

**Network Development by Means of Network Evaluation? –
Explorative Insights from a Case in the Financial Services Industry**

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ABSTRACT

The paper reports on the case of a network of industrial insurance brokers which has been subject to a longitudinal study over a period of ten years. Among other things, the development of this network has been observed with respect to when and how it was evaluated, and which effects this evaluation had on the evolution of the network. In this respect, it is one of the still very few studies that investigate evaluation practices in inter-organizational networks.

The case shows that, on the one hand, ‘reflexive monitoring’ (Giddens) is a common practice and a necessary condition for organizing and managing networks. On the other hand, more formal evaluation procedures, which are supportive to network development at some point in time, may neither always be possible nor even be necessary. This insight does not contradict the thesis that increasingly, we are moving towards an ‘auditing society’ (Power). However, it puts some question marks on general demands for more or less permanent evaluation of organizational forms. With regard to evaluating practices, and as would suggest itself from the structuration approach on which the analysis is based, the case questions all too linear understandings of network evolution.

KEYWORDS

evaluation – financial services – network – network development – service industry –
structuration theory – evolution

Introduction

The scientific discourse about organizational forms in general and interorganizational networks in particular has been dominated for rather a long time by static or, at best, comparative-static analyses (Ebers, 1999). Only few network theories seem to be well-equipped to describe and analyze the development of networks over time, i.e. network dynamics. This is highly problematic, since forming, organizing, managing, and terminating interfirm networks is a task which takes place in time (and space) and consumes many resources – including time. The lack of dynamic theories is one reason why much of network research to date is still of little relevance for the practice of network management.

One management function which has been paid little attention to, not only in research but also in practice, is the evaluation of interorganizational networks (Provan & Milward, 1995, for a notable exception). This is surprising, for we seem to live in an ‘accounting society’ (Power 1997) in which evaluations are omnipresent. And, evaluating networks could meet the need for a better understanding of the economic effects and other outcomes of networking and, thereby, increase the legitimacy of this organizational form (Human & Provan, 2000). Moreover, many organizations may have the choice of entering different networks. Evaluating networks thus constitutes a potentially important practice in the process of network management. If applied in a way which is sensitive towards network dynamics, evaluating networks could even help to develop interorganizational networks.

The present paper aims at contributing to a more dynamic theoretical understanding of interorganizational networks in general and interfirm networks in particular by looking at the recursive interplay of network development on the one hand and at evaluation practices

on the other. More precisely, it investigates the influence that certain evaluation practices have on the evolution of an interfirm network, but is also interested in the meaning of a certain stage of network development for network evaluation practices. As such, it is one of the still very few studies that look at network evaluation practices (e.g., Child & Faulkner, 1998: 152-161; Provan *et al.*, 2000), but goes beyond these by studying their impact upon network evolution (et vice versa). Such a recursive relationship between network management and network development, one that also questions all too linear models of network evolution, becomes most obvious from a structuration perspective (Giddens, 1984). Before introducing such a perspective, which has quite often been used for the analysis of organizational issues (e.g. Riley, 1983; Whittington, 1992; Heracleous & Hendry, 2000; Orlikowski, 2000; Whittington & Melin, 2003), but seldom for the analysis of interorganizational networks (e.g. Sydow & Windeler, 1998; Li & Berta, 2002), a very short overview of existing conceptualizations of network dynamics will be given. Then, a structurationist understanding of network management as reflexive structuration will be presented. This understanding locates the task of evaluating networks as a reflexive management practice and clarifies its recursive relationship with the development of the network. Finally, an explorative in-depth case study of a network of medium-sized firms in the German financial services industry will apply this structuration perspective when the case is analyzed with respect to the role of network evaluation and its contribution to the development of the network (and *vice versa*). The paper will conclude with some remarks on where to proceed from here.

Dynamic Models of Network Development

Though most network theories are static, the dynamics of interfirm networks are an almost natural object of study for at least two prominent theoretical perspectives: evolutionary and co-evolutionary approaches on the one hand (e.g. Aldrich, 1999; Koza & Lewin, 1998, 1999), and interventionist approaches subscribing to the idea of transorganizational development on the other (e.g. Cummings, 1984; Huxham, 1996; Chisholm, 1998). While the former contribute much to a better understanding of developmental processes over time, especially if they acknowledge the importance of the co-evolution of networks with their social contexts (e.g. industry), the latter deliver several useful instruments and procedures to purposefully intervene in ongoing network processes, for example by measuring the collaborative climate (as perceived by all network members) and feeding-back the data in order to accelerate the development of the network climate.¹

However, both approaches, though for different reasons, fall short of an adequate conceptualization of the interplay of action and structure: While evolutionary theory lacks an explicit concept of agency, interventionist approaches overemphasize the possibilities of agency while neglecting structures. However, advanced network theories should offer a more elaborated understanding of the complex interplay between (network) action and (network) structure.

Apart from these two major strands of (dynamic) network theory, there are quite a few contributions which cannot easily be located within one of these, but nevertheless devote significant attention to the network dynamics and enhance their understanding. Among them, three contributions stand out, leaving behind any simple, linear conception of

‘development’, following neither the evolutionary idea of some kind of life-cycle nor all too interventionist conceptions. First and foremost, Ring and Van de Ven (1994) propose a process model where network evolution consists of a sequence of negotiation, commitment and execution stages. Each of the stages comprises a number of interactions, the outcomes of which are assessed in terms of efficiency and equity. Apart from emphasizing the importance of reaching not only efficient outcomes but also ‘fair dealings’, the model highlights the necessity of balancing formal and informal processes which, in practice, can easily lead to tensions and contradictions hindering smooth network development or even leading to network failure.

A second dynamic model, which was proposed by Doz (1996) and has gained some prominence in the literature, emphasizes the importance of initial conditions as well as of learning processes for network development. Initial conditions are found to be not only relevant per se, ‘but also as they influence a number of critical subsequent learning processes. As partners learn from their interactions in joint or coordinated activities, they re-evaluate the alliance by monitoring it for efficiency, as well as each other for equity and adaptability. The path from re-evaluation to readjustment is determined by the partners’ willingness to keep committing to the relationship, in itself dependent on the quality of the relationships’ (Arinõ & De La Torre, 1998: 307; these authors, by the way, propose a model which integrates the ideas of Ring & Van de Ven with those of Doz).

A third model which emphasizes the importance of network dynamics has been developed by the IMP Group (Håkansson & Snehota, 1995; Halinen *et al.*, 1999). In contrast to the other two models, this one acknowledges the importance of the embeddedness of dyad

¹ Though the construct ‘network climate’ has not yet been elaborated, it is easy to imagine it being built upon the abundant research on organizational climate and culture (e.g., Schneider, 1990).

relationships in complex networks of relationships and, thus, recognizes not only dyads as a possible source of incremental or radical network change, but also the impact indirect relationships might have upon a focal dyad. In addition, the model distinguishes between critical events that arise from interaction in the dyad and trigger network change and those events such as transformations of technology, industry structures or regional settings that rather arise in the network environment. In both respects, the network approach by the IMP Group, as one of the few models of network dynamics, develops a network perspective on network development.

From all these dynamic perspectives, the development of an interfirm network is conceived not only as an outcome of intentional management action, but also of unintended consequences of this very action. This becomes particularly explicit from a structuration perspective on interfirm networks which, above all, emphasizes the recursive interplay between (network) action and (network) structure in a continuous process of non-linear dynamics and, thus, challenges equilibrium and punctuated-equilibrium models of change.

Network Management as Reflexive Structuration –

Its Relationship to Network Development

From a structuration perspective, network management is conceived as a process of reflexive structuration, though the resulting network development has to be understood as involving reflexive and non-reflexive moments (Sydow & Windeler, 1998; Windeler, 2001). This point is made particularly clear by Giddens' (1984) 'stratification model of the agent', which is one of the three central ingredients of structuration theory. This model

points to common practices of agents to reflexively monitor their actions, the conditions of their actions and the actions of other agents as well as their intended outcomes. In addition, it takes into account the unintended consequences of their actions and the partly unacknowledged (and unacknowledgeable) conditions under which agents, including managers of an interfirm network, act. The stratification model of the agent also considers that these conditions may even be produced behind the agent's back as consequences of his or her action.

While unintended consequences of action cannot be avoided, managers, like all knowledgeable agents, strive for reflexivity of their action. From a structuration perspective, the forming, the managing, and even the terminating of intra- and interorganizational relationships should thus be conceived as 'reflexive structuration' (Ortmann et al., 1997).

While a structurationist network perspective starts from the agency-structure nexus but addresses social relationships, recent (poststructural) network analysis also emphasizes the relevance of networks of social relationships for individual and organizational behavior first hand, but then goes on to integrate reflexive agency and its impact upon the dynamics of intra- and interorganizational relationships (Kilduff & Tsai, 2003). No matter where they start from, both theoretical approaches emphasize the flux, fluidity and historicity of social life and the reflexivity of agents in their structuration processes. The structuration is *reflexive* in so far as 'all human beings routinely "keep in touch" with the grounds of what they do as an integral element of doing it' (Giddens, 1990: 36). Though agents, including network managers, often routinely refer to structures in a practical way, they are able to reflect on the conditions and outcomes of their own action and the actions of others.

If compared to (single) organizations, the reflexive structuration of interfirm networks has to take into account that this organizational form operates on a different logic of exchange. The network logic implies mutual cooperation and commitment between distinct and, at least to some degree, autonomous corporate actors. In the main, this cooperation is based upon the norm of 'reciprocity' (Gouldner, 1960), which is produced and reproduced by exchanging resources following the corresponding rules of signification and legitimation. As the basic principle guiding those practices, reciprocity allows, on the one hand, for less specified contracts and greater time spans than markets, and puts more emphasis on mutual commitments than organizations (Powell, 1990). On the other hand, the network logic produces additional uncertainties and thus requires special forms of coordination including inter-organizational trust (Newell & Swan, 2000; Nooteboom, 2002). In addition, and again compared to the single organization, the interorganizational network is an increasingly important additional object of management's signifying, organizing and legitimizing activities (Sydow & Windeler, 1998; Human & Provan, 2000).

From a structuration perspective, as from a poststructural network analysis point of view, the development of a network by means of network management should not be assumed to resemble a linear process, striving for an equilibrium or following the model of a life-cycle, for instance. This is explained most clearly by the 'dialectic of control' (Giddens, 1984) which is in operation in all social relationships. This second structurationist concept implies that even in very 'strong situations' (Mischel, 1973) agents, like network firms that are powerfully led and evaluated by a dominant 'hub firm' (Jarillo, 1988), can always act otherwise. This logic makes network dynamics, like any developmental process, largely unpredictable.

The ‘duality of structure’ (Giddens, 1984), the third and most important component of structuration theory, clarifies the fact that social practices, including the leading, controlling and evaluating of an interorganizational network, are both enabled and restrained by structure, i.e. rules of signification and legitimation, and resources of domination. The evaluation of a network is, for instance, easier to agree upon if – in face of the prevailing network rules – the network members can accept the moment of control which is always implicated in evaluation practices and which is otherwise likely to undermine the trust built in the course of the development of the network. The duality of structure, however, would be incomplete if one did not consider that agents, by such a managerial practice for instance, produce, reproduce and eventually transform these rules and resources, i.e. structures. In a nutshell, network managers draw on network rules and resources with the help of modalities of structuration (i.e. interpretative schemes, norms, and facilities), and by communicating, sanctioning, and powerfully acting in the network they reproduce these structures respectively.

Together, these three ingredients of structuration theory contribute to a more realistic understanding of the interplay of network management on the one hand and network development on the other than evolutionary and interventionist approaches can provide: Network management – as reflexive structuration – contributes to the development of the network, intentionally or unintentionally. Recursively, network agents consider that the particular stage of network development matters for the management of the network as much as the developmental path that the network has taken. Thus, a structurationist perspective on interfirm networks has the advantage over evolutionary approaches (and the other models of network dynamics discussed), since it has an *explicit* conception of agency and a fairly elaborated understanding of the recursive interplay of action and structure in

organizations, networks and other social systems. If compared to interventionist approaches, a structuration perspective delivers a more *realistic* understanding of the opportunities and risks of intentional interventions into network processes and highlights the tensions and contradictions which are bound up with this organizational form (Sydow & Windeler, 1998, 2003a).

Network Development by Means of Network Evaluation:

Insights from a Longitudinal Case Study

One of several generic means of organizing and managing reflexively is the evaluation of (network) structures, processes, and outcomes beyond the everyday monitoring of action. Evaluating networks, very much like the selection and re-selection of network partners, the allocation of functions and resources among the network members, and the formulation and implementation of rules of cooperation, thus contributes to a reflexive structuration which, *in praxi*, always includes non-reflexive moments.

Network evaluation may be understood here ‘as a process of interaction in which managers, by reflexively monitoring the contextual embedded activities and their effects, try to control the outcome and, eventually, the process of organizing with respect to particular criteria’ (Sydow & Windeler, 1998: 269). While this understanding is based upon Giddens’ idea of reflexive monitoring, it goes beyond that by emphasizing not only the reflexivity, but also the formalization and institutionalization of such evaluation practices. As procedures, they may more or less explicitly state, for example, the object to be evaluated (e.g. the network, a dyadic relationship, or the network effect for a network participant),

the criteria, indicators and time horizon of the evaluation, as well as the occasion and the subject of evaluation.

We have been able to research the evaluation practices and their interplay with network development in some depth in one of the few longitudinal case studies in the field. The case study design not only permitted us to follow the development of the network over a unique length of time very closely, but also to capture the network dynamics, at least to some extent, 'from within'. In more theoretical terms, it enabled us to observe structuration processes, including network management practices, as reflexive structuration activities. The Insurance Brokers Network (InBroNet), situated in northern Germany, was first contacted by us in 1992. At that point in time, and within the framework of a larger study of interfirm networking in the organizational field of the financial services industry (Sydow & Windeler, 1998; Sydow *et al.*, 1998), we conducted semi-structured interviews with each of the (then) seven industrial insurance brokers and several other experts from the field. The interviews focused on 'how' rather than on 'why' the insurance brokers cooperate within a network. Since then, we have had the opportunity to stay in rather close contact with the network, and have conducted several additional interviews at different points in time during the last ten years. In particular, in 1998 we held a second round of semi-structured interviews with representatives of almost half of the then eleven network members. In all, we conducted almost 20 interviews within the network alone; each interview had an average duration of one and a half hours. In addition, we analyzed a broad array of documents (including evaluation procedures), and in the course of the network development process even participated in three strategy workshops. The last interview to date was conducted in May 2002.

Network Dynamics at InBroNet

In 1992, seven medium-sized and individually quite successful insurance brokers, all members of a highly-ranked professional association (BDVM) and active in the industrial line of the insurance business, had just formed InBroNet. According to the founding members, the formation of the network was, firstly, a reaction to the (then envisaged) deregulation and increasing competition accompanying the introduction of the Single European Market in the financial services. Secondly, the formation of the network was seen by the brokers as a very suitable means to counteract the increased complexity of risks in the industrial lines of the insurance business. Small and medium-sized brokers, in particular, increasingly lack the expertise to evaluate, manage and insure these kinds of risks. The opportunity for cost savings only ranked third as a motive for network-building.

Before forming InBroNet, the seven brokers knew each other quite well from working together in a regional committee of the BDVM. Moreover, they had all been involved in an initiative by an insurer to form an IT-based network of several dozens brokers (which failed). During their first year of cooperation the brokers already broadened the 'inter-organizational domain' (Trist, 1983) or the 'scope of the alliance' (Khanna, 1998) from information exchange about the best practices in consulting and insuring industrial clients to adapting a network name (in addition to the organizational name of the single members), and to developing new products and practising collective sourcing (especially of policies). They even started to exchange personnel among network firms.

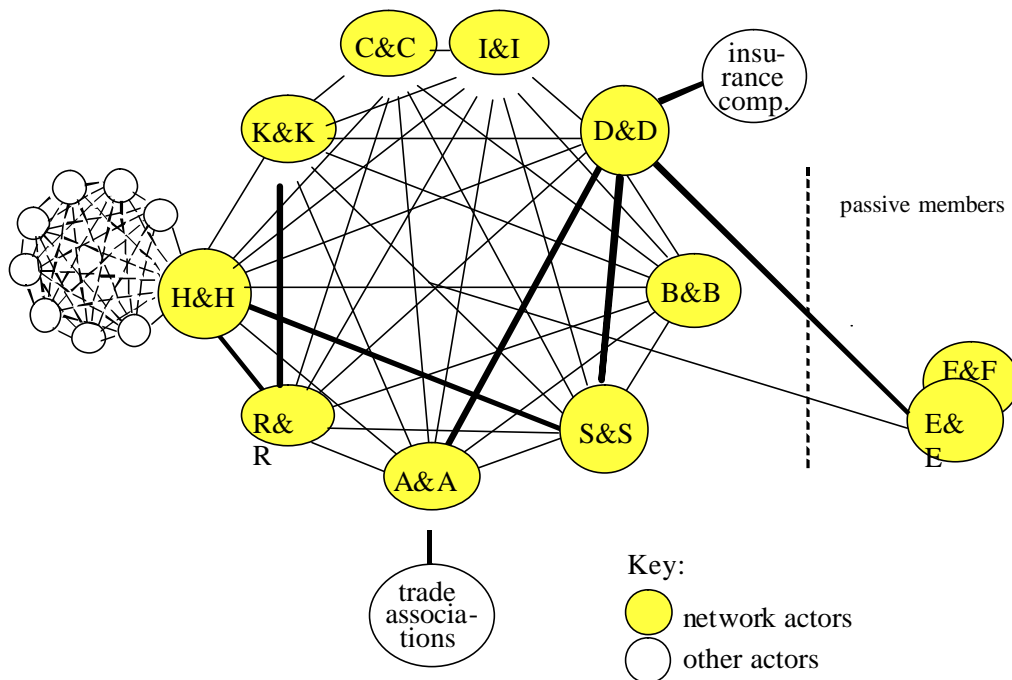


Figure 1 InBroNet – A Network of Industrial Insurance Brokers

In the course of more than ten years of intensive collaboration, InBroNet has changed quite substantially. Most obviously, the number of network members, after one left in 1995, has increased to eleven, including three which were only ‘passive members’ for some time (see Figure 1). As such they are entitled to participate in all the operational activities of the network but do not (yet) have the right to decide on ‘collective strategies’ (Astley & Fombrun, 1983). Most recently, one of them was bought out by H&H, and another (active) member has joined the network.

A second change concerns the intensity of collaboration in InBroNet which, over the years, has increased substantially, especially among the six original members of the network. However, this process of intensified cooperation has been rather discontinuous. Much depended upon the actual commitment and practical contributions of the single members at certain points in time, and how they dealt with conflict. During one of the last interviews,

one broker remarked that over the time collaboration has nevertheless become so tight that it might be hard for some members to exit the network now. While in 1995 it was still fairly uncomplicated for a member (N&N) to leave the network, the situation has changed dramatically in this respect. Reasons for that are, among others, the intensive division of labor, the shared rights with innovative products and the very attractive sourcing conditions for the network.

A third force which triggers the dynamics of InBroNet is the link of H&H to another fast-growing network of brokers which focus their business on the private lines. Again and again, H&H – as a linking pin between these two very different interfirm networks and in a similar manner to A&A and D&D, which also control critical (network-external) relationships – tried to influence the process of collaboration within one of the networks by referring to the rules and resources of the other. The most recent development in this respect is that H&H has built a third network from its leading role in another broker association. All active InBroNet brokers have joined this network, but keep active in and as InBroNet.

Network Development and Network Evaluation

In a retrospective look at the ten years of quite successful collaboration and with respect to the research question, four rather distinct phases or stages of the development of the network may be distinguished. However, it is important to note that distinguishing these four phases should under no circumstances be read as an attempt to model a linear process of network development. For instance, in the forming phase alone, the network evolved back and forth and remained rather fragile over a period of almost two years. Moreover,

the most recent extension phase was not without conflict and drawbacks. Between these four phases, which are summarized in Figure 2, the role of formal evaluations practices in InBroNet has varied to a great extent.

<i>Phase</i>	<i>Development</i>	<i>Time</i>	<i>Evaluation</i>
I	Fragile formation	1992/93	without (reflecting on) evaluation
II	Struggle for stability	1994/95	active renunciation of evaluations, then first deployment of an evaluation procedure
III	Broken routinization	1996-1998	further deployments of an (analytic) evaluation procedure, then replacement by a holistic procedure
IV	Groping for extension	1999-2002	implicit renunciation of any further evaluations

Figure 2 **Phases of Development and Evaluation of InBroNet**

Phase I: Network Formation Without Evaluation

The initial formation of InBroNet, which - over a period of more than a year and a half - comprised much more than getting together, agreeing on a common goal, and deciding what to do, was as much an outcome of intended strategic action as of unintended consequences of (other) actions. For that reason it comes as no surprise that the domain as well as the intensity of cooperation the seven brokers aim to realize differs among the network members. While some intended right at the beginning to form a joint venture which would take over some of the administrative burden of the more standardized business (e.g. insurance of auto fleets), others wished to continue, at least for a while, their loose exchange of ideas and experiences. In fact, some members turned out to be promoters of the idea of intensive collaboration, others represented opponents. Thus, InBroNet at that time was, as to be expected from a structuration perspective, not a homogeneous but a

rather 'fragmented social system' (Sydow & Windeler, 1998). And, of course unintentionally, it stayed that for quite a while.

The rather fragile formation phase of the network ended with the incorporation of InBroNet as an association (e.V.) in 1993. Although all seven brokers, as knowledgeable agents, were continuously involved in the reflexive monitoring of the events, actions, and outcomes, no formal evaluation practices, not even respective needs for network evaluation, were noticeable at that stage of network evolution.

Phase II: Struggle for Network Stability Through Renunciation and, then, a Positive Outcome of an Evaluation

The collaborative efforts of the brokers soon extended to product development as well as to the training and exchange of personnel, among other things. However, the collaboration became much more stable only when the seven brokers succeeded in their negotiation with insurers to be accepted as a network. Until then, the brokers, although quite committed to the idea of forming InBroNet and willing to invest significant resources into network development,² struggled for recognition of the network by outsiders. At the same time, some of the promoters gained the impression that the norm of reciprocity, which (as a rule of signification and legitimation) is characteristic of networks, was being violated by some of the hinderers who not only slowed down the process of network development, but also contributed, at least in their view, much less to the development process.

² In particular, the brokers, though to different extents, invested a considerable part of their management capacity to developing the network. Because of their rather limited capacities, they even hired an external consultant for a certain period of time, who, however, was not really able to relieve them from the burden of this task.

This impression triggered the need to formally evaluate the contributions of the single network members. Simultaneously, the interest of some members developed to include the outcomes achieved in such an evaluation procedure. Is the collaboration paying off? Who is profiting most? What is the 'network effect' (Uzzi, 1996)? These questions awaited answers. Called in for consulting for a day or so on how to proceed from here, we strongly recommended the renunciation, at least at this point in time, of any attempt to formally evaluate network processes and outcomes, or even to compensate network members for their contributions to the development of the network by means of payment.

For the time being, the InBroNet members accepted this advice and continued their reflexive monitoring, not only but especially with respect to the balancing of the norm of reciprocity. One of the results of this day-to-day practice of monitoring was the observation that one of the brokers, N&N, tried to use the insights gained into the operations of the other firms opportunistically, indeed to a degree which was not seen as legitimate by the others. In consequence, this member had to leave the network.

The first formal evaluation of the network took place only at the end of 1995, i.e. after more than three years of collaboration within InBroNet. The aim of this evaluation was to formally check on the active contributions of the single network members to the development of the network and to establish whether one of the members had violated the norm of reciprocity. For this purpose, a rather simple analytical tool, an evaluation matrix, was developed, listing a broad range of activities (e.g. membership in a task force, promoting ISO certification, training of personnel, co-developing new products) and asking who of the (then) six members had participated in which (yes/no). Then the number of activities in which the individual brokers participated was added up. The result of this evaluation

procedure, a fairly balanced overall participation of all network members in all these activities, contributed to the stabilization of the network and provided the basis for routinizing interorganizational cooperation.

Phase III: Network Routinization in Face of Further Evaluations

Five years of rather intensive interaction led to an assimilation of views and norms, or in structurationist terms, to the development of rules of signification and legitimation which had network-wide acceptance and guided the use of network resources (e.g. innovative products and superior expertise, both created by collaborating). This usage of resources, specialized and qualified expert knowledge for example, in turn contributed to the reproduction of the network structures. These structures provided a solid ground for routinizing network cooperation to the extent that it became a common practice that did not require more than the agents' 'practical consciousness' (Giddens, 1984).

In 1996, two new network members joined InBroNet so that the total number of network members increased from six to eight. Initially these two brokers became members on probation – and they certainly still had to learn the procedures and practices routinized in the meantime by the original members. One of the established routines was a yearly strategy workshop. In this year, as well as in 1997, the formal evaluation procedure, again of a more analytical kind and covering the year past, was used a second and third time – and produced similar, balanced results. However, this third time the evaluation matrix was criticized by some InBroNet brokers for not capturing subjective assessments of the 'partner-contribution value' (Child & Faulkner, 1998) which were considered as important.

Because of this critique a new, much more holistic and subjective evaluation procedure was developed by one of the brokers and presented without notice to the others in the course of the 1998 strategy workshop. The new procedure, which asked each network member to simply name the ‘performer of the year’ as well as the ‘free rider of the year’, was accepted and put into practice immediately. The result of this evaluation was that two InBroNet members were almost unanimously rated as ‘performers of the year’, and three others as ‘free riders’. With B&B and C&C there were two newcomers among the latter, but also one of the original members of InBroNet: D&D. This broker had not rated himself as a ‘free rider’ because he was convinced that his sheer size (in terms of volume of insurance premium) was a significant contribution to the network and particularly valuable in negotiations with the insurers to which he sustained quite close relationships. He had also considered these business relationships as a valuable contribution to the development of InBroNet, a view not shared to that extent by the other network members at that time.

The discourse-like setting of the strategy workshop, however, changed that conception. The setting did not only reflect the common understanding and norms of all participants. More importantly, the style and content of the discussion about the unique situations of B&B and C&C being newcomers to the network and about, in the eyes of the others, D&D’s misconception that ‘he had already done his duty’ contributed to a reproduction of the network structures, in particular the rules of signification and legitimation, in a way that allows for more certainty about appropriate behavior and, thus, more routinized actions anchored in the ‘practical consciousness’ (Giddens, 1984) of the network agents. Nevertheless, some differences in their interests and perceptions remain and, despite more routinized cooperation, form a latent source of conflict.

After another short discussion of what the implications of this kind of evaluation should be, the network members agreed to the rule that being ‘free rider of the year’ in two out of three consecutive years would lead to exclusion from the network. Even at the time of this agreement, and very much in contrast to the point in time when N&N had to leave the network, the exclusion would be a severe sanction, because, in the meantime, all members profited significantly from their membership in InBroNet though the actual profit-share was never established.

Overall, this evaluation experiment demonstrates that InBroNet, after six years of operation, was ready for a kind of evaluation procedure which was likely to affect the network dynamics significantly. The reason for ‘being ready’ for this kind of procedure is rooted not only in the high level of interdependencies, but also in the high level of interorganizational trust built up over the course of the years (see Sydow & Windeler, 2003a). In retrospect, this evaluation procedure, though a control measure by origin, even seems to have contributed to this level of high trust among the members of the network. Being a ‘high-trust system’ (Sydow & Windeler, 2003a), however, does not mean that it is likely to stay that way. Not only from a structuration perspective, it is quite obvious that much depends upon whether and how network agents reproduce this structural property of the network in their day-to-day practices.

Phase IV: Network Extension and Renunciation of any Further Evaluation

After having co-opted three additional brokers, H&H buying one out, and winning a new full member, InBroNet now has eleven members. The new ‘passive’ member status was created simultaneously with the acceptance of E&E, F&F and G&G (the one bought out by

H&H). In addition, more precise network rules about participation in task forces and learning activities, each accompanied by sanctions, were put into effect. This will make it easier for any new member to socialize into the network.

The holistic evaluation procedure, however, has not been used again. Instead, the InBroNet brokers relied again – and still rely – on reflexive monitoring, whose importance for social *praxis* is much emphasized by Giddens' theory of structuration. The renunciation of more formal evaluation procedures by the InBroNet members may well, in the meantime, have developed into a structural property of the network. The reason for this is the insight that reflexive monitoring is, at least at the time being, quite an effective substitute for more formal evaluation procedures and, in addition, saves on management capacity. For despite more than ten years of quite successful collaboration InBroNet has not (yet) institutionalized network management beyond regular meetings and, thereby, expanded its network management capacity in one way or the other. In addition, the social control that is made possible by this organizational form and takes place in everyday network practices seems to be quite an effective substitute for more formal evaluation procedures (Sydow & Windeler, 2003a).

InBroNet has, at the present time, the strategic goal to expand by one or two members a year. The network dynamics triggered by every new member are likely to bring up the issue of network evaluation from time to time. More significantly, however, all active members of InBroNet – together with some brokers of the network of private line brokers to which H&H is linked and of a third network which emerged from an association of insurance brokers – founded some kind of supra-network in 2001. Incorporated as an *Aktiengesellschaft* (AG), at present this network includes more than 60 brokers and focuses

entirely on the private lines business. Most interestingly in this context, the newness of this collaborative effort seems to put the issue of network evaluation back on the table for the InBroNet brokers. An in-depth investigation of this 'networking networks' process would be most interesting and is on our agenda.

Conclusions

The case of InBroNet demonstrates that the development of an interfirm network is likely to be accompanied by some kind of continuous monitoring by the network agents. This reflexive monitoring, at least in the case under study, only takes on the degree of formality that qualifies for evaluation as a network management practice at certain stages of network development. However, the informal and hardly institutionalized practice of reflexive monitoring provides the network members with the necessary knowledge about their own actions, the conditions and consequences of their actions and of those of other agents inside and outside the network. This shared and unshared knowledge helps to form the network, to stabilize and finally routinize network activities, and, most recently and despite repeated drawbacks, to expand on the network membership.

From a structuration perspective - that presents a great contrast to simpler and more linear models of network dynamics, but is better able to capture at least some of the real fluidity, pervasiveness, open-endedness and indivisibility of change from within (Tsoukas & Chia, 2002) - these phases of network development should not be taken as a model, or even as depicting a possible life-cycle of a network (Kilduff & Tsai, 2003). Rather, the single phases or stages, as the actions which constitute them, are contextually contingent – though

not determined by context. The same is true for the use of evaluation procedures. In the explorative case studied, a sensitive, though experimental use of different evaluation techniques, but also the renunciation of any formal evaluation procedure at certain points in time surely helped to develop InBroNet into a well-performing cooperative network of insurance brokers. In the early stage of network formation, evaluation needs were not even articulated and evaluation techniques were not really at hand. At this point in time, an evaluation of network structures, processes, or outcomes beyond reflexive monitoring might have even undermined the initial trust-base of the cooperation (see Sydow & Windeler, 2003a, for details on the interplay of knowledge, trust and control). At later stages of network development, formal evaluation practices were at hand, but were not needed any more, since reflexive monitoring produced, as it seems, sufficient knowledge for a more reflexive structuration of the network. The continuation of more formal network evaluations could well have produced unintended and unwanted consequences.

Despite these perhaps somewhat surprising reservations, evaluation as a management practice may of course support the development of an interorganizational network, and may even speed up the developmental process. However, this assumes a very sensitive use of an evaluation procedure which is considered useful by the network members and, hence, accepted. This kind of more ‘developmental evaluation’ procedure should be sensitive, not least towards the present stage of network development and, for instance, towards the level of openness and trust within the network climate. In structurationist terms, the use of evaluation procedures, in order to be supportive of network development, should take into account the prevailing network rules of signification and legitimation – and reproduce and eventually transform them in a way that makes network collaboration even more efficient and effective.

The finding that the development of interorganizational networks can hardly be captured by simple stage models is in line, not only with the conceptual ideas of other scholars (e.g., Ring & Van de Ven, 1994), but also with case analyses of other networks (e.g., Doz, 1996; Arinõ & De La Torre, 1998; Chisholm, 1998). In contrast to these analyses, the present study does not only cover a significantly longer period of time, but makes use of one of the so-called ‘grand theories’, i.e. structuration theory, to investigate very concrete social practices, i.e. network evaluation procedures of management. This structuration approach, at least in our view, allows for a thorough, rigorous and systematic analysis capturing more of the recursiveness of social *praxis* expressed most explicitly in Giddens’ concept of the duality of structure, one of the three ingredients of his theory. In terms of more substantive results, the study enhances our knowledge about network evaluation practices and how they relate to the development of a network of firms. So far, even structurationist accounts of organizational and interorganizational change, including those from our own studies of the financial services industry in Germany (Sydow & Windeler, 1998; Sydow *et al.* 1998), have not succeeded in documenting and analyzing the recursive interplay between one specific management practice (network evaluation) and network development so closely. The insights gained from this analysis may, should and will be used to fine-tune our structuration perspective on networks, which aims not only to understand the processes within networks of social relationships, but also the effect these networks of relationships may have on those very same processes (Windeler, 2001).

Despite these first theoretically important and practically relevant insights into the recursive interplay between network evaluation and network development, more research in this area is urgently needed in order to enhance our understanding of the possibilities and limits of ‘reflexive network development’ (Sydow & Windeler, 2003b) in general and of deve-

lopmental network evaluation procedures and practices in particular. More in-depth studies of the present kind, covering a time horizon of several years and staying in close contact with the actual development of a network, would allow us to validate the insights of this case study and provide an even deeper understanding, not only of the interplay between network evaluation and network development, but also of the role of a diverse set of (network) activities and relationships in this process. In addition, the study of interorganizational networks which have failed or are about to fail, perhaps due to inadequate network evaluations, would be most useful. This kind of descriptive-analytical research could then support the development of a more normative theory of network effectiveness (Provan & Milward, 1995) which, in turn, would be most helpful for evaluating networks and network practices, including – not unlikely in the emerging ‘auditing society’ (Power, 1997) – evaluation practices. In any case, problems of when and how to evaluate networks have been excluded from network research for too long,³ and network dynamics have not been addressed as explicitly as would have been useful to increase our knowledge – a knowledge that might then be fed back into network development processes and practices.

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Notes

³ This is also true for the evaluation problem from an angle that DiMaggio (2001) stresses when he includes the economic valuation of networked firms as one of the three dilemmas of networks (see Katzy *et al.* 2001, for some first thoughts about this problem).

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