

The Emergence of a Network Organization

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Abstract

This article takes a case study of an engineering company named FlexLink as a point of departure. The company has no production, no stock, no distribution, and only parts of sales, within the legal boundaries of the firm. FlexLink has developed as a network organization that has had organic growth both in the shade of, and ahead of, the global Swedish company SKF, from which it springs. FlexLink's products are all conceivable applications of conveyors in industrial settings.

In order to understand the emergence of this network organization, and its rationale, we suggest a dialectic model of thesis, anti-thesis and synthesis. We will also discuss the rational explanation of the organization's emergence by examination of critical incidents (short stories) as well as reactions towards more structural limitations and restrictions, as well as windows of opportunity.

The article brings up a case of an extreme outsourcing strategy that has been depicted as an internalised business concept, but in our case study the current picture is continuously undergoing change. As the analysis goes further in the article we show how FlexLink can be understood in the light of theories on Schumpeters concept "creative destruction" as well as in terms of the structuration and the process of change as a duality between actor and structure.

We argue that Flex Link's emergence can be described as a dialectic interplay, originally with SKF. The network structure emerged by opposition to the mother company's rigid structure and ideology. In the story of Flexlink emergence seems to be the unforeseen consequence of tactics played by one single actor, navigating in the early days, to circumvent obstacles of SKF's internal policy. Thus FlexLink emerges as an antithesis to the SKF's corporate policies and modes of operation. The new business was not produced according to a pre-established plan, but rather evolved from a spirit of contradiction and a more or less explicit revolt and ambition to act differently.

This is elaborated together with a discussion based on the risks for stagnation or how new entrepreneurship can emerge. The dialogue with basic theory however shows that reasoning and the rationale in entrepreneurship risk travelling towards more stable structures in a dialectic emergence.

Introduction

This paper takes a case study of an engineering company named FlexLink as a point of departure. FlexLink as a company is interesting because its emergence shed light upon the dynamics of a network organization¹. In this paper we explore the emergence – to come into being through evolution – of this network organization. Emergence has been debated by Mintzberg (1995) in terms of emergent strategy. Emergence is based on the flow of time and change over time – this is one reason for us to analyse the historical background of FlexLink, and critical actions taken by several significant actors.

The studied company has developed in a play between actor and structure – and today it has no production, warehousing or distribution inside the legal entity. The legal entity is also physically detached from the production flow, from manufacturer to customer. FlexLink is a network organization that has had substantial organic growth both in the shade of, and ahead of the global Swedish company SKF, from which it springs. The role of networks for successful entrepreneurship has often been noticed (e.g. Saxenian 1994) – yet, understanding the role of networks remain a significant task in studies of entrepreneurial processes. Particularly lacking is an understanding of the initial stages of network development (Greenwood & Steiner 2000). Most research has been focused on already existing networks while the creation process has received far less consideration. Gartner (1989; 1992) has argued for the research on "how and why organizations come into being" and viewing entrepreneurship as the creation of new organizations. Therefore we will elaborate on the emergence of the company in the light of this perspective.

The main purpose of this paper is to present and analyse the case of FlexLink and its emergence through different phases, and how that corresponds with dialectics, creative destruction (Schumpeter 1934; 1942) and interplay between actors and structure (Giddens 1984). We will also elaborate change and entrepreneurial processes in this setting.

The research approach taken in the case study is longitudinal and interpretative. Our understanding of our knowledge creation is based on an epistemology that questions knowledge as being objective, taken from its context, and universal. The empirical research consisted of interviews (based on generative questions) conducted at FlexLink and several of their business partners in the network between 1998 and 2001. The interviews have aimed to stimulate respondents to discuss and reflect upon their own perspective and their sensemaking of the emergence of the organization. Another part of the empirical data are official documents, such as annual reports, the company website etc.

This paper is divided into five sections. We first introduce the case with some basic characteristics. We then develop a dialectical perspective where we elaborate on Schumpeters creative destruction, the social construction of reality by Berger & Luckmann and Giddens structuration theory to get a background to understand change, stagnation and emergence.

¹ Here we use the network organization as a metaphor for a pattern of interaction and do not intend to become absorbed in categorization of network forms and qualities, instead we focus on the entrepreneurial process in the evolution of a network organization.

In the third section a historical background and short stories are presented to illustrate the emergence. After that we analyse the empirical material in the light of theory, focusing on the dialectics and the play of opposites. Finally we discuss Schumpeter's reasoning about the risk of stagnation in the entrepreneurial process in relation to the late development of FlexLink followed by a concluding discussion.

The Case - Some Basic Characteristics

A current description (year 2001) of the company FlexLink could be that it is a global supplier of automation solutions for assembly and manufacturing processes, with sales units in 16 countries, with its headquarters in Gothenburg, Sweden. Based on its global network, it offers production solutions to the manufacturers of high-volume, lightweight goods. FlexLink products are sold in more than 50 countries. The turnover for the year 2001 was: 1 290 MSEK (about \$ 120 million). The number of employees is 550. Sales per customer segment: Automotive industry: 21 percent, Electronics: 21 percent, Food & Packaging: 27 percent, Pharmaceuticals: 19 percent, other: 12 percent. Sales per geographical area: Nordic: 15 percent, Europe North: 31 percent, Europe South: 17 percent, Americas: 27 percent, and Asia Pacific: 10 percent.

In 1980 the FlexLink trademark was registered and in 1981 FlexLink became an independent, operating unit within SKF. FlexLink then entered a phase of rapid business and geographical expansion. In 1994 FlexLink was established as an independent business within the SKF group. Up to 1997 there has been one responsible person (Leif) for the business that started in 1978 as an automation project. He began as a project leader and later became CEO. In 1997, an investment company acquired FlexLink from SKF. At the same time as the buy out Fredrik became the new CEO.

The proportion between turnover (figure 1) and the numbers of employees indicate that this is not an ordinary industrial company. From the beginning they have used an extensive outsourcing strategy and worked with networks as a metaphor for organizing their business. The manufacturing of components for their products is exclusively done by SME:s mostly located to a region in south of Sweden renowned for its spirit of entrepreneurship².

² This region resembles regional networks of multidimensional inter-firm cooperation i.e. "industrial district". The most generally known examples where the social and economic spheres are intertwined, are from regions in Northern Italy (Piore & Sabel 1984; Putnam 1993).

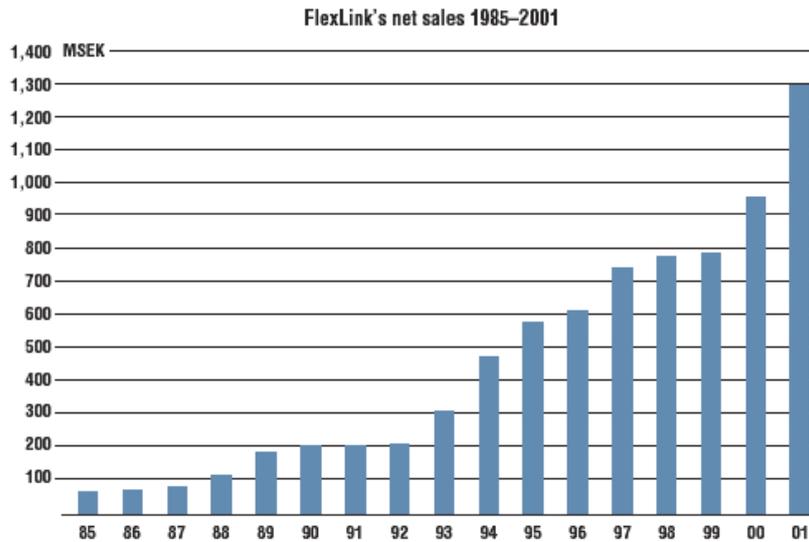


Figure 1. Flex Link's net sales 1985-2001 (Annual Report, 2001).

The warehousing and distribution to the European market is located in the Netherlands. The core competence of FlexLink is stated to be application engineering, marketing, sales and network management. In principle they intend to outsource everything else by establishing relations with companies that can be partners in the comprehensive network organization.

In this section we would also like to make a comment on the emergence of FlexLink. In the early 1980:s SKF had investment restrictions caused by the present recession. The quote below is the words from the financial director of SKF to the CEO of FlexLink, about a scale he had bought to be able to calculate the cost of shipping what he produced:

...but you have put it on the expense account. This is the way it is! At SKF one of the most important management tools is the investment budget. A scale is an investment. You have circumnavigated the investment budget and this I cannot accept under any circumstances, you are breaking one of the most sacred management principles we have.

This conversation consequently lead to a policy by the CEO never to invest but to rent, outsource, and in other ways put everything he could on the expense account. The result of this policy was that he gained freedom of action in relation to his superiors and could go about his business undisturbed. This is a point of a departure for our further analysis and understanding of the emergence of FlexLink and use of a dialectic perspective.

A dialectical perspective

A closer historical examination of the official image of FlexLink reveals the obstacles in the evolution and the development of new paths to surmount these obstacles. They all seem to have a common denominator in that they are based on doing the opposite to the SKF policy. This contradictory strategy was FlexLink's load star when navigating through obstacles. They invented alternative tracks when the big company's structure felt as obstructing the liberty of action, explicitly they found out what their former owner and major customer SKF prescribes and then they did the opposite, in the introduction and below we present a few stories as evidence of this. In these stories we

can identify something that can resemble dialectics. As we have claimed above we identify the FlexLink group of today as a synthesis of, on one hand the SKF as a group (with its strategies, rules, regulations, norms etc.) as the thesis, and on the other hand the entrepreneur driven business unit FlexLink (as a former part of the SKF group) as the anti-thesis.

Any concept or phenomena implies its opposite, its existence depends on the existence of the other. Opposites are intertwined in a state of tension. This idea seems to be present in all cultures in known history like in the notion of yin and yang in Taoist philosophy, as well as in the work of Heraclitos, Plato, Hegel, Marx, etc.

In organizational studies discussion about the interplay of opposites is common, i. e. Sjöstrands (1997) dealing with the duality of management. Kelly (1955) talks about the duality of personal construct and how personality can be mapped through the understanding of positioning of counterpoints. Ims (1987) also reflects on how leadership is based on dialog and the emergence of leadership is based on interplay between opposites.

Schumpeter (1942) describes the process that incessantly revolutionizes the economic structure from *inside*, incessantly destroys the old, and incessantly creates a new. He saw the process of creative destruction as the core of capitalism. The capitalistic economy is a process of evolution, not because the economy finds it self in a constantly changing environment, instead the reason is that the core of the capitalistic activity is the opening of new markets and the creation of new organizations. The economic development is seen as a dialectic process in which by combining old structures one creates new ones, and by that destroys the old, that is the so called "creative destruction". It emphasise the double nature of creation i.e. not only creative but also destructive.

Schumpeter developed a theory about the conditions for the entrepreneurship where the actor acts in collaboration with the present structure. He turned his polemic towards the great number of economists who in most cases analyse changes in the economic system as if it comes from external sources, which he found misleading. He was convinced that there existed an energy source inside the economic system that by itself could change the states of equilibrium that come into existence. The economic development is creative by bringing about new combinations. In that the economic development is a change process. Schumpeter did view the entrepreneurship as the dynamic element in the capitalistic economy. The economy is conceived as constituted of circular flows and to be able to understand the economy one has to scrutinize change.

Beyond dialectics --to understand change and emergence

In their the constructivist approach Berger & Luckmann (1966) handles the dichotomy, structure vs. actor by asserting a dialectic relation between the subjective reality and the objective reality, between the subjective actions and the objectified pattern of behaviour:

...it is important to emphasize that the relationship between man, the producer, and the social world, his product, is and remains a dialectical one. (Berger & Luckmann, 1966, p. 78)

But Berger & Luckmann end by declaring a dialectic state of things, which leads to difficulties in explaining change. The objectified reality can be considered as internalised by habitualization of routines. The objective reality has become impressed onto the subject - and by that token it is difficult to explain how change would be

possible. Strictly speaking a conflict between two units is needed to be able to assert that a dialectic state is at hand. This is not always obvious in the theory of Berger & Luckmann (1966).

Schumpeter asserts in the same way as Berger & Luckmann, that structure precedes the individual action. The difference is that Schumpeter says that the individual can utilize the present structures to create something qualitative new, however a combination of the already present.

Dialectics have been criticized and the traditional social construction approach seems to have difficulties in explaining the development of emergent phenomena of the kind we have described. The play of opposites leading to change can, however, be described by something else than dialectics or as being beyond dialectics.

One main contribution of Giddens (1984) in his structuration theory is that structure has two sides (the duality of structure), i.e. enabling and constraining, present at the same time. This handles the problem of whether individual acts or social forces shape society, by asserting that it is human agency, which continuously reproduce social structure. Here human beings are viewed as being knowledgeable in the sense of being able to explicitly describe actions and motivations, simultaneously the routinization of most social activities explain the corresponding stability of institutions. There are rules that structures action. Agents and structures are not two independently given sets of phenomena, but represent a duality whereby structure is drawn on in human interaction but, in so doing, social structures are produced and reproduced. This relationship means that individuals can bring change.

According to Giddens the structure has a dualistic nature contrary to the conception of Berger & Luckmann who propose that the relation of structure and actor is dialectic. It is not a question of two opposite entities. It is rather two sides of the same phenomena. This may seem as an insignificant difference in definition but it has relatively great consequences on how to handle change. We have, then, the same object of study but with two sides. Consequently we should study the actor and the structure at the same time, and handle new combinations.

Giddens can be seen as the abstract sociologist while Schumpeter is the concrete economist, but their apprehension has much in common. Schumpeter's approach seems to correspond with Giddens' who does not only view the structure as a constraint but also as a requirement to enable individual action i.e. without structure no entrepreneur. Giddens could maybe say that an entrepreneur is an individual who employs the means of the routinized micro processes, which constitutes the structures, to create new combinations.

According to Giddens society is a permanent process of change. In the same way as Schumpeter sees the economy as something that needs permanent renewal in order not to become stagnant. Giddens and Schumpeter seem to have the same point of departure where they see society and the economy as a process where the structure has a double function in both enabling and constraining action and change. The actions cause change, and with Schumpeter we can talk about a destruction of the existing simultaneously as something new is created. The theory of creative destruction is, then, a theory that unites the actor with the structure in a duality.

The dialectic principle has had and will have different interpretations and prerequisites. We use the dialectical model in a somewhat crude sense without going into subtleties or a more profound philosophical reasoning - that is another discussion than the one we

propose. We merely want to use dialectics as a model to understand the emergence of a network organization.

FlexLink - Historical Background and Stories

To be able to understand how FlexLink became what it is today it is necessary to understand the historical background. This historical development is illustrated by a number of stories. If we scrutinise the evolution some would say that it began in 1978 as an automation project within SKF, the ball bearing company. The scenario was that in order to keep up with or surpass its competitors, a highly automated production unit would have to be built. SKF is described as the archetype of rationality in Sweden. Focus on cost efficiency and the strive to be better than the Japanese leading companies have formed SKF's effectiveness and lean production. The company is rather large and economy of scale has formed it into a colossus with limited flexibility, but with the advantages of effectively and economy of scale. In this setting the so called E-factory had to be automated due to international competition, which production was going into three shifts. The three shift-model was not possible during the 70's in Sweden due to a very strong union.

The system had to be able to transport products both horizontally and vertically and thereby free up floor space and optimise the manufacturing line layout. The solution they came up with was the multiflex chain. From this basis conveyor systems were developed into integrated production lines. One overriding principle was that the system should be flexible – it should be possible to install, modify and change on site using standard hand tools. And that is *one* of the reasons behind the choice of material for the products, i.e. aluminium and plastics.

However FlexLink could not develop and flourish under these premises that SKF lived under. Leif was given the responsibility for development project within SKF. He had long experience from SKF, and knew the internal procedure and politics very well. He took advantage of this knowledge - but he did not comply in a servile manner. Instead he often did the opposite, avoiding what he felt to be a rigid and suffocating structure. For reasons that relate to the trouble he ran into it became a principle to do the opposite of what SKF stood for or recommended. His personal strategy was to maintain his freedom of action inside the rigid organization of SKF, and that required an ability to navigate around obstacles and to take advantage of the “windows of opportunity” that were given. This was done by utilizing SKF's resources (knowledge and financial) and at the same time preserve ones autonomy.

It was natural to outsource construction, manufacturing, distribution, payment, and invoice. In those cases we could utilize internal resources we did use them (Logistics Manager, FlexLink, our translation)

Leif was at one time called to the trade union leader, who dictated the rules for production and employment at SKF. At this time the trade union was very dominant and a major force in the society. This was one of the reasons, together with the incident with the scale that was posed in the introduction, why the project leader decided to keep his business outside SKF at greatest possible extent.

An employment freeze was another fact at the same time in the SKF group. FlexLink consequently could not employ people then – but they could engage people as consultants in their business instead. A somewhat puzzling course of action, but yet sanctioned by SKF. This circumstance and action from FlexLink was, together with the

above anti-thesis of wanting to put everything on the expense account, the beginning of the emergent outsourcing strategy.

The incident with the trade union leader was another reason behind the choice of aluminium for the products. SKF had at that time little experience and competence in handling aluminium and the project could then motivate the use of external suppliers and at the same time avoid the influence of the union leader.

This did exclude SKF as manufacturer and a network of external contractors began to be built. (Logistics Manager FlexLink, our translation)

FlexLink chose aluminium as the material for the conveyors – not only for material properties, but also for economic reasons. The SKF group had a restriction that you were not allowed to increase the internal prices with more than 20 percent. Since SKF was their principal customer the profit was hereby limited. Steel was used in the group at that time, aluminium was not. FlexLink chose aluminium from external suppliers as the material for their conveyers because it was possible to have a higher margin on those materials, than the internally worked up material. This was a start of the establishment of an organisational network for FlexLink.

The synthesis of the interaction with the union leader, the weighting scale and the choice of material all added up to a distancing of FlexLink from the large SKF organization and lead to the opposite-strategy, i.e. to contradict all principles of SKF both in order not to be seen as well as the belief that SKF was doing the wrong thing, and thirdly (and maybe most important), it became a sport!

The SKF group offered an IT-system that handled accounting. Leif did not want to use that IT-system. They had found another IT-system from another supplier outside the group that better corresponded to their present business needs. In order to be able to choose the external IT-system Leif started a campaign together with an engaged consultant to convince the SKF group management team that the IT-system were the best for FlexLink. The task of the consultant was that for every page in SKF documents arguing for their system there was a counter movement of two pages of arguments against the system. After a while FlexLink were allowed to buy the external accounting IT-system, and this was one start of the strategy to avoid in-house development of IT-systems – an important part of their emergent outsourcing strategy and to focus on core competence.

According to Leif the logic that dominates in a group like SKF is closely tied to the accounting system – you do not exist if you are not present in the balance sheet. As an emerging unit FlexLink took advantage of this situation – they more or less “broke into” and occupied a factory building that was equal to zero in the accounting system, but physically in good shape and ready to use for business. The building was kept for the 75th anniversary, as it was the original building of SKF manufacturing. It was kept for sentimental reasons but not used for business, even though it was in good shape. FlexLink in this case counteracted the economic irrationale of SKF in order to find localities. The synthesis was that they gained localities virtually free of charge.

What had initially been an *ad hoc* strategy to avoid internal restrictions became in the course of time a personal policy for Leif whom even refers to the outsourcing strategy as “becoming a sport”. He had an idea that all the employees of the company should fit in to a bus, that was considered to be the optimal size. FlexLink identified itself in terms of contradiction to SKF. To justify or cover up this action was one reason behind the compilation of the credos the devices for the corporate culture. The credos were

formulated on request of SKF as a description of what their business was about, as the thesis. The credos were used as a means to an anti-thesis in communicate their goals and thoughts to SKF. As they were formulated, the synthesis was that SKF rested their case; FlexLink could perform “business-as-usual”. They also came to form a company policy that is still prevalent.

FlexLink’s company culture is based on Credo:

[...] the guideline in each individual's daily work. (URL: <http://www.flexlink.com>)

- We create customer value.
- We thrive on change.
- We build and operate networks.
- We value honesty, openness, teamwork and trust.
- We believe in individual initiative, drive and responsibility.

The examples above can be described in terms of dialectics. The distinct and rationalistic strategy of SKF aimed to be more rational than the Japanese in optimising the production. This would be the thesis. The corresponding anti-thesis of the former CEO (Leif) of FlexLink was to do the opposite of what SKF as an organization said or stood for. The synthesis of this would be the emerging FlexLink strategy of outsourcing, network organization based on trust and competence etc.

Emergence of an organization

What today seems as a prominent example of strategy of extreme outsourcing leading to an international expanding organization (FlexLink), has very much proved to be the unforeseen consequences of tactics of one actor, in the early days navigating to circumvent obstacles of internal politics in a large-scale enterprise (SKF). To gain freedom of action, Leif as the initiator and entrepreneur, invented loopholes to evade what was felt as suffocating stiff-legged policy. The choice of material for the products, information systems and ways of distribution had hidden reasons in internal political power struggles and personal conflicts, but was motivated and justified by management concept in fashion. In some way this process can be viewed as a liberation from the hand that feeds. The ways and standards of SKF were revolted against and the growth and development subsequently led to FlexLink being a substantial actor on its market, large enough to be the parent of others in the network it had created.

In other words: the communicated, “official”, image of the FlexLink company is one being a strategically outsourced company with a clear rational, pre-defined, strategy. There seems to exist a desire to uphold an image of the organization as developed from a congruent line of action. A reconstruction, however, shows that these rationalizations are made from contingent values. This gives us a concurrent “movie” of how critical incidents are rationalized and then affect the shaping of the organization as well as the momentous strategy (cf. Mintzberg 1995 reasoning about planned vs. emergent strategy).

The two story lines tell us different tales. In this way we can look at the problem from two temporal perspectives. The external (but somewhat ahistorical) communicated story of a successful company with an elaborated and aggressive strategy and the internal and more logical historical perspective relating to critical incidents and reactions to these. We have therefore found it necessary to have an understanding of the prerequisites in the early time of initiation to be able to understand how FlexLink did evolve in the shade of SKF. The emergence of the network organization also shows us a development

of a vocabulary suitable of contemporary affairs (e.g. manifested in the credos above). This adoption to contemporary affairs also implies a discussion with external interest as well as internal discussions as well as the management fashion. The vocabulary both affects and is affected by the stories told (e.g. Leif's historical escapades and actions) in an interactive creation of meaning. The planned strategy also has a role in this interplay in that it provides a vocabulary that is rationalising the creation of the stories.

When talking to the current CEO of FlexLink he several times mentioned that the content of the management strategy remains the same over time. However we identified that the contents evolve and partially change over time, due to sensemaking (Weick, 1995) of the market situation, financial status, suppliers actions etc; while the labels of the strategy are the same (e.g. focusing on core competence, extreme outsourcing etc.). Outsourcing is in management literature seen as a tool to enable concentration on core business and achieve increased flexibility, but a discursive approach by Yakhlef (1996) have also emphasised how IT outsourcing as linguistic practices can be seen as constitutive of organizational reality.

Schumpeter and dialectics of emergence

The theory that Schumpeter provides could be described as a dialectic interplay present in economic system between on one side the actor and his creative ideas and on the other side the structures, much like the one posed by SKF and lived by FlexLink, that make entrepreneurship possible.

Entrepreneurship does not only have to apply inventions, it is also to find new combinations of earlier conditions.

Development in our sense is then defined by the carrying out of new combinations. This concept covers the following five cases: (1) The introduction of new good – that is one with which consumers are not familiar- of a new quality of a good. (2) The introduction of a new method of production [...] (3) The opening of a new market [...] (4) The conquest of a new source of supply of raw materials or half-manufactured goods, again irrespectively of whether this source already exists or whether it has first to be created. (5) The carrying out of the new organization of any industry, [...] (Schumpeter, 1934, p. 66)

The development of FlexLink does fit in to the entrepreneurial action that Schumpeter describes in combining existing structure in new ways and by that creates a new organization. The entrepreneur utilizes available structures to create new combinations and that is exactly what Leif did when he utilized the structure of SKF to create what later became FlexLink. The SKF structure was in many ways an obstruction to the way he wanted FlexLink to work. He then had to work contradictory to be able to construct the new organization. In many ways it was a creative destruction. It resembles the way Schumpeter did describe the entrepreneurship, a dialectic process where you apply a creative destruction to form something new. In the case of FlexLink we have seen how the initiator is an entrepreneur or perhaps a better name would be to call him an intrapreneur, in doing the opposite to the surrounding corporate policy. A new successful business did emerge not as a rational development from a previous established plan or invention. It did partly evolve from the ambition to act differently. This is a parallel to the entrepreneur of Schumpeter who is not always a rational actor. This attitude gradually became a sport, as mentioned earlier. If SKF maintained one way of doing things Leif intended to do it the opposite way. This has in many ways formed the organization we can perceive today.

When FlexLink did leave the context of SKF, an era of entrepreneurship did come to an end. This was emphasized e.g. by the change of CEO. Schumpeter distinguishes between managers and the special type of individual that he finds the entrepreneur to be.

Therefore, too, the carrying out new combinations is a special function, and the privilege of a type of people who are much less numerous than all those who have the "objective" possibility of doing it. Therefore, finally, entrepreneurs are a special type, and their behaviour a special problem, the motive power of a great number of significant phenomena. Hence, our position may be characterised by three corresponding pairs of opposites. First by the opposition of two real processes: the circular flow or the tendency towards equilibrium on the one hand, a change in the channels of economic routine or a spontaneous change in the economic data arising from within the system on the other. Secondly, by the opposition of two theoretical apparatuses: statics and dynamics. Thirdly, by the opposition of two types of conduct, which, following reality, we can picture as two types of individuals: mere managers and entrepreneurs. (Schumpeter, 1934, p. 81)

Both Leif and Fredrik testify that they have completely different personalities. This could be a token of what Schumpeter sees as the difference between the entrepreneur and the manager. Leif's behaviour turned out to be successful at one stage of the development; now the conditions are different and Fredrik has to handle other types of challenges. Is it possible to survive by managing the established business or is there a need for a new era of entrepreneurship? We have indications that lately there is an era of managing resources rather than breaking new ground.

In contrast to research focusing on the entrepreneur and his/her traits from a psychological dimension Gartner (1989, 1992) claims that research should look into how the new ventures come in to being. Research on venturing processes has focused on the single individual as an entrepreneur. But when the network metaphor indicates joint and mutual effort, must it not be so even in the establishing process. We have seen that the construction is a retrospective and an ongoing social interaction with others (Weick, 1995). "The motivation of the entrepreneurs, themselves, change during the process" (Gartner et. al. 1992, p. 25). So the entrepreneur does not have to be the same individual all the time. In attempting to understand the construction of a network it is maybe better to viewed "entrepreneurship as a collective phenomenon". Even though the emergence of FlexLink is also an example of how a single individual, the entrepreneur Leif, influenced the development over a long period of time.

The successful outcome of FlexLink has become rationalized to a strategy. We have seen how the strategy was an unintended outcome of different *ad hoc* actions in a dynamic process, an emergent strategy (Mintzberg 1995). The emerged strategies turned out to be so successful that the *ad hoc* strategies became elevated to business concepts and institutionalised into the organization. The rapid growth into a global network organization has given the company independence from the big enterprise (SKF), and the previous impediment that motivated the now institutionalised tactics have ceased to appear.

To be able to change and learn organizations has to "unlearn" (Hedberg 1981). The institutionalised strategies, closely connected with the perceived identity, have sometimes in itself proved to create a hindrance to adjustment necessary to meet new conditions, both intra-organizational and due to external prerequisites. The use of aluminium as material in conveyers is a one clear example; The initial rationale for the use of aluminum is no longer relevant but to exclusively use that material has been so completely internalized that it has become very hard to change, even when the advantage is apparent.

This situation can be even more evident with the new CEO (Fredrik), the loss of SKF as a major and leading customer, SKF as a minor owner (10 percent), and the new owners (EQT Scandinavia 1, with 90 percent). This has been elevated to an expressed strategy that now said to be maintained. In interviews Fredrik express that he is conscious of the need of entrepreneurship in the organization at the same time there is an ongoing consolidation and formalization of the organization along with the increasing size. Now FlexLink have 550 persons employed (Annual report, 2001), which require a very big bus if you intend to follow the initial ambition of Leif.

Every entrepreneurial venture runs the risk of becoming stagnant. This is harboured in the capitalistic system due to tendency towards bureaucracy, according to Schumpeter, a thought that resembles Weber's prediction of the rational process of effectiveness in organizations. This risk could now be evident in FlexLink in spite of the success story or because of the successful development. It all worked out well when FlexLink was a small enterprise and acted in opposition to SKF's company structure. After FlexLink became independent it is no longer an evident opposite pole – it now could be said to have taken the role of a thesis but with no clear view of an anti-thesis. In interviews it has been disclosed that FlexLink miss an opposite pole to act against, and they long for leading customers comparable to the role SKF had before.

The dialectic interplay we have presented so far has been quite distinct in our stories of emergence. However as the FlexLink network has grown, the stories become subtler. The interplay between thesis and anti-thesis does here become somewhat difficult to apply, and therefore we find it hard, or even forced, to identify clear incidents that can be sorted into the dialectic like of thinking. The clear moves from thesis to anti-thesis become more blurred, both as a consequence of the size of the network as well as a different and more streamlined management of the FlexLink network. This implies a more developed model for understanding change and emergence.

Stagnation or creative destruction?

We could discuss FlexLink in terms of stagnation or creative destruction. How the future outcome for FlexLink will be is not possible to say, we cannot claim to be able to predict a dialectical process - only history will tell. Schumpeter did persistently argue for the historical method to understand the economy. We should not estimate economic development only as emanating from a single point in time. In Schumpeter's words: practically all economic fluctuations are individual phenomena and can only be explained by a meticulous historical analysis of the innumerable factors that influence every single case.

According to Schumpeter capitalism does, in its extension involve a rationalization that could lead to stagnation. Enterprises that do grow from entrepreneurial initiatives run the risk of eventually becoming hierarchical and bureaucratized. By that token an enterprise could undermine itself.

Over the years the size of FlexLink has increased. With growth comes a tendency to establish more of a hierarchical structure. During the time when Leif was the obvious entrepreneur in the emergence of FlexLink, the business itself was rather small, flexible and an extremely outsourced organization. FlexLink, under the management of Fredrik, produces a growing internal overhead, a more explicit organizational structure (standard operating procedures ISO quality systems etc.), with a change in the ratio between own employees and number of consultants (less outsourced). The use of a centralized ERP-system in order to standardize organizational processes is another example of this

hierarchical ambition. In the business relations with different suppliers, they have also appointed specific partners as system suppliers with the responsibility to organize other suppliers in the network, which creates hierarchic levels in the network. But these tendencies towards a more traditional hierarchy, both inside Flex Link's legal boundaries and in the network, is not recognised by the significant actors at FlexLink. They maintain that they have the same network and outsourcing principle even when the number of employed does increase. Could we in this draw a parallel to the risk of stagnation that Schumpeter warned us of, i.e. when an enterprise and network becomes more hierarchic and bureaucratic?

If FlexLink becomes stagnant they could run the risk of being outmanoeuvred by a competitor that has established a new combination of resources. Evidence of Schumpeter's arguments can be detected in, for example, the CEO's increased detachment from the daily operative work. Another indication of a changing order was a breakdown in the business relation with their logistic company, that caused substantial damage in increased cost and diminished trust. In a major re-organization of the warehouse, the logistic system failed with severe delays in delivery times to customers as a consequence. A subsequent evaluation showed that one reason why FlexLink didn't anticipate the problem was a break in the personal (network) relations due to a reorganization where people were given new task without consideration of established personal relations.

An ambiguity in the policy is apparent in the earlier emphasize on trust in the network relations supplemented with contradictory statement like the following:

FlexLink controls the production by owning some critical manufacturing tools. So if one supplier could not deliver the right quality, we can move our tools to someone else instead. (CEO, FlexLink, our translation)

The theory of creative destruction asserts that the force comes from within the established structure that is utilized to create new combinations simultaneously as the old is destructed. Following the notion of Schumpeter the entrepreneurial momentum has to come from a continuous change in the economy, either from the inside i.e. some kind of recombination inside the enterprise that simultaneously destroys present routines or from some creation of change external to FlexLink.

Whether the change is internal or external, the present would be replaced by a new creative combination. If the change comes from inside, an entrepreneur or intrapreneur has to challenge the established FlexLink and make new combinations.

Concluding discussion

We have argued that Flex Link's emergence can be described as a dialectic interplay originally with SKF. Now when FlexLink has become a large and self-contained organization we can identify how values in the organization are changing.

However the statement, about the flexibility in choice of contractors above (that statement is even pronounced in an interview with the latter CEO in the press) is not quite the practice. FlexLink has changed one contractor once and it took about six months before they were up to speed with deliveries and quality required. This also poses an interesting interplay with contractors where FlexLink takes the role of the big company, and the contractors do it the way they find the best (within certain limits) - sometimes regardless of their main customer's specifications.

In studying FlexLink and its characteristics of emergence, we have found that several parts correspond with basic theory of Schumpeter and in the duality of structure in Giddens. Our case is an example of how this emergence can appear. The dialogue with basic theory however shows that reasoning and the rationale in entrepreneurship travelling towards more stable structures in a dialectic emergence. Our analysis using Schumpeter shows that FlexLink as developed into a more stable, regulated, business, with no clear and obvious dialectic partner (the role that SKF used to have).

One perspective could be that FlexLink is the thesis and the actions taken by the contractors are anti-thesis. Synthesis in this context is the development of contractors and development of FlexLink's products. We also identify signs of support for Schumpeter's theories of stagnation as a result of entrepreneurial development into capitalistic management, with hierarchy and bureaucracy, can lead to stagnation of the company. Subsequently FlexLink does not have clear thesis to work "against". As announced by FlexLink members themselves they no longer have a leading customer that "keeps them on their toes". We do even identify signs that FlexLink have not realized that they are in a turning point - they are in fact a leading supplier and therefore also a leading customer for their subcontractors. The follower has been the followed in a turn of secondary dialectics. This secondary dialectics can be another line of thinking that could give us an increased understanding of the dynamics of emerging networks.

The creative destruction in this phase is the rise of a few contractors to take leading roles in relation to the other contractors. The latter contractors, in relation to FlexLink, are degraded to secondary contractors. We identify two primary contractors so far in the late development of FlexLink.

Emergence has a clear temporal perspective where dialectics between contradictions lead to synthesis. The process of emergence therefore has to be understood in the light of emergence over time. Our lines of thinking propose an understanding of the change process and the emergence of a network organization, with enabling and constraining factors.

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