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Increasing Regional Competitiveness
by Network Strategy
Case:
The Strategy Process
of the Lahti University Network

Abstract

In the network society, different areas and cities are forced to compete each other. The success of urban districts is partly dependent on the people's level of know-how and the districts' capability to create, process, and spread knowledge.

Although Lahti does not have a university of its own, it has been able to attract some Finnish universities to start up branches in Lahti. Nowadays, there are four units from different universities with ten professorships. The lack of its own university emphasises the need for local actors, like research and education organisations, companies, and authorities to co-operate strategically with each other. One example of this co-operation is the Lahti University Network. The network is formed by independent university level organisations in the City of Lahti. Although the Lahti University Network has been established, it has not had a proper strategy or a plan of action. The network of these independent university organisations needed a strategy which guide and supports the actions and is compatible with the regional innovation system.

The study focuses on the strategy process of a network organisation. The phenomena assessed are:

- the strengths and weaknesses of the networking
- the basic elements of network leadership
- the decentralisation of leadership in a network
- the commitment of actors in a network
- the management of possible political games in a network.

The study is an action research, where the researchers were actors in the strategy process. The strategy process is a learning process of the network. Some traditional strategic analyses, such as feasibility analysis and benchmarking, as well as some creativity tools like vision workshops were tested. Leadership was decentralised among all the actors, in order to get the full engagement of the actors.

The network strategy of the Lahti University Network is informative, serving as a possible example for other similar network organisations in Europe. This case is part of the researchers' study project to develop a model for the strategic planning of the network.

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1 Introduction

This article has two purposes: Firstly, it is a report of a network strategy process of the Lahti University Network. Secondly, it tries to lay the foundation for the further study of network strategy and network leadership aimed at improving the functions in small public sector networks. The article begins with a general description of the network society and networking as a main logic of social actions. Our aim is to find the basic elements of the leadership functions in a network. We will contemplate a network from the point of view of leadership. So far, there has been little interest in the politics of the network leadership. Our claim is that the management of the politics and the power struggles of the network may have a strong effect on how functional and effective the network co-operation may develop.

The strategy process of the Lahti University Network will be assessed from the point of view of network leadership. The purpose of the strategy process was to improve co-operation and the leadership of the network. It also showed the level of the co-operation between the actors in the university network in question.

This study is an action research (see Kuula 1999), where our aim was to develop the ongoing strategy process of the Lahti University Network. The researchers were actively participating in the process. According to the principles of the action research, the interaction was considered during the strategy process. The purpose of this method was to produce on-line information for the participants of the network and to improve the interaction of the strategy process. The action research was complemented by an inquiry made for the participants of the strategy process. The results of the inquiry are presented in this paper.

2 Nature of the Information Society

2.1 Network Society

Our discussion of concepts like information society, risk society, post-industrial society, etc. is a discussion of capitalist societies. These concepts reflect ongoing changes in the mode of production, emerging new technologies, or global flows. Rather naturally, along with the new technology and economy, there are always ongoing transformations in society. This might be just the same old story. Karl Marx correctly and ironically argued that: "*The bourgeoisie cannot exist without constantly revolutionizing the instruments of production, and with them the relations of production, and with them all the relations of society*" (Marx & Engels 1996). Berman (1983: 24) also noted that still today we are only witnessing the very same logic of capitalism and its influence on our societies, cities and relationships with our fellow men. Castells (1996, 1997, 1998) formulated a systematic theory of the information society that takes into account the fundamental effects of information technology on the contemporary world. He has been interested in the emergence of a new social structure, which he labels a network society.

This theory of informational capitalism and its society, implicitly argues that the history of modernisation is still going on, and that human beings still have a chance to make their own history (cf. Fukuyama 1992). What has been developed is the capitalism. It has reached the level of a global economy, globalism à la Beck (1993), thanks to global financial markets (Castells 1998: 342). And more correctly because of the technological conditions under which it operates in informationalism, it has been annihilating space and time by electronic means (ibid, 343 & Harvey 1998). Harvey (1989: 147) also talks about the society in terms of flexible accumulation, which culminates in intensified rates of commercial, technological, and organisational innovations. According to Harvey, it has entailed a new round of what he calls 'time-space compression', which means that time horizons of both private and public decision-making have shrunk, while satellite communication and declining transport costs have made it increasingly possible to spread those decisions immediately over an ever wider and variegated space.

The concept of the network society refers to well-known megatrend changes in social, economic, and technological spheres of society. The globalisation process of economics, development of technology, reconstruction of political systems, and the new values in our social life create new demands and changes for all kinds of organisations in the private and public sectors (Sassen 1998, Väyrynen 1999, van Dijk 1999). This reconstruction process of our societies means that for social actors of all kinds it is a question of life and death to belong to global and regional network flows. Actors should have skills and know-how to be members both in a space of flows and in a space of places.

In this article, we conceptualise networking as the most important form of social organisation (cf. Castells 1996). The main logic of ongoing development, both in a space of flows and in a space of places, is the logic of networking. It has been said to be the third alternative for the co-ordination of social action after markets and hierarchies (Thompson *et al.* 1991). As Frissen (1999: 215) says, through information and communication technology, the co-ordination of functions and activities no longer has to be bureaucratic and hierarchical.

To summarise, the development of information and communication technology, the reproduction of knowledge, the need for real time information, and the co-operation as a key to a success have led us to use the concept of a network society. The strategic thinking and acting are emphasised in a network society (Sotarauta 1999: 2000). All the actors have to find, and

concentrate on, their core competences. It is essential for them to be on the “world map” (Mäkelä & Stenlund 1995), locate themselves, and navigate forwards. The successful navigation presupposes network skills, communication, and other social skills, also with other types of organisations and cultures. The essential feature of successful networks is the management of actions and the leadership of communication.

2.1 Elements of the Networking

This article starts from the statement that in a network society the co-ordination of social actions takes place in networks. A network is formed by the actors having shared goals. It is characterised by co-operation, partnership, trust, and openness. The members of the network have different roles and their know-how supplements each other. Essential features of the network are distribution of knowledge and continuous learning from the other actors of the network (Roine *et al.* 2001, Haikonen 2002, Raatikainen & Ahopelto 1994, Ollus *et al.* 1998).

The network organisation can be an internally networked organisation like a decentralised organisation, or it can be formed from independent organisations. From the point of view of leadership, the differences might be small, but in this article we will study those later types. In a network organisation, each actor has their own role and functions. As Sotarauta (1999: 104-105) suggests, actors of the network could have different motives for their co-operation: the network could be seen as a channel, a way to minimise expenses, or as a strategic tool. Interactions are supposed to be rich, and co-operation could be carried out in areas of aims, strategy, products, and customers.

We understand networking as a type of action, which guarantees the association of a fast flow of information and expertise. The network-like actions are said to create elasticity and speed, likewise integration and creation of knowledge and innovations (Stähle & Laento 2000: 21). Networks are human by nature and are expected to bring along human co-operation (Lahti 1994: 98).

Raatikainen (1994: 28–30) has divided the networking process into three different stages, which he called connection, interaction, and bond. The first stage in networking is building a connection that enables interaction between different participants of the net. As a result of this interaction, a bond between the participants may arise.

The network-like actions have an effect on the organisation, power structure, and culture of organisation. In this culture, the flow of information has to be fast and open, the confidence level has to be high and practices have to be elastic and effective. One basic element of the networking is also time. It is essential that the network develops slowly since when people get to know another they begin to trust and understand each other more and more and in this way joint projects become possible (Roine *et al.* 2001). The foundation of the network is a partnership. The basic elements of the partnership are knowledge capital, added value, and trust (Stähle & Laento 2000: 26–27). The capacity of the network partnership is dependent on how these three elements are managed:

1. Partnership increases knowledge capital. The more the partner has knowledge capital the more interesting he is as a partner. This presupposes a mutual understanding of shared information and the opportunities for joint actions.
2. The added value is created in the field of opportunities. Partnership should create added value for all partners.
3. Partnership is based on trust. The success of partnership is dependent on the level of trust in the network. The trust affects the sharing of information, integration of know-how, and finally the opportunities to create added value.

The network as an operational environment creates new demands for the management of information. The network transfers the boundaries inside and between organisations. Hierarchies are swept away in order to bring more elasticity and project work (Ollus *et al.* 1998: 69–72). For the coherence of the network, it is essential that different actors share common values and the different parts integrate as a unit. The communication and communication flows are essential for this.

The functionality of the network could be described from the point of view of density, frequency, contents, and form of communication. The tradition of communication of the network has an impact on the expenses of coordination, production capacity, trust, and sharing common values (cf. Kotter 1988). The communication has also an impact on the production of know-how, and the creation and spread of innovations.

The advantages of the networking are said to be in the emergence of new products, innovation, flexibility, obtaining of new resources and know-how. The challenges of the networking are diversification of leadership, costs, trust, power (common and one's own interests), and the relationships between strong and weak actors. These problems will be emphasised if the diversification and non-coordination gain too much ground.

3 Review of The Network Leadership and Strategy

Moreover, in the case of networks, the leadership tasks differ from the tasks of management. Where management produces a degree of predictability and order, the leadership produces change. Leadership is about:

1. Establishing direction: developing a vision of the future and strategies for producing the changes needed to achieve that vision,
2. Aligning people: communicating with those whose co-operation may be needed so as to influence the creation of teams and coalitions that understand the vision and strategies and that accept their validity,
3. Motivating and inspiring: energising people to overcome political, bureaucratic, and resource barriers to change (Kotter 1990, also Mintzberg 1989).

The basic definition of the network leadership is that it is an action, which directs all the operations and resources of the network into the desired direction. Management by interaction (Kamensky 2000) is one part of the network leadership. The features of network leadership can be found in all fields of social life. Stewart (1986) has listed leadership tasks on a communal and regional level. According to him, current leadership underlines more the acquisition of information, empowering choices, flexibility, responsibility, and politics than traditional control, stability, uniformity, profession, and assignment/function.

For Judd & Parkinson (1990, also Judd 2000), leadership in a regional context means the capacity to use external and local resources. They also stress that leadership functions go with democracy and not against it. In times of change, democratic organisations also need leadership to achieve common goals without coercion, bribery, deception, or subordinating personal interests to group needs. According to Sotarauta (1999: 30), network leadership means activities, which try to help interaction processes, act as a mediator in interaction processes between different actors, and direct activity to seek out goals. Essential features for network leadership are negotiation, communication, persuasion, trade, and visionary skills (Sotarauta 1999: 110). The communicative strategy process of a multi-actor and multi-goal environment needs creative and goal searching leadership.

In a communal or urban regional network, the leadership can be divided among the network actors. Different actors can have different skills, roles, and functions in network leadership (Kickert 1997). In the context of a network, the leadership role is that of an integrator of the functions and operations (Berquist 1995: 42). Leadership is needed in five integrative functions. It must operate in the strategic, tactical, operational, interpersonal, and cultural functions of the network.

According to Linnamaa (1999), network leadership builds a foundation for learning and innovative actions. It helps to create good conversation culture. The dynamics of these innovative and learning network structures do not fit the classical strategic leadership and strategic planning. There is a need for visionary leadership skills. The quality of the co-operation process will be a remarkable competitive factor. This means that leadership is emphasised: it means to give guidelines for operations and direct the actions of the people (members of the network). The leadership of the network might focus on interpretations, actors or institutions, or relationships between these (Klijin & Teisman 1997).

Network leadership can be assessed from the following viewpoints:

- 1) Is there interaction between the actors?
- 2) How are the actors selected?
- 3) How intensive and open is the interaction process?
- 4) How are different interpretations brought closer?
- 5) What is the quality of the processes?
- 6) Does the process move on?

Strategic challenges bond actors together and motivate them to co-operate. There is a school of thought in organisation theory and management that views networking as a competitive strategy. We can see networks, as Shiva Ramu does, as strategic alliances, which are formed among competing organisations. A number of theories assume the success of an alliance. However, in practice, many failures take place, primarily because one of the partners resorts to "opportunistic" behaviour. This means organisations forming alliances should have mutual trust and a willingness to co-operate in achieving a common goal (Shiva Ramu 1997: 13).

In networking, the relationships between actors are more equal and collaborative than traditional principal-agent relationships (Frissen 1999, 10). It means that the network leadership has to handle complex interaction settings and work with the different strategies of the various actors involved (also Kickert *et al.* 1997:10–11). For example, Borja & Castells (1997: 213) have considered the factors, which successful city networks have to fulfil. Among these is the leadership, which, according to them, has to be capable of organising complex projects, managing conflicts and anomalies, and processing and disseminating information world-wide.

Kickert & Koppejan (1997: 58) pointed out that in order to get results network management is dependant on the actor's capacity to demonstrate leadership. Between representatives of 'corporate organisations', it is not only important to create consensus for a joint course of action, but also to establish support for these ideas within the organisation. It means that the success and effectiveness of a network project largely depends on the quality of the leadership. Representatives have to take risks by accepting new ideas and being prepared to speak out for them with their organisation. The leaders must have the capability to coach, inspire, and gain people's commitment. They also must offer personal examples of excellence (Naisbitt & Aburdence 1990: 230).

That leadership must be democratic, respecting people and encouraging self-management, autonomous teams, and entrepreneurial units (*ibid.* 231). At the beginning of the last decade, Naisbitt correctly underlined the balance between technology, capital, and people, which leadership must realise: "*Leaders recognize that while capital and technology are important resources, people make or break a company. To harness their power, leaders inspire commitment and empower people by sharing authority. Responding to labour shortages with flexibility, they enable their firms to attract, reward, and motivate the best people. But effective leadership must also monitor the external environment, tracking trends, markets, technological change, and product cycles in an increasingly global 1990s*" (Naisbitt & Aburdence 1990: 231).

4 Political Perspective on Network

Our starting point is that a network offers an interesting ground for a study of political activity and power struggles. The nature of the multi-actor network, lean organisations, and diversification of leadership are fruitful ground for political games. As Buchanan & Badham (1999) believe, the political activity, bargaining, and coalition formation only occur when power is dispersed widely, and not when it is centralised at the top. This is true also in a network context.

This political perspective on networks comes from the political model of organisations (Buchanan & Huczynski 1997). Networks could be studied as political coalitions. This political model, which we apply to a network, holds that normally there is no all-embracing organisational goal to which all members subscribe, or at least the aims of actors might change during the life cycle of the network. The behaviour of individuals and cliques within organisations can be explained with reference to their attempts to achieve their own unique goals; and that those who possess the most power will be the most successful in furthering their interests and achieving their goals (Buchanan & Huczynski 1997: 672). Moreover, the transmission of knowledge might present more problems than expected and the network co-operation might have an unexpected impact on the organisation culture.

Referring to Kakabadse (1983), we think that the politics in networks is also about overcoming the problem of resolving situations where different actors bring different values to their work, and consequently do not share common goals or views, but yet have to continue to work with one another. In a network, the power is shared, which means that power is capable of promoting common and separate aims within the course of interaction (Sotarauta 1999: 105). In a network leadership, the sources of power might be "the soft ones"; the expert power, referent power, and information power are emphasised.

Compared to hierarchical structures, the power relationships and rules of the game are more likely to change all the time. Networks also create an opportunity to make actions more flexible. From the point of view of network leadership, it is crucial to be aware of the possible political activity and power struggles in a network.

Networks in regional development can be assessed as a set of games (Sotarauta 2000). These games can be seen as a process of moves and countermoves, where the players are aiming to promote their own aims or those of some group, or of the whole region. In the space of flows, the most successful players are the actors who are able to learn new things, are innovative, and are able to adapt to new situations. The leadership in the network is taken by the actors who understand the dynamics of the flows and the network, as well as the logic and aims of the players of the game better than before.

According to Thrift (1996), the human communication must be emphasised as part of the game, in spite of the strong development in the information and communication technologies. For example, when building the strategies, the very talented players of the network influence the strategy more, in spite of seemingly equal opportunities of the actors in the process. Some players make attractive moves during the game and make the other players see things the way they do. They are the real leaders of the network. In the development game, a skilled player (leader) tries to keep the alternatives flexible as long as possible to be able to use the continuously changing situations.

In conclusion, this political model stresses that

- 1) The actors of the network have separate interests, goals, and values,
- 2) Power and influence are needed in order to reach decisions.

5 Strategy Process of the Lahti University Network

5.1 Lahti University Network

In a dynamic (operational) environment, such as a network society, the competitive advantage is achieved by integrated know-how (Stähle & Laento 2000: 25). In the case of the university network, the different university units ought to compound their know-how in order to create new services and products, which they are unable to create alone. To be a partner in this network means that every unit has to give something to the other partners.

With the contribution of the City of Lahti, four university units, belonging to three universities, have been established in Lahti, that is, Helsinki University of Technology Lahti Center, Lappeenranta University of Technology Lahti Unit, Palmenia Centre for Research and Continuing Education at University of Helsinki, and University of Helsinki Department of Eco-logical and Environmental Sciences. This networked university entity is called the Lahti University Network.

Currently, there are ten professorships in the Lahti University Network

Helsinki University of Technology

- Quality Management and Quality Systems
- Industrial Development and Management
- Information Technology
- Environmental and Quality Management.

Lappeenranta University of Technology

- Business Administration
- Industrial Engineering and Management.

Palmenia Centre for Research and Continuing Education at University of Helsinki

- Social Gerontology.

University of Helsinki Department of Ecological and Environmental Sciences

- Soil Ecology
- Aquatic Ecology
- Environmental Biotechnology.

In Lahti, the university units have so far concentrated mainly on continuing education programmes and regional development projects. Open University education in Lahti is expanding vigorously. Additionally, the Lahti University Network is increasingly implementing numerous research and development projects in co-operation with local enterprises and public organisations.

Master's degree studies can currently be pursued at the University of Helsinki Department of Ecological and Environmental Sciences in Lahti. The units of Helsinki University of Technology and Lappeenranta University of Technology in Lahti have implemented Major-level upgrading education for college engineers to attain Master's degrees in industrial development and management. The Helsinki University of Technology Lahti Center has also organised upgrading education for college engineers to attain Master's degrees in information technology. Lappeenranta University of Technology has organised, in Lahti, upgrading education for those with college degrees in business administration. The Palmenia Centre for Research and Continuing Education at University of Helsinki will organise Master's degree education in web communications, starting in 2002. The Lahti University Network also organises doctoral education.

The current annual funding of the operative costs at the Lahti University Network is about 12.6 million euros and in 2001 it employed about 170 people. The annual number of students is nearly 4 000 (Pekkarinen *et al.* 2002).

The university units operating in the Lahti region are affiliates of their main universities, and independent in their relation to the Lahti University Network. The agreement between the City of Lahti and the three universities to form the Lahti University Network was signed on November 27, 2001. At this point, the Lahti University Network did not gain the legal status of an organisation but rather operates as networked university. The University Network administration comprises the administrative and executive boards, together with the secretary general. The administrative board has two members from each regional university unit, two from the City of Lahti, and two from the most important interest groups. The executive board consists of the Mayor of Lahti and the rectors of the universities with units in Lahti. The resources of the Lahti University Network come from the funds allocated by the universities in the Lahti region and other funds distributed to the Lahti University Network operations.

In the agreement, the objectives set by the Lahti University Network are the following:

- to raise the university-level expertise in the Lahti region, and
- to serve the business life in the Lahti region by academic research, development, and education.

5.2 Description of the Strategy Process

The preparations for the strategy of the Lahti University Network were started in January 2002. For practical reasons, it was determined to proceed in phases. The objective of the first phase, to be completed by the end of May 2002, was to define the policy and direction of the University Network. During the second phase in autumn 2002, the strategy will be polished, and a scenario drafted for the implementation of the strategy. The implementation of the first phase of the strategy process is presented in the following paragraphs.

The need for a united strategy was evident soon after the co-operation agreement was signed, as practical issues had to be decided. Moreover, outside pressure for launching a University Network policy in the region was increasing.

The essential questions of the first phase of the strategy work were the following:

- what is the conceptual and practical meaning of the Lahti University Network?
- what are the main functions of the University Network?
- what are its main tasks and operations?
- what are its visions and future objectives?

It was decided, that the manager of the strategy process should come from within the university network to ensure familiarity of the university units and the ability to understand the network entity. Initiation of a total outsider into the strategy process was felt to be too time-consuming. Helsinki University of Technology Lahti Center was given the task of conducting the methodological implementation of the process. The processing of the substance was given to a strategy group represented by the different university units in the Lahti Region. The suggestions of the strategy group were to be approved by an unofficial university group before they were submitted to the official university steering committee. The university group was happy about the central role it was given in the process, as it had over five years' experience of

co-operation. The participation in the strategy process of the two preparatory groups later on also proved confusing.

During the process, the roles of both the process manager and the university group were emphasised at the expense of the strategy group. This was due partly to the tight schedule of the strategy work and partly to the same people belonging to both the unofficial university team and the strategy group. Information on the progress of the strategy group and the contents of the strategy was given to the administrative and executive boards of the University Network following the completion of a united strategy draft. This was partly a tuned-in decision of the strategy group, and partly due to the meeting schedule.

In addition to traditional face-to-face meetings, e-mail and Internet-based software were also used in the communication. The implementation of the software gave the group access to all the documents and enabled conversation to take place irrespective of time and place. The simultaneous use of two electronic network systems was, however, complicated and soon the more familiar e-mail proved a more flexible means of communication, even though an opportunity for virtual conversation was lost.

The university group met every two or three weeks to discuss strategy and other current issues. Prior to the meetings, the process manager usually sent an agenda to the group members for comments. Only some of the group members gave feedback actively. At the actual meetings, the process manager presented the documents and the relevant comments without revealing the identity of the person in question. The manager was reasonably neutral in his participation in the issues under review. If necessary, the chairman of the university group acted as chairman of the meetings.

The background material of the Lahti University Network was gathered from existing written documents in the form of regional programmes and strategies, as well as by interviewing the most important interest groups. The goal of the background material was to study the expectations of the University Network interest groups and the community regarding the regional university operations. The summary of the material gathered was hardly exploited in the strategy draft.

Later on, the methods of future research were used in the strategy process. To outline the different scenarios, a possible futures table was created for the compilation of the different variables in the operational environment of the Lahti University Network, and the examination of their possible occurrences in the next five years. Based on the futures table, two scenarios were formed. Because of the tight schedule, the scenario creation was deplorably cautious and conservative. The scenario argumentation and the following discussion, however, proved fruitful for drawing up the final draft of the strategy.

5.3 Evaluation of the Process

The evaluation of the process is based on the researchers' observation and process diaries, as well on the inquiry, which was launched at the end of the strategy process. Here we will assess the first phase of the process, the aim of which was to produce network strategy for the use of the Lahti University Network. This assessment will concern the form of the network, the actual networking of the actors, and the network leadership. These themes were asked about in the questionnaire sent to the actors. The form of the network is here understood as the basic elements of the university units and the relationships between these units and all its interest groups. The weaknesses and strengths are also summarised.

As described in Chapter 5.1, the network is formed of rather different university units. In the fields of research, education, and development, they all have different aims and know-how. So far, the Lahti University Network does not have the legal status of an organisation. It is a network, which is based on an agreement amongst the universities. Every unit is dependent on their own main university in every strategic level action. The relationships between the main universities and local university units have a crucial role in the future of the Lahti University Network.

The network also has open relationships with other interest groups, such as the City of Lahti, the local commercial and industrial life, and regional governmental actors. This mutual interdependency helps the Lahti University Network to raise the university-level expertise in the Lahti region and serve the business life in the region. But, on the other hand, the form of the network is easily dispersed because of the obligations of the interest groups.

The weaknesses and strengths of the actors of the Lahti University Network were assessed by the network itself. The strengths were said to be an open and equitable interaction, a will to create a new kind of action, comprehensive representation from the university units, and a clear understanding of the meaning and aims of the strategy process. All the units have a kind of step-child relationship towards their main university rendering them similar. The weaknesses of the network included the different basis, cultures, and aims of the university units, as well as uncertainty about the attitudes of the main universities and the lack of personal and project time which encumbered the work of the leaders.

The project made the local network of university units denser. The leaders of the university units got to know each other much better and currently they have a shared understanding of the mission and vision of the Lahti University Network. The strategic co-operation will probably be more concrete in the future, since the partnership complements the know-how of all the units.

The networking was assessed from the point of view of the open sharing of information, partnership and trust, commitment into the strategy process, and communication and co-operation. The leaders of the university units were willing to share information during the strategy process. All the needed background information and plans for the future were openly shared with the other participants. The participants themselves estimated the level of the willingness to share information at 4.17 (on a scale of 1–5).

Meetings were amicable. That positive atmosphere enabled an honest and “multivoice” conversation (4.00). The representatives of the units were a rather varied group, which presumably prevented the development of cliques and political struggles. The level of trust between the actors was estimated at 3.83. The commitment to the strategy process got the lowest score in our questionnaire (only 3.17). This was the result of the lack of time and the relevance of the strategy. The leaders did not seem to have enough personal time for the process, and they were influenced by the uncertainty about the attitudes of the main universities towards the strategy process.

The actors were estimated to be adequately representative (4.17). Only the number of contacts and meetings was insufficient (3.33). An attempt was made to overcome the lack of time by using Internet-based software, but the actors were unwilling to use this opportunity. The number of face-to-face meetings was increased, which helped the decision-making and commitment to decisions.

The network leadership was assessed on whether they were capable of visionary thinking and on the capability of the network to set goals. The network was able to create a future vision for the Lahti University Network. On the questionnaire, the ability to think in a visionary manner

received 3.83. The process was also able to establish a direction for future action. The ability of the network to set goals also received 3.83. The commitment of the leaders was ensured by the monthly meetings of the university group. Currently, the aligning and motivating of people has touched only the top executives of the units. On the other hand, even now it is possible to say that the network is well able to create a common understanding (3.5) and the leaders were rather skilled in creating an encouraging atmosphere (4.00). Only the skill to handle the conflict of interests was estimated to be lower than the other network leadership skills (3.33).

To summarise the assessment of network leadership; there is presumably enough interaction between the leaders of the Lahti University Network. The intensiveness of the process was experienced as a shortage of time. This result confirms that time is always a problem in human network interaction. In future, the co-operative strategy process should reach the other levels of organisations, so that the middle management, project leaders, and other staff will be engaged in the operations of the Lahti University Network.

So far, the process has been rather open and intensive. Hopefully, this same openness will be preserved when the administrative and executive boards decide on the next steps.

The benefits of the strategy process are:

- the image of the network became more uniform
- the process rendered the interest groups more credible
- the co-operation became more concrete when units made common alignments of aims
- the process increased confidence, as well as the willingness and ability to co-operate
- the direction and boundaries of the co-operation were defined.

6 Conclusions

The first purpose of this paper was to describe and evaluate the strategy process of a small public sector network. We began with a description of the theoretical and practical environment, which was labelled a network society. It was presumed that it is possible to adapt the logic of networking to all areas of social activity. This viewpoint was adapted to assess the network strategy process of the Lahti University Network from the point of view of network leadership.

The Lahti University Network serves the City of Lahti as a nodal point for know-how flows. For the future of the regional competitiveness, the success of the Lahti University Network can be seen as essential. The studied strategy process can be seen as a tool to lay the foundation for successful co-operation between the university units. So far, the Lahti University Network has been "a network of agreement" (Berquist 1995) and it is still in the transformation process into "a network of functionality". After the connection phase, the strategy process is now in the phase of interaction.

From the viewpoint of network leadership, the interaction phase, just started, should gradually reach the other levels of integrative functions. Network leadership also has to be shown in tactical, operational, interpersonal, and cultural functions of the network enabling the bond between the actors to strengthen further. The scenario building in the strategy process revealed that the network is rather dependent on the decisions of the interest groups influencing the Lahti University Network, which also places demands on the leadership function.

The future of the Lahti University Network is founded on:

- the relationships to the main universities and the City of Lahti
- the resources and commitment of the state, especially the Ministry of Education
- the vision and strategic thinking of the network
- the co-operation and level of trust in the network
- the management of the politics and power in the network.

The future study and modelling of the strategy planning for the use of a small public sector network needs to follow up the ongoing strategy process. The theorising of network leadership, from the viewpoint of political activity and power games, also needs more cases.

The strategy process has been a learning process. It has improved the actors' understanding of the Lahti University Network. It showed that strategic networking is possible and that there is a chance of real co-operation in Lahti. Currently, the strategy could be described as "a promiscuous strategy". The future of this strategy and the positive change requires trust, clarity, and participation. That will be the duty of the network leadership.

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