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Grasp of Goals: Successful management of supply chain networks in the agribusiness of Central and Eastern Europe

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ABSTRACT

Verticalization of the agri-food sector in Central and East-European countries is to a large extent the result of the foreign investors' efforts to organize their supply chains. Well-branded multinational retailers and food manufacturers export their chain management concepts aiming to structure exchange interactions with local suppliers. This process leads to formation of supply chain networks involving long-term collaborative relationships among different stages of the food chain. To ensure that these relationships are mutually beneficial, chain management has to account for goals set in the supply chain networks. This study attempts to contribute to a theoretical understanding of the supply chain network goals. Specifically, we argue that both, network-level and firm-level goals have to be achieved to maintain long-term and successful network relationships. Furthermore, we discuss how to deal with network goals in chain management, and provide some examples from the agribusiness in Central and Eastern Europe.

KEYWORDS: Supply Chain Networks; Network Goals; Central and East-European Countries; Agri-Food Business; Chain Management

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INTRODUCTION

Several studies on the effects of foreign direct investments (FDI) in the agribusiness of Central and East-European countries (CEEC) show that foreign investors exert significant efforts to arrange well-functioning supply chains (Swinnen 2006, Reardon et al. 2007). To raise the level of quality of their suppliers, foreign retailers and food manufacturers mainly employ business models used in their countries of origin. Specifically, they introduce chain-wide management concepts to optimize inter-firm relationships with local suppliers. Such a development is referred to as verticalization of the food chain (Boehlje 1999).

By verticalization we understand the tightening of the procurement relationships leading to the development of vertically integrated firms or vertically cooperating hybrids. In this paper, we take a closer look on vertically cooperating chain systems or supply chain networks (Harland et al. 2001, Lazzarini et al. 2001). Such networks are particularly important for the development, signaling and monitoring of the quality aspects in the agri-food business (Ménard and Valceschini 2005).

Generally, supply chain networks can be regarded as strategic networks (Burr 1999). Lazzarini et al. (2001) define them as a set of networks comprised of horizontal ties between firms within a particular industry or group, such that these networks (or layers) are sequentially arranged based on the vertical ties between firms in different layers. Thus, supply chain networks embody collaboration of more than two firms (Omta et al. 2001). Furthermore, members of a supply chain network maintain highly intensive and recurrent interactions with each other based on formal and informal contracts (Burr 1999). Because of such structure and of strategic nature, a supply chain network possesses a focal actor that sets the network strategy and coordinates its implementation in a hierarchical manner (Jarillo 1988; Sanders 2005). The reason for this is that the focal actor generally stands for the firm that is recognized by the consumers as “responsible” for the specific product (Hanf and Kühl 2005).

More specifically, the managerial task of the focal company is to deal with problems of the two domains – cooperation and coordination (Gulati et al. 2005). While the problems of cooperation arise from the conflicts of interests, the problems of coordination originate from

unawareness of the existing interdependencies or the lack of one's knowledge about the behavior of others. Additionally, problems of cooperation and coordination can be viewed as a consequence of distinctive goals that are established at the firm, dyadic and network levels of collaboration (Duysters et al. 2004). Whereas the establishment of clear goals is recognized as a prerequisite of the firm strategy's success (Simon 1964, Porter 1980), we argue that the importance of network goals for the network's strategy and (chain) management is still undisclosed. We have come up to this argument after having reviewed approximately 300 articles on network, supply chain and inter-organizational performance in 17 international peer-reviewed management and agribusiness journals. Although the review has been conducted in terms of another research, some of its results provoked our interest in analyzing network goals. First of all, in spite of declaring the analysis of *network* performance (e.g. the level of the achievement of network goals), almost all studies analyze how goals of *single firms* are achieved in the network. Second, many articles address the goals which have the scope to be regarded as network goals but they are analyzed in terms of the single firm participating in the network. These findings have led us to a conclusion that the network goals are still poorly conceptualized. Furthermore, in the context of numerous collaboration failures, an understanding of network goals is unlikely to be achieved in managerial practice either.

Therefore, the aim of this paper is to provide the theoretical elaboration on the role the network goals play in strategic chain management. Specifically, the following questions are inquired. First, what are the network goals? Second, how can these goals affect chain management? Third, how does chain management deal with network goals in the agri-food supply chains of the CEEC? To answer these questions, we first conceptualize network goals as a reflection of collective strategies adopted in supply chain networks. Afterwards, we elaborate on potential implications of network goals for chain management. Adjacent, we demonstrate how chain management takes a notice of the network goals' issue in the CEEC. Finally, we summarize our findings.

SUPPLY CHAIN NETWORK GOALS

A major challenge the focal company faces in a supply chain network is to structure the exchange relationships such that its suppliers and customers remain in the relationships and act in the best interests of all the parties (Jap and Ganesan 2000). Consequently, from the focal company's perspective, it is necessary to develop a strategic approach which accounts

for objectives of all the chain actors and is agreed upon by them. In the interorganizational literature, such an approach is defined as a collective strategy (Bresser and Harl 1986).

Starting from the work by Astley and Fombrun (1983), a number of studies (e.g. Bresser and Harl 1986, Sjurts 2000) have addressed collective strategies as a type of strategies implemented for and by collaborating organizations. Because collaboration *per se* means common work of numerous actors to achieve common goals (Chen et al. 1998), collective strategies can be subsumed as those aiming to create a framework for the achievement of common goals. In supply chain networks, adoption of the collective strategy is most often initiated by the focal actor which goes beyond addressing just its own goals and proposes the ways to achieve network goals. In this context, several authors (e.g., Duysters et al. 2004, Contractor et al. 2006) argue that the network's management should specifically involve mechanisms to maintain exchange relationships and achieve goals set at least at two levels, i.e., the network and firm levels.

However, in our view, the goals at which collective strategies aim remain underconceptualized with respect to differentiation between network levels. In particular, researchers and practitioners fail to acknowledge the importance of the whole network's objectives, although literature emphasizes co-existence of individual and common goals in an interorganizational relationship (e.g., Van de Ven 1976, Wathne and Heide 2004, Winkler 2006). Instead, the scientific and practical interests rest on the effects of networks on the single firms and their dyads. In their extensive review on "whole networks", Provan et al. (2007) have found only 26 studies (of approximately 50,000 in total) dealing with issues at the network level of analysis. They have concluded that,

> Researchers often talk of a network of relationships, but it is not the network itself that is being studied, thus ignoring the basic network theoretical insight that actors and actor-to-actor relationships are likely to be influenced by the overall set of relationships (p. 483).

Similarly, in a narrower interorganizational context of supply chain performance (i.e., the degree of the achievement of a supply chain's goals), most analyses concentrate on the single firm's performance in a supply chain. Having reviewed the literature on supply chain performance, Shepherd and Günter (2006) suggested that,

> Researchers should consider developing measures of supply chain relationships and the supply chain as a whole, rather than measures of intra-organizational performance (p. 253).

In our view, this statement does not require additional justification for business practitioners because via understanding how the whole network performs one can explicate various patterns of the firm's performance (Baum et al. 2000, Dyer and Nobeoka 2000,

Ellram et al. 2002, Sanders 2005). Therefore, one can resume that network goals include the network-level and firm-level goals (Sydow and Windeler 1998). The focal firm, as a strategy-setting element of the supply chain network, has to take particular interest in the achievement of both.

In this context, we understand the network-level goals as the predefined set of outcomes which can be achieved only if all the network actors work together to achieve them. Such goals can be regarded as common to or shared by all the network members, and their achievement is the essence of collaboration (Huxham and Vangen 2005). Provan and Kenis (2008) provide examples of network-level goals in the public sector, e.g., strengthened community capacity to solve public problems; regional economic development; responsiveness to natural or made-made disasters, etc. In food supply chain networks, the achievement of total chain quality can be considered as an example of the network-level goal. The goal of total chain quality requires that all the food chain actors efficiently and effectively work together to address increasing consumers' demands and minimize the risk of food scandals. Providing solutions for such complex issues requires multilateral coordination and more than just achieving the goals of individual organizations (O'Toole 1997). Furthermore, unclear definition of common goals or lack of agreement upon them is the main reason why 50 per cent of all interorganizational projects fail (Brinkhoff and Thonemann 2007).

However, in contrast to participant-governed networks with all the actors knowledgeable about network-level goals (Provan and Kenis 2008), supply chain networks are in most cases deliberately engineered by the focal actor. This implies that the focal firm is responsible not only for implementation of collective strategies but also for setting network-level goals (Schermerhorn 1975, Lorenzoni and Baden-Fuller 1995). Therefore, the commonness of goals in a supply chain network largely depends on the efforts by the focal firm and, thus, the focal firm has to ensure that all the members pursue (and know to some extent) network-level goals (Kochan et al. 1976, Doz et al. 2000). Accordingly, by measuring the whole network's effectiveness, one should employ measures indicating the extent to which such goals are achieved. For example, performance of just-in-time (JIT) system introduced by a retailer can not be analyzed only by benefits to this retailer. Reduction of inventory in terms of JIT requires that a retailer's suppliers substantially improve their quality and that there is a low level of holdups at each upstream stage of a supply chain (Davy et al. 1992).

Despite the importance of network-level goals, the sole focus on such interorganizational objectives does not encompass measures of the network's effectiveness entirely. One has to consider also firm-level goals because networks involve relationships among individual firms. Although effective functioning of the network requires goal consensus among the members (Doz et al. 2000, Provan and Kenis 2008), each actor enters the network with its own objectives. An endeavor to achieve them can affect the achievement of network-level goals (Wathne and Heide 2004, Winkler 2006). Firm-level goals might include, for example, access to resources or markets, increased sales, risk reduction, etc. Furthermore, non-achievement of goals of the particular members can lead to the network's collapse if these members cannot be equally substituted (e.g., Park and Ungson 1997, Park and Ungson 2001). Therefore, analyses of whole networks have to consider not only the network level but also the firm level (Table 1).

Table 1: Examples of the supply chain network's goals

Network goals	
Firm-level goals	*Network-level goals*
Access to input and sales markets; reduction of environmental uncertainty; access to knowledge, etc.	Partner reliability; chain transparency; chain quality; end consumer satisfaction, etc.

For a network to perform effectively, it is of particular importance that the goals set at the different levels are achieved to a satisfactory extent. Additionally, the network's management, i.e., the focal company, has to consider specific interrelationships that can occur between goals of the different levels and can create conditions either favoring or constraining the achievement of the whole network's goals. In other words, effectiveness of the supply chain network is subject to influence by network goals.

HOW CAN NETWORK GOALS AFFECT STRATEGIC CHAIN MANAGEMENT?

Interorganizational goals were paid relatively much attention in early organizational and marketing literature (e.g., Kochan et al. 1976, Van de ven 1976, Frazier 1983). Starting from the end of 1980's, the number of publications explicitly devoted to this issue has declined. However, the premise of interorganizational goals has been recently addressed again indicating the reviving importance of the topic (Huxham and Vangen 2005, Winkler 2006, Provan and Kenis 2008). Our interest in this context is in a) conjecturing of potential interrelationships between goals set at the different levels of a supply chain network and b) in

viewing from a static perspective the potential consequences of these interrelationships for the network's management.

Drawing upon the notion of goal compatibility (e.g., Etgar 1979, Brown and Day 1981), we suggest that due to the potential "firm level – network level" interrelationships, goals in supply chain networks can be generally grouped into three categories: compatible, conflicting, and indifferent goals (Table 2).

Table 2: Interrelationships between firm-level and network-level goals

Goal interrelationship	Preconditions	Outcomes
Compatible	High level of ideological agreement on the nature of tasks and the appropriate approaches to these tasks (Frazier 1983); insensitivity of the organizational domain issue (Schermerhorn 1975)	No serious transaction and coordination costs; trust among partners; commitment to collective interests; improvement of transactional efficiency (Park and Ungson 2001)
Conflicting	Structural differentiation (Kochan et al. 1976); differences in policies and procedures used to achieve individual members' goals (Brown and Day 1981) and common goals (Frazier and Summers1984); distinctive interests with regard to actions to be undertaken (Frazier 1983); each party has its own business philosophy and interests (Eliashberg and Michie 1984)	Relationship break off (Kumar and van Dissel 1996); negative effect on network satisfaction and network continuity (Bradford et al. 2004); communication difficulties (Leonidou et al. 2008)
Indifferent	No interest overlap; no overlap of actions derived from autonomous, independent decisions	Indirectly positive or negative

Compatible goals are the goals of the different network levels that can nurture the achievement of each other. In other words, without having compatible goals at the firm level, the achievement of network-level goals is most probably impossible. For instance, at the network level, the goal set by the focal company is to achieve a certain level of chain quality based on introduction of tracking and tracing system. One of the complementary goals in this case would be an endeavor of an individual network actor to gain necessary knowledge from a supply chain network about requirements of a corresponding certification scheme. If network actors lack such knowledge, then the achievement of chain quality is problematic. Furthermore, compatible goals exist due to a high level of agreement on the nature of tasks

completed by individual actors and also appropriate approaches to these tasks (Frazier 1983). Because each member of a network specializes in performing of particular functions, such an agreement indicates the members' awareness and readiness to contribute to the achievement of network-level goals.

Conflicting goals are the goals of the different network levels that can hinder the achievement of each other. Again, due to different characteristics, tasks, responsibilities, and reward expectations, goals of individual actors can conflict with network-level goals (Kochan et al. 1976, Huxham and Vangen 2005). Very often, conflicting goals arise not because of goal incompatibility itself but because of disagreement on how to achieve common goals (e.g., Brown and Day 1981). Conflicting goals can become apparent, for example, due to actors' distinctive views on transaction specific investments, e.g., needed to install electronic data interchange (Jap and Ganesan 2000). Coping with such goals requires additional efforts by the network's management. Eliashberg and Michie (1984) report that managers devote more than 20 % of their time to interorganizational conflict management. This is not surprising because compliance of individual exchange partners with the network is crucial for the achievement of network goals and, therefore, for network functioning (Doz et al. 2000).

Indifferent goals are the goals of the different network levels that have no impact on each other. Indifferent goals exist because there is no overlap of individual interests and actions with those of the network level. For instance, a network-level goal of total chain quality can have no relation to the firm-level goal of gaining higher reputation from participating in a network. These goals, however, can indirectly influence the network's effectiveness. For example, unsatisfactory perceptions of reputation effects from cooperation can reduce the individual firm's desire to contribute to chain quality improvement.

The above discussion implies that the supply chain network's management should include interrelationships between goals set at the different network levels in collective strategies. By doing so, the focal company creates preconditions for the achievement of network goals and thereby makes the network perform effectively. We further discuss how the supply chain network's management can enable the achievement of the whole network's goals.

SUPPLY CHAIN NETWORK MANAGEMENT

Integration of the exchange partners requires that the supply chain network's management properly deals with the problems of two domains – cooperation and coordination (Gulati et al. 2005, Hanf and Dautzenberg 2006, Xu and Beamon 2006). Because problems of

cooperation arise due to the conflicts of interests, the cooperation task is to align the interests of the participating actors or, in other words, motivate them to work together (Gulati et al. 2005). The accomplishment of this task is typically addressed by the implementation of partnering strategies that generally aim to design the relationships within the supply chain (Mentzer et al. 2000). More specifically, partnering strategies involve the use of formal and informal mechanisms of cooperation. Formal mechanisms include contracting, common ownership of assets, monitoring, sanctions, rewards and the prospect of future interactions (Williamson 1985, Gulati et al. 2005). Identification and embeddedness serve as informal mechanisms (Granovetter 1985, Kogut and Zander 1996, Gulati and Sytch 2007).

In turn, the problems of coordination appear as a consequence of uncertainty about the actions of interdependent actors. Therefore, coordination is related to joint actions and can be generally referred to as the alignment of actions (Gulati et al. 2005, Payan 2007). The fulfillment of this task consists in gaining or transferring knowledge about the behavior of interdependent actors and the character of existing interdependences. The alignment of actions in supply chain networks is addressed by implementation of the supply chain management strategies (Simatupang et al. 2002). Generally, supply chain management strategies should involve the mechanisms named in the coordination literature. Formal coordination mechanisms include programming, hierarchy and feedback (Thompson 1967) whereas informal mechanisms incorporate shared experience, leadership, culture, norms and values (Kogut and Zander 1996).

In the process of structuring of long-term exchange relationships, the focal company has to develop simultaneously the partnering and supply chain management strategies as components of the overall collective strategy derived from the whole network's goals (Hanf and Dautzenberg 2006). By doing so, the focal company will enable the fulfillment of two tasks resulting from the above discussion on goals. Particularly, the alignment of interests and actions is crucial to a) facilitate and maintain the goals' commonness, and b) mediate interrelationships between goals of the different levels. In other words, it is necessary to reach consensus on network-level goals via attaining goal compatibility[1] between the network and firm levels, and simultaneously arrange the network's harmonious work to achieve both, network-level and firm-level goals.

[1] Goal consensus and goal compatibility are typically viewed as synonyms in interorganizational research because they have to be achieved simultaneously and most often require similar mechanisms (e.g., Kochan et al. 1976, Frazier 1983, Provan and Kenis 2008). We, nevertheless, view them separately because, in terms of supply chain networks, we see goal consensus as agreement on *what* should be achieved, and goal compatibility as agreement on *how* it should be achieved.

Goal consensus

As shown by Provan and Kenis (2008) in their study on goal-directed networks in the public sector, the extent of goal consensus among the actors can differ across the different types of networks. In this context, in networks possessing lead organizations, there will be a moderately low level of agreement on network-level goals. This statement can be regarded as partially true for such an interfirm cooperation form as the supply chain network. Obviously, each firm enters a supply chain network with its own reasons to cooperate. Nevertheless, single firms have to take into account that the network has its own rules (including goals) which should be followed (Dyer and Nobeoka 2000). Furthermore, since the focal company deliberately organizes the supply chain network and makes decisions about the network-level goals (Lorenzoni and Lipparini 1999), it is especially in the interest and within the grasp of the focal company that the other network actors agree upon the network-level goals.

Although joint action does not automatically imply the need for common goals, cooperation with common goals creates long-term collaborative advantages and is even necessary (Pitsis et al. 2004). By reaching an agreement among the network members on such goals as total chain quality or chain transparency, the focal company creates initial conditions for collaboration and stabilizes the network relationships because goal commonness also serves as an integrating mechanism (Winkler 2006). To the extent that the parties' goals become aligned *ex ante*, the likelihood of subsequent motivation-related problems is greatly reduced (Wathne and Heide 2004: 75). However, collaborative advantages are often future-oriented and more uncertain than individual goals; therefore, the network faces the risk of interfirm rivalry (Park and Ungson 2001). In order to reduce it and facilitate the achievement of network's goals, the issue of goal commonness has to be explicitly addressed by the supply chain network's management.

While a number of authors suggest that goal consensus arises from domain similarity (e.g., van de Ven 1976, Doz et al. 2000), partnering and supply chain management strategies play an important role in maintaining agreement on network-level goals. Especially, such informal mechanisms of cooperation and coordination as identification, embeddedness, shared experience, norms and values enable actors to agree on goals (Wathne and Heide 2004, Gulati et al. 2005). Besides, the focal company should pay attention to sharing appropriate information about network-level goals. Otherwise, for the other network actors, these goals will remain the firm-level goals of the focal company (Gagalyuk and Hanf 2008). Additionally, communication is the way the other network actors participate in the decision

making process (Mohr and Nevin 1990). Appropriate communication, thus, creates preconditions for actors to consent on goals as it helps clarify the extent the network-level goals are compatible with the firm-level ones.

Goal compatibility

Consensus on network-level goals depends on firms' perceptions of compatibility with their own goals on an ongoing basis (Doz 1996). Perceived incompatibility of goals leads to conflict among network actors and makes them perform worse (Provan and Kenis 2008). Therefore, the task of the focal company is to maintain goal compatibility between the different levels of the supply chain network.

The degree of goal compatibility is generally caused by how compatible social and organizational characteristics of the network actors are (Smith et al. 1995, Doz et al. 2000, Provan and Kenis 2008). The social context in which partners operate is partly defined by the cultural and institutional background of the partners. Furthermore, the similarity of cultural values may reduce misunderstanding between the partners while lack of fit with a partner's culture leads to poor communication and mutual distrust (Park and Ungson 2001: 44). Not only the similarities in cultural values but also the perceived status and legitimacy of partners as well as perceptions of procedural justice influence goal compatibility among network actors (Doz et al. 2000).

Additionally, the extent the firm-level objectives match the network-level goals depends on organizational compatibility (White and Siu-Yun Lui 2005). Dissimilarities in organizational structures and processes can create problems in coordination by causing disagreements over operating strategies, policies, and methods. Organizational dissimilarities are typically manifested in differences of capabilities and strategies of firms. Therefore, opinion of the network actors about managerial routines, marketing policies, quality control, etc. may differ from that of the focal company (Park and Ungson 2001: 45).

Thus, it is necessary to ensure a certain level of cultural, organizational and strategic fit of the network actors. In general, where goal compatibility is absent, there is a need for a power process (Kochan et al. 1976, Frazier 1983). The notion of power typically arouses associations with explicit domination of one actor over the others. Indeed, the focal actor can employ hierarchical mechanisms (e.g., control, sanctions) to make the participants comply with the network-level goals. However, not always acting in such a way will have positive effects on partner compliance. Moreover, the exercise of power based on coercive sources, e.g., financial penalties or withholding of important support (Goodman and Dion 2001), can

aggravate communication difficulties caused by cultural dissimilarities and elevate any underlying causes of conflict to a manifest state (Leonidou et al. 2008: 93). Thus, the use of hierarchical authority can deepen incompatibility between the network-level and firm-level goals, especially in the case of great cultural and geographic distance (Leonidou 2004).

On account of this, partnering and supply chain management strategies include also mechanisms which represent non-coercive bases of power. The use of such mechanisms as rewards, identification, and information exchange enhance the partners' willingness to exert effort for the network-level goals (Gulati et al. 2005, Leonidou et al. 2008). Furthermore, such mechanism as recommendations helps to achieve the desired perceptual change of objectives and subsequent performance of the intended behaviors (Frazier and Summers 1984: 45).

However, not only the fit of culture, resources and strategies of the single firms should be attained. The effective use of the cooperation and coordination mechanisms requires (and enables) deployment of network-specific structural factors which can be also referred to as alliance capabilities (Kale et al. 2002) or network-level competencies (Provan and Kenis 2008). In this context, a dedicated alliance function allows developing of network management routines needed to maintain cooperation and information exchange among actors (Ireland et al. 2002). In a supply chain network, it is especially important that the focal company performs such a function and has corresponding competencies matching the needs of the whole network. Possession of network-level competencies enhances communication and knowledge transfer within the network and thereby provides an understanding of partners' goals, interests and expectations.

Overall, in ensuring goal compatibility, an emphasis has to be primarily put on the development of partnering strategies, since their task is to align the interests of the network actors or, in other words, to motivate them to work together. As known, motives serve as the causes that lead individuals to select some goals rather than others (Simon 1964). Therefore, interest alignment can be defined as the degree to which the members of the organization are motivated to behave in line with organizational goals (Gottschalg and Zollo 2007). The function of supply chain management strategies is to enable communication of goals among actors via organization of the programming and feedback processes. Altogether, appropriate implementation of the partnering and supply chain management strategies contributes to the achievement of the network-level and firm-level goals (Ireland et al. 2002).

The achievement of goals generally means success. In this section, we provide evidence of the successful supply chain network's management in the agribusiness of CEE countries. Based on our previous research as well as on some background studies, we describe some tendencies in the food chains of CEEC accompanied by examples of how food chain management deals with network goals.

According to our expert interviews conducted in terms of another study, a high level of awareness of network goals is at first hand demonstrated by foreign companies as initiators of verticalization in the agribusiness of CEEC. Multinationals see the issue of chain quality and therewith connected partner reliability as the main goals that have to be achieved at the network level. Accordingly, they introduce chain management concepts that follow their strategic framework used all over the world. The use of chain management becomes apparent in rolling out of global IT-standards as well as supply chain management techniques. For example, going abroad, such German multinationals as Metro Group and Rewe primarily install their purchasing, IT and total quality departments. There is recognition behind these activities that network-level goals have to be communicated with local suppliers on an ongoing basis. Additionally, to ensure goal commonness, multinationals introduce such programming tools as private quality standards. Examples of quality standardization include GLOBALGAP, BRC, ISO 9000 and HACCP (Gawron and Theuvsen 2008).

Multinational retailers and food manufacturers also consider firm-level goals of their local partners and try to ensure compatibility with network-level goals where this compatibility is or may be absent. Due to the prevalence of small- and medium-size enterprises as well as households in agricultural production, the use of necessary and recommended inputs is often a problem as farmers face a financial burden. Furthermore, due to numerous non-payments and delays experienced in 1990s, farmers perceive prompt cash payments from downstream partners as a benefit (Swinnen 2006). However, given a high volatility of business environment in some of CEEC, multinational companies are interested in more than just providing their partners with inputs and cash payments. Satisfaction of their requirements includes compliance with the basic level of quality. Therefore, they use different vertical coordination schemes to assure quality. For example, in Bulgaria, Romania, Moldova, Ukraine and Russia, dairy processors assure quality supplies by leasing cooling tanks to farmers as part of their contracts (Top Agrar 2004, Gorton et al. 2006, Swinnen 2006). Except for input and loan support, there is evidence of support on quality expertise and trainings for specialists as it is the case with dairy processor Wimm Bill Dann and brewery holding Interbrew in Russia (Swinnen 2006).

Goal compatibility at the firm level is also achieved through enrollment of some informal mechanisms like identification. Foreign companies establish cooperation with local suppliers by using their general cooperativeness and reputation aspects. Local companies are very proud to work with well-known multinationals. Moreover, non-compliance with their cooperation principles may have negative reputation consequences (Swinnen 2006).

Additionally, multinational companies use coercive mechanisms like control and sanctions. Well-branded multinationals have their own quality control departments where they conduct random product quality testing. Furthermore, purchasing departments evaluate delivery quality. Suppliers' non-compliance leads to fees and sanctions. However, as one of our respondents, executive director of a successful international dairy processor, emphasized,

> Sanctions are used only in the last resort, when suppliers fail to meet our requirements continually. We usually try to solve our problems jointly, by indicating and eliminating the source of non-compliance. We also teach our partners how to avoid problems. And most of our partners succeed.

Thus, acting as focal companies, well-branded retailers and food manufacturers smooth over social and organizational inconsistencies of their suppliers, promote trust among the partners, and thereby make them work to achieve the network-level goal of chain quality.

However, intensive implementation of chain management concepts is still impeded by high riskiness and unfavorable institutional environment: bank loans are unsafe, corruption is present, property rights are weakly protected, etc. On account of this, foreign companies that invest on a long-term basis are obliged to properly consider possible short-term risks. There is a conflict between long-term orientation of chain management and the need to produce high returns on investments in short terms. To solve this dilemma, foreign companies try to establish long-term relationships with their local suppliers.

SUMMARY AND CONCLUSION

This study attempts to contribute to an understanding of goals set in interorganizational networks. Specifically, our aim was to conceptualize the goals and their role in management of the food supply chain networks. As a type of strategic networks (Gulati et al. 2000), supply chain networks manifest goal-orientation themselves and involve traditionally self-oriented participants. Consequently, one of the main points that should be addressed by the network's management is the tension between intra- and interorganizational goals. To deal with this task properly, one should gain an understanding of goals set in the supply chain network. Scanty research efforts on this issue as well as numerous collaboration failures in business practice indicate that this understanding is generally missing.

This topic has to be of particular interest for the network's focal actor as it sets network-level goals and implements a corresponding strategic approach named collective strategy. In our view, the supply chain network's focal actor is a brand-owner, a food manufacturer or a food retail company, whose concern about chain quality requires maintaining of tight and long-term exchange relationships with the chain partners. To structure such relationships so that the partners simultaneously comply with the overall network's requirements and are satisfied by collaboration, the focal company has to align the interests and the actions of the involved parties. Thus, it implements partnering and supply chain management strategies (as the components of the overall collective strategy) to address the interrelationships between network-level and firm-level goals.

By providing some successful examples of the food chain management in CEEC, we were able to visualize that a thorough grasp of network goals leads to long-term and effective functioning of supply chain networks. If both, the network-level and firm-level goals are achieved to a satisfactory level, a network can be regarded as effectively performing. By ensuring goal commonness among actors and goal compatibility between the network and firm levels, the network's management paves the way for attaining of beneficial outcomes at both levels. Especial attention should be paid to management of conflicting goals since they negatively influence network effectiveness. Conflicting goals arise due to a number of factors that stem from cultural, resource and strategic differences. Only real understanding of these aspects can help organize the harmonious work of the network actors to achieve both, network-level and firm-level goals.

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