

The Establishment, Evolution and Performance of A Food SME Network – The Case of Saveur des Pyrénées¹

Mr. Seamus O'REILLY* and Prof. Michael HAINES**

*Department of Food Business & Development, University College, Cork, Ireland
(s.oreilly@ucc.ie)

** The Welsh Institute of Rural Studies, University of Wales, Llanbadarn Fawr
Aberystwyth, Ceredigion, SY23 3AL, Wales

Abstract

This study investigated the establishment, evolution and performance of a network of predominantly small and medium sized speciality food firms (SMEs). A network is defined according to three identifiable dimensions - purpose, dependence and membership criteria. Two key drivers emerge from an analysis of network antecedents, the first is a propensity among speciality food enterprises to network in order to build on common strengths and the second is the role of a development agency. However, both are closely related since the development agency influenced enterprise propensity to network. These drivers have supported quite a high level of interaction within the network with most members involved in significant bilateral contacts due to network activity. Indeed many enterprises hoped to benefit from interaction with other enterprises when joining the network. Notwithstanding different enterprise size, products and ownership status members expressed the view that they had common goals and interests. Enterprise strategy and motivation were of most influence on 'member compatibility' and the level of enterprise preparation for membership of Saveur des Pyrénées was very important in ensuring member compatibility. This ultimately led to a tightly knit group of enterprises that rely heavily on interaction and strong working relationships – hence the 'family' metaphor provides a good descriptor of this network structure and process. The case study findings support the overall proposition that SME networks create and co-ordinate specific transaction and transformation activity chains.

Background

The 'industrialisation' of agri-food systems has inevitably led to large scale organisations dominating most if not all stages of the supply chain. Much of this development was driven by technical advances resulting in improved productivity and ever increasing levels of output. This development in post WWII Western Europe is well documented (CEC, 1991; Harvey, 1997; Keane and Lucey, 1997; Errington, *et al*, 1996). Since the mid-1980s numerous factors have combined to challenge the EU "productivist" model, such as the overproduction of many agricultural products, growing CAP budget deficit, declining farm incomes, concerns for animal welfare, environmental and food quality issues. Over the past two decades, trends in 'Developed Market Economies' have increasingly valued quality over quantity (e.g. by introducing production quotas and initiatives to increase food safety and quality).

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This movement has been categorised as the "post-productivist transition" and is characterised by a reduction in food output, a dedication to increasing quality, the progressive withdrawal of agricultural subsidies, the production of internationally competitive foods, increasing environmental regulation of agriculture and the creation of a more sustainable agricultural system (Ilbery and Kneafsey, 1998:329). Marketers, among others, have classified this era as 'post-modern'. These markets are characterised by variety seeking behaviour as consumers seek diversity, plurality, uniqueness and reject generalisations, absolute truths and the notion of universal behaviour (Brown 1993; Firat and Venkatesh, 1995). Thus, market segments are increasingly fragmenting as consumers seek 'individual' treatment. This presents an opportunity for speciality food producers because high value-added foods represent consumers' desires to differentiate themselves from others (McCarthy, *et al*, 2000; Wilson and Fearn, 1999; Tregear, *et al* 1998).

An OECD study (1995) identified a number of factors that influence the success of small rural enterprises that target niche markets. While numerous factors have influenced the development of the speciality food sector, two main factors emerge – market access and product differentiation. Both are as a result of the small scale of operation. While small scale can inhibit access to markets (especially outside their locality) it also enhances product differentiation, since consumers associate speciality product characteristics ('quality not quantity', exclusive/uniqueness, naturalness/known origin) with small scale. One approach to address both factors has been to collectively work together within an identifiable region and on this basis try to develop a competitive advantage. This study set out to identify and investigate the reasons why small speciality food enterprises establish/join networks, the process by which these networks operate and how they perform.

Networks and Conceptual Framework

Thompson *et al* (1991) claim that 'contemporary conditions' have influenced both 'internal reorganisation' of the firm on one hand and re-emphasised external networks on the other hand. These conditions include the pace of technological advance, demand and market characteristics and the break-up of traditional public regulatory mechanisms. These changes have been of considerable interest to 'network' researchers, for example, 'deconstructed' firms that focus on a key competency and area of operation (e.g. manufacturing, design, research & development) and hence rely on co-ordinated relationships with other firms (Verity, 1992). A similar approach has been dubbed 'value-adding partnerships' whereby firms specialise at one function along the value-added chain, this also necessitates close co-ordination among firms. This approach has been suggested as a viable competitive strategy for SMEs (Johnston and Lawrence, 1991) and in agri-food chains (Wierenga, 1996). The role of institutional arrangements such as inter-professional bodies in agri-food chains has been highlighted by a number of researchers (Sauvé and Zuurbier, 1998; Barjolle *et al*, 2000), such researchers have considered the use of resource-based theories in the study of value chains that are embedded in specific market situations. A number of researchers have adopted the resource-based approach to investigate small firm participation in networks (Ostgaard and Birley, 1994; Sandberg and Logan (1997). These studies concluded that strict reliance on theories of economic exchange inadequately explain the processes by which resources are marshalled, since this is also a social endeavour – especially in the earlier stages of development. Similarly there have been numerous studies of so-called industrial districts or SME clusters that have sought to develop competitive advantage on the basis of collective resources and expertise. These studies have highlighted the role of trust and reciprocity, balance between conflict and participation, and the role of local institutions (Pyke, 1992; Kristensen, 1992; Brusco, 1996; Enright, 1998).

The Interaction Approach (Ford, 1990; Ford *et al*, 1998) has made a major contribution to the study of inter-firm networking, especially dyadic relationships. This approach, which draws on both inter-organisational theory and new institutional economic theory, investigates the dynamic relationships between actors, resources and activities (Håkansson and Snehota, 1995). Activities are performed by actors and these in turn influence how resources are allocated – i.e. how resources are combined, developed, exchanged or created by the use of other resources. Håkansson (1987) identifies two categories of activities – *transformation and transaction*. Transformation activities are carried out within the control of an actor, and are characterised by one resource being improved through the use of other resources. Transaction activities link transformation activities, forming chains of activities and creating relationships with other actors. Håkansson and Snehota (1995) argued that an understanding of relationships between network member firms was fundamental to an understanding of the network process. They identified two key characteristics of business relationships – structural characteristics and process characteristics. The main structural characteristics are continuity, complexity, symmetry and informality. The process characteristics identified were adaptations, co-operation and conflict, social integration and ‘routinization’. These structural and process characteristics reflect those factors forwarded by industrial district/SME network researchers.

Foss (1999) finds that there has been a long tradition which has not viewed competitive advantage at either the micro or the macro level, rather the meso level has proved a useful level of analysis; for example clusters (Porter, 1990), ‘technology districts’ (Stroper, 1992), ‘industrial districts’ (Pyke and Sengenberger, 1992) and specifically for PDO¹ food products (Chappuis and Sans, 2000). Foss linked the Interaction Approach (IA) with the resource-based perspective, thus blending sociological exchange theory with more standard economics. He has influenced the theoretical framework adopted for this study, since it draws on both industrial district/SME network and the Interaction Approach literatures. For the purposes of this study, three propositions were put forward to investigate SME network establishment, process and performance in a food supply chain.

Study Propositions

1. Food SME networks respond to resource related conditions (e.g. create economies of scale and address market uncertainty).
2. Internal and external factors influence network and supply chain structure and process (e.g. member domain similarity, frequency and type of interaction, and socio-economic and institutional context).
3. Food SME networks create and co-ordinate transaction-transformation chains (e.g. co-ordination mechanisms, synergies and credibility).

A network is defined according to three dimensions - purpose, dependence and membership criteria (Human and Provan, 1997). Firstly, networks provide for direct business activities between multiple members, secondly, networks promote reciprocal interactions, usually co-ordinated by a network level co-ordinator or administrative organization and thirdly, networks usually emphasis geographically proximate core competencies (Human and Provan, 1997). Much of the research to date has focused on networks established to promote transactions of physical goods along the supply chain, which in turn may promote transformation type activities. Many of the SME networks operating in the food sector pursue activities designed to transfer services such as expertise, information and other ‘soft’ supports, and promote

strong horizontal co-operation at the production/processing stage(s) of the food chain. Some networks are also involved in transactions of physical goods between members horizontally and/or vertically along the chain. Therefore, while this case study focuses on a specific group of enterprises at one stage of a food supply chain (food processors), it also considers these supply linkages along the chain. This case study is set in the Pyrénées and thus covers both French and Spanish regions.

Research Design and Methodology

The main objective of this research was to gain a better understanding of the ‘networking process’ between small and medium sized speciality food enterprises. A case study methodology was adopted. This method is designed to identify and gather both qualitative and quantitative data and is particularly well suited to network analysis, since boundary specification must be clearly defined when using the case study method (Yin, 1994). This research adopted a two-stage approach. The aim of the first stage was to build a profile of the case study based on a review of available secondary data and feedback from informed respondents. The main fieldwork and analysis was carried out during the second stage, three sources of information were used – depth interviews, member survey and documents. Case study profile data informed both structural (meso level and the extent of population including depth interviewees) and historical (bounded by events associated with the establishment and development of the network) boundaries. The case study profile also furthered the selection of themes, particularly with regard to depth interviews. This research followed an ‘embedded case study design’, since a survey of network members collected detailed qualitative and quantitative data (Yin, 1994). The qualitative data analysis package N-Vivo was used to enhance data management, control for researcher bias and to create hierarchical structured coding schemes (Huberman and Miles, 1994). A range of tactics was used to support conclusion drawing and verification, including comparison/contrast, noting patterns and themes, and confirmatory tactics - triangulation and returning drafts to depth interview respondents for review and comment. The intention was to interview all members, however two members were unable to meet the researcher, so 15 out of 17 members were interviewed.

Case Study - Saveur des Pyrénées

This case study is set in the Pyrénées. Since the initial development work was supported by the Commission for the Development of the Pyrénées (‘Commissariat l’Aménagement des Pyrénées’) network membership was restricted to French regions during the initial development phases, however since the early 1990s the initiative has benefited from trans-national EU funding and includes members from three Spanish regions - Navarre, Aragon and Catalonia.

Network Establishment and Evolution

The “Association pour la Promotion des Produits Fermiers et Artisanaux des Pyrénées” (PFAP- the association for the promotion of farm and artisan products from the Pyrénées) was established by Mission Agro-Alimentaire des Pyrénées (MAAP) in 1984ⁱⁱ. At the time of fieldwork (Summer/Autumn 2000) the network had 17 food enterprise members and associated membership consisting of regional development agencies. The objective of the network was to provide a product promotion and sales service to food enterprise members, especially in markets outside the Pyrénées. However, at a more fundamental level the network aimed to assist in the development of small food enterprises across the Pyrenean mountain range.

Three main phases of network evolution were identified – establishment, commercial development and independence from MAAP. During the first phase a regional development agency (MAAP) played a key role in the development of a number of small food enterprises. The development agent who established MAAP instilled the idea of collective activity among these enterprises and promoted the concept of a regional image.

MAAP was established in 1982 and funded by the ‘Commissariat l’Aménagement des Pyrénées’ (Commission for the development of the Pyrénées), the latter was established in 1975 when the French state introduced a specific policy for mountain areas which resulted in the elaboration of different development schemes for each massif or mountain range (MAAP 1986:1; DPS 1993:14). In general there were two types of schemes one for individual valleys and one for the entire mountain range, MAAP funding came under the second type and represented an ambitious approach given the changing topography and cultural traditions along the Pyrenean mountain range. MAAP was founded to support economic development in the Pyrenean mountains (agriculture and small/medium size food enterprises) and aims to organise producers and manufacturers to add value to food products. MAAP defines its working framework along to three dimensions – economic development; expertise to address management problems common to small enterprises; and commercial collaboration, including between French and Spanish enterprises along the Pyrénées. This emphasis on organisation and collective action has influenced the operation of MAAP, for example the MAAP Quality Control Manual, which was still in preparation when field research was conducted, identifies three levels of action – the enterprise, the network of French food enterprises and the trans-national level. On the basis of his experience working with a number of new or fledgling enterprises/co-operatives, the MAAP development agent identified the need for a collective promotional association. Thus in 1984 eight enterprises established the PFAP network, with assistance of MAAP and the support of institutional funding partners. The aim of the network during this phase was to collectively promote their food products. After about three years the network expanded its operations to include a ‘sales function’. This heralded the beginning of the second phase – ‘commercial function’.

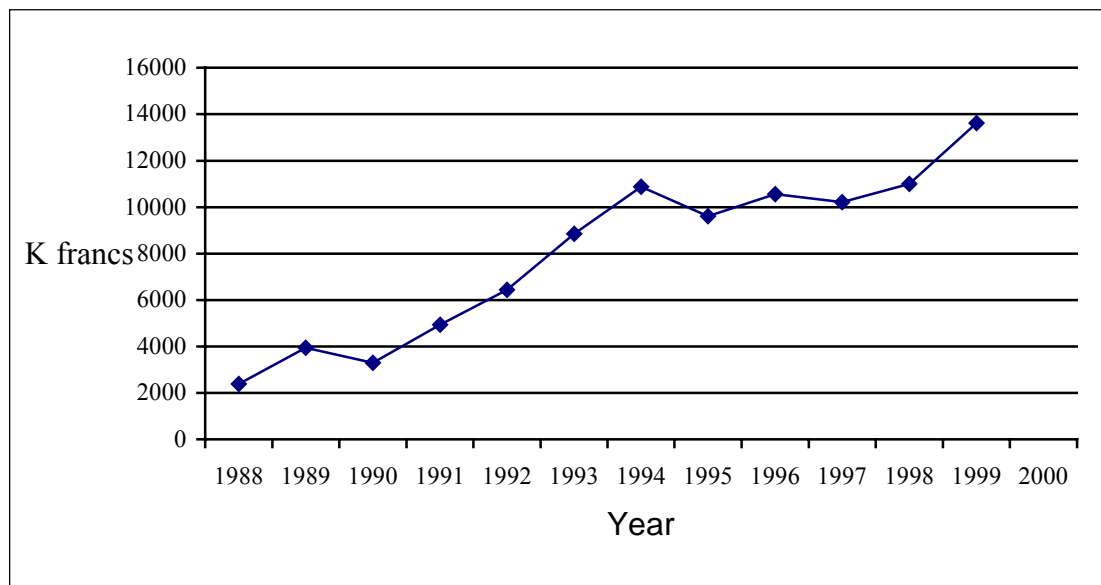
The dual function, collective promotion and sales, changed the operation of the PFAP network and began a movement away from a heavy reliance on public funding to an increasingly commercial and self-financing organisation, based on a sales commission. This change opened a debate among members and resulted in a number eventually leaving the organisation, since this commercial role represented a departure from the original strategic objective - collective promotion. The addition of the sales function impacted more on the internal management of the member enterprise. The current network manager highlighted the influence of each individual firm’s strategy on his network management task: “*Each enterprise has its own economic and commercial strategy but Saveur de Pyrénées is one association with 17 different strategies, it’s the difficulty, but it can be managed*” (R1). The conflict between internal decision-making and decision-making at the level of the network resulted in a number of enterprises leaving the network during phase two.

The introduction of a new logo and name – Saveur des Pyrénées (or taste of the Pyrénées) – was a significant development during this period. The MAAP 1991 annual report presented the new logo and also published the statutes of the organisation and the list of members. The role of PFAP was presented as “*a springboard for local companies to avail themselves of modern, professional promotion based on the Pyrenean theme and sales in France and abroad*” (MAAP 1992:14-15). The report stressed the potential of the network for small companies and the commercial opportunities to which it could provide access. The MAAP

report outlined four key activities – investment in human resources, marketing, information (analysis of sales data) and sales or market development.

The development of the new logo and increasing reference to the network during the 1990s as ‘Saveur des Pyrénées’ suggests a well established organisation, with its own statutes, image and track record – to use a family life-cycle metaphor ‘the child was out-growing the proud parent’. This independence was also evident in the network’s own annual reports, which in the 1990s provided much more detailed information than previous reports. The 1991 annual report presented the new logo and name “Saveur des Pyrénées’ and launched numerous product promotional leaflets (called technical fiche) according to a common design prominently displaying the new name and logo. The 1992 report highlighted the network’s achievements and outlined ambitious future objectives, including a decreased dependence on public funding/increased self-financing and increased independent from MAAP. Further to this the report states that in 1992 “*new promotional tools were put in place to accompany [further] the sales objective*” (PFAP 1993:1). PFAP became increasingly focused on the ‘commercial’ or sales objective during the 1990s; figure 1 illustrates the remarkable growth in sales. From this point onwards the network was commonly referred to as ‘Saveur des Pyrénées’.

Figure 1. Network Sales (1988 to 1999)



An analysis of references in the annual reports to specific services to individual members provides an insight into the intensity and complexity of network interaction with each member: former, present and prospective. Services such as product or enterprise development and the preparation of promotional materials were often providedⁱⁱⁱ⁾ These services were additional to the collective promotion and sales work, for example the ‘standard’ promotional leaflet or technical sheet, referred to above, was produced for every member^{iv)}. Network members can be classified as follows- founding/early members (n=8), former founding/early members (n=7), recent members (n=9), recent members who have left (n=6) and candidates/prospective members (n=2). Founding/early members are those members listed in the MAAP 1991 annual report. In addition to interviews with the network manager and the development agent, interviews were held with both former and prospective members. Three former members were interviewed and two prospective members were interviewed^{v)}. The former members include a representative from each phase of network evolution.

A number of aspects of network activity are of interest. Firstly, network evolution with regard to membership and secondly the type and level of services provided. Operation procedures and institutional links are also of interest.

The high level of interaction of network staff with most of the members is consistent with an active membership. The former founding/early members had not been as interactive with network staff receiving little or no direct assistance. Their departure marked a transitional period, from collective promotion to sales and collective promotion, and highlights individual enterprise autonomy. In addition, this trend also highlights the impact of enterprise growth and capability. When some enterprises increased turnover to a level that could sustain their own sales service they left the network. A more strategic approach to member recruitment seems to have evolved in response to this situation, this included intensive interaction between the network manager and the enterprise (designed to identify areas of improvement/development – often in association with MAAP) and a 2-year membership ‘trial period’.

This recruitment strategy has born fruit over time, while the early 1990s were marked by the exit of 9 members and the recruitment of only one ‘current member’ (SM9), since the mid-90s this programme attracted enterprises that were more interested in building long-term business relationships within the network. Therefore, during the early 1990s, in addition to the exit of a number of founding/early members, newer recruits often lacked commitment to the network, however the use of a ‘trial period’ and provision of ‘enterprise development services’ has attracted a strong cohort of ‘recent members.’ Since 1995 nine enterprises have joined the network, seven of these had begun the ‘membership process’ by 1996 indicating a particularly intensive period of recruitment. The evolution of network membership suggests a strategic approach to network development that explicitly seeks to identify enterprises compatible with network objectives, operation and culture. Therefore, while from an organisational perspective (e.g. management, staffing, office facilities, etc.) the network became more independent of MAAP, the linkages with MAAP remained of fundamental importance to this ‘enterprise development approach’.

The selection and ‘development’ of members seems to be the most important mechanism to ensure member compatibility and the development of a common network culture. However, the articles of association specifically provide for member resignation or expulsion^{vi}, thus specific operational mechanisms are specified, in particular with regard to membership eligibility. Yet, it appears that these powers are seldom invoked and network operation and management is primarily based on the relationships developed within the network. This brief review of network evolution, primarily based on documentary and depth interview data, supports the notion of an interactive network fundamentally dependent on the type of members recruited and the development of these members to create a basis for collective action and governance. These findings are considered together with an analysis of member interview data below. This provides a more detailed analysis of the research propositions forwarded.

Reasons for establishing/joining the network

Network members were first asked an open-ended question as to why they joined Saveur des Pyrénées and how they learned about the network. All members, with one exception, indicated that MAAP introduced them to the network. Following this discussion the respondent was presented with a list of twenty possible reasons for joining the network and

asked to indicate (on a scale of 1 to 7, where 1 = very importance and 7 = very unimportant) the importance of each to their decision to join the network. These reasons related to market access, enterprise capacity and institutional factors. The unprompted responses indicated that a number of factors influenced the decision to join the network, such as: ‘sales problems’, other local enterprises ‘were not professional’ and therefore not good partners, an interest in solving problems ‘together’ and ‘small companies have similar problems’.

All members identified the objective of increased sales as the main reason for their joining the network and most specifically referred to problems in this regard: *“Because in 1987 his [MAAP/Saveur manager] aim was to sell the small company’s products in the big supermarkets. This was a very new idea. For us it was very good, because we needed to sell in these supermarkets but we had problems”* (M11). This propensity to work together is also evident from the responses of other members, for example member five recalled why they became involved with MAAP in founding the network: *“Because the Pyrénées, on the French side, could have a very good product range that could be sold together. We thought it was a good opportunity to join together several products from the Pyrénées on the French side, but today we have some products from the Spanish side too”* (M5). A more recent member (1990s) reiterated this view, emphasising the Saveur ‘culture’: *“I was very interested in the framework of Saveur because it is focused very much to small companies, it was in fact very close to my thinking, to what I hoped to do and people inside Saveur had a similar view and ethic”* (M9).

Three ‘preliminary’ themes were identified from this initial analysis – development orientated, commercial orientation, and atmosphere/culture. The following simple matrix (table I) illustrates the interaction of these themes and reasons for joining the network.

Table I. Reasons for joining the network– unprompted responses

	Development Orientated	Commercial Orientation	Atmosphere /Culture
MAAP	x		x
Sales Problems		x	
Professionalism		x	
Small companies			x
Together			x

Two issues are of particular interest, one the propensity to work together and second the relationship with MAAP. The propensity to work with other food companies emerged as an important common factor across the membership, for example during a discussion about competitiveness and the most important aspects of the network’s role member 10 stated: *“It’s a social weapon, it’s more than an economic arm. The social factor is a really important, and knowledge and contacts”* (M10). While discussing the role of Saveur member 8 stated: *“For example when you are a small firm it is very difficult compared with the big firm. For example, the big firm has a sales department, a law department, they have everything. A small firm cannot have all of these, so we put together an association in order to have the necessary help, commercial surveys and marketing surveys”* (M8).

Responses to the list of twenty possible reasons for joining the network supported these unprompted responses. All members joined the network in order to access new markets and the vast majority hoped to gain better access to market information. The most important factors that were related to SME capacity also supported marketing activity, for example all respondents hoped that network membership would improve product promotion and the vast majority hoped that it would increase consumer demand for speciality food products, furthermore these activities all promote a collective image/brand name.

The link between market access and enterprise capacity was most apparent, for example: “*On my own I can’t afford to have salespeople in Paris and everywhere else, but with Saveur des Pyrenees it is possible for me to have salespeople everywhere and that’s important for me. It was probably the most important reason why I joined [the network]*” (SM13). Other ‘enterprise related’ issues, for example training, product development, product differentiation and quality control were deemed to be of less importance, since these were dealt with by MAAP. Most members also identified with the statement ‘help my enterprise become more competitive’: “*A lot of small companies that have good products don’t have enough professionalism in order to enter the market. So, the work of Saveur at this time allows them to remain competitive*” (SM3)

These factors provide an interesting insight into the reasons why these enterprises joined the network and largely support the proposition that market access and enterprise capacity (scale) issues influenced the decision to join, as did market uncertainty but to a lesser extent. They also point to the importance of inter-firm relationships and the impact of the propensity to work together on the network ‘atmosphere or culture’.

The Networking Process

The ‘selection’ of likeminded enterprises has been crucial to the evolution of the Saveur des Pyrénées network and in particular the forms of governance employed. The members have influenced the evolution of the organisation, its structure and decision-making processes. However, as indicated above, these enterprises are embedded within a broader institutional environment and this in turn has influenced their behaviour and the network structure. The influence of three specific characteristics are explored below, firstly the degree of member similarity, secondly the intensity and complexity of interaction and thirdly environmental embeddedness.

Member Similarity

The discussion above highlights a number of similarities among network members, particularly their approach to business. Member response to the statement ‘I have common goals and interests compared to other members’ confirms this, only one respondent (SM6) disagreed, while the others agreed. The respondent who disagreed joined the network during the 1990s with the sole objective to increase sales. Yet there are many differences across the membership, for example ownership status, turnover and products – a simple member typology is presented later in this sub-section. Thus the commonalities shared require constant re-enforcement and it is likely that this will become increasingly difficult as the network becomes more and more focused on commercial objectives. Yet the regular contact between members and with the network office is an important means of building strong relationships and minimising psychological and physical/geographic distance.

Frequency and Type of interaction

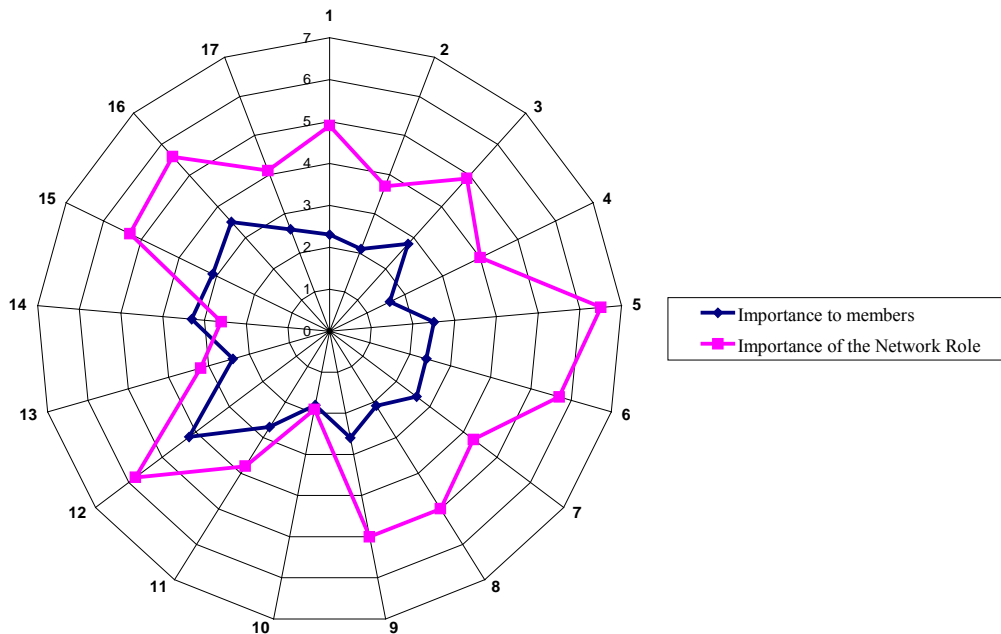
Contact between members and with the network office is a useful indicator of network activity. All members interviewed reported regular contact with the network office, some of them indicated that they were in contact with the network office a number of times per week. The main modes of contact were phone and fax. However, bilateral interaction between members emerged as a central network characteristic. The main reasons for this bilateral interaction were trade and exchange of ideas and expertise.

A more detailed investigation of the type and importance of interaction with network staff sheds more light on the networking process and is a useful indicator of network contribution to enterprise competitiveness - i.e. its role and member dependence on it. Respondents were first asked to identify the most important factor influencing enterprise competitiveness, they were then asked to identify the most important network activity influencing network competitiveness. Most members identified 'quality' as the most important factor influencing enterprise competitiveness, those who didn't identified PDO (Protected Denomination of Origin) product (SM6) and 'product differentiation' (SM12). Two themes, quality and professionalism, summarise responses to the open-ended question: 'What is the most important aspect of the activities of Saveur des Pyrénées in terms of competitiveness'? For example: *"Good in business – good [product] presentation for example this one [respondent points to a packaged product]"* (SM1) and *"quality – it is important for small firms and since the prices they charge in the market are higher"* (SM13). These themes were in turn primarily linked to promotion and market access or development, for example: *"The most important aspect, for Saveur des Pyrénées is access to the export market. For this they have very good sales people"* (SM8); *"The fact that they present our products at international fairs and the professionalism of Saveur staff"* (SM9); and *"The activity of Saveur is on the commercial level, they are the trump card. The strongest point for Saveur is the professional aspect [as viewed] from the outside"* (SM4). SM4 highlighted the role of both the staff and membership of the network: *"Then you also have the quality of the salespeople and they get information and they work well. And then also the way the members appreciate each other and they like to make the network work and the pleasure you get from meeting the others and discuss how they manage their business. You don't feel alone because you know people who experience the same kind of problems that you have and you can speak about it"* (SM4).

Other factors were also referred to, such as information – *"Thanks to Saveur we know how competitive our price is and have market information and information on competitors. So we know how competitive we are."* (SM2) and product range: *"All home made products and the quality of the products and the fact that this is a very strong point of many small enterprises. Quality."* (SM13) and *"The complementarity of the range of products and the seriousness and the professionalism of the commercial team ... Without Saveur we would never have been able to do their job [sales and marketing]. My job and their job are very different. I don't want to make it my job"* (SM3).

Respondents were then presented with a list of 15 'possible success factors' (Jenkins, *et al*, 1998) and were asked to indicate the importance of each to the competitiveness of their enterprise and the role of the network. Thus specific network activities were identified and their relative importance to the members was investigated. Figure 2 presents the results.

Figure 2. Business Success Factors and Network Role



- | | |
|--|---|
| 1. Distribution | 2. Market Planning |
| 3. Access to technical information and analysis | 4. Product differentiation |
| 5. Training | 6. Linkages to landscape, cultural traditions, etc. |
| 7. Product development | 8. Quality control systems |
| 9. Access to regulatory information and analysis | 10. Promotion |
| 11. Wide product range | 12. Financial assistance |
| 13. Business planning and analysis | 14. Access to market information |
| 15. Technical assistance | 16. Regulatory measures such as |

The four most important factors for enterprise success were product differentiation, promotion, market plan and ‘access to and analysis of market information’ these were also among the factors identified as most important regarding the role of the network, these were promotion, access to market information, market planning and business planning. Product differentiation drew responses at both extremes, all of those members but two (SM3 and SM9) who said the network did not play an important role in this regard were the larger enterprises (SM5; SM6; SM7; SM14) and of these only one (SM6) was not a founding/early member. This member (SM6) produced a PDO product. The others all emphasized the strength of their product image and viewed product differentiation as the role of the enterprise, and in this way the enterprise provided high quality products for the network.

These findings reflect network antecedents identified above with similar themes re-occurring; hence the role of the network appears to address many of the issues or problems that have been identified at the outset and prompted members to join the network. They also highlight dependence within the network and the importance of network ‘image’ particularly within the

‘external commercial environment’. ‘Network image’ is of particular interest because it reflects the need for professionalism and is also related to product quality and an overall Pyrenean image. These findings suggest a simple typology of members according to size and involvement in the network – as indicated below in table II^{vii}.

Table II. Member Typology - Network Involvement and Enterprise Size

		Involved	
		Yes	No
Size	Small	(a) High level of sales <i>Active member</i>	(b) Low level of sales <i>Passive member</i>
	Large	(c) Low level of sales but involved <i>Anchor member</i>	(d) Planning significant level of sales <i>Investing member</i>

Members in the ‘small enterprise’ category had a turnover of €1 million or less in 1999, whereas members in the ‘large enterprise’ category had a turnover of €3 million or more in 1999. There were only three members (SM5; SM7; SM14) in type (c), all were founding/early members, and there were only two members (SM10; SM15) in type (d) and both of these were recent members –joined since 1997. There is a mixture of both founding/early and more recent members across types (a) and (b).

A member’s level of ‘involvement’ in the network can be classified according to four variables:

- proportion of sales channelled through the network
 - very significant (***) > 50%
 - significant (**) 25-50%
 - not significant (ns) <25%
- dependence on services provided by the network
 - very significant (***) respondent indicated great difficulty without the network
 - significant (**) respondent indicated difficulty/increased costs without the network
 - not significant (ns) respondent indicated no difficulty in continuing without the network
- interaction with the network co-ordinating office
 - very significant (***) weekly or more
 - significant (**) twice per month
 - not significant (ns) monthly or less
- and bilateral interaction with other members.
 - very significant (***) > 3 members
 - significant (**) 3 members
 - not significant (ns) <3 members

investment' in the network, for example when asked 'If Saveur des Pyrénées were disbanded would it be very difficult to replace it?' All members strongly agreed with this statement, they realised the level of investment that had been made and difficulty in 'rebuilding' the network should it be disbanded. Most members agreed that they were so satisfied with Saveur that they would not look for alternatives, the exceptions were the recent members SM10 and SM15 (classified as type (c)), SM13 who was considering hiring a salesperson in Paris and SM5 who had indicated that their organisation could replace the network services internally. These findings support those of identified under 'network establishment and evolution' regarding operational procedures and governance and suggest strong network performance.

Network Performance

The above analysis identifies the reasons for joining the network and illustrates that interaction within the network is related to strategic development at an individual enterprise level. In order to assess how the network has performed members were presented with a set of 19 possible outcomes and asked to rate their relevance. These outcomes were presented as statements, which included 7 transactions and 12 transformations; these were based on the findings of Human and Provan (1997). Once respondents had indicated the relevance of each, a short discussion on their reasons revealed more detailed information on to these outcomes.

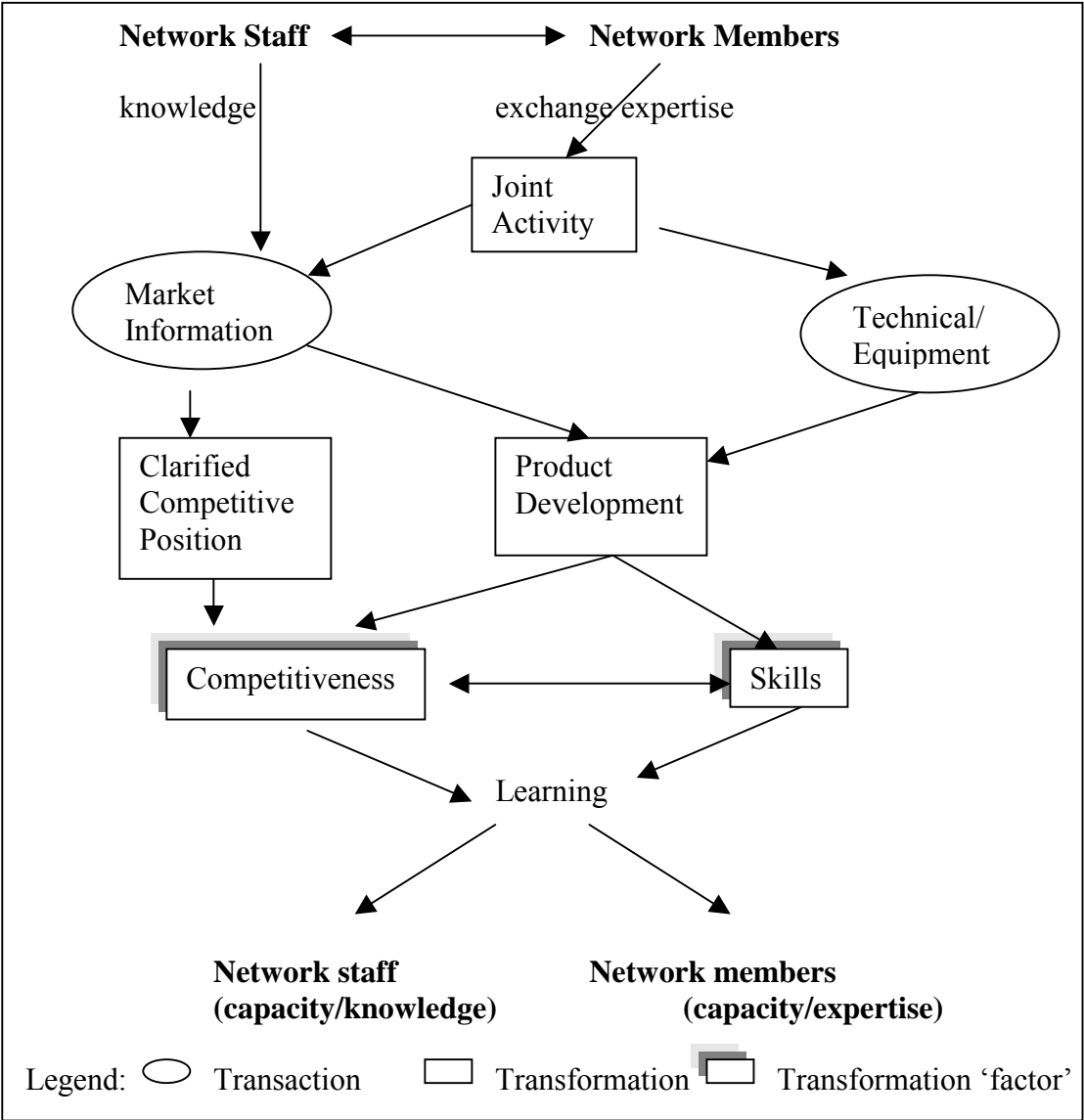
Access to new markets and market information were important network transactions. These transactions have contributed to a number of 'general transformations', in particular 'competitiveness' and 'joint activity'. Increased sales (especially new markets) and market information contributed to improved 'competitiveness'. While 'competitiveness' was an important 'general transformation' outcome a number of specific transformations such as 'clarified understanding of competitive position', 'improved profitability', and 'increased credibility' contributed to improved competitiveness. The Saveur des Pyrénées network is well established and there is evidence of transaction-transformation-transaction chains, for example the joint activity transformation (both interaction between members and network staff and with each other) has created transactions (e.g. flow of market information from staff and exchange of technical information between members) that have led to transformations that in turn have initiated further transactions. This type of activity has created a 'learning' network that has continually evolved.

Therefore, various transactions and transformations have occurred, in particular, the role of the network in strengthening 'legitimacy' (organisational credibility) is obvious from the above analysis. Similarly a number of references to 'synergy' provide some insight into the role of the network in facilitating synergistic use of resources (transactions to transformations). This is most evident from the exchange of information and experience and the resulting joint activity, competitiveness and to some extent skills transformations – as indicated in figure 3.

The Saveur des Pyrénées network was found to rely on relational type governance mechanisms; these had evolved over time and were based on close interaction and trust among the membership. Network governance mechanisms appear to have been influenced by the membership recruitment policy, since the very selective recruitment of members has contributed to group compatibility and interaction and hence relational mechanisms and informal structures have evolved. Thus, the length of time in existence may also influence

network governance and structure, since this network is in operation for some time members have got to know each other and this has strengthened their relational ties.

Figure 3. Transaction-Transformation Chain



Conclusions

The main themes that have emerged are markets, information, learning, joint activity, dependence, competitiveness, image, development role, commercial role and network culture. Three underlying antecedents were identified - market access, information and enterprise capacity. Collective promotion and sales development have been important network objectives. These in turn have been influenced by MAAP, which was established to improve enterprise know-how and management capacity. Therefore, in many respects the establishment of a marketing network was a logical development. Furthermore, the development and dissemination of know-how, in particular collective problem solving and learning, is a distinctive hallmark of the network and is a trait inherited from MAAP. These findings provide empirical evidence that supports the theoretical proposition that network membership facilitates small enterprise specialisation through the provision of complementary services (resources/activities) and enhanced member capacity.

These findings support the proposition that this network is embedded within a broad social, political and economic context and these influence the entrepreneur, enterprise structure and resource allocation. The interplay and interdependencies among these factors influences network antecedents, process and outcome. The influence of the broader environment on the Saveur des Pyrénées network is supported by the findings reported above, in particular the relationship between resource requirements and entrepreneur and enterprise capacity and the inter-play between trust, entrepreneur motivation and network structure is most evident. These in turn have provided an environment conducive to the development of strong 'relational' governance mechanisms, in addition clear procedural guidelines complement this relational approach.

This behaviour reflects that the regional clusters concept proposed by Enright (1998), since many important resources and capabilities are found not within a single firm nor are they available from another 'member firm'^{viii} but involve network activities that are shared across firms within the network. Therefore, individual members gain scale and competitive advantage from collective activities – in this sense these resources are 'external' to each individual member firm (Foss, 1999). The activities linking actors and resources also reflect Håkansson's (1987) network concept. It is likely that small firm competitiveness will increasingly depend on their ability to build such key competencies, not internally but in association with other actors. In general the establishment, evolution and governance of such inter-firm activity offers considerable scope for further research since such 'external competencies' are likely to become increasingly important, for example cross-case analysis could provide a useful insight to various network strategies employed by food SMEs.

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Notes

ⁱ PDO – Protected Designation of Origin (EU Regulations EEC N.2081/92 and EEC N.2082/92)

ⁱⁱ The date of establishment commonly referred to during interviews was 1985, some documents also state that the network that was established in 1985, e.g. MAAP annual report 1991; MAAP Review document for the period 1989-1993. However, examination of financial records indicates that the network was in existence during 1984 and received 4% of MAAP man-hours during this year. It is assumed that the network was established in the last quarter of 1984, thus for reporting purposes 1985 was the first full year of activity. This was supported by the network manager (R1), he thought that the network was established in November 1984.

ⁱⁱⁱ Annual report format is similar for the years 1989 to 1999 – all of these report on sales activity (traditional French stores, GMS/supermarkets and export), promotional activity (member specific and collective), and budget (including projections for the following year). There is some difference in reporting format; from 1989 to 1993 the report was presented in two parts, the first reported on promotion, sales and budget for the year in question and the second set out objectives under the same headings for the coming year, while 1994 to 1999 reports were presented in four main parts; sales, 'life of the Association' (including promotional activity), trans-national activity and budget. Therefore there is some content change in the latter period with introduction of the part on trans-national activity (reporting on activity in Spain) and within the 'life of the Association' part that presented a section on 'new members'. These additions provide an indication of the increased importance of these activities.

^{iv} It should be noted that the network manager stressed that all members received direct assistance each year, however, reference to specific activity in annual reports provide a useful indication of member-network staff interaction.

^v On the basis of the review of annual reports and the compilation of this membership list, the researcher requested meetings with the both former and prospective members. A development officer with MAAP assisted in scheduling these meetings. One of the Prospective members interviewed was not identified from annual reports, since this entrepreneur had only begun to consider membership during the year 2000 (when fieldwork was conducted), but was brought to the attention of the researcher by the MAAP development officer.

^{vi} A member who has been asked to leave is afforded the opportunity to advance an explanation for their behaviour within 15 days of receiving the expulsion notice.

^{vii} Cluster (quantitative) analysis using Ward's Hierarchical Clustering technique supports this typology.

^{viii} This is an important difference between this case and most empirical network studies – the latter are typically value chain or industrial marketing networks and are based on the view that a firm is dependent on resources controlled by other firms, thus following resource dependence theory (Pfeffer and Salanick, 1978). For example, Johanson and Mattsson (1987) claim that this is a basic assumption underlying our understanding of networks. While this study adopted this view, it also forwarded the overall proposition that SMEs in networks are further dependent on each other due to the collective investment and development of resources. Therefore, this is rather more complex than bilateral interdependence and dyadic relationships.