest aligns with the motives of the network (Markoczy 2004). As such, we recognize the importance of “organizational fit” as introduced by Jemison & Sitkin (1986). When the membership organizations have a strategic fit with the network they will likely also experience more benefits from being a member.

2.1 Network motive congruence and networking performance

When there is congruence between the membership organizations and externally network motives such as entering new markets or to sustain existing market positions there is
likely larger possibilities for the membership organization to experience larger gains from being a member of the network. As proposed by literature on organizational fit, the possibility for an organization to realize its objectives (as defined by the motives) is higher when the organization has support from its environment (i.e. from the network).

When network motives are focused on entering new markets or sustaining existing market positions it is likely that the joint efforts from the network can help realize single members’ objectives to enter new markets or sustain their existing markets. As such, the membership organization likely experiences gains from participating. When, on the other hand, the network has low or no motives to enter markets or sustaining existing market positions while the membership organization seeks to enter new markets the rewards from being a member in the network will likely not be as pronounced. Similarly, when the network and the membership organization both has low or no motives to engage in market related strategies the extent to which it is possible for engaging in other important motives is higher and therefore also the rewards of being a member.

Therefore, we argue that the degree similarity of the firm and the networks motives to enter new markets or sustain market positions influences the performance from participating in the network. Therefore, we hypothesize:

**Hypothesis 1:** Congruence of externally oriented motives positively influence networking performance

As the first hypothesis concerned the relation between externally oriented motives (motive congruence concerning market related motives) and networking performance, the following hypothesis will concern internally oriented motives (motive congruence concerning economy of scale and joint research and development motives). The possible gains from realizing internal oriented motives have been directly and indirectly illustrated in a number of studies and theories (see for instance Williamson 1975). As supported widely in the literature, activities focusing on improving the conditions for economy of scale can positively relate to the firms performance in building competitiveness (Krugman 1980). When such activities are both needed and supported from networking activities the perceived gains from participating is likely high. Similarly, research and development has been illustrated as highly important for building long term competitiveness (Muller & Pénin 2006) and when such activities are supported through networking the benefits from networking are likely evident (Malecki & Veldhoen 1993).

When there are congruent motives between the membership organization and the network for how to relate to and work with internally oriented activities (such as economies of scale and joint research and development) the possibility for the membership organization in strengthening its competitiveness and gain competences likely increases. When the network has pronounced motives to engage in activities concerning internal activities the possibility for the membership organization requiring such support is likely high. On the other hand, when the network has no motives to engage in internal activities while the membership organization has so, the possibility to gain competitive advantage from being a member in the network is likely hampered.

We argue that the degree similarity of the firm and the networks motives to achieve economies of scale or joint research and development influences the performance from participating in the network. Therefore, we hypothesize:
Hypothesis 2: Congruence of internally oriented motives positively influence networking performance

2.2 The moderating effect of entrepreneurial orientation

We expect the relationship between motive congruence and networking performance to be moderated by the firm's entrepreneurial orientation. Miller (1983) put forward that the entrepreneurial role can be performed by entire organizations. Such organizations are demarcated by having a strategic orientation that includes risk taking, being innovative and proactive (Covin & Slevin 1991). As such, entrepreneurial firms are oriented towards growth and opportunities (Covin 1991). We here argue that when organizations have such attributes the realization of motives will be more likely and influence the outcomes of participation in networking activities. This is in line with literature arguing entrepreneurial orientation to moderate relationships between attitudes or motives and outcomes such as different types of performance (see for instance Monsen & Boss 2004).

When having congruent motives with the network in engaging in externally oriented activities as entering new markets or sustaining market positions it is important to also have an orientation that supports the fulfillment of these motives. When there is a fit between firm and network externally oriented motives it is likely that the organization can gain more from having an entrepreneurial orientation. Having the abilities as of entrepreneurial orientation implies to have a proclivity for engaging in new activities and taking calculated risks. When realizing externally oriented motives through networking activities the existence of such orientation and abilities will likely determine the transformation from motives to performance. Therefore, we propose that the relationship between congruence of externally oriented motives and networking performance is moderated by entrepreneurial orientation.

Hypothesis 3: Entrepreneurial orientation moderates the relationship between congruence of externally oriented motives and networking performance.

Likewise, entrepreneurial orientation can likely determine the influence from congruent internally oriented motives on networking performance. When the network and the membership organization have similar interests in engaging in internally oriented motives as economies of scales or joint research and development the entrepreneurial orientation will likely determine how well motives transforms into performance.

Hypothesis 4: Entrepreneurial orientation moderates the relationship between congruence of internally oriented motives and networking performance.
3 Research methods

3.1 Sample, data and procedures

A survey was administered to membership organizations of two Swedish strategic networks consisting of firms focusing on products or services related to information and communication technology. These networks were selected based on their similarities as reported in a study mapping the population of Swedish strategic networks (Wincent et al. 2006). The similarities between the two networks is high when the member firms of both networks were mainly small or medium sized firms working with products or services related to information and communication technology and the majority of their sales were domestic. Out of the 99 membership organizations in the two networks a total of 55 responses (56% total response rate) were used for analysis.

3.2 Measures

The dependent variable – networking performance – was measured using a composite measure comprised from three items that has been used for measuring alliance or network performance (Saxton 1997). Sample items include: The network has realized the goals we set out to achieve; The network has contributed to our core competencies and competitive advantage. Cronbach’s alpha was .86.

The independent variable – network motive congruence – was measured as a comparison between the responses from the membership organizations and the response from a member of the network board group. The items were measured on a seven degree Likert scale ranging between strongly disagrees and strongly agrees, and include the motives to: Enter completely new markets; Sustain existing market positions; Achieve economy of scale; Conduct research and development project. As such, we calculated the difference between the membership organizations motives and the networks motives and formed four individual measures of network motive congruence.

The moderating variable – entrepreneurial orientation – was measured using a version of Miller’s (1983) seven item measure. The composite construct was measured on a seven degree Likert scale ranging between strongly disagrees and strongly agrees. Sample items include: This company shows a great deal of tolerance for high risk projects; This company challenges, rather than responds to, its major competitors; Usually, this company is the first in the industry to introduce new products to the market. Cronbach’s alpha was .58.

3.3 Analysis

In order to determine the effect of the various measures of network motive congruence on networking performance and the hypothesized moderating effect of entrepreneurial
orientation we adopted hierarchical regression analysis. Before employing this analysis technique we checked descriptives. We controlled for variance due to network membership/belonging in the analyses.

4 Results

Table 1 illustrates the results from the regression analysis. As motive congruence is highest at zero, we expect negative relationships between the four variables on network motive congruence and networking performance. Hypothesis 1, arguing that motive congruence in externally oriented motives (such as entering new markets or sustaining existing market positions) should be related to networking performance is not supported in any of the models. We do find support for hypothesis 2 in the models which argue for a relationship between internally oriented motive congruence and networking performance when motive congruence regards economies of scale or joint research and development projects. Of the two hypotheses on the moderating effect from entrepreneurial orientation between the various motive congruence variables and networking performance we find only one significant relationship. Hypothesis 4 is therefore partially supported as model 5 indicates a significant relationship between the interaction term of motive congruence and entrepreneurial orientation on networking performance. Also, model 5 indicates some increases in explained variance in networking performance (six percentage points). Notably, the relationship is opposite to what was hypothesized. We give a speculative explanation for this in the discussion. Hypothesis 4 argued that entrepreneurial orientation moderates the relation between network motive congruence and networking performance when network motive congruence concerns internally oriented joint research and development projects. We find no support for the reminding hypothesis arguing for a moderating effect of entrepreneurial orientation on the relationship between motive congruence and networking performance regarding entering new markets (hypothesis 3), sustaining existing market positions (hypothesis 3) or regarding economies of scale (hypothesis 4).
Table 1. Results of Regression Analysis.

<table>
<thead>
<tr>
<th>Variable or Statistic</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
<th>Model 4</th>
<th>Model 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Network ID</td>
<td>.469</td>
<td>.491</td>
<td>.489</td>
<td>.442</td>
<td>.387</td>
</tr>
<tr>
<td>Entrepreneurial orientation</td>
<td>-.142</td>
<td>-.141</td>
<td>-.161</td>
<td>-.167</td>
<td>-.081</td>
</tr>
<tr>
<td>MC Entering markets</td>
<td>.252</td>
<td>.235</td>
<td>.241</td>
<td>.211</td>
<td>.110</td>
</tr>
<tr>
<td>MC Sustaining market positions</td>
<td>.014</td>
<td>-.004</td>
<td>.004</td>
<td>-.061</td>
<td>-.186</td>
</tr>
<tr>
<td>MC Economy of scale</td>
<td>-.695</td>
<td>-.688</td>
<td>-.690</td>
<td>-.661</td>
<td>-.593</td>
</tr>
<tr>
<td>MC Joint research and development</td>
<td>-.494</td>
<td>-.496</td>
<td>-.509</td>
<td>-.461</td>
<td>-.313</td>
</tr>
<tr>
<td>Entrepreneurial orientation * MC</td>
<td>-.044</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Entering markets
Entrepreneurial orientation * MC | .004
Sustaining market positions
Entrepreneurial orientation * MC | .149
Economy of scale
Entrepreneurial orientation * MC Joint research and development | .327

Adjusted $R^2$ | .387 | .379 | .377 | .399 | .447
$\Delta R^2$ from Model 1 | -.008 | -.010 | .012 | .060 |
Test statistic $F_{(6, 48)} = 6.691$ $F_{(7, 46)} = 5.614$ $F_{(7, 46)} = 5.584$ $F_{(7, 46)} = 6.019$ $F_{(7, 46)} = 7.110$
Sig. | Prob. < .001 | Prob. < .0001 | Prob. < .0001 | Prob. < .0001 | Prob. < .0001

Dependent: Networking performance; MC stands for motive congruence; *<.05; **<.01; ***<.001

5 Discussion and conclusions

The findings support the role of congruence regarding internally oriented motives for networking performance. However, motive congruence seems not as important for externally oriented motives. Findings also indicate that entrepreneurial orientation can moderate the relationship between network motive congruence and networking performance.

These results have implications for research on strategic networks, and especially for research attempting to understand how membership organizations can gain from taking part in network activities. By illustrating the transformation from motives, and the role of motive congruence, to performance gained from taking part in networking activities this study has extended the knowledge about the antecedents to networking performance.

Several practical implications are possible to highlight from this study. By illustrating the importance of having congruent motives (at least concerning activities as economies of scale and joint research and development) and the role of entrepreneurial orientation in networking performance this study have implications for practicing managers and policy makers. For organized co-operation this study pinpoints the importance of wisely selecting membership organizations for creating possibilities to perform in line with the networks motives.
Interesting to note is also that the moderating effect from entrepreneurial orientation influences the possibilities to gain networking performance from motive congruence negatively. An explanation can be that companies enter alliances to avoid investments. They are more interested in reducing costs and risks of entering new business or markets than to maximizing the outcome from doing it by themselves. As such, networking is a substitute for entrepreneurial orientation in order to perform well. This is in line with Hamel et al. (1989) that propose that collaboration can be seen as a sign of weakness since collaboration often occur as a response to a company’s lack of capability in a certain field. Moreover Porter (1990) states that it is strong competitors not collaboration that forces firms to be innovative and competitive. According to Hamel et al. (1989), collaboration between firms is a sort of competition but in a different form since each partner has their own motives for collaboration and that the partners known that they have entered into a business agreement in order fulfil their objectives.

Actors in collaboration acts in two dimensions, cooperation and competition, which generally play out as cooperation and conflict (Yoshino & Rangan 1995) if the individual firm’s motive are not congruent with the network motives the firm can either leave the network and enter a more suitable network or try to influence the networks goal setting process by adopting political behaviour and thereby convincing the other partners of the benefits with certain objectives.

Although findings from this study illustrated the importance of network motive congruence and entrepreneurial orientation for gaining from being a member of a strategic network more work on this topic is needed. The sample for this study was relatively small and it would be possible to control for other effects when at the same time inserting network motive congruence in future studies. We also recommend future research to study this topic on a larger sample of networking organizations and to adopt more forms of the independent variable motive congruence and also more control variables in order to determine how network motive congruence relates to other determinants of networking performance.

Although giving some answers this study also raises questions for future research. Especially, why was internally oriented motive congruence important for networking performance but not congruence regarding externally oriented motives?

References

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