Chapter XV

Networked Business Organizations:

An Actionable Research Framework

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ABSTRACT

This chapter examines issues of management in network organizational arrangements. The fast changing, complex and heterogeneous field of dynamic organizations prevents us from establishing one all encompassing definition of networks. To this end, we are focusing on specific organizational arrangements under the research agenda of the DOMINO project (IST-2000-29545). Thus, we provide a network's taxonomy to provide academics and practitioners with deeper understanding in what we call a network. The taxonomy has been developed to classify networks and related organizational arrangements. Therefore, we focus on the management of dynamic inter-organizational network formations to reveal the basic issues that need to be addressed and to provide specific outcomes in the form of actionable results to be used by industrial organizations. The final outcome of this chapter is a management framework that examines networked business organizations from four different research angles and serves practitioners as a roadmap for capturing manifold managerial issues in networked environments.

INTRODUCTION

Management practices meet organizational science in the study of organizational form, defined as the structural features or patterns that are shared among many organizations. It is widely acknowledged that the classic forms are markets and hierarchies. An alternative to both markets and hierarchies appears to be emerging, and tackles to be accelerated by technology—the network form (Powell, 1990). Several types of dynamic organizational forms emerged in response to the turbulent business environment, however their managerial implications still remain largely unexplored. The problem seems to be located in the fact that the corporate world is changing so fast that management practices and paradigms cannot keep up with business evolution. Thus, both the research and the corporate communities have been relying on management paradigms whose applications no longer apply in the information age, which is fairly undetermined. Contemporary organizations strive for new managerial tools that would allow them to interpret the new corporate reality and prepare them to confront the complexities of dynamic and networked value creation (Ciborra, 2000). This chapter will develop a framework for research into business organizations that are becoming increasingly prevalent in the digital era. It will describe the background to networked organizations by first looking for the drivers for network formation. Subsequently, a network definition is provided, along with the identification of some basic variables that characterize specific types of networks examined in this chapter. We then attempt to identify the specific disciplines that concern network business organizations so to result in a management framework that will capture the manifold managerial issues in the area of networked organizations.

The frame of reference in this chapter is a European Community-funded project known with the acronym of DOMINO.[1] This project addresses the issue of management in dynamic organizational forms in terms of strategy, structure, processes, people, and technology. In the DOMINO project an inter-firm network is defined by the relations between a defined set of independent organizations (the network structure) and their interactions in the structure (the network process). In this context, a network should be understood both as structure/relations and as a process/interaction among its participants.

The purpose of this chapter is to enlighten the emerging complexities of dynamic organizational forms by exploiting and disseminating DOMINO's research outputs in the academic and business community. In particular, the project aims at investigating current management thinking and reality of how firms participate in and manage organizational networking in the new economy, developing appropriate investigation instruments, applying these instruments to real-life cases of dynamic organizing, developing a first version of a framework for management action in dynamic organizational situations, selecting situations to apply the framework, and consolidating the findings into a final integrative piece of work.

Drivers for Network Formation

Changes in technologies and market structures have shifted competition between the organizations to a global level (Giddens, 1991). This has resulted in the need for new organizational structures. Traditional organizational structures are not appropriate for

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