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Describing network dynamics in three different business nets



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KEYWORDS

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Shared identity;
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Summary The purpose of this paper is to deepen our understanding of network dynamics in business nets in the context of the manufacturing industry. Using the abductive approach, the network dynamics are described and defined through an intertwined process of case research and theory building in three case nets. The paper suggests the concepts of *strategic intent* and *shared identity* to represent the two dimensions of the network dynamics. The study creates both theoretical and practical knowledge of the way the network dynamics diverge as a function of different business net types. Furthermore, the paper provides deeper understanding of the co-existence of different business net types within the manufacturing industry, where the focus has been on supplier networks and customer-supplier relationships.

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Introduction

Today, companies can cooperate in many different ways, and there is a wide spectrum of networking models ranging from supply networks and strategic alliances to networked innovation processes. Similarly, the theoretical discussion on networks has been active, and it has created several partly overlapping concepts for industrial networks. Furthermore, as many companies are moving away from vertical supplier–customer relationships towards horizontal cooperation that connects several members of a supply chain, their networks are becoming more complex and multidimensional (Halinen & Törnroos, 2005; Peppard & Rylander, 2006; Valkokari, Valjakka, & Kansola, 2011).

The range of views on the network phenomenon has followed from the different approaches and roots of network and alliance literature (Dhanaraj & Parkhe, 2006; Järvensivu & Moller, 2009). Scholars, in particular, hold different views on the boundaries of networks: networks are perceived either as open systems of business and social relationships or as closed systems of firms and their relationships. In the Industrial Network Perspective of Industrial Marketing and Purchasing (IMP) Group, networks have been seen as self-organizing structures without goals or clear boundaries (Håkansson & Snehota, 1989; Håkansson & Ford, 2002), while the approach of strategic business nets describes them as resources that could be managed (Järvensivu & Moller, 2009; Möller & Rajala, 2007; Möller, Rajala, & Svahn, 2005; Svahn & Westerlund, 2007). In accordance with the strategic business nets approach, this paper views *business nets* as manageable and intentional. Nonetheless, the paper also counterpoints the evolving nature of collaboration – e.g. as social systems, networks can be seen concurrently as open and closed

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(Luhmann, 1995) and thereby also have unmanageable elements, as pointed out by IMP research (Håkansson & Ford, 2002; Håkansson & Snehota, 1989; Laurids & Lutz, 2006; Wilkinson & Young, 2002). The paths of the development of the business net are therefore fundamentally unknowable because they are co-produced through interactions and not traceable in any simple way to the individual actions of the participants (Breite & Koskinen, 2014; Brito, 2001; Ford & Redwood, 2005; Håkansson & Snehota, 1995; Halinen & Törnroos, 2005; Hsin-hui & Zolkiewski, 2010; Wilkinson & Young, 2002). Thus, network changes can be seen as *manifested in* as well as *transmitted through* connected relationships with identifiable parties and unique counterparts (Ford, Gadde, Håkansson, & Snehota, 2003).

As constant change is often seen as the main challenge facing firms in today's economy (Hamel, 2007; Sørensen, Hasle, & Pejtersen, 2011), research interest has also focused on the types of networks that enable change, e.g. renewal, flexibility, agility and even exploration of new business opportunities. In order to create new knowledge about network dynamics, longitudinal research (Lowe, Ellis, & Purchase, 2008; Provan, Fish, & Sydow, 2007) and multilevel analysis (Dhanaraj & Parkhe, 2006; Moliterno & Mahony, 2011) are needed. This study aims to fill the gap by deepening the understanding of network dynamics and the underlying mechanisms within business nets. The network dynamics consist of a complex pattern of activities, both intentional and emerging (Breite & Koskinen, 2014; Choi, Dooley, & Rungtusanatham, 2001; Dhanaraj & Parkhe, 2006; Järvensivu & Moller, 2009). Through these activities and interactions between the net actors emerge the network dynamics that we can observe as changes in the net's characteristics, i.e. in structures, relationships, actors and their roles (Halinen, Salmi, & Havila, 1999; Hsin-hui & Zolkiewski, 2010). Thus, the business net approach utilized in this study complements the existing knowledge and offers new insights for a better understanding of network dynamics, while in previous literature the main level of analysis has typically been the individual relationships not the whole network.

To sum up, the purpose of the paper is to deepen understanding of the network dynamics in business nets in the context of the manufacturing industry. The main objective of this paper is to describe and define the interplay between the two key dimensions of the network dynamics in different business nets by comparing their development paths. The key research question is "*How are the two key dimensions of network dynamics – strategic intent and shared identity – co-produced within different business nets?*". Using an abductive approach, the key dimensions of network dynamics were formed within the iterative process between the theoretical, constantly evolving framework and the empirical analyses with three case nets.

To work on this goal, the rest of the paper is structured as follows. The next two sections review the research on business nets as well as networks and build the framework of network dynamics. The theoretical framework of this paper consists of: (1) a typology of business nets and (2) two dimensions of the network dynamics. The research methodology and design are then described. The case study section outlines the research and analysis methods and presents empirical data of the co-development in the three business nets. The observations are discussed in light of the theoretical framework in the next section. Finally, the theoretical

contribution, together with practical implications and an evaluation of the research and recommendations for further research, is presented.

Theoretical framework of business nets

What are business nets?

In the late 1980s, Jarillo described strategic networks as "long-term, purposeful arrangements among distinct but related for-profit organizations that allow those firms in them to gain or sustain competitive advantage vis-à-vis their competitors outside the network" (Jarillo, 1988, p. 32). On the other hand, according to the IMP approach in its most abstract form, an industrial network is a structure in which a number of nodes are related to each other by specific threads (Håkansson & Snehota, 1989; Håkansson & Ford, 2002). Based on this, even an open business market can be seen as a network in which the nodes are business units of companies. These distinct views were the starting points for the study. During the research process, a perspective of "strategic business nets" emerged, which distinguishes intentionally created business networks from open macro-level networks of organizations (Möller et al., 2005) and highlights that companies and, potentially, other organizations are connected to each other for the purpose of doing business together (Halinen & Törnroos, 2005). Furthermore, Möller and Rajala (2007) conceptualized a business net as "a set of specific activities carried by the actors constituting the net". Similarly to the above viewpoints, the network's joint strategic business targets are an important issue also in this study. In addition to the joint strategic intents of networks, the evolving and dynamic nature of networks is counterpointed, e.g. as social systems, networks are seen as concurrently open and closed systems (Luhmann, 1995) and, thereby, also as having unmanageable elements, as pointed out by the IMP research (Ford & Redwood, 2005; Håkansson & Ford, 2002; Håkansson & Snehota, 1989; Laurids & Lutz, 2006; Wilkinson & Young, 2002). Nonetheless, the "business net" term is used instead of "business network", while the main unit of analysis is the dynamics inside the business net not the interrelationship between the network and its environment.

Based on the above definitions of strategic business networks and nets (Halinen & Törnroos, 2005; Jarillo, 1988; Möller et al., 2005; Möller & Rajala, 2007), a business net is defined as *a long-term, cooperative, delimited entity with identifiable joint goals whereby more than two partners share critical knowledge, resources and/or financial assets in order to attain, sustain or improve the net members' future competitive positions*. In addition to joint goals, the actors agree on the net-level activities and operation model as well as the roles and responsibilities of the net members. Although business nets are defined here as long-term arrangements, they can (and should) be distinguished from firms by dynamics and temporariness, e.g. when the joint goals are achieved, the business net can break down (Halinen & Törnroos, 2005; Kenis, Janowicz-Panjaitan, & Cambre, 2009). Furthermore, according to this definition, the business net only exists if all the network members recognize the joint goals and are prepared to cooperate in order to achieve them

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