

NETWORK ENTERPRISES - MODERN ORGANIZATION SOLUTION FOR ENTERPRISES IN A DYNAMIC ENVIRONMENT

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Abstract: Due to the present environment complexity, characterized by internationalization and globalization, the enterprises need to identify new mechanisms to facilitate their access at new markets and resources. In this way, the network enterprises have been born, working based on their reaction to the market regulation mechanism and not on hierarchical received orders. Network enterprises are new organization forms appropriate for a continuously changing environment, allowing maximum action freedom. They do not have stability in time and a precise configuration as well. The aim of this paper is to show the complexity of the enterprises network concept, to identify their resources and to exemplify certain network types from two opposite cultures, Japanese and American. In Japan keiretsu networks are being distinguished and present in multiple activity fields. In the USA network enterprises are being organized in various forms, from divisions to matrix or some other types.

Keywords: Network enterprises, keiretsu, matrix, division, organization

1. Introduction

The actual economic environment is marked by competitiveness, as a compulsory condition for an enterprise to exist on the market, and is not anymore being regulated by traditional mechanisms. Further more, globalization and internationalization are being added to the complexity of the current environment. In order to survive, enterprises need to identify those mechanisms to allow them developing a profitable activity and detecting reaction methods to the environment dynamics. Enterprises are interested to improve their flexibility and adaptability, to improve their organization, to rapidly gain new knowledge in order to support their competitive advantage. One of their methods is to constitute alternative organization forms such as network enterprises (NE). As Popa said (2007, p. 140) NE is a new concept acting more during the last decade of the second millenium.

Along the time, the network concept had been used within more disciplines, such as politics, biology, philosophy, mathematics, physics, medicine, telecommunications. The modern society, civil and professional organizations acquired the image of a network to describe their working manner. Generally speaking, working in a network means periodical working sessions between experts that wouldn't have been met if the network didn't exist.

Reading the specialised literature, we notice several network definitions. Muchielli (1999) considers network is an assembly of communication channels existing in an organized group, the channel being the material means for sending messages. Bakis (1995) states that the network is an assembly of connections and actors within the same enterprise, while Lemieux (1999) mentions that networks of social actors appear like a system in which participants controll or not the connections between them. These systems have finalities, activities and structures in a time evolving environment. Regis (APEC, 2002) considers that often network allows maximum freedom of action in a social assembly with no precise draft, no stability in time, and contrary to one organized structure. Van Alostine (1997) considers network as a relations structure between a set of persons, positions, groups and organizations. Scarlat (2005) makes a more complex description of network organizations that exist as distributed groups within an enterprise or independant companies groups whose sercices are meant to one central organization (like Nike or Puma shoes factories). They may also exist as

firms associations cooperating to achieve one single project (such as large buildings). Since small and medium enterprises often do not have the resources available for big companies, they cannot compete on the internal and external market. This is why for them it is important to be connected to business networks and clusters (Vlăsceanu, 2011, p. 651).

Network enterprises (NE) have been studied by several Romanian and international researchers. They realized that especially for SMEs this concept could be an accessible source to innovate their production process, to keep their competitive advantage and to improve results obtained in a very competitive environment. From the social point of view, one network includes a group of persons or organizations communicating between themselves. If we consider long term association to fructify a competitive advantage, then network gets a strategic connotation. Networks exist for a long time with various forms, like coalitions, strategic alliances, various organizational partnerships. In 2000 year, in an interview published by the „Business 2.0” magazine, Drucker mentioned that well-known enterprises are less probably to survive in the next 25 years. They will survive legally and financially. But they won't survive from the structural and economic point of view (Dali, 2000). Under these circumstances, NE become a necessary alternative.

2. Appearance factors and resources of the network enterprises

NE appeared due to some distinctive factors that come to the fore in a pointed way. Out of these, the most important are: the information and communication technologies, the economic difficulties encountered by enterprises, the necessity of the cross-functional management, the necessity of the social relation intensification due to the economic activity complexity, the progressive society evolution from the industrial model to the identitar model (Tournier, 2005, pp. 35-37).

Information and communication technologies facilitate the human behaviour modification depending on the computer culture. Some network members are overcharged with tasks (especially if they are in the center of one star type network), while others are expanding their autonomy, due to the rapid reaction by email. Network members are less dependant of hierarchical lines regarding information and are free to circulate it. When it is about one open network, information may be rapid, abundant, heterogenous, interpretable, so that an actor from the network undertake higher responsibilities, thus modifying the traditional hierarchical relations.

Enterprises are being confronted with economic difficulties, globally they are evolving, externalizing their functions, forming world networks. The decision and action centres are being multiplied. Transnational managers must get integrated and coordinate their undertaken actions within certain national organizations. They need to know how to activate a remoted network, to identify potential employees. All these requirements ask special skills to treat information and to work remoted. Internally, enterprises manage a very competitive environment, in which very long hierarchical lines are impeding decision taking process, while time is a very strong constraint. Thus, network organization allows shorircuit and streamlines the decision circuit.

Traditionally, managers had a relational network at hand that allowed them to easier reach their objectives. Many organizations got flattened thus needed a cross-functional management, with other functions, teams or allied enterprises. This requires the development of the managers capacity to exercise influence, without having the necessary authority, asking effort and patience. Managers must go beyond their traditional relations, coordinate, anticipate and remedy risks. A very well conceived network is actually a way to do more by less means.

At the same time a manager cannot manage both production and human and material resources. He/she needs internal and external information and contacts to cooperate with in order to manage his/her activity. Cooperation, meaning sending the useful information at the right time and person, is being built and established in time. Cooperation and trust are difficult to be created and kept, giving the present turbulent environment. A well-conceived network favors cooperation and social relations between its various members.

The industrial model, based on production and consumption, had been characteristic for the XIXth century and most of the XXth century. The identity model, based both on consumption society and on individualism, is very well correlated with the network organization, in which members belong to the same group, but they keep their freedom at the same time.

The most important available resources for a network are: information, relationships, competences, human resources, material resources, norms (rules, values) and statutory resources (Tournier, 2005, pp. 25-27).

Information are a power resource, that can be propagated, kept or blocked by its holders. Information may get lost by the holder, immediately after transmission. This is the case of the strategic information, that lose a part of its value once it has been divulged. If it is not divulged but kept, either temporary or permanent, it becomes a lever of power and control. Also, some information that is not lost during transmission, may bring advantages when its holder offers it to the network.

Relationships have a similar status with information. The holder may offer them or not to the network. Competences holders may remain in the network or leave it. If they stay, they can tutor other network members to get those competences. If they leave, they can join to other networks.

Human resources comprise the necessary staff for network working. Material resources may be monetary, alimentary, energetic. Network members always adhere to the group values, which in its turn exerts pressure to realize group uniformity, with the purpose to reach its objectives. Thus, network norms and values have a special influence on members fidelity and network perenity and confers legitimacy to it. One network influence may be increased when the network has a recognised status and authority.

3. Network enterprises evolution

Production costs reduction and increasing the internal effectiveness are purposes proposed by any enterprise nowadays, giving the strong environment competition. Thus, NE had been appeared as a viable alternative to the existent organizational partnerships (holdings or strategical alliances). Their flexibility is considered a feature to allow them to easier adapt to the environment variance and to obtain improved economic results.

During the present knowledge based economy, NE developed very fast as an alternative organization form, between classical company and market. Small and medium enterprises are known with a limited resource and market access potential. This disadvantage can be ameliorated by their affiliation to a network. Thus, together with other SMEs, they can enter and act on concurential markets. Still during 80s, all over the world enterprises were looking for methods to answer to a more and more competitive environment. Miles and Snow considered "we are in the middle of an organizational revolution" (Miles and Snow, 1992, p. 53).

The solution identified by the managers was to move the decision power from the centralized center to the more flexible structures as networks. These have been working based on their reaction to the market regulation mechanism and not based on the hierarchical orders. On the other side, as any new organization form, a network was meant to get deteriorated, not

due to its deficiencies, but due to managers mistakes in its design and operating manner. From the evolution point of view, these new organization forms appeared in order to correct the limits of the classical pyramidal enterprises, that were not answering favorable to a continuously changing environment. Managers started experiencing new ways to allocate resources until they identified network as a flexible manner of reaction to the environment changes. First networks managers understood their logic, strengths and weaknesses too.

During the time, in various national economies, the organization forms evolved in a specific way, till what we today call NE. An interesting evolution can be found in two opposite cultures, the Japanese and the American one.

In Japan, a very effective network form is the traditional "keiretsu". The Management Dictionary (Nicolescu, 2011, p. 314) defines keiretsu as "an industrial network specific to Japan, consisting from companies integrated horizontal and vertically, banks and distribution or comercial companies". There are several tipos of keiretsu networks such as:

- keiretsu with vertical structure (descendant from top to bottom, in which raw materials and half-fabricated products are being delivered by the mother compaby to the subsidiaries).
- keiretsu with horizontal structure (composed of enterprises specialised in a specific field).
- penetrating keiretsu, meant to penetrate on foreign markets.

Keiretsu networks are present in various fields such as: banks, insurances, steel industry, commerce, production, electric, gas, chemistry, therefore horizontal networks. Their members companies respect certain values, and networks avoid direct competition between their members. Keiretsu networks are a real strong point for the Japan economy, bringing a substantial contribution to sustain and consecrate it on the international level.

The keiretsu organization manner has been used by enterprises groups outside Japan too. These were characterised by a management from top to the bottom of the pyramid and a centralized controll. A few cases are: Virgin group from the Great Britain, Tata group from India, Deutsche Bank, JP Morgan.

In the United States of America, NE evolved along four stages: functional organization, division organization, matrix and contemporary networks (Miles și Snow, 1992).

The functional organization appeared around the end of the XIXth century and developed at the beginning of the XXth century. This new organization form allowed to several companies to reach the necessary size and effectiveness in order to supply products and services for an increasing market. A functional organization, integrated vertically, has been designed by A. Carnegie who applied his ideas about functional specialisation in many activity fields. Exerting controll both on suppliers and on distributors, he had been able to run his factory in an effective way, using a rigorous planning at the same time. Wal-Mart Inc., one of the biggest American retail companies, is an actual exemple for the functional organization. From the social and economic point of view, its market is well defined and homogenous, being located in small towns and suburbs of the medium sized towns. Using an electronic system, Wal-Mart supplies one of the most effective distribution systems from the USA. It very well fulfills a limited number of functions using logistics experts and qualified personnel in its stores. However, this company is only a retailer, it does not produce anything of what is sells. Nevertheless, due to its buying power, the company can coordinate very many suppliers, eager to satisfy its forecasts and plannings.

Division organization appeared shortly after the first world war and developed a lot between 1940-1951. One example is the General Motors corporation that launched specific brands on specific markets with different prices. It included autonomous production units, which delivered according with their clients demands. The corporation manager only focused on economic increasing and development. Another division organization company is the Rubbermaid, with 10 divisions each having a specific target market, and its own research and development team.

Matrix evolved as a new organization form during 1960-1970 and combined specific elements from both previous forms. For instance, TRW company moved the professional technical staff in various product or project teams, when their expertise had been solicited. Modern matrix are even more complex, companies, such as Matsushita, that combines production divisions with marketing groups located in different areas.

During 1980, due to a strong competition and environment changes, more and more companies needed to identify new organization manners in order to keep their clients on the market. Companies decreased their key competencies, decentralized their hierarchies and externalized various activities. They realised alliances with suppliers and/or independent distributors. A general deaggregation trend happened and managers used their contacts in order to connect external units within various networks type. Certain networks include suppliers, producers and distributors with a long term stable contractual relationship. Other network types had been more dynamic, being a part in the value chain, based on a contract, only to produce a specific product or service or to finalize a certain project. After that, network components get dissipated and then they become parts in a new value chain for a new business. We can also mention the internal networks within the large enterprises. These appeared since their managers wanted to obtain market benefits through selling and buying divisions, both outside and inside them.

Nowadays, there are a lot of network types, based on a dominant criteria, such as financing (this is the case for contractual, organizational and property networks) or finality (this is the case for production, purchasing or distribution networks). A special network type is the collaborative one born with the purpose to take advantage of the enterprise external environment opportunities offered at a certain moment.

4. Conclusions

Due to the actual economic conditions but also to the accelerated environment dynamics, enterprises association in networks dedicated to a common project is more than welcome. In this way enterprises easier produce new ideas, create new patents and develop new cooperation relations. All these are fulfilled when the network uses material, financial, human and statutory resources of its enterprise members. Results obtained by various network types in which enterprises are working together are better than those of each enterprise working separately.

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