



Università
Ca' Foscari
Venezia

**Department
of Management**

Working Paper Series

Anna Moretti and Francesco Zirpoli

**A dynamic theory of
network failure**

**Working Paper n. 14/2014
August 2014**

ISSN: 2239-2734



This Working Paper is published under the auspices of the Department of Management at Università Ca' Foscari Venezia. Opinions expressed herein are those of the authors and not those of the Department or the University. The Working Paper series is designed to divulge preliminary or incomplete work, circulated to favour discussion and comments. Citation of this paper should consider its provisional nature.

A dynamic theory of network failure

Anna Moretti

[<anna.moretti@unive.it>](mailto:anna.moretti@unive.it)

Department of Venice

Ca' Foscari University of Venice

Francesco Zirpoli

[<fzirpoli@unive.it>](mailto:fzirpoli@unive.it)

Department of Venice

Ca' Foscari University of Venice

Abstract. Organizational and sociological research dealing with network governance has mainly focused on network advantages rather than on their problems or dysfunctionalities. This left partially unexplored the field of network failure. Even if some early attempts at explicitly theorizing network failures have been made, we argue that explanations based mainly on social conditions (ignorance and opportunism) offered by this emerging theory (e.g. Schrank and Whitford, 2011), are not exhaustive. In this article we report the results of our empirical investigation on the underperforming network between the worldwide famous Venice Film Festival and its local hospitality system (in Venice, Italy). In the case study we are presenting, we will show how institutions have not been able to inhibit opportunism and sustain trust among network members because of mobilizing practices developed across formal lines of communication. With this work we propose a dynamic theory of network failure, answering to the more general call for network theories to focus the attention on agency and micro-processes.

Keywords: Network failure, micro-processes, individual agency.

JEL Classification Numbers: L22, L23, L1.

Correspondence to:

Anna Moretti

Department of Management, Università Ca' Foscari Venezia
San Giobbe, Cannaregio 873

Phone:

[+39] 041-234-8759

Fax:

[+39] 041-234-8701

E-mail:

anna.moretti@unive.it

"Shouldn't the oldest and arguably most prestigious film festival in the world be running like a well-oiled machine at this point – even though it's in Italy? To be blunt, it's not. From an organizational point of view, it's a creaky mass of disconnected parts."
Variety 2002

Introduction

Motivated in part by networks' increased empirical evidence and in part by the challenge represented by some economic views of organization (M. Granovetter, 1985), economic sociologists and organizational scholars have put a strong emphasis on the functionalities of networks. More specifically, literature has provided evidence concerning (1) under which circumstances networks are the most efficient and effective organizational form – e.g. unstable demand, dispersed and rapidly changing knowledge, etc. (Smith-Doerr & Powell, 2005); (2) what the main mechanisms are that sustain network governance – e.g. trust (Susan Helper, MacDuffie, & Sabel, 2000; Larson, 1992; Uzzi, 1997), reputation and reciprocity (Kogut, 1989; Powell, 1990; Williamson, 1991), information transfer and learning, (Larson, 1992), joint problem-solving arrangements (Uzzi, 1997), reciprocal lines of communication (Powell, 1990; Smith-Doerr & Powell, 2005); (3) which structural characteristics are linked under certain circumstances to superior outcomes – e.g. the strength of weak ties (M. S. Granovetter, 1973), the presence of structural holes (Burt, 2004), etc.¹

¹ In particular, two main approaches can be identified within research on organizational networks: the "network analytical approach" and the "network as a form of governance" approach (Provan & Kenis,

Despite their well-known functionalities, networks also fail. This has important consequences for intra- and inter-firm value creation processes. However, it is only recently that scholars have started searching for and analyzing the causes that prevent the formation of networks or make coordination through networks inefficient².

From a structuralist point of view, an important contribution to the analysis of a specific type of network failure is provided by the work of Burt (1999) on the dark side of networks, in which the author highlights how structural holes theory and theories of cohesion focused only on benefits of network positioning, overlooking the possible detrimental effects on trust of third parties. At the same time, from a functionalist point of view, there is a growing theory of network failure that goes beyond the dark side and closer to the idea of network imperfections (Podolny & Page, 1998; Schrank & Whitford, 2011). As Schrank and Whitford note “while sociologists tend to portray networks as a mode of transactional governance that is akin to – rather than an admixture of – markets and hierarchies, they have made no systematic effort to

2008). The most relevant stream of research within the former is the Social Network Analysis (SNA), whose distinctive traits are (Kilduff & Tsai, 2003): i) its focus on relations and the patterns of relations rather than on attributes of actors; ii) the amenability to multiple levels of analysis; iii) the possible integration between quantitative, qualitative, and graphical data, for thorough and in-depth analysis. Scholars have especially contributed to the structural analysis of networks, using concepts such as centrality, density, and structural holes (Burt, 1999). On the other hand, the second approach focuses on networks as mechanisms of coordination (Provan & Kenis, 2008), treating networks as the unit of analysis. During the last decades this stream of research has been characterized by a long debate about considering networks as a mere hybrid between markets and hierarchies (Williamson, 1975) or as a distinct form of governance (Powell, 1990), almost concluded with the acknowledgement of the network organization as a "unique alternative possessing its own logic" (Podolny & Page, 1998; Powell, 1990).

² Studies on market and hierarchy failures, on the other hand, have a long-standing tradition (see for example, Bator (1958), Meyer and Zucker, (1989) .

relate theories of network functioning to an understanding of the sources of network stillbirth and mortality, let alone to the conditions under which network governance persists despite poor performance.” (Schrack & Whitford, 2011, p. 153).

In this paper we argue that to improve our understanding of network failure we need to push forward the theoretical agenda answering the more general call for network theories towards the study of network dynamics and micro-processes (Ahuja, Soda, & Zaheer, 2012) and of the role individual agency plays in them (Stevenson & Greenberg, 2000).

We developed an explorative case study of the network, in the city of Venice (Italy), between the local hospitality system and the world-famous Venice Film Festival (“La Biennale” organization). In this setting, for years attempts to solve coordination and cooperation problems through network governance have been made, without success. Through our empirical analysis we explore why local institutions, such as business associations, have not been able to sustain trust and cooperation among the network, and we provide a detailed description of why and how network governance did not work in the specific case.

Empirical evidence was gathered through the study of archival data of La Biennale Cinema covering 80 years, a press review spanning ten years, eighteen in-depth interviews with the principal stakeholders, and two sessions of non-participant observation. Our unit of analysis were behaviors of individuals acting as agents of organizations.

Our results highlight the importance to complement theory of network failure with the consideration of *network micro-processes and individuals' agency*, in order to improve our

understanding of this specific network outcome.

In the next section, we present our theoretical background. We then present the methods, data gathering process and analysis, and the empirical findings. We then discuss our main results, and conclude the paper with final remarks and suggestions for potential future developments of research in the field of network failure.

Theoretical Framework

Network failure

While theories of market and organizational failure have been significantly developed in past years (Powell, 1990; Williamson, 1985), late recognition of the network as a distinct form of governance has caused a delay in the advancement of a theory of network failure (Diani, 2011). In fact, if from a purely structural perspective the trichotomy among market, hierarchy and network is a false one (Podolny & Page, 1998), as a form of governance it has its distinctive characteristics, which make it more than a mere hybrid between market and hierarchy. Considering the long debate between TCE's supporters and Powell's followers concluded, the literature moved toward treating networks as discrete forms of governance, characterizing them as having unique structural features, coordination mechanisms, bases of legitimacy, etc. (Kilduff & Tsai, 2003; Powell, 1990; Provan & Kenis, 2008).

The network organization is described by scholars as a non-hierarchical form of governance, which functions on trust, reciprocity, and social capital, and in which interaction is based on informality and lack of formal boundaries (Ahrne & Brunsson, 2011). Networks, as defined by Powell (1990), are those forms of exchange rooted in sociality, in which transactions are based on “relationships, mutual interests, and reputation” (Powell, 1990). In Podolny and Page's (1998) terms, a network form of organization can be defined as "any collection of actors ($N > 2$) that pursue repeated, enduring exchange relations with one another and, at the same time, lack a legitimate organizational authority to arbitrate and resolve disputes that may arise during the exchange" (Podolny & Page, 1998, p. 59).

Such a form of governance is desirable in those organizational fields (DiMaggio & Powell, 1983) characterized by specific environmental factors³. Taking as a reference point the transactional conditions that make governance mechanisms potentially effective and efficient (M. Granovetter, 1985; Williamson, 1975), the stylized environment for network forms of governance is characterized by high levels of uncertainty, in which demand is unstable, knowledge and technologies are rapidly evolving and changing, and complex interdependencies among agents are present (McEvily & Marcus, 2005; Schrank & Whitford, 2011).

³ Environmental factors can be used to define different scope conditions for the three stylized alternative modes of governance – markets, hierarchies and networks (Schrank & Whitford, 2011). Even though the consideration of the three alternatives as stand-alone forms of governance has significant limitations – especially as far as the analysis of mixed forms is concerned (Grandori, 1997) – this does not affect our discussion.

Network failure, paralleling market and hierarchy's definitions (Bator, 1958; Meyer & Zucker, 1989), can be defined as "the failure of a more or less idealized set of relational-network institutions to sustain “desirable” activities or to impede “undesirable” activities" (Schrank & Whitford, 2011, p. 155). Such a broad definition allows to consider all different types of failure: from the easiest to detect, when a network terminates, to other types of partial failures, when networks are not able to reach the goals for which they started. In particular, considering organizational fields in which network would be the optimal form of governance, failure in *absolute terms* verifies when networks disappear or fail to form even in the presence of the ideal environmental factors (Schrank & Whitford, 2011)⁴. Networks failing in *relative terms* persist in a condition of underperformance, without devolving necessarily to markets or hierarchies. A first important stream of research investigating a specific type of relative failure is that about the dark side of networks (Burt, 1999; Gargiulo & Benassi, 2000), which focuses on the possible negative effects of network structure on managerial and entrepreneurial processes. Notwithstanding the relevance of this approach to the understanding of network failure, the call made to network scholars regarding the necessity of bringing back individuals in network analysis seems pertinent also in this domain (Kilduff & Tsai, 2003, p. 114). The focus on individuals' agency allows to take into consideration that network participants can engage in processes of ties formation and management (Vissa, 2012), creating network

⁴ Granovetter (1985) criticizes Williamson (1975) for a similar approach to the “prediction” of optimal forms of governance: he prefers to adopt a lighter definition, writing about “pressures” towards a form of governance, “to avoid the functionalism implicit in Williamson’s assumption that whatever organizational form is most efficient, will be the one observed” (Granovetter, 1985, p. 503).

structures that can benefit them (Ahuja, et al., 2012), thus altering the initial network structure associated to some specific (dis)advantages. For instance, the structural holes theory predicts advantages for agents with some specific ego-network structures (Burt, 1992), yet a consideration of agency activity by alters suggests that (under specific conditions) they could plug up structural holes, eliminating any advantages ego would have had from that structure (Ahuja, et al., 2012).

In line with this approach, which focuses the attention on individuals and agency, there is a growing theory of network failure (Podolny & Page, 1998; Schrank & Whitford, 2011) that goes beyond the sole structural approach of the dark side and closer to the idea of *network imperfections*, understanding network failure not only as the absence of network governance. Thus the idea is that of looking not only to environmental conditions that render network governance desirable, but also to those conditions (social, structural, institutional) that make it possible.

Notwithstanding some differences between the various approaches to the study of inter-organizational collaborations (embeddedness (M. Granovetter, 1985; Uzzi, 1997), studied trust and learning-by-monitoring (Susan Helper, et al., 2000; Sabel, 1996), modularity (Langlois, 2002; Langlois & Robertson, 1992)), it is possible to identify some complementary traits they offer to the analysis of 'what makes a network function'. Inter-organizational relationships are shown to be sustained by two *social conditions*⁵: trust and competence (Gulati, 1995; Larson,

⁵ We use this and following labels in order to adhere to Schrank and Whitford's (2011) terminology.

1992; Provan & Kenis, 2008; Uzzi, 1997). The former refers to "the willingness to accept vulnerability based on positive expectations about another's intentions or behaviors" (McEvily, Perrone, & Zaheer, 2003); the latter draws attention to the need for coordinating skills and task-specific competencies, both necessary to achieve network-level goals (Provan & Kenis, 2008). Considering these two dimensions, the main threats to network functioning can be identified with *ignorance* and *opportunism*, which represent sources of failure in that they can influence transactions through the functionality of relationships. As stated by Schrank and Whitford (2011) "absent ignorance (i.e. bounded rationality), complete contracting would be unproblematic; and absent opportunism (i.e. self-interested behavior with guile), contracts would be unnecessary". Thus, ignorance refers to (honest) competency shortfalls, inability to align firms' strategies, to solve a joint problem mainly due to lack of skills or technical capacity; opportunism is defined as the behavior arising when partners do not have trust in and loyalty to each other, and in contexts in which norms of reciprocity and good faith do not characterize social interactions. In order to develop and make functioning network forms of governance, institutions can be created or emerge with the aim of inhibiting opportunism and sustaining trust development among members (Hagen & Choe, 1998; Raab, 2002; Rousseau, Sitkin, Burt, & Camerer, 1998).

In particular, the use of *social conditions* instead of *human factors* is explained by the authors that, following the work by Krippner (2002) and Krippner et al. (2004), argue that "all economic activity—and not just network governance—is embedded in social relations, and that social relations are more generally shaped by social institutions" (Schrank & Whitford, 2011, p. 156).

Micro-processes and network failure

Theorizing network failure focusing on ignorance and opportunism (and their different combinations) as the main causes of partial as well as absolute failures have one important risk, recently acknowledged for network theories in general: that of focusing on *static* social structures (Kilduff & Tsai, 2003) overlooking network micro-processes, without the appreciation of which "the understanding of network outcome is incomplete and potentially flawed" (Ahuja, et al., 2012, p. 434).

Benefits and advantages, as well as problems and dysfunctionalities, depend on network configuration (Grandori & Furnari, 2008, 2013). However, the number of nodes and ties (as well as their content) can change over time, modifying the network architecture: what would be concluded through "a static analysis may be premature or, at best, transient" (Ahuja, et al., 2012, p. 435).

The consideration of network micro-processes allows to appreciate the potential role of individuals actions in affecting the overall network structure and making it function – or not. Only adopting a more fine-grained analytical lens and looking at network micro-processes is possible to have a complete picture of network imperfections, treating the network "as an enabler as well as constrainer, in which actors reproduce their network ties through action or modify them, leading to a theoretical blurring of the distinction between macro-structure and micro-action." (Stevenson & Greenberg, 2000, p. 653). For instance, network as form of governance can be designed to inhibit opportunism and enhance trust and competence

contingently on the existence of specific network structures or architectures; however, individuals can engage in processes of ties formation and management aimed at changing the distribution of benefits and constraints from the network, making the governance form underperforming. As highlighted by other scholars, "some deliberate network modifying actions by network actors in the present may have consequences for network structure later" (Ahuja, et al., 2012, p. 435), and these can be even amplified in inter-firm networks to the extent that firms' actions are driven and influenced by individuals or sub-groups' movements (Whitford & Zirpoli, 2009). As recently highlighted in the literature on network governance, the internal organization of firms belonging to a network can substantially influence both their ability to develop and sustain inter-organizational relationships, and how formal and informal patterns of relationships (intra- and inter-nodes) shape the network's goals and evolution (Susan Helper, et al., 2000; Whitford & Zirpoli, 2009). The presence of multiple networks (Padgett & Powell, 2012) where individuals have multiple roles (i.e. *friend* at the 'social level', *director* at the 'political level', etc.), stresses even more the importance of focusing on network micro-processes in order to have a thorough picture critical for appropriate causal inference. The analysis of what individuals actually "do" while they are embedded in multiple networks can overcome the risk of making a static (and thus premature or transient) analysis of network outcome and to properly understand causes of network failure.

In this paper we argue that the literature needs to move toward a *dynamic theory of network failure*, able to appreciate environmental, structural and social conditions as well as

micro-processes explaining the patterns towards network failure. Because we knew little about network processes and dynamics leading to failure when we began this study, we chose to pursue our investigation inductively, relying on a qualitative, interpretive approach. The interpretive approach focuses on building an emergent theory from a perspective that "gives voice to the interpretations of those living an experience" (Corley & Gioia, 2004, p. 178; Gioia, Corley, & Hamilton, 2013) in this case, the experience of a relative failure of a network which persists in underperforming.

Methods

To explore the dynamic relationship between ignorance, opportunism, individuals' agency and network failure we conducted an exploratory case study of an underperforming network between the world-famous Venice Film Festival (la Biennale organization) and the local hospitality system. The network of interrelationships between the Festival organization, local hotels (hosting Festival's guests and visitors), and hotels' associations (representing hotels) has a long past (the Festival started in 1932), and in a very small city like Venice, relationships among actors are highly embedded. Nevertheless, cooperation among network members, who share the goal of satisfying their common clients, has always been sporadic, difficult and with poor outcomes.

Our investigation starts from a formal attempt to improve network performance through a better coordination among network members made in the occasion of the 68th Festival, which also failed. Eisenhardt and Graebner (2007, p. 27) underlined that in qualitative research, case studies can be sampled “for theoretical reasons, such as revelation of an unusual phenomenon [...] and elaboration of the emergent theory”, and this is exactly the spirit with which we approached the study of the present case. Starting from this "unusual phenomenon" we then reconstructed the history of the network through interviews, documents and archival sources. Our unit of analysis were behaviors of individuals acting as agents of organizations, responsible for inter-organizational relationships decisions. As Table 1 shows, we build on triangulated data coming from a review of the Venice Film Festival (VFF) archives (official documents, formal and informal correspondence, reports, etc. from 1967 to 1983), a ten-year press review of national and international newspapers and specialized magazines (a total of about 600 articles were selected and analyzed), in-depth interviews with key stakeholders selected using a combination of fixed-list and snowball sampling (a total of 18 semi-structured interviews lasting one hour on average, details of interviewees in Table 2), and ethnographic techniques (Van Maanen, 1979) in formal meetings among the stakeholders (2 meetings of about 2 hours each, details in Table 3).

INSERT TABLE 1, 2 AND 3 ABOUT HERE

Data Analysis

As we collected the data, we also inductively analyzed it, adhering closely to the guidelines of Gioia's methodology (Gioia, et al., 2013). This methodology presents a new approach to grounded theory aimed at reaching qualitative rigor in conducting and presenting inductive research. Of particular relevance for our work is the fact that this methodology focuses the attention not only on the discover of concepts useful to define constructs relevant for new emergent theory, but also on the observation of processes aimed at understanding dynamics.

We started our analysis by identifying initial concepts in the data (open coding). With the progress of data coding, we started searching similarities in order to reduce the number of emerging categories. In this first phase we used in-vivo codes (Strauss, 1987) in order to adhere faithfully to informant terms whenever possible, or a short descriptive phrase when an in-vivo code was not available. Then we started the second-order analysis, confronting our first-order codes with researcher-centric concepts, themes, and dimensions. In this second phase we gathered similar codes into several overarching dimensions, that we confronted with those of our theoretical background in order to find whether they had adequate theoretical referents in the existing literature. The final data structure (Corley & Gioia, 2004; Gioia, et al., 2013) is illustrated in table 4, which summarizes the second-order themes on which we base our development of a dynamic theory of network failure and that is discussed below.

INSERT TABLE 4 ABOUT HERE

The failing network

The Biennale organization (Venice Film Festival – VFF) and the local hospitality system (HS) in the city of Venice constitute our network. The VFF is the cinema department of one of the most old and prestigious cultural institutions in Venice. Its managing director is in charge of the whole organization (but for the artistic direction, for which there is an artistic director). The hospitality system (HS) is composed by more than 400 hotels, grouped in three different business associations, pseudonymously dubbed Association 1, Association 2 and Association 3.

We conceptualize this network as a system of multiple networks, and in particular we observed two levels of interaction (domains) which were the playground of the formal attempt to govern the network on the occasion of the 68th Festival: the political and economic domains. In Padgett and Powell's (2012) terms, the political domain is where "deals are made among factions within the state", and the economic domain is where "goods are produced and exchanged among companies". Thus, in our empirical setting, the political domain represents the formal meetings organized between the directors of the associations and the director of the

VFF to define some agreed lines of cooperation between the VFF and the HS. The economic domain is where the overall cultural tourism experience for the VFF's visitors/ HS clients is produced (accommodation, restaurants, transport services, projections, etc.).

INSERT FIGURE 1 ABOUT HERE

The interdependencies between the VFF and the hospitality system, which press network members to make a formal attempt to govern the network, can be traced back to the tourism product (experience) they are contributing to offer, identifiable with the “visit to the Venice Film Festival”. Research on tourism destination management highlighted how network governance would be so suitable in the first place, given the numerous interdependencies existing among tourism organizations: “From its long chain of distribution system to its fragmented supply components, the tourism field is, by its very nature, dependent upon inter-organizational relations to achieve organizational and regional goals” (Selin & Beason, 1991). Resource dependencies and complementarities typically characterize the complex tourism product, which is made up of many different pieces of the tourism experience puzzle, and typically controlled or owned by different firms (hospitality, cultural events, transportation, etc.). From this structural dependence comes the acknowledgment of the importance of network forms of organization for achieving strategic leverage (Pavlovich, 2003; Ritchie &

Crouch, 2003), in terms of firms' innovation (Sundbo, Orfila-Sintes, & Sørensen, 2007) and destination marketing (Heath & Wall, 1992).

In our setting, the VFF and HS can be defined as *complements* (Milgrom & Roberts, 1995; Siggelkow, 2001): the cultural experience, represented at its core by the Festival, is completed and sustained in the first place by the hospitality system, as well as by all the complementary services its visitors require (transportation, restaurants, etc.). On the other side, the presence of such an important event in the city of Venice puts the hospitality system under a pressure of incomings and media coverage that would not exist were it not for the Festival, making the cultural event an important complement to its offer.

But the pressure of incomings under which the HS is put by an event like a Festival arises also a series of concerns for hotels, which have to face the organizational complexities arising from *unstable demand*. Hotels, in fact, have to deal with a massive influx of atypical guests once a year, who require specific services such as very flexible meals time, rapid laundry service, flexible (thus, private) transport services, rapid and stable internet connection, and so on. The investments (hiring personnel, acquiring services, etc.) required to satisfy VFF's visitors would lie idle the rest of the year, at least for the greatest part of hotels that cannot count on a more stable business/high-quality tourism demand.

The network failure

As anticipated in the methods section, our investigation started with the observation of a failed attempt to govern the network, on the occasion of the 68th VFF. About five months before the event, two meetings were organized between the directors of the associations and the VFF director, hosted by the local administration as a neutral ground for interactions (the authors of the present work participated as invited external observers). The main goal of the meetings was to improve the satisfaction of their clients, since on the bases of past experience all participants were aware of the poor performance the destination was giving as a whole. In particular, the identified weaknesses were: the scarce quality of accommodation services, often compared with high fares applied; the low level of the VFF's information sharing, and in particular the scarce timeliness on information diffusion; the poor integration among all the components of the visitors' experience (festival, accommodation, transportation, entertainment, information). In order to solve the collectively identified priorities, all participants agreed on a common program of shared activities in order to offer some of the basic services requested by the Festival's visitors, such as late breakfast and dinner in the hotels, fast and free Internet wireless connection, an information desk complete with all the material provided by the VFF, a TV tuned on the VFF channel, etc. Although the meetings were concluded with the ample agreement on the common program, eventually only a few firms of the HS were willing to follow their associations' indications about collaborative activities to pursue, resulting in a scattered –and thus less effective – collaborative system.

In our reconstruction of the story of the network, evidence of its persistence in underperforming due to a lack of coordination is evident. Among all, we think that an article published on *Variety* (the top specialist magazine for the movie industry and film festivals) in 2002 can be taken as the most explicative, since it points directly to the core of the problem: “[...] *Shouldn't the oldest and arguably most prestigious film festival in the world be running like a well-oiled machine at this point – even though it's in Italy? To be blunt, it's not. From an organizational point of view, it's a creaky mass of disconnected parts. [...] The fest has no real center, and there's no linkage between press operations, hospitality, programming, protocol and the grossly overpriced and under-accommodating hotels on the Lido.*”

In the following sections we provide a detailed account of our explanation of network failure, presenting the aggregate dimensions emerged from our analysis.

The static dimension of failure

Very in line with existing literature, in our investigation of causes for network failure emerged two aggregate dimensions: (1) ignorance and (2) opportunism. In our interviewees' reports of recent facts and past of the network, as well as in the analyzed documentation, we found evidence that these two constructs were actually part of the explanation of the network underperformance (see Table 4 above).

Ignorance. The second-order themes which emerged from our data are (i) scarce or wrong information and (ii) lack of competence. One of the elements preventing the functioning

of network governance is the lack of salient information about others' resources or competencies, as well as the wrong information about potential returns from collaborations. From our data emerges how some members of the network did not know on the one side, how cooperation could be developed (imagining, for example, that the VFF would ask important investments or services out of hotels' competences), and on the other, which would be the potential benefits from a systemic coordination (see table 5 for representative quotations). The second theme emerging from our data is the lack of competence necessary to develop inter-organizational relationships between the VFF and the HS. In particular, network members (as well as external observers) acknowledged objective difficulties in offering high-quality accommodation services, arising from the fact that they are required only for ten days a year and that most of the hotels cannot develop internal resources and competences able to satisfy such standards. On the other side, lack of competence emerged also as characterized by the poor ability of network members to manage inter-organizational collaboration and to frame them within the overall business strategy (see Table 5 for representative quotations).

INSERT TABLE 5 ABOUT HERE

Opportunism. The aggregate dimension of opportunism is constituted by two second-order themes: (i) free-riding and (ii) personal interests (see Table 5 for representative quotations). Regarding the former, our data show how part of network members adopted free-

riding behaviors, on the hospitality system side. In fact, the presence of the VFF's visitors on the Lido island gives the opportunity to have a massive influx of guest with a high willingness to pay: some members of the network simply profit of this situation fixing exaggerated high prices without investing in quality of the services offered. Emblematic is the case of 2010, when a single Lido hotel charged a journalist 15 euros per day for using internet. Or when, the same year, it rained into the room of a small hotel (*pensione*) charging more than 100 euros per night. The second theme of this aggregate dimension regards the pursuing of personal interests, with no regard for the network as a whole. Our evidence highlights how part of the network is focused only on running its own businesses, mainly adopting a short-term point of view, and disregarding the opportunities offered by the network governance (and the threats coming from the lack thereof).

Notwithstanding ignorance and opportunism certainly are part of our story, our evidence shows that they cannot explain of all it. Levels of ignorance and opportunism, in fact, were somehow limited to few examples, and the most important thing was that they did not concern directors of associations and VFF, who were the people in charge to represent the network as a whole in the coordination process.

Directors showed their competence about inter-organizational collaborations in discussing the benefits of cooperation between the VFF and the HS:

“All the associations have to participate, [...] the system must have a positive relationship, proactive and elastic.” (Association 3 – director)

“When there is an international event like this, we cannot present ourselves as a village festival. We cannot set up attractive initiatives as individual entrepreneurs, and without having central coordination: if that is lacking, we will lack style. [...] When there are important events like this, we have to share the same direction”. (Association 1 – director).

Moreover, HS and VFF demonstrated a significant level of reciprocal trust:

“The VFF has always shown itself willing to discuss and to find the most important points for collaborating with the Lido island” (Association 3 – director).

“It has to be said that the VFF has never made any big demands, they never asked for anything but they did a lot for the city” (Association 2 – director).

“We have always had a dialogue (with the Associations, Ed.), a dialogue which still continues. There might be some individual cases of operators who decided to cooperate in some years, and some others who did not.” (VFF manager).

“The most strategic aspect is that of a 360-degree collaboration because we are extremely willing to cooperate with the VFF and with the Biennale organization in general” (Association 1 – director).

This general collaborative approach was demonstrated also during the meetings, when the agreement about which collaborative actions undertake was reached after a collective discussion, which ruled out those issues considered by all participants the most thorny ones – such as that of special rates for rooms of VFF’s guests. Thus, the proposal for collaborative inter-relationships was built in a way that was considered the easiest to accept by all hotels, a

kind of middle ground that could convince all. What happened next, was that each association's director could not persuade other members to cooperate with the VFF on the collectively designated lines, at least in a comprehensive and systemic way.

Our results show that the most relevant dimension in explaining the case of this underperforming network lies in its micro-processes, that we present in the next section.

The dynamic dimension of failure

Starting from the evidence coming from the 68th Festival, we could observe directly the micro-processes developed by network members during their development, and from this observations the two aggregate dimensions (1) framing and (2) mobilizing emerged.

Framing. Our data show that within each association, different visions about cooperative relationships with the VFF were present. More precisely, different ways of (i) interpreting the problem and (ii) finding the solutions to it, emerged as characterizing the system (see table 6 for representative quotations). The interpretation of the situation, together with the focus on different priorities in finding solutions, describe the presence of different frames within the HS. Hotel managers and association directors have diverse ways of framing the direction the network should take and about what kind of solutions would be appropriate.

In particular, from the analysis of first-order concepts emerge two distinct ways of framing the solution of the coordination problem with the VFF: on the one side, there are the supporters of a “*market*” solution, providing formal agreements on commercial issues and

formalizing contracts of exclusivity as a concrete sign of commitment by the VFF; on the other side, it is the idea of “*network*” cooperation as the best form of interaction, under which lies the belief that the VFF is a kind of “public good” from which the entire HS (and the whole city itself) benefit, and thus all firms have to commit themselves towards high standards of quality, widespread communication of the event and specifically arranged services. We mapped the major differences in the interpretation of the environment, and in its translation into coordination attitudes, according to five elements. The first two, pertaining the interpretation of the problem, are (i) how actors generally interpret the *relationship* between the VFF and the HS and (ii) how the mutual *interdependence* unbalances the bargaining power. The other three elements, describing the possible solutions to the coordination problem, are: (iii) the *expectations* about the partner’s actual collaborative choices, (iv) the *incentives* that would sustain interactions, and, finally, (v) the possible *coordination* mechanisms useful to govern the network.

Agents showing an interpretation of the environment akin to the first frame (close to an interpretation of adversarial/contractual coordination), talk about a power relation between the VFF and HS in which the latter keeps most of the force since the interdependence is interpreted as being more unbalanced in its favor. That is to say, the HS can live without the VFF, but the reverse is not true. From this point of view, they expect the relationship to be built on explicit and specific criteria, in order to satisfy the requirements of the HS. Possible incentives to develop a collaborative agreement, with consequent required innovation efforts on both sides,

would be the assurance of exclusivity of benefits coming from collaborations –typically, image returns – against potential free-riders. Consequently, the best coordination arrangement would be an exclusive formal (and mid-term) agreement between the parties, where the interlocutor for the HS is identified in most of the cases with the association.

The second way of framing network governance (close to an interpretation of cooperative/informal coordination) is proposed by those agents talking about a balanced relationship between the HS and VFF, or even more frequently, about the gratitude of the HS towards the VFF for its widespread economic returns that benefit the whole city of Venice. The interdependency relation, from their point of view, is unbalanced in favor of the VFF, since a significant part of the annual revenues of the HS depends on the event. For an effective cooperative relationship, they would expect to work together with the VFF organization, in order to mutually take into account specific needs and demands: thus, their incentives to embark on a cooperative agreement would be to be sure of the reciprocal willingness to build coordinated actions and to be addressed towards the most relevant and profitable ways of innovation. Consequently, the optimal form of coordination is identified with a more social form of exchange of information, ideas, and long-term vision.

Table 7 shows the specific traits of the two frames, both present not only among different associations, but also within the same organization⁶.

⁶ The use of these labels for the two frames derives from the classic split in governance between an “exit” vs. a “voice” approach (Hirschman, 1971), than re-interpreted to fit the specific case of network governance and re-named by the literature as “adversarial” vs. “cooperative”, where the

INSERT TABLE 7 ABOUT HERE

Mobilizing. The contextual presence of two different ways of framing network governance started a process of mobilization, in which network members strategically acted to mobilize others towards their own interpretation of the context, and then towards their "solution". In particular, two themes emerged from our data: (i) coalition building and (ii) involving and convincing processes. Dynamics of coalition building emerged from the narratives of network members, which told us how they tried to join efforts and resources with other network members in order to pursue common goals. The recurrent pattern showed by data is the transversal (with respect to associations) interaction among agents with similar frames, that try to act in their interest either signing agreements with the VFF outside institutional lines, or boycotting them. Thus the micro-process is constituted by a dynamic of groups formation, often developed on the social domain of the network, and by the process of involving other members in coalitional projects, convincing them about a specific way of framing the situation.

Triangulated evidence in the press review (such as the official claims of network members) and interviews mention different interests that are promoted in the shadows of the

former adversarial/exit- corresponds to an *arm's length contractual relation*, and the latter - cooperative/voice- refers to an *obligational contractual relation* (see Susan Helper (1990); Nishiguchi (1994); Sako (1992)).

institutional lines of communication. For example, when asked about the interaction of the three associations with the VFF, hotel managers say:

“We (hotels belonging to different associations, Ed.) have a different problem, thus we need different solutions, but with respect to other issues, maybe we have the same interests.”

“For example, Mr. Trader and I (belonging to different associations, Ed.) share the same problems, we know each other, we ring each other to discuss all sorts of issues, we collaborate.”

Thus micro-processes were developed mostly across formal organizational boundaries of associations: in the next section we present which role they had in influencing what was happening behind the curtains.

The Role of Institutions

The role of institutions emerged significantly during our data analysis: associations were the institutions supposed to be in charge of sustaining and promote cooperation and network governance. They were the representatives for the whole HS in charge of defining common terms of cooperation with the VFF, with the subsequent task of mobilizing their members towards the agreed interpretation of the network coordination. However, associations were not able to accomplish their task, leaving mobilizing dynamics to individuals' initiatives. Two main

themes emerged as constituent the role of institutions in both the static and dynamic dimension of network failure: (i) representativeness and (ii) building a shared vision.

Our data identify associations' lack of representativeness as one of the weaknesses of the network, in their inability to represent a reference point for network coordination. *“In the last few years we have been trying to pursue with particular care a series of relationships as continuous and coordinated as possible with the hospitality system. In doing this, we are not supported by the local system that, unlike other cities – and unlike other international festivals, such as Cannes, for example – does not have category associations that are representative, unique, and coordinated. Actually, there is still a profound split. There are many different hotel associations, not all representative of the reality of the hotels. This is a first element of important difficulty.”* (VFF’s director)

“All the hotels belong to different associations, and it’s impossible to have a single interlocutor.” (VFF’s manager)

“I believe it is not wrong to highlight the lack of representative associations: this would result in better dialogue with the institutions – such as the Biennale –, in a higher quality of service, in easier communication, in more uniform general standards and thus would make it easier to communicate also to customers.” (Hotel G’s manager)

“They (HS, Ed.) even talk about the will to build other associations. It would be a big mistake, because [...] they would only weaken the system, and it would be a war among the weak instead of a war among the strong.” (Local Administrator)

The problem of representativeness is linked both to the size of associations (clearly because there are three of them instead of one single representative of the whole HS) and their ability to effectively represent their associates' interests.

Strongly linked with this first theme is that of building a shared vision among their members. Associations were in charge of communicating and mobilizing adherents toward a common and shared interpretation of network coordination, to be substantiated in cooperative actions within the collectively designated lines. The process of mobilizing associations' members towards that specific frame of collective collaboration with the VFF, failed. Association directors explain the facts as follows:

“If you ask them (association's members, Ed.) something, it is not something they are forced to do. Why should they agree with you[...]?” (Association 2 – director)

“It often happens that the director comes to the meetings – roundtables for specific initiatives – and then the communication [within the association] isn't.. isn't really positive. So someone, maybe the “dead wood”, doesn't agree with the conclusions or the choices made by the association, and doesn't follow the guidelines, damaging the whole group.” (Association 3 – director)

What was needed, within each association, was a process aimed at building a shared vision about the systemic cooperation with the VFF, namely to link different members' interests and interpretative frames, mobilizing adherents towards a common interpretation and solution to the problem. Associations emerged to be unaware both of the existence of two

competing frames and of the coalition building dynamics. Having missed these important micro-processes, they were not able to identify the necessity to start a serious process of framing alignment, thus leaving the network persisting in underperformance.

Discussion and Conclusions

Overall, our study analyzes the underperforming network constituted by the VFF and the local hospitality system starting from the observation of a formal attempt to govern the network on the occasion of the 68th Festival. Our results made emerge both a static and dynamic dimensions of failure, and highlighted the role of institutions in the pattern towards failure.

As figure 2 shows, four distinct causes of network failure emerged: ignorance and opportunism, within the static dimension; framing and mobilizing, constituting the dynamic dimension. In the analysis of micro-processes it emerged how institutions play a role in influencing their impact on network failure.

INSERT FIGURE 2 ABOUT HERE

Our results show that the network between VFF and HS was characterized by a level of ignorance and opportunism that, by itself, could not explain the failure to guide the network

towards a systemic collaboration, even if they were certainly part of the explanation. In this context, institutions were partially able to inhibit some opportunistic behaviors and to enhance members' competence about collaborations with the VFF, through a mutual exchange of information with the VFF.

However, the observation of micro-processes highlighted that the two frames about the mode of coordination to activate between the VFF and the HS (Adversarial and Cooperative, see Table 7 above) were not congruent within associations, namely were both present at the same time within each institution. As claimed by Kaplan (2008), when this happens, we are facing a *framing contest*, and actors may engage “in highly political framing practices to make their frames resonate and to mobilize action in their favor” (Kaplan, 2008, p. 729). Our investigation highlighted that individuals were engaging in framing and mobilizing practices outside the formal organizational boundaries, and these processes developed at the individual level undermined the associations' efforts to build a systemic collaboration with the festival. Mobilizing practices, aimed at sustaining one frame or the other, followed “patterns of mobilization distinct from both lines of formal authority and the personal ties of informal organization” (Clemens, 2005, p. 356), thus crossing institutional boundaries.

The representation of actors embedded in multiple networks help us to describe these micro-processes, and to highlight how different domains are connected. The mobilizing dynamic is represented in figure 3: relational and social exchange take place outside formal

organizational boundaries and lines of communication, and political coalitions form around a shared way of framing the situation.

INSERT FIGURE 3 ABOUT HERE

Associations' directors, namely decision-makers for what concerns the institutional communication and for the formalization of collective agreements for a network form of governance with the VFF at the political level, are also in charge of mobilizing adherents at the economic level towards a common interpretation and solution to the problem. Nevertheless, political coalitions acting behind the scenes of institutional lines of communication and interactions, led to an ineffective process of mobilization within each association towards a common idea of cooperation with the VFF. Associations, in fact, did not acknowledge nor the presence of two competing frames, neither the micro-processes of mobilization and coalition building developed by individuals. Not intervening on the framing contest, cooperation was left in the hands of individual initiatives despite the already designed collaborative path, due to the impossibility of mobilizing hotels towards a collectively shared solution.

Towards a dynamic theory of network failure

Recent developments in theories of network governance have stressed the need to shift to a more *dynamic approach* to the study of networks, able to give a more comprehensive view and deeper insights into their dynamics – looking at the interplay between institutional, inter-firm and intra-organizational behaviors (Ahuja, et al., 2012; Honig & Lampel, 2000; Human & Provan, 2000; Provan, Fish, & Sydow, 2007; Smith-Doerr & Powell, 2005). In this paper we argued that the same shift is necessary also for the new stream of research investigating network failure focusing on network imperfections, proposing a dynamic theory of network failure.

Through the observation of micro-processes it is possible to understand how individuals' actions change network architecture over time, having a complete picture of its imperfections: the static analysis of networks, in fact, offers only a contingent and partial appreciation of its dysfunctionalities, while a dynamic view allows to connect the macro-structure with micro-action.

With this study we contribute to the open call about bringing back individuals in network studies, in fact "most of our theorizing often suggests a curiously static and passive approach on the part of these actors with respect to the network itself" (Ahuja, et al., 2012, p. 442). But the emergence of network architectures from micro-processes may create the conditions that subsequently influence network evolution, thus influencing the eventual path toward failure.

In our theorizing process, we found that the static dimension was not sufficient to explain network failure, and that the theory must be complemented by a dynamic dimension, looking at

micro-processes connecting individual agency to changes in network architecture and configuration. In particular, it emerged how the presence of two competing frames about network coordination started micro-processes of mobilization and coalition building, affecting the network architecture. The underlying assumption of this reasoning is a political conception of interests, as opposed to a structural one: organizational boundaries are not representative of consistency or cohesiveness of interests and needs, and thus, for example, they are not sufficient to infer the position of an organization only because it belongs to a specific association. This approach is against the structural determinism, suffered by many network analyses (Emirbayer & Goodwin, 1994), and in line with sociological theories of social movements, that “avoid the problems of structural determinism by emphasizing the actions of those with relatively little power initially who band together in groups and organizations to increase their leverage, sometimes while facing opposition, in order to engage in strategies to accomplish goals” (Stevenson & Greenberg, 2000, pp. 653-654).

Social movements research can support the development of the theory of network failure in two different ways: (i) from the individuals' perspective, can highlight the link between their actions and positions, and whether they face opposition in the network, and whether the political environment is favorable to their position or not (Stevenson & Greenberg, 2000); (ii) from a network perspective, it can shed light on how collective actors emerge as the result of coalitions and purposively built ties (Diani, 2011).

From the first point of view, the unit of analysis are cognitive frames, defined as “schemata of interpretation” (Goffman, 1986) which allow actors to make sense of uncertain contexts. Frames shape how individuals see the world, their preferences and perceptions of their own interests. In strategy-making processes cognitive frames influence managers’ interpretation of the outside world on the basis of which they will direct organizational action. Political concerns arise when environmental conditions create opportunities for some actors to purposefully attempt to impose their frames on the others.

Thus from the second point of view, the process of *mobilizing* in order to "shape the frames of the others" (Diani, 1996, 2011; Diani & Bison, 2004) focuses on the process through which collective actors may emerge as the result of a purposeful process of ties formation. Through the "frame alignment processes" (Snow, Rochford, Worden, & Benford, 1986) coalitions group around powerful frames (Diani, 1996).

Our dynamic theory of network failure is based on these two main pillars: (i) the role of individual agency in affecting network architecture; (ii) the importance to focus on micro-processes to explain actual network imperfections. In this study we demonstrated how agency and agency-in-action need both to be taken into consideration to explain why some networks persist in underperforming. As stated by pragmatists, understanding not only ‘what is done’, but also ‘how it is done’ (introducing the temporal dimension), requires close anthropological attention (De Certeau, 1984; Whittington, 2006).

Concluding remarks

In this work we told a story about a network persisting in underperformance, between the Venice Film Festival organization and its local hospitality system. Understanding the actual causes of the presence of the failing network contributes both to the still underdeveloped theory of network failure, and to the scant empirical research in this field. The theory of network failure, in fact, has suffered from a lack of attention by sociologists and organizational scholars, who focused more on network functionalities than on its problems or failures (Diani, 2011; Podolny & Page, 1998). On the other side, there is still very little empirical evidence of network failures given the specific difficulties related to data gathering (Miles & Snow, 1992; Schrank & Whitford, 2011).

Besides methodological and theoretical implications, our study provides some practical implications. The identification of two different approaches and “schemata of interpretation” for the cooperation problem sheds some light on possible actions to tackle network failure. At the macro level, pointing out that institutions were not necessarily able to mobilize resources and actors’ behaviors, might suggest alternative coordination policy: the typical formal “orchestration” of actors’ initiatives led by local public and private authorities had little effectiveness due to a substantial difficulty in mobilizing agents that adhere to different frames. Such authorities would benefit from Kaplan’s (2008) indication to focus more attention on framing practices. Moreover, the identification, case by case, of the framing contest at stake, suggests how to fine tune the aforementioned orchestration.

Although case analysis is certainly the most suitable method to answer our exploratory research question, we acknowledge that our results have some important boundary conditions. We analyzed a case of a network based on geographical proximity, with several lock-in effects for participants and path dependency. Moreover, the subjects we analyzed belong to heterogeneous institutions and organizations (Associations, firms, cultural organizations, etc.) with different internal governance structures. Notwithstanding these limitations, we used the case as for the elaboration of emergent theory (Eisenhardt & Graebner, 2007) without putting forward any claim of generalizability of our results.

The enhancement of the theory we proposed with this work contributes to the lack of attention to agency and micro-processes that has been long lamented in network research (Ahuja, et al., 2012). Moreover, with this work, we found a possible field of integration between organization studies and social movements research (Campbell, 2005; Clemens, 2005). In particular, there are strong similarities in the mechanisms by which organizations and social movements evolve and develop (Campbell, 2005). As noted by Soule (2012), sometimes organizations act like social movements, and thus organization studies could profit from the well-developed body of work which deal with their origins and mechanisms of change. Still few studies focused on the convergence between networks and social movements, even there are some notable exceptions (Diani & McAdam, 2003; Stevenson & Greenberg, 2000). In this paper we showed how constructs – such as cognitive frames and mobilizing practices – originated within the social movements stream of research help explaining the micro-processes

of network evolution, thus pushing further the theory of network failure through the consideration of the interplay between individual agency and network architecture.

Although our work contributes to the further development of the theory of network failure, much work has still to be done. In particular, future research could be developed in the exploration of failure in different institutional settings, in order to identify potential links between the institutional context and the development of cross-organizational coalitions. Moreover, further work could be developed in the network performance domain, particularly in the analysis of the connection between mobilizing practices and underperforming networks. Notwithstanding the importance of other theoretical contributions for the development of a theory of network failure, we are convinced that this field particularly needs more empirical work that will allow also to develop the methodological approach to the study of network failures.

References

- Ahrne, G., & Brunsson, N. (2011). Organization outside organizations: the significance of partial organization. *Organization*, 18(1), 83-104.
- Ahuja, G., Soda, G., & Zaheer, A. (2012). The Genesis and Dynamics of Organizational Networks. *Organization Science*, 23(2), 434-448.
- Bator, F. M. (1958). The Anatomy of Market Failure. *The Quarterly Journal of Economics*, 72(3), 351-379.
- Burt, R. S. (1992). *Structural Holes: The Social Structure of Competition*. . Cambridge, MA: Harvard University Press.
- Burt, R. S. (1999). Entrepreneurs, Distrust, and Third Parties: A Strategic Look at the Dark Side of Dense Networks. In L. Thompson, J. Levine & D. Messick (Eds.), *Shared Cognition in Organizations: The Management of Knowledge*. Hillsdale, NJ: Lawrence Erlbaum Associates
- Burt, R. S. (2004). Structural Holes and Good Ideas. *American Journal of Sociology*, 110(2), 349-399.
- Campbell, J. L. (2005). Where do we stand? Common mechanisms in organizations and social movements research. In G. Davis, W. McAdam, D. R. Scott & M. N. Zald (Eds.), *Social Movements and Organization Theory* (pp. 41-68). Cambridge: Cambridge Univ. Press. .
- Clemens, E. (2005). Two Kinds of Stuff: The Current Encounter of Social Movements and Organizations. In G. Davis, W. McAdam, D. R. Scott & M. N. Zald (Eds.), *Social Movements and Organization Theory* (pp. 351-366). Cambridge: Cambridge Univ. Press. .
- Corley, K. G., & Gioia, D. A. (2004). Identity Ambiguity and Change in the Wake of a Corporate Spin-Off. *Administrative Science Quarterly*, 49(2), 173-208.
- De Certeau, M. (1984). *The practice of everyday life*. Berkeley: University of California Press.
- Diani, M. (1996). Linking Mobilization Frames and Political Opportunities: Insights from Regional Populism in Italy. *American Sociological Review*, 61(6), 1053-1069.
- Diani, M. (2011). Social Movements and Collective Action *Sage Handbook of Social Network Analysis* (pp. 223-235). London: SAGE.
- Diani, M., & Bison, I. (2004). Organizations, coalitions, and movements. *Theory and Society*, 33(3-4), 281-309.
- Diani, M., & McAdam, D. (2003). *Social Movements and Networks : Relational Approaches to Collective Action*: Oxford University Press.
- DiMaggio, P. J., & Powell, W. W. (1983). The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields. *American Sociological Review*, 48(2), 147-160.

- Eisenhardt, K. M., & Graebner, M. E. (2007). Theory Building From Cases: Opportunities and Challenges. *Academy of Management Journal*, 50(1).
- Emirbayer, M., & Goodwin, J. (1994). Network analysis, culture, and the problem of agency. *American Journal of Sociology*, 99, 1411-1454.
- Gargiulo, M., & Benassi, M. (2000). Trapped in Your Own Net? Network Cohesion, Structural Holes, and the Adaptation of Social Capital. *Organization Science*, 11(2), 183-196.
- Gioia, D. A., Corley, K. G., & Hamilton, A. L. (2013). Seeking Qualitative Rigor in Inductive Research: Notes on the Gioia Methodology. *Organizational Research Methods*, 16(1), 15-31.
- Goffman, E. (1986). *Frame Analysis: An Essay on the Organization of Experience* (2nd ed.). Boston: Northeastern University Press.
- Grandori, A., & Furnari, S. (2008). A Chemistry of Organization: Combinatory Analysis and Design. *Organization Studies*, 29(3), 459-485.
- Grandori, A., & Furnari, S. (2013). Chapter 4 Configurational Analysis and Organization Design: Towards a Theory of Structural Heterogeneity. In P. C. Fiss, B. Cambré & A. Marx (Eds.), *Configurational Theory and Methods in Organizational Research (Research in the Sociology of Organizations, Volume 38)* (Vol. 38): Emerald Group Publishing Limited.
- Granovetter, M. (1985). Economic Action and Social Structure: The Problem of Embeddedness. *The American Journal of Sociology*, 91(3), 481-510.
- Granovetter, M. S. (1973). The Strength of Weak Ties. *American Journal of Sociology*, 78(6), 1360-1380.
- Gulati, R. (1995). Social Structure and Alliance Formation Patterns: A Longitudinal Analysis. *Administrative Science Quarterly*, 40(4), 619-652.
- Hagen, J. M., & Choe, S. (1998). Trust in Japanese Interfirm Relations: Institutional Sanctions Matter. *The Academy of Management Review*, 23(3), 589-600.
- Heath, E., & Wall, G. (1992). *Marketing tourism destinations: A strategic planning approach*: Wiley.
- Helper, S. (1990). Comparative supplier relations in the US and Japanese auto industries: an exit/voice approach. *Business Economic History*, 19, 153-162.
- Helper, S., MacDuffie, J., & Sabel, C. F. (2000). Pragmatic collaborations: advancing knowledge while controlling opportunism. *Industrial and Corporate Change*, 9(3), 443 - 488.
- Honig, B., & Lampel, J. (2000). Interorganizational Entrepreneurship in a Global Arena. [Article]. *International Journal of Organizational Analysis (1993 - 2002)*, 8(4), 343.
- Human, S. E., & Provan, K. G. (2000). Legitimacy Building in the Evolution of Small-Firm Multilateral Networks: A Comparative Study of Success and Demise. *Administrative Science Quarterly*, 45(2), 327-365.
- Kaplan, S. (2008). Framing Contests: Strategy Making Under Uncertainty. *Organization Science*, 19(5), 729-752.

- Kilduff, M., & Tsai, W. (2003). *Social Networks and Organizations*. London, England: SAGE Publications Ltd.
- Kogut, B. (1989). The Stability of Joint Ventures: Reciprocity and Competitive Rivalry. *The Journal of Industrial Economics*, 38(2), 183-198.
- Krippner, G. R. (2002). The elusive market: Embeddedness and the paradigm of economic sociology. *Theory and Society*, 30(6), 775-810.
- Krippner, G. R., Granovetter, M., Block, F., Biggart, N., Beamish, T., Hsing, Y., et al. (2004). Polanyi Symposium: A Conversation on Embeddedness. *Socio-Economic Review*, 2, 109-135.
- Langlois, R. N. (2002). Modularity in technology and organization. *Journal of Economic Behavior & Organization*, 49(1), 19-37.
- Langlois, R. N., & Robertson, P. L. (1992). Networks and innovation in a modular system: Lessons from the microcomputer and stereo component industries. *Research Policy*, 21(4), 297-313.
- Larson, A. (1992). Network Dyads in Entrepreneurial Settings: A Study of the Governance of Exchange Relationships. *Administrative Science Quarterly*, 37(1), 76-104.
- McEvily, B., & Marcus, A. (2005). Embedded ties and the acquisition of competitive capabilities. *Strategic Management Journal*, 26(11), 1033-1055.
- McEvily, B., Perrone, V., & Zaheer, A. (2003). Trust as an Organizing Principle. *Organization Science*, 14(1), 91-103.
- Meyer, M. W., & Zucker, L. G. (1989). *Permanently failing organizations*: Sage Publications.
- Miles, R. E., & Snow, C. C. (1992). Causes of Failure in Network Organizations. *California Management Review*(Summer 1992), 53-72.
- Milgrom, P., & Roberts, J. (1995). Complementarities and fit. Strategy, structure, and organizational change in manufacturing. *Journal of Accounting and Economics*, 19, 179-208.
- Nishiguchi, T. (1994). *Strategic Industrial Sourcing*. New York: Oxford University Press.
- Padgett, J. F., & Powell, W. W. (2012). The Problem of Emergence. In J. F. Padgett & W. W. Powell (Eds.), *The Emergence of Organizations and Markets* (pp. 1-29). Princeton: Princeton University Press.
- Pavlovich, K. (2003). The evolution and transformation of a tourism destination network: the Waitomo Caves, New Zealand. *Tourism Management*, 24(2), 203-216.
- Podolny, J. M., & Page, K. L. (1998). Network Forms of Organization. *Annual Review of Sociology*, 24, 57-76.
- Powell, W. W. (1990). Neither Market nor Hierarchy: Network Forms of Organization. *Research in Organizational Behavior*, 12, 295-336.
- Provan, K. G., Fish, A., & Sydow, J. (2007). Interorganizational Networks at the Network Level: A Review of the Empirical Literature on Whole Networks. *Journal of Management*, 33(3), 479-516.

- Provan, K. G., & Kenis, P. (2008). Modes of Network Governance: Structure, Management, and Effectiveness. *Journal of Public Administration Research and Theory*, 18(2), 229-252.
- Raab, J. (2002). Where Do Policy Networks Come From? *Journal of Public Administration Research and Theory*, 12(4), 581-622.
- Ritchie, J. R. B., & Crouch, G. I. (2003). *The competitive destination: A sustainable tourism perspective* CABI.
- Rousseau, D. M., Sitkin, S. B., Burt, R. S., & Camerer, C. (1998). Not So Different After All: A Cross-Discipline View Of Trust. *Academy of Management Review*, 23(3), 393-404.
- Sabel, C. F. (1996). Learning by monitoring: the institutions of economic development. In N. Smelser & R. Swedberg (Eds.), *The Handbook of Economic Sociology* (pp. 137-165). Princeton: Princeton University Press.
- Sako, M. (1992). *Prices, Quality and Trust: Inter-firm Relations in Britain and Japan*. Cambridge: Cambridge University Press.
- Schrank, A., & Whitford, J. (2011). The Anatomy of Network Failure. *Sociological Theory*, 29(3), 151-177.
- Selin, S., & Beason, K. (1991). Interorganizational relations in tourism. *Annals of Tourism Research*, 18(4), 639-652.
- Siggelkow, N. (2001). Change in the Presence of Fit: The Rise, the Fall, and the Renaissance of Liz Claiborne. *The Academy of Management Journal*, 44(4), 838-857.
- Smith-Doerr, L., & Powell, W. W. (2005). Networks and Economic Life In N. Smelser & R. Swedberg (Eds.), *The Handbook of Economic Sociology* (pp. 379-402): Russell Sage Foundation, Princeton University Press.
- Snow, D. A., Rochford, E. B., Jr., Worden, S. K., & Benford, R. D. (1986). Frame Alignment Processes, Micromobilization, and Movement Participation. *American Sociological Review*, 51(4), 464-481.
- Soule, S. A. (2012). Social Movements and Markets, Industries, and Firms. *Organization Studies*, 33(12), 1715-1733.
- Stevenson, W. B., & Greenberg, D. (2000). Agency and Social Networks: Strategies of Action in a Social Structure of Position, Opposition, and Opportunity. *Administrative Science Quarterly*, 45(4), 651-678.
- Strauss, A. (1987). *Qualitative analysis for social scientists*. Cambridge, UK: Cambridge University Press.
- Sundbo, J., Orfila-Sintes, F., & Sørensen, F. (2007). The innovative behaviour of tourism firms—Comparative studies of Denmark and Spain. *Research Policy*, 36(1), 88-106.
- Uzzi, B. (1997). Social Structure and Competition in Interfirm Networks: The Paradox of Embeddedness. *Administrative Science Quarterly*, 42(1), 35-67.
- Van Maanen, J. (1979). The Fact of Fiction in Organizational Ethnography. *Administrative Science Quarterly*, 24(4), 539-550.

- Vissa, B. (2012). Agency in Action: Entrepreneurs' Networking Style and Initiation of Economic Exchange. *Organization Science*, 23(2), 492-510.
- Whitford, J., & Zirpoli, F. (2009). The (vertical) network firm as a political coalition: The reorganization of Fiat Auto. Available at SSRN: <http://ssrn.com/abstract=1426860> or <http://dx.doi.org/10.2139/ssrn.1426860>,
- Whittington, R. (2006). Completing the Practice Turn in Strategy Research. *Organization Studies*, 27(5), 613-634.
- Williamson, O. E. (1975). *Markets and hierarchies: Analysis and antitrust implications*: Free Press.
- Williamson, O. E. (1985). *The economic institutions of capitalism*. New York: Free Press.
- Williamson, O. E. (1991). Comparative Economic Organization: The Analysis of Discrete Structural Alternatives. *Administrative Science Quarterly*, 36(2), 269-296.

Tables and Figures

| Sources | Description |
|----------------------------|---|
| Internal | |
| <i>Interviews</i> | |
| 18, 18h10min | Interviews were held in February-May 2011. All the key-stakeholders of the macro-system were interviewed at least once. The majority of interviewees had occupied their position at least for 10 years, thus being able to provide an historical perspective of the situation. All interviews were recorded and transcribed. |
| <i>Ethnography</i> | |
| 2, 3h15min | The two meetings to which the authors were invited as external observers were held in March and April 2011. The meetings were hosted by the Lido Municipality. The meetings were recorded and transcribed, and notes were taken about participants' behaviors. |
| External | |
| <i>National Press</i> | |
| 2001-2011 | All articles of the VFF national press review were analyzed. Articles about the relationships between the VFF and the HS were selected. For 11 years of press reviews, from the more than 5000 articles available, around 600 articles have been analyzed. |
| Observers | Articles containing opinions of third parties, external to the macro-systems, were classified as "observers". Evidence of the system's performance and perception of relationships is provided by this type of article. |
| Macro-system | Articles reporting interviews or official declarations of the macro-system's members were classified as "macro-system". This evidence was mainly used to reconstruct the history of the last 11 years and to triangulate evidence from Internal sources. |
| <i>International Press</i> | |
| 2001-2011 | All articles of the VFF international press review were analyzed. Articles about the VFF performance, the HS performance, and their links, have been selected. For 11 years of press review, around 50 articles have been analyzed. Evidence of relationships' success or failure was found, as well results about decrease or increase in value due to collaboration. |
| <i>VFF Archival Data</i> | |
| 1967-1983 | Data accessible from the VFF archives regard all official documents collected for each festival's organization. Contracts, applications, movies' papers, meetings' transcripts, official correspondence, etc. are available. Documents after 1983 are subject to restricted access. Data regarding official correspondence between the VFF and HS were analyzed, aiming at reconstructing the past history of their interrelationships. |

Table 1: List of sources and brief description

| Interviewees | # | Duration |
|---|-----------|-----------------|
| <i>Venice Film Festival</i> | | |
| Managerial Director | 1 | 1h |
| Marketing Director | 3 | 3h30min |
| Press Manager | 1 | 1h10min |
| <i>Local Government</i> | | |
| Tourism and Culture Counselor - City of Venice | 1 | 1h |
| Vice-president - Lido Municipality | 3 | 2h30min |
| Tourism and Culture Counselor - Lido Municipality | 3 | 2h |
| <i>Hospitality System</i> | | |
| Ass.1 Director - Venice | 1 | 1h |
| Ass.1 Director - Lido | 1 | 1h15min |
| Ass.2 Director | 1 | 1h |
| Ass.3 Director | 1 | 1h |
| Hotel Manager 1 | 1 | 1h30min |
| Hotel Manager 2 | 1 | 1h15min |
| Tot. | 18 | 18h10min |

Table 2: List and duration of interviews

| | Organizers | Participants | Duration |
|----|---|--|-----------------|
| 1. | <i>Lido Municipality</i> Vice-president Tourism and Culture Counselor | <i>Hospitality System</i> Ass. 1 Director - Lido Ass. 2 Director Ass. 3 Director Hotel Manager 1 | 1h 30min |
| 2. | <i>Lido Municipality</i> Vice-president Tourism and Culture Counselor | <i>Hospitality System</i> Ass. 1 Director - Lido Ass. 2 Director Ass. 3 Director Hotel Manager 1 <i>Venice Film Festival</i> Managerial Director | 1h 45min |

Table 3: List of participants and duration of observed meetings

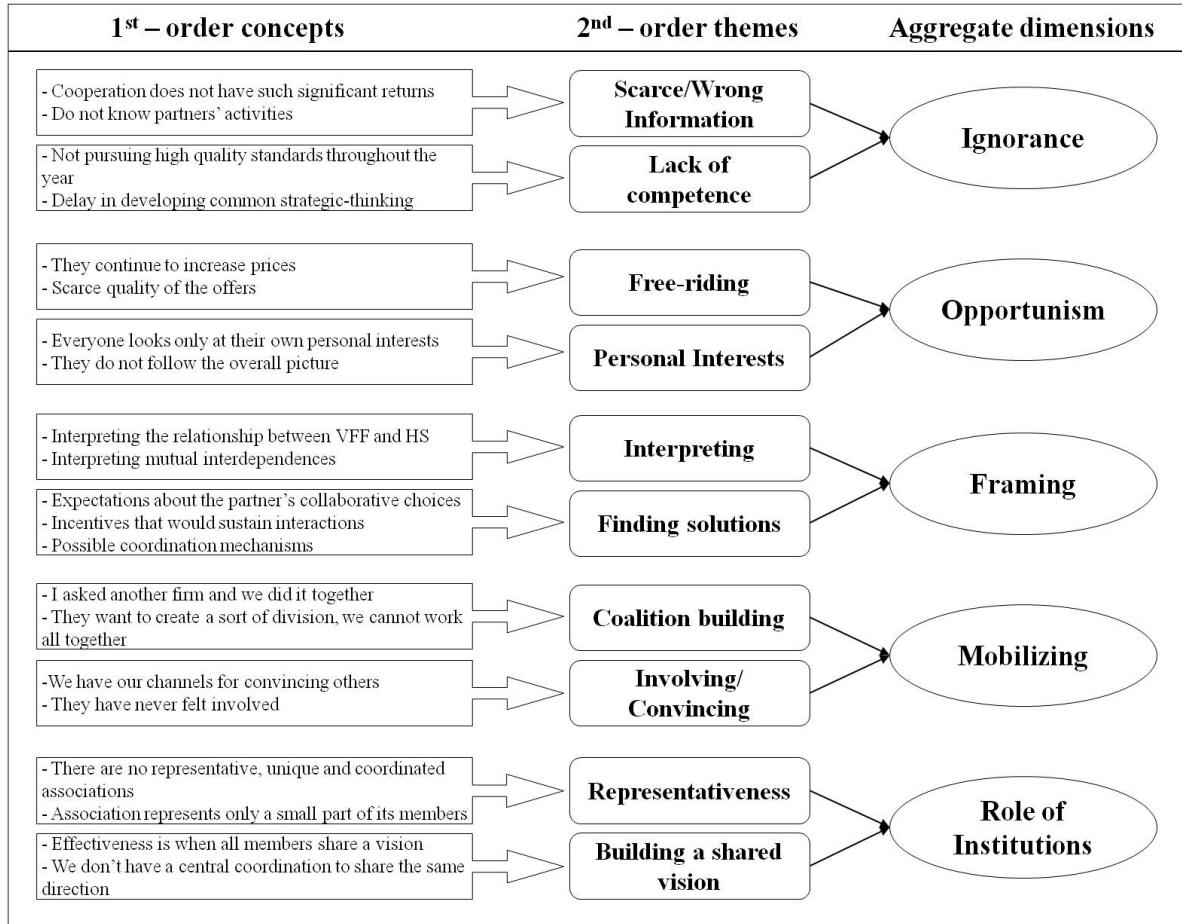


Table 4: Data structure.

| Themes | Representative Quotations |
|---------------------------------|--|
| | <i>Ignorance</i> |
| <i>Lack of Competence</i> | <p>“If I am not pursuing high quality standards throughout the year, and in two days I try to improvise, I will be at the risk of damage by giving the wrong image: it is not a question of price, it is a value concern.”</p> <p>“There is delay in developing common strategic-thinking, as far as team-building and presentation as a group are concerned.”</p> |
| <i>Scarce/Wrong Information</i> | <p>“The VFF lasts only two weeks. At the end, it does not have such significant returns for the HS.”</p> <p>“Sometimes I have to ask my colleagues: which association does this hotel belong to? Because I do not know. I know that symbols and, associations’ names change, and I lose track of which association they belong.”</p> <p>“When do we know what the movies are? Which stars are coming? Is it possible to know everything only one month before the Festival, or should we know well in advance, say, 6 months before? ”</p> |
| | <i>Opportunism</i> |
| <i>Free-riding</i> | <p>“I see things, more important, such as price increases, sometimes really exaggerated with respect to the others. Or sometimes the quality of rooms, which would need to be refurbished.”</p> <p>“Grossly overpriced and under-accommodating hotels on the Lido. ”</p> |
| <i>Personal interests</i> | <p>“They are so focused on their personal priorities that they cannot follow the overall picture of development.”</p> <p>“Everyone looks only at their own personal interests, never looking at the whole system.”</p> |

Table 5: Data supporting interpretation of a the static dimension of failure.

| Themes | Representative Quotations |
|--------------------------|--|
| | <i>Framing</i> |
| <i>Interpreting</i> | <p>“Everyone is aware that the rules have to be changed, it is necessary to work in another way. But there is still no agreement on how they should be changed.”</p> <p>“I had some difficulties in discussing some particular issues (within the association, Ed.), the confrontation at the meetings was problematic. [...] We have very different problems.”</p> <p>“Maybe since it has always been this way, some colleagues do not agree, because for historical reasons they expect a lot and are not willing to give much, for this event.”</p> |
| <i>Finding solutions</i> | <p>“Other colleagues and I that interpret the situation in the same way, we think that it is necessary to give something more, to yield more. The moment is difficult, and also the other counterpart is willing to cooperate.”</p> <p>“We need to focus on the commercial aspects: we developed a framework defining possible collaborative actions. A program not for only one year, but at least biennial. It is a way of saying: ‘do not always run after macro-negotiations, but let’s work on a medium-term program’.”</p> |

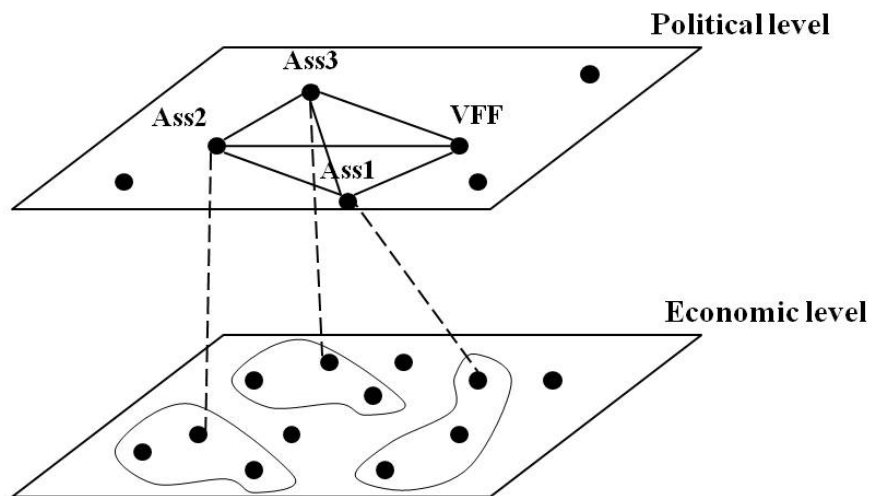
| Mobilizing | |
|------------------------------|---|
| <i>Coalition building</i> | <p>“There was a firm that did not want to participate in the initiative, that in my opinion was trivial. But maybe, from their point of view, it was meaningless. They answered negatively, so I asked another firm from a different association and we did it together.”</p> <p>“So someone, maybe the “dead wood”, doesn’t agree with the conclusions or the choices made by the association, and doesn’t follow the guidelines, damaging the whole group.”</p> <p>“They want to create a sort of division, for their personal interests. It is unbelievable, but we cannot work all together.”</p> |
| <i>Involving/ Convincing</i> | <p>“It is clear that we have to work following this path, but it is not easy to change the mentality of persons who have worked in this field, with this kind of event, for years. They have never felt involved, so they are not easy to convince.”</p> <p>“We have our channels, through which we can tell our associates: ‘look, we are going to do this operation, you have to charge this rate, and so on’.”</p> <p>“In this respect, we are trying to build a mechanism for pushing not only individuals’ activities, but those of the whole council, and this is an important thing.”</p> |

Table 6: Data supporting interpretation of a the dynamic dimension of failure.

| | Frame 1: <i>Adversarial (exit)</i> | Frame 2: <i>Cooperative (voice)</i> |
|------------------------|--|---|
| <i>Relationship</i> | “The VFF strongly needs the HS. Thus they have to look for a positive relationship with local hotels.” | “In my opinion, in agreement with other colleagues, it is necessary for the HS give something more, yield more. The VFF has always contributed significantly, and now the problems are the same for everyone.” |
| <i>Interdependence</i> | “The aim is clear: we (association) commit ourselves to giving you what you cannot get from single hotels, and you (VFF), in turn, acknowledge our presence, both in operational and image terms.” | “Thus there is, there exists, a positive relationship, since the VFF attracts every year hundreds and thousands of people— tourists, professionals, journalists— to Venice.” |
| <i>Expectations</i> | “the VFF has to commit itself to managing this relationship following specific criteria, starting from the <i>vexata quaestio</i> of the payment terms.” | “If the attractive elements of the Festival are distributed over an extended period, if the average duration of stay is longer thanks to a more interesting program, surely the HS will be happy to collaborate on several issues, knowing that the VFF has to pay attention to costs and resources.” |

| | |
|---------------------|---|
| <i>Incentives</i> | <p>“It is absolutely clear that the VFF has to make an effort, namely to acknowledge a single interlocutor, because otherwise the association cannot make other efforts, especially economic ones. If there is a project to finance, aimed at increasing hotel quality for example, we can invest, but in turn the VFF has returns from them.”</p> <p>“For this reason we need to be coordinated: we not only have to collaborate, but we also have to decide together which services are really necessary. Because sometimes there are some things that are really essential, but we cannot expect economic returns from them.”</p> <p>to give something back, the recognition of our association as the sole institutional partner for accommodation services.”</p> |
| <i>Coordination</i> | <p>“Let’s not always pursue micro-negotiations, but let’s work on a contractual medium-term program.”</p> <p>“The VFF should discuss with the associations what its goals and its values are, sharing the potential ways along which we can pursue them.”</p> |

Table 7: List of main traits of the two ways of framing the network governance.



Note: a) Solid lines are constitutive lines and oblongs are formal organizations (associations); b) People in multiple roles are dashed lines connecting corresponding dots in different domains. (Padgett & Powell, 2012)

Figure 1: Network conceptualization.

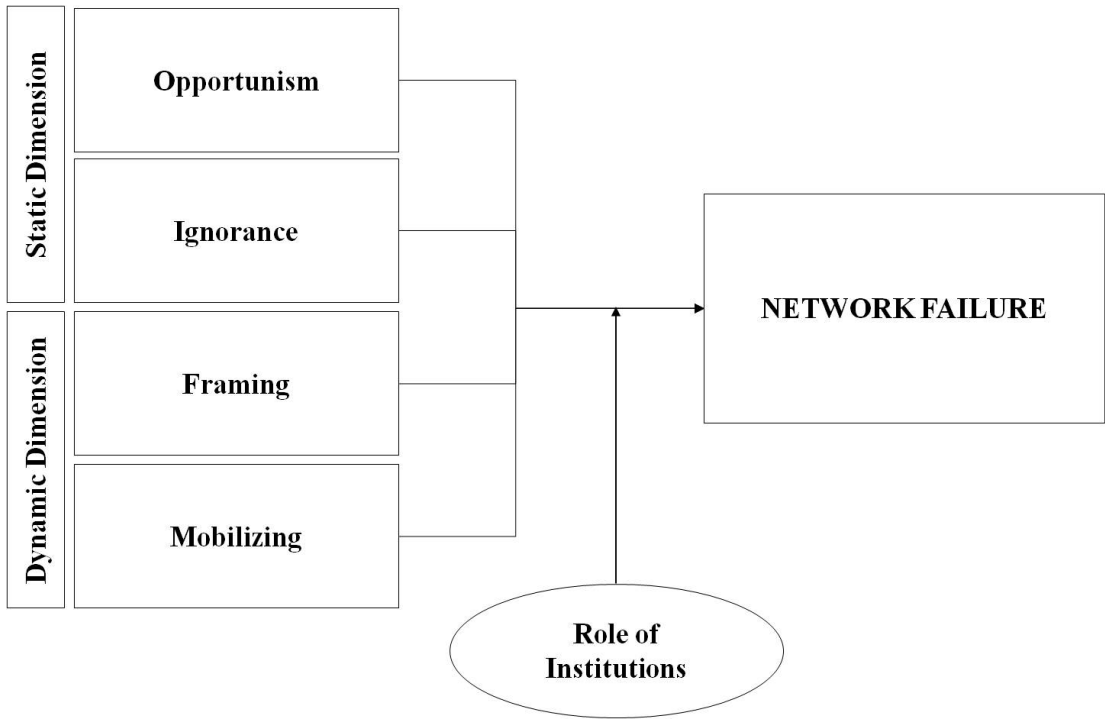
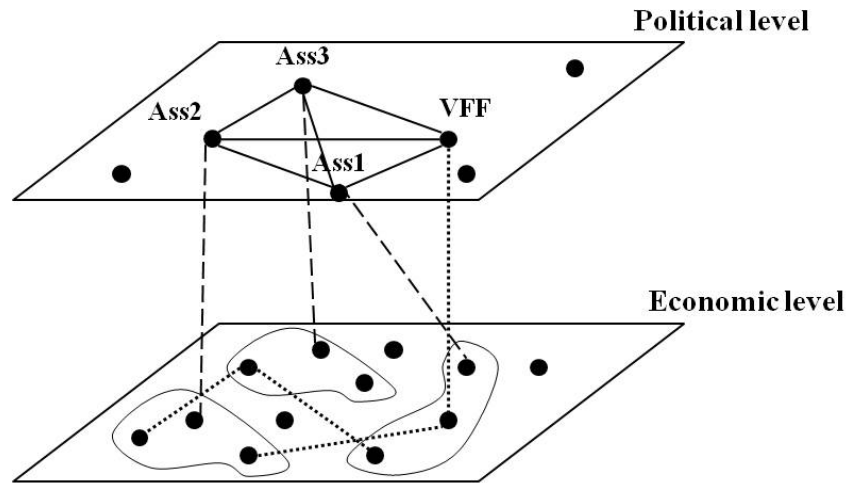


Figure 2: Dynamic theory of network failure.



Note: a) Solid lines are constitutive lines and oblongs are formal organizations (associations); b) People in multiple roles are dashed lines connecting corresponding dots in different domains; c) dotted lines are relational social exchange. (Padgett & Powell, 2012)

Figure 3: Political coalition development