

How relationships can influence an organic firm's network identity

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A main challenge when organic food actors cooperate with conventional food actors is to maintain their identity in the relationship. In this paper we analyse such a relationship through the use of the industrial marketing and purchasing perspective (IMP). The aim is to increase knowledge about changes in relationships that occur through growth processes and about how new relationships influence the identity of a quality-oriented firm. We use a case study method when examining the relationship between the organic Røros Dairy and the retail chain Coop, and its effects on relationships within the dairy network. Results show that the focal relationship influences, and in turn is influenced by, the dairy's network. Because of the dairy's strong identity that preceded its formal cooperation with Coop, as well as its reputation for quality production and continuous product development, the dairy has strengthened its position in the network. We conclude that the IMP perspective contributes a valuable framework in this study of an organic food network. For business

managers, our results highlight the importance of considering possible effects of relationships on the identity one would want to convey.

Keywords: organic firm, quality food, relationship, network effects, network identity

Introduction

Research about strategies used in organic food chains has mainly focused on either mainstream, large-scale food chains or small-scale local marketing initiatives. Some challenges underlie these two strategies for selling organic produce. Large-scale players have a limited capacity or ability to transmit information about organic values beyond basic standards and regulations including those from the EU (Noe & Alrøe, 2011). As Guthman (2004) points out, large-scale organic food chains are becoming conventionalized and organic food is not differentiated markedly from other foods. The characteristics inherent in small-scale initiatives are a problem when moving from niche production to volume production (Mount, 2012). When the literature describes these two types of organic chains, there are fewer examples of organic mid-scale chains (Knudsen et al., 2006). The project Healthy Growth¹ has focused on organic food chains that have remained true to their roots and have avoided developing the mainstream conventional characteristics mentioned above, even as they grow. These chains, which we call 'mid-scale values-based organic chains', have succeeded in combining volume and organic and other values (Kvam & Bjørkhaug, 2014).

An aim of mid-scale values-based organic chains is to differentiate between conventional and organic conventionalized food chains when the lowest price is the focus. To differentiate, mid-scale chains add quality to products that demand a premium price to cover costs. The literature emphasizes organic chains and organic products that usually embody a range of

¹ Healthy Growth is a Core Organic II project financed by The Research Council of Norway.

added qualities such as local products, use of local recipes and local raw material, locally processed as well as qualities connected to rural development (for example Marsden, Banks, & Bristow, 2000; Murdock et al., 2000; Marsden & Smith, 2005). Research also emphasizes the establishment of new network relationships in such chains. These chains are often regional and embedded with close relationships and mutual trust between chain actors (Marsden et al., 2000; Murdock et al., 2000; Marsden & Smith, 2005; Noe, 2007; Stevenson, 2009; Schermer, Matscher, & Borec, 2010; Schermer, Renting, & Ostindie, 2011). Research on US mid-scale values-based organic chains highlights a close relationship between cooperating partners (Stevenson & Pirog, 2008). Successful value chains emphasize shared values and visions regarding product quality, partner relationships, customer treatment, and shared information (transparency) and shared decision-making among strategic partners (Stevenson, 2009).

The distinction between a conventional and an alternative food system, as found in the research literature, does not describe the situation among successful mid-scale values-based organic food chains. Instead, most enterprises employ hybrid solutions (Kvam & Bjørkhaug, 2014). Hybrid solutions are discussed in a range of research on local food systems (e.g., in Ostrom & Jussaume, 2007; Sonnino & Marsden, 2006; Ilbery, Courtney, Kirwan, & Maye, 2010). According to Mount (2012), an important question is whether growth brings into question the perception of hybridity and how growth can influence the perceived *identity* of any system that constitutes itself as an alternative. The ability of a quality-oriented producer to deliver sometimes intangible qualities and to maintain a distinction as an alternative to conventional food systems is critical to gain any premium price for local food (Marsden et al., 2000). Thus, according to Mount (2012), growing organic chains must carefully consider how they can maintain an alternative identity within the context of hybridity.

In this paper, we use a case study method for studying the relationship between a regional mid-scale organic firm and a conventional actor. Our objective is to examine the effects of this organic firm's relationship on its connected relationships and vice versa, and how the organic firm's relationship with a conventional actor affects the firm's identity as a regional organic actor. The study is intended to provide evidence about the complex network and business relations that are part of a scaling-up process. We use an industrial marketing and purchasing perspective (IMP) as our theoretical approach. Research questions for the study are outlined below.

- 1) How does a focal relationship between a regional organic actor and a conventional actor influence connected relationships and vice versa?
- 2) How does the focal relationship influence the regional actor's network identity?
- 3) How is it possible to influence the development of one's own identity in the network?
- 4) How can our study contribute to increased understanding of growth processes in organic chains?

The theoretical perspective is outlined below. We then present the methodology and the case of Røros Dairy and its network and analyse the network effects of relationships and on the network identity of the dairy. Finally, we discuss findings and conclude.

The industrial network perspective

IMP has been presented by, for example, Axelsson and Easton (1992), Håkansson and Snehota (1995), Ford et al. (1998), Ford, Gadde, Håkansson, and Snehota (2003), and Håkansson, Ford, Gadde, Snehota, and Waluszewski (2009). The IMP perspective describes and explains a range of inter-organisational phenomena such as marketing, purchasing, technical development, and strategy, and has contributed significantly to our understanding of relationships between firms. The basic assumption is that a single firm is embedded in a network of other firms with which the focal firm (the firm studied) has substantial and continuous business relationships; these relationships are connected to each other. This connection implies that the actions of a single firm must be seen both in relation to the other firms in the network and in terms of the relationships between these firms (Anderson et al., 1994). This perspective is different from the resource-based perspective, which is the perspective of another theoretical school in this field, where the focus is on the sum of the resources a firm is able to mobilize for development (e.g., Wernerfelt, 1984; Barney, 1991). The IMP perspective focuses on development as part of a network structure that may both facilitate and limit development (Håkanson & Snehota, 1995).

Hence, business networks can be regarded in different ways. According to Miles and Snow (1992), business networks can be defined as sets of connected firms. Alternatively, Cook and Emerson (1978) and Anderson et al. (1994) characterize business networks as sets of connected relationships between firms. The latter definition reflects the IMP perspective's view on business networks. In their 2009 book, Håkansson et al. use the metaphor of the rainforest, indicating 'that the basic feature of the business landscape is the intricate interdependence between the companies that populate it' (p. 1). This definition is in contrast to the more traditional way of describing the business landscape as a jungle where hard competition is the rule.

To understand the issue of connected relationships, the IMP perspective has been inspired by research within the field of social exchange theory. Cook and Emerson (1978) discuss exchange networks as a set of two or more connected exchange relations. They define the concept of connection as follows: 'Two exchange relations are connected to the degree that exchange in one relation is contingent upon exchange (or nonexchange) in the other relation. The connection is positive if exchange in one is contingent upon exchange in the other. The connection is negative if exchange in one is contingent upon nonexchange in the other' (Cook & Emerson, 1978, p. 725). Emerson (1972 [cited in Yamagishi, Gillmore, & Cook, 1988, p. 835]) has elaborated on what is meant by positive and negative connections claiming that 'If two relations, A-B and B-C, are positively connected at B, exchanges in the A-B relation facilitate exchanges in the B-C relation and vice versa. If the same two relations are negatively connected at B, exchanges in the A-B relation diminish or prohibit exchanges in the B-C relation and vice versa.' Thus, when relationships are positively connected at B, B exchanges, for example, resources to C, which is a result of B's relationship to A. When relationships are negatively connected at B, this can imply that A and C are fighting over the same resources controlled by B.

Ritter (2000) further elaborated on the concept of connection when he discussed and analysed the interconnectedness of relationships. Using the definition by Cook and Emerson (1978), he discusses connections between firms A, B and C, and relationships x, y and z as illustrated in the figure below.

Figure 1: Connections between relationships (based on Ritter, 2000, p. 320)

According to Ritter (2000, p. 319), 'the impact of one relationship (x) on another relationship (y) can have three different features: 1. Relationship (x) has no impact on relationship (y) ... 2. Relationship (x) has an overall positive impact on relationship (y); i.e., the existence of relationship (x) is supporting, enabling or even enforcing the existence of relationship (y) ... 3. Relationship (x) has an overall negative impact on relationship (y); i.e., the existence of relationship (x) is hindering, disabling or even excluding the existence of relationship (y)'. Since this definition of interconnectedness implies that the connectedness goes both ways, two given relationships (x) and (y) will mutually affect each other but not necessary in the same way. Thus, Ritter (2000) has developed six different cases of interconnectedness between any two relationships which he labels as:

- 1) neutrality effect (no interconnectedness between the two relationships)
- 2) assistance effect (one-sided positive effect)
- 3) hindrance effect (one-sided negative effect)
- 4) synergy effect (two-way positive effect)
- 5) lack effect (one-way positive and the other way negative effect)
- 6) competition effect (two-way negative effect)

As Ritter (2000) pointed out, the time dimension is lacking in his cases, and analysis using the cases does not capture the dynamic dimension.

A single business relationship can exist in itself and, simultaneously, be embedded in a context through its connections with other relationships. Anderson et al. (1994) have distinguished between primary and secondary functions of a relationship. The primary function speaks to the positive and negative effects of interaction on the two parties in a focal

relationship. The secondary function is also called the network function and focuses on the positive and negative effects of connected relationships. Anderson et al. (1994) discuss how to conceptualize business networks as sets of connected relationships, and use this conceptualization to develop the concept of network identity. To develop the network identity concept, they start by defining the concept of network horizon as 'how extended an actor's view of the network is' (Anderson et al., 1994, p. 4). Thus, the network horizon of a firm includes other firms and relationships of which the focal firm is aware. Furthermore, Anderson et al. (1994, p. 4) define the network context as follows: 'the part of the network within the horizon that the actor considers relevant is the actor's network context.' Thus, according to this view, the focal firm defines what is the useful context for a given relationship depending on how the focal firm perceives its network horizon. Holmen and Pedersen (2003, p. 411) have highlighted the difference between the two concepts by stating that 'the part of the network, which a single firm is aware of, is its network horizon. In addition, the part of the network horizon which the firm considers relevant is the firm's network context'.

Anderson et al. (1994, p. 4) base their discussion and definition of network identity on this notion of the business network when they claim 'Network identity is meant to capture the perceived attractiveness (or repulsiveness) of a firm as an exchange partner due to its unique set of connected relations with other firms ... It refers to how firms see themselves in the network and how they are seen by other network actors.' Thus, to analyse the firm's network identity, we need to identify other firms and the relationships in the (focal) firm's network context. Hence, the identity of an actor is defined by what the actor represents to other specific actors with whom the actor is interacting (La Rocca, 2013).

Anderson et al. (1994, p. 6) have presented a framework for identifying positive and negative effects on the network identity.

Constructive (positive) effects on network identity can be classified in the resource, activity, and actor dimensions in the following ways:

- Use of knowledge or solutions from other relationships and/or use of created knowledge or solutions in other relationships lead to resource transferability.
- Contingent positive volume effects and/or contingent positive qualitative effects lead to activity complementarity.
- Harmonious signalling to other relations and/or attractive connectedness of partners lead to actor-relation generalizability.

Similarly, they classify deleterious (negative) effects on network identity in this way:

- Tying up scarce resources from being used in other relations and/or adaptations detrimental to other relations lead to resource particularity.
- Contingent negative volume effects and/or contingent negative qualitative effect lead to activity irreconcilability.
- Adverse signalling to other relations and/or repulsive connectedness of partners lead to actor-relation incompatibility.

The identity of a company profoundly affects its opportunities to act in the network (Håkansson & Snehota, 1995), for example, in terms of generating the resources and capabilities that are needed. The identity must therefore be cultivated in such a way as to support the aim of the firm in question. This cultivation can, according to Håkansson and

Johanson (1988), be undertaken through the operations of the firm and through inter-firm relations and industrial activities. The strategic challenge is then to participate in the process of network evolution in such a way as to become a winner in the sense of becoming a viable partner in the restructured networks that evolve (Wilkinson & Young, 2002).

Methodology

This study uses data collected in the project Healthy Growth of successful mid-scale chains, that is, chains that had managed to combine growth and quality. In Norway, it was not possible to find many successful organic chains because the organic market is less developed, constituting only 1.45 per cent of retail turnover in 2014 (Riksrevisjonen, 2016). The supply chain of Røros Dairy is one of the most successful organic chains in Norway and hence satisfied the requirements for the study.

The problem formulated in the Healthy Growth project required in-depth case study analysis (Yin, 1994). There is little knowledge about growth in mid-scale organic chains, and there is a need to understand complex relationships, and to understand networks and how they developed during growth processes (Kvam & Bjørkhaug, 2014).

The data collected for the Røros Dairy case study consist mainly of personal interviews and a variety of written materials. A common guide for interviews was developed in the Healthy Growth project. For the Røros Dairy case study, semi-structured interviews were conducted between March and September 2014 and one interview in June 2015 with employees and the manager of Røros Dairy and actors in the dairy network. The data consist of two interviews with the general manager of Røros Dairy and five additional interviews with other actors in the supply chain: 1) two organic farmers and owners representing the cooperative Økomat

Røros; 2) the chairman of Røros Food, which is a regional member organisation for all local food producers in the Røros region; 3) a representative of Coop, one of three retail chains in Norway; and 4) an important representative of Røros Hotel – which has a close relationship with the dairy. We also interviewed a former manager of Røros Dairy, a former board chairperson, and Innovation Norway's² regional representative.

To answer the research questions, we asked informants about important actors in the dairy's network for growth, the relationships between actors in the network, and main challenges and discussions connected to growth. Interviews were carried out face-to-face and then transcribed. A case report was developed that was read and commented on by the main informants (Kvam & Bjørkhaug, 2015). In addition, data were retrieved from the Internet (homepage, Twitter, and Facebook), and newspaper articles.

Røros Dairy – and important actors for development and growth

Røros Dairy is located in Røros, a town in the mountain region of south-eastern Norway.

Røros was a mining town over the past roughly 400 years and the town and its environs have been placed on UNESCO's World Heritage List. Besides traditional economic activities such as agriculture and forestry, tourism and local food production are important activities for the town and the district.

² Innovation Norway is a national public support institution for small and medium-sized firms (www.innovasjonorge.no).

Local food from Røros is well known in Norway, and Røros Dairy is one of the most important producers. The dairy has been a spearhead for the development of local food in the region, and the close connection with local tourism firms has placed Røros and the surrounding mountainous region on the map as a food region. Røros Dairy is the only organic dairy in Norway. It was established in 2001 as a private limited company. The founders were organic milk producers organized as a cooperative named Økomat Røros, Tine Norwegian Dairies (the big milk cooperative in Norway), Røros municipality, and Innovation Norway. The organic farmers were the driving force for its establishment, and their goal was to process all organic milk in the region. Innovation Norway had just established a new ten-year plan to support local food development in 2001, and the initiative at Røros fit very well into this program. Their financial contribution was decisive for the establishment of the organic initiative.

The milk cooperative, Tine, which represents nearly all milk farmers in Norway, was important in the development of Røros Dairy. Tine, which was the former owner of the dairy at Røros, decided to close it to reduce cost, but different stakeholders with local organic producers wanted to convert the facility into an organic dairy for the region.

Røros Dairy took over machines and equipment from Tine and employed four former Tine employees when Tine closed down. The new dairy produced the traditional products already developed at Røros, such as 'tjukkmelk' (thick sour milk), 'skjørost' (similar to cottage cheese), and 'songraut' (porridge). In addition, the agreement with Tine was that they were free to produce other old and new local dairy specialties (Amilien et al., 2005) as well as organic light skimmed milk on license from Tine. The by-product from Tine's license

production was cream that was an important product for Røros Dairy's production of specialized products, such as butter and sour cream.

Organic farmers in the Røros region were members and owners of the cooperative Tine which they wanted to continue even though they had established Røros Dairy. They wanted to continue because membership meant safety for delivering milk and for milk quality. Tine collects the organic milk and pays organic farmers for delivered milk. Røros Dairy then buys the regional organic milk from Tine Råvare, a separate unit in Tine that is responsible for milk collection and sale to actors needing milk. Tine's responsibility is due to the fact that Tine fulfils a market regulator role on behalf of the Norwegian government, which means that it is responsible for regulating the milk market in Norway to secure stable prices for consumers and producers. In 2014, about 35–40 organic milk producers in the region delivered approximately 3.5 million litres of organic milk to Røros Dairy via Tine's system of milk collection and transport. Additionally, the dairy receives about two million litres of organic milk from nearby regions via Tine since 2013 because of lack of sufficient volumes of regional organic milk. The organic farmers organized in the cooperative Økomat Røros are also shareholders of Røros Dairy and are represented in board meetings.

Røros Dairy was challenged when Tine's sale of organic skimmed milk decreased. This decrease resulted in lower amounts of cream from Tine's license production and a lower volume of production from Røros Dairy. This development was not in accordance with their growth strategy. Therefore, cooperation with Coop was a good opportunity for the dairy and in 2010, Røros Dairy stopped licensing production from Tine and started to produce organic skimmed milk for Coop instead.

Røros Dairy is certified as an organic dairy that differentiates its product from mainstream organic products by emphasizing values/attributes such as local and pure ingredients; traditional products based on rich culinary traditions and handicraft production methods that make the taste unique. Røros Dairy has been active in the qualification of products for the two brands, Protected Geographic Indication (PGI) and Spesialitet [Specialty], and has established a close relationship with Matmerk, a foundation that is responsible for qualifying products for PGI and Specialty (<http://www.Matmerk.no>). Qualifying products for those two brands has resulted in a lot of positive media attention for the dairy.

During its first years, Røros Dairy sold its products directly to regional customers. In 2005, however, Coop became the first retail chain to sell Røros Dairy's products at the nationally. Today, the dairy has many customers throughout Norway. These customers can be divided into three groups: the three retail chains in Norway as well as sales to the HoReCa (hotel, restaurant, and catering) market, and sales to specialty shops and farm shops nationwide.

Røros Dairy has a closer connection with some customers than with others. An important sales and marketing actor for the dairy in recent years has been Røros Food, a regional actor owned by local food companies, including the Røros Dairy. Røros Food distributes regional products to its members nationwide and supports them in different ways. Another very important relationship is the one with Røros Hotel. In particular, the hotel's director has given ideas, advice, and feedback regarding product development and is very aggressive in marketing local products to Røros Hotel's guests. The relationship between Røros Dairy and its local customers is a trust-based relationship in which actors have common values and support each other in different ways.

Røros Dairy has grown from four employees in 2001 to 21 employees in 2014, while sales have increased from 3 million NOK (0.35 million EUR) to 71.5 million NOK (8.1 million EUR). The company has been profitable since 2010 and profitability is growing. Figure 2 shows the development in turnover and results before tax from 2001 to 2014.

Figure 2: Røros Dairy – growth in turnover and pre-tax results

The goal in 2014 remains to increase growth given its importance in maintaining the volume of organic milk production in Norway. Increasing the value, and thus the prices of the products, and developing new, distinctive products are important goals for the dairy (General Manager (GM), 2014).

Below, we describe in more detail the relationship between Røros Dairy and the retail chain Coop and the effects of that relationship on both parties. We emphasize the cooperation in licensed production since 2010 that was followed by a huge growth in turnover and gradual profitability for the dairy.

The relationship between Røros Dairy and Coop

Coop has had a connection with Røros Dairy since the latter's establishment. The retailer has been a member of Røros Dairy's board since that time. The agreement with Coop on licensed production in 2010 contributed substantially to growth as shown in Figure 2.

Coop was committed to maintaining its position in the organic market with its organic brand, Änglamark. For the retailer, Røros Dairy was the only possible actor left when Tine declined to cooperate with Coop on licensed production. The dairy was still a small actor in the organic milk market in 2009–2010, but Coop knew the company very well. As Coop's representative on the board stated, 'Røros Dairy has a good reputation, and good products that are difficult to copy ... Thus, the products are good for differentiation and sale' (Coop, 2014).

For the dairy, the collaboration with Coop was a conscious choice. According to the general manager, 'it is positive that Coop is a cooperative ... it was the first retail chain that took in products from the dairy ... and we [Coop and Røros Dairy] are based on common values' (i.e., to increase organic production and consumption in Norway) (GM, 2014).

There were some controversies about the agreement with Coop. The main worry was that this cooperation would dilute the dairy's own brand and force its development in a more conventional direction. Organic farmers in the region were generally reluctant to grow. Røros Hotel was afraid that an agreement with Coop would change its focus away from developing its own unique products (Director Røros Hotel, 2014). Innovation Norway's local representative had to convince headquarters that cooperation with Coop was important for the development and growth of the dairy and that Innovation Norway had to support this cooperation financially. When Røros Dairy's board decided to cooperate with Coop instead of Tine, the main reason was that the dairy needed to grow to increase its profitability (board chairperson of Røros Dairy, 2014). The fact that Coop was similarly organized along cooperative lines just made the decision easier.

The GM of Røros Dairy perceived the relationship with Coop as a good one, citing the fact that Coop had never before cobranded a licensed product. The GM also mentioned that Coop

accepted the price that Røros Dairy demanded for the licensed production, which has not always been the case for such products (NOU, 2011). The GM hypothesized that this acceptance is because the dairy is still a small actor in the market.

Producing skimmed milk for Coop results in a cream surplus, which makes it possible to produce more of the existing regional products. Additionally, this cooperation has made it possible to develop a range of new products such as cream and different types of consumer milk. In 2014, about 50 percent of Røros Dairy's total production was licensed to Coop. The dairy is very conscious that this is an undesirable situation and in the future they want to be less dependent on Coop and to focus on developing their own unique products (GM, 2014). Coop, on the other hand, is very satisfied with the sale of organic milk and wants to increase cooperation.

Analysing the focal relationship and connected relationships

In this part we begin by analysing the primary function of the focal relationships (Anderson et al., 1994) between Røros Dairy and Coop.

The primary effects of the focal relationship between Røros Dairy and Coop

The primary function of a focal relationship implies that the interaction of the two partner firms in a focal dyadic relationship will have positive and negative effects on the firms (Anderson et al., 1994). A positive effect of the relationship for both parties is the complementarity of resources. Røros Dairy needed more cream to produce its own established products and new products, and increased demand for light skimmed milk from Coop fortunately gave the dairy an increased amount of cream as a by-product. Increased

volume of cream made it possible to produce more own branded products that increased turnover and critically, profitability. The relationship was important for Coop because it gave them the opportunity to offer organic light skimmed milk to their customers. It was additionally very positive to offer organic milk from a well-known local producer with a good reputation in the market.

Another positive effect of the relationship is the cobranding initiated by Coop. Using Røros Dairy's logo and a drawing of the Røros area on the milk carton is good marketing for both actors. This marketing strengthens the local presence and identity of the product. A negative effect expressed by Røros Dairy is its dependency on Coop. The aim over time is to produce only its own branded products. On the other hand, Coop is also dependent on Røros Dairy for the licensed production because the dairy is the only actor interested and willing to produce for them at the moment.

While the primary function of the relationship has both positive and negative effects for Røros Dairy, it is mainly perceived as positive for Coop, which has managed to take advantage of Røros Dairy's position in the organic market by cobranding.

Secondary or network effects of the focal relationship between Røros Dairy and Coop

We are now, using Ritter's (2000) cases of interconnectedness, going to analyse how the focal relationship has affected and is affected by connected relationships, and will thus answer research question 1.

Figure 3: The focal relationship between Røros Dairy and Coop and connected relationships

The connected relationship Røros Dairy and Tine

The agreement with Coop in 2010 on licensed production meant a termination of the cooperation between Røros Dairy and Tine on the same production. Røros Dairy had established cooperation with a competitor, and Tine had to process organic milk themselves or find another processor if they wished to continue supplying this market. Here the focal relationship is hindering license production in the connected relationship because Røros Dairy could not produce for both parties simultaneously. The connected relationships are decisive for the focal relationship because Tine is the supplier of organic milk to Røros Dairy. A positive and a negative effect exist on the focal relationship at the same time, which Ritter (2000) calls 'lack effects'. In this case, Tine is obliged to sell to Røros Dairy, thus, Røros Dairy did not take any risk in changing its license production partner.

The focal relationship has also had positive effects on the connected relationship. Because Tine sold only 40 per cent of the organic milk produced in Norway to a premium price, they lost money on this production. The increased sale of organic milk from Coop meant a greater supply of organic milk from Tine to Røros Dairy; Tine received a premium price for a bigger portion of their organic milk production. This is a 'two-way positive effect' or a 'synergy effect' where the relationships support each other (Ritter, 2000).

The focal relationship has made Røros Dairy more independent of Tine and free to produce whatever products it wanted although it was in competition with Tine's products. This situation has had a negative effect on the connected relationship to Tine because they became competitors. This case is also categorized as a 'lack effect' (Ritter, 2000), that is, a situation in which a positive and a negative impact coexist.

On the other hand, increased demand for organic milk is a positive development also for Tine because it is the only supplier and controls this resource. Thus the focal relationship may have a positive influence on the relationship between Røros Dairy and Tine over time.

The connected relationship Røros Dairy and organic farmers

The decreased sale of organic milk from Tine reduced the volume of organic milk sold as well as the price Tine paid to organic farmers. The focal relationship implied increased demand for organic milk. Since 2013, Røros Dairy has had to process organic milk from farmers in nearby regions to satisfy demand. The focal relationship influenced the connected relationship between Røros Dairy and regional farmers in a positive way because they reached the goal to process as organic all organic milk in the region. Some regional farmers were sceptical about the cooperation with Coop initially and about the dairy's growth ambitions. On the other hand, if demand for organic milk increased further, they expected that the price for organic milk would increase. We recognize a 'two-way positive effect' or 'synergy effects' where the focal relationship has influenced the connected relationships in a positive way because of the increased sale of organic milk (Ritter, 2000).

The connected relationship between Røros Dairy and NorgesGruppen

Cooperation with Coop made it impossible, because of the lack of capacity, for Røros Dairy to cooperate with the other two retail chains in the short run. The interconnectedness between the focal relationship and the connected one meant that the retail chain NorgesGruppen was excluded from cooperation on licensed production. Thus, the focal relationship had a hindrance effect on the connected relationship (Ritter, 2000). On the other hand, the focal

relationship leads to increased production of Røros Dairy's own and new branded products and all customers of Røros Dairy have benefited from a larger volume and new products.

This is a typical 'two-way positive effect' or 'synergy effect' (Ritter, 2000).

The connected relationships between Røros Dairy and local customers

The director of Røros Hotel was one of the actors who was very sceptical about the focal relationship and was afraid it would damage the dairy's brand and identity. That the focal relationship provided the dairy with more resources and greater capacity to focus on product development was important to its relationship with Røros Hotel. This was also the situation for the local HoReCa market in general. In such connected customer relationships there were no reverse effects, that is, the connected relationships did not affect the focal relationship. Ritter (2000) called this an 'assistance effect.' The focal relationship has increased the volume distributed by Røros Food on behalf of the dairy. This increase has been important for the increased turnover and profitability of Røros Food. The effect is also a one-sided positive effect, as above, with no reverse effect on the focal relationship. Instead, it has an 'assistance effect' (Ritter, 2000).

Connected relationship between Røros Dairy and Matmerk

The focal relationship indirectly influenced product development and thus the connected relationship between Røros Dairy and Matmerk. The focal relationship resulted in increased turnover, profitability, capacity, and cream production, and made it possible to focus even more on product development and to qualify traditional and quality products for Matmerk's labels. This is a positive domino effect from the focal relationship to connected relationships

(Hertz, 1998 as cited by Ritter, 2000). Positive reviews of Røros Dairy and its products may affect the focal relationship in a good way by creating customer interest in licensed products. There is a 'two-way positive effect' of the interconnected relationship, or synergy effects, according to Ritter (2000).

Connected relationship between Røros Dairy and Innovation Norway

Innovation Norway's³ (IN) head office was very sceptical about RD's cooperation with Coop and was concerned that this cooperation would dilute the brand. Following lengthy consideration and discussion, IN did support Røros Dairy in developing its relationship with Coop – a support that was crucial for establishing the focal relationship between Røros Dairy and Coop. The focal relationship has supported the growth of the dairy, which is an important goal for both the dairy and for IN's support schemes for local food firms. Thus, there is a 'two-way positive effect' (Ritter, 2000).

According to our first research question, about how relationships influence each other, we clearly see that actors in the network context of the focal firm are interconnected in myriad ways. Results also show that there are different effects, both positive and negative, and different categories of effects; these results are in accordance with Ritter's findings (2000).

Positive and negative effects on network identity

In this part we answer our second research question, how the focal relationship between Røros Dairy and Coop influences the focal firm's network identity. Has the focal firm

³ Innovation Norway is a national public support body directed towards supporting small and medium-sized firms (www.innovasjonorge.no)

managed to maintain its identity as an organic quality-oriented producer despite cooperation with the conventional actor, Coop?

The main resource in our study, organic milk, depends on resources being transferred from connected relationships on the supply side, that is, from Tine and organic farmers. Product developed in the focal relationship led to increased demand for resources from these connected relationships, and the focal relationship had positive synergy effects on resource use of connected suppliers. According to Anderson et al. (1994), this synergy effects have positive effects on the focal firm's network identity.

Cream, the byproduct from the license production, and the availability of organic milk from nearby regions made it possible for Røros Dairy to combine these resources with resources from other relationships and to transfer/sell to customers in connected relationships.

Transferability of resources in connected relationships has positive effects on connected actors in the network and thus on the focal firm's network identity (Anderson et al., 1994).

Anderson et al. (1994) suggest anticipated activity complementarity where the connected relationships are contingent on activities performed in the focal relationship. The situation in our case is that connected relationships in the focal firm's supply chain are contingent on the license production to increase supply of organic milk from the supplier side. Dairy customers are also dependent on the increased production of organic milk in the focal relationship because increased production gives the dairy resources to increase volume on existing products and to develop new organic products in cooperation with Røros Hotel or others. Thus, activities performed in the focal relationship affect positively activities in connected relationships along the supply chain. Activities influencing Tine and organic farmers are typically volume based. The activities connected to customers are both volume and quality

based. These activities seem to strengthen the focal firm's network identity (Anderson et al., 1994).

The relationship between Coop and Røros Dairy signals that the dairy is a serious actor in the organic network in Norway. It shows that the dairy is no longer only a small processor, but a significant actor to consider. The dairy will be viewed as being stronger in resource terms when it can deliver substantial resources to its connected partner, Coop. Requests from the two competing retail chains about cooperation confirm the perception that Røros Dairy is an attractive partner for cooperation. Nevertheless, cobranding with Coop shows that they value Røros Dairy as an organic quality-oriented producer and not only as an organic mainstream actor. Without cobranding, the stream of resources in this license production would not have affected Røros Dairy's identity. Although Tine has experienced both negative and positive effects of the focal relationship, the focal relationship has made Røros Dairy even more attractive as a partner for Tine. Hence, a negative effect of the focal relationships may not imply a negative perception of the focal firm's identity.

The on-going activity focusing on developing new, unique products from Røros Dairy signals that it is a local actor intent on creating alternative products. Cooperation with local actors such as Røros Hotel confirms this perception and confirms the qualification of products in cooperation with Matmerk. Attention from the media strengthens this signal and the perception of Røros dairy's identity as a substantial and active actor in the organic-quality food market. The focal firm has not experienced any negative effect from the focal relationships on the customer's side. To the contrary, the dairy is still a very attractive partner for organic- quality food customers. The fact that IN still supports the dairy financially shows that they also perceive the dairy as an organic quality-oriented producer.

There are no negative effects on network identity. Some network actors were afraid that the focal relationship and cooperation on licensed production would take the focus away from other activities supporting the identity the dairy want to convey. Activities undertaken by the focal firm have strengthened its identity as an attractive partner for both larger companies and smaller actors in the organic foods network.

The fact that Røros Dairy had a favourable position in the network when the relationship with Coop was established was important for maintaining the dairy's identity. Also, the fact that the actors in the focal relationship had much the same values and goals concerning organic production and sale seems to be important (Dyer & Nobeoka, 2000). In addition, Røros Dairy's on-going focus on product development in cooperation with local and other partners seems to be important for maintaining its identity as a regional organic-quality producer. The close connection with the local food network at Røros most probably does play an important role in the dairy's network identity, as being part of a network that posits a strong connection between identity and practise (Wenger, 1998).

Discussion and conclusion

While previous literature has suggested that growth in organic values-based chains and relations with conventional actors may imply conventionalisation of the organic chains (Mount, 2012; Noe & Alrøe, 2011; Guthman, 2004), our study indicates that such collaboration may function without the quality-oriented actor losing its main values. Using the IMP perspective has made possible a better and more complex understanding of the interconnectedness of actors in a network and how they may influence each other and respective network identities.

Regarding effects of connected relationships, our findings show a more complex picture than do Ritter's findings concerning cases he defined (2000). When we try to capture the development aspects of a firm as part of its network, analysis clearly shows that the network effects may change over time. This changes over time is in accordance with the IMP theory where a network is supposed to be under constant evolution that necessarily implies changes in relationships (Håkansson & Snehota, 1995). Furthermore, when a relationship is established, there are expectations of future effects that are not clear and/or are not fulfilled from the start of the relationship. Future expectations are difficult to relate to, but may be very important for the decision to cooperate and therefore should be included in the analysis in one way or the other.

Another dimension that is lacking is that two actors may cooperate in different areas simultaneously, which also is emphasized in La Rocca (2013). When one activity stops, another activity may benefit from the negative effect on the first. This was observed in the connected relationship between Røros Dairy and Tine, when the partner for license production changed. Thus, relationships may influence each other in both positive and negative ways simultaneously and according to Andersen et al. (1994), different relationships can affect each other in the actor, activity, and/or resource dimensions simultaneously.

Concerning the concept *network identity* and the framework for analysis according to Anderson et al. (1994), both have proved valuable for understanding the effects of relationships on network identity. However, there is room for further elaboration on the identity concept within the IMP tradition. According to Anderson et al. (1994), the concept 'network identity' captures the perceived attractiveness or repulsiveness of a firm as an exchange partner. Attractiveness does not necessarily imply connectedness to the identity that the firm wants to convey. For Røros Dairy, Coop was interesting as a partner mainly because

Røros Dairy needed to increase the volume of cream. Thus, it was important for the dairy also to be attractive as a volume producer. Hence, it might have been important to establish and develop different identities to maintain the one the firm wanted to convey most.

How can the IMP perspective contribute to our understanding of organic chains and how they develop? The IMP perspective considers firms as embedded in a broader network where the actions of a single firm are confronted with the actions of other firms with partly overlapping and partly opposite goals (Håkansson & Ford, 2002). Thus, one important aim must be to become a preferable partner in the network. Røros Dairy's identity was built in close cooperation with regional actors and other actors in the supply chain by emphasising organic and regional qualities. Furthermore, the dairy collaborated with external partners, such as Matmerk and Innovation Norway, that contributed to strengthening its identity. The path to become an attractive partner seems to be to cooperate with partners that (partly) share your values and thus, each strengthens the other.

Using the IMP perspective on a successful and unique case has implications for the way it can be useful for managers of organic values-based firms. Although settings and firms will differ, and although it is not possible to predict the direction of development of a network or to forecast final effects of any network action (Håkansson & Ford, 2002), it is possible to learn from how a successful firm has developed in its network. The case study gives insight into how different actors in a firm's network, both chain actors and other actors, together play an important role for development and growth. Furthermore, the case can be valuable in showing how the focal firm has managed to maintain its network identity in the cooperation with a large retail chain. The knowledge can prove useful for business managers on the importance of understanding and consciously interacting in both new and established relations in ways that may improve the firm's position in the network and its possibility to

strengthen its network identity and hence affect its opportunities. This is particularly important in the quality food market where a change in network identity from a quality actor to a mainstream organic actor may have a decisive effect on profitability and survival.

Generally, this case shows aspects of the transition of the Norwegian food system since early 2000. Conventional actors are not so 'conventional' anymore, and they have adapted sustainability values – but to varying degrees. Nevertheless, there are still challenges for organic quality-oriented firms in scaling up, and only a very few organic chains in Norway have managed to grow (Kvam & Bjørkhaug, 2013).

A challenge in the Norwegian organic foods market is that customers are not willing to pay a much higher price for organic than for conventional products. One important reason for this is that the extra values of organic products are not communicated to customers. Røros Dairy is very aware of this communications failure and emphasizes a variety of communication channels toward consumers, for example use of labels and demos in shops. For smaller actors in the market with fewer resources, such activities are too resource-demanding (Kvam, Stræte, & Magnus, 2014).

Røros Dairy managed to adapt values when scaling up without damaging their identity, but this is not always the situation (Mount, 2012). In Norway, few alternative food chains exist and it is still not necessarily easy to find a partner that supports the values one's firm wants to convey. Besides license production of organic products for retail chains, another development trait in Norway is that retail chains focus on vertical integration of organic- and quality-oriented actors. Then the organic firm's destiny is laid in the hands of the big actor, and the fear is that the organic firm's original qualities and values will be lost.

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An interesting avenue for further research would be to develop the dynamic aspects further, as part of Ritter's (2000) categories on the effects of relationships. Furthermore, it would be interesting to elaborate on the concept of 'network identity' and its different aspects, such as the focal firm's perception of and development of its own identity, as well as other network actors' perceptions of the focal firm's identity.

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