Management in the networked enterprise: Towards an integrative framework

Abstract:
The purpose of this contribution is to provide a ground plan for managing the networked enterprise as a central aspect in 21st century organizations. It builds upon and synthesizes parts of the literature, but provides novel insights from this synthesis as well. The paper provides a model, linking three generic network management tasks with three levels of management, identifying 9 focus areas. Rather than distinguishing between the management of external and internal resources, integration of external and internal resources are in focus, meaning that all managerial tasks hold consequences both internally and externally in the organization. The paper is conceptual embarking on a rational methodology. Empirical examples and cases are included in order to illustrate or contextualize certain points.

Introduction
Fundamental assumptions regarding management are being challenged these years. Following the development of Information and communication technology, radically changing possibilities of coordination and configuration of activities beyond the scope of the single firm are reshaping managerial and organizational realities. Best practice in management and organization is no longer guided by the ability to ensure realization of scale and scope of the firm alone, but must also include its suppliers, buyers and other business partners, constituting the firm’s portfolio of relationships. The ability to cope with variability and to quickly learn in collaboration with the organization’s constituents takes central position.

This contribution integrates and extent previous research efforts for designing management in networks as an emerging managerial discipline. Nine tasks pertaining to managing the network-oriented firm is outlined. Rather than distinguishing between the management of external and internal resources, integration of external and internal resources are in focus, meaning that all managerial tasks hold consequences both internally and externally in the organization.
Management conditions in the networked enterprise

Managing in networks differs fundamentally from traditional management, as it unfolds in negotiated context – outside the span of ownership control. Even though some resources and activities indeed are under the control of management, the distinguishing feature of network management is that execution of tasks cannot be dictated via managerial authority. The creation of value using internally controlled activities and resources depends on the co-alignment of activities and resources controlled by actors outside the organizational realm. The network of relationships becomes the locus of managerial influence. Since networks cannot be subsumed hierarchical control, the chief task of management changes into creating access, mobilizing, coordinating and developing resources and activities vested in other organizations, with the principal aim of strengthening the positioning and business possibilities of one’s own firm. Designing collaborative architectures, creating inducements for collaboration, and the importance of employees’ collaborative and networking skills within and beyond organizational boundaries becomes important challenges for management.

It is still unclear what these new forms of networked enterprises really means for management practice and what consequences it might have for an organization to implement management in networks. Although contributions are surfacing, there is clearly a need for a conceptual framework for describing the contents of management in networks. This contribution provides an integrative framework for managing in networks.

The discipline of management: Definition and fundamental challenges

Despite much research, management is a nebulous concept, which easily defies formal definitions and a clear-cut definition is yet to be reached (Shenhar and Reiner 1996). In the business literature, management is often likened to authority, understood as the power vested in a managerial body and legitimized through formal hierarchy. Chandler (Chandler 1977) expresses it in the following way: “Modern business is easily defined…it has two distinguishing characteristics: it contains many distinct operating units and is managed by a hierarchy of salaried employees”. Most definitions of management therefore emphasize control as the locus of management (Shenhar and Reiner 1996). This link between management and legitimate authority is however too
narrow a definition as it clearly links to the formal organization of a firm, stipulating structurally given responsibilities, rights and roles. However, the focus on management’s ability to configure and organize network resources and activities, calls for a definition of managerial authority which rests on the notion of executing exchange, while maintaining some sort of authority for directing exchange activities.

Definitions of management, which transcendence beyond the legitimacy of the organization are difficult to find. Paraphrasing the famous dictum by Chandler, in business networks there is no visible hand, steering the network in one direction. Rather, there are many visible hands, negotiating and seeking to create situations that create relational and positional benefits for the individual actor (Håkansson, 1987). The principal aim of management in networks is thus to create acceptance or legitimacy from actors controlling critical activities and resources outside the span of ownership control of the firm (Christensen and Pihl 2004). Likewise, Möller & Halinen (1999) describes relationship management as: “A firm’s ability to mobilize and coordinate the resources and activities of other actors”. In consistence with this definition, we believe that relationship managers play a crucial role as decision-makers directing resources in an effort to achieve recognized aims rather than just being mediators and facilitators in an otherwise self-organizing scheme of business networks (Ritter et al. 2004). Hence, by attempting to define relationship management as a particular phenomenon that merits attention, we also side with those who believe that networks are not self-organizing, but that both some form of entrepreneurial and managerial initiative is required for activity patterns to unfold and stabilize.

Both management definitions need further specification in order to embrace the full span of tasks relating to management in networks. We will therefore define it as the task of envisioning and configuring networks, to create access to actors and mobilize, coordinate and develop actors’ activities and resources, with the aim of creating value through collaboration.

**Towards a network management model**

Network management takes departure in the actors’ position in the network. This means that a network is mapped from the focal actor’s network horizon, illustrating the direct
ties the actor has to other actors and how they link in to the wider network of which the actor is a part. Hence, a network position both expresses a strategic field for influencing resources and activities outside the ownership and to what extent other actors depend on and might seek to influence the focal actor. This position is fundamental for understanding the strategic maneuverability of an actor compared to other actors with different positions. The overall aim is to strengthen the strategic position of the actor in a context of heterogeneous resources which may represent different values on the buyer as well as on the seller side. Our focus here is however less on how to combine such resources, but rather to provide a systematic discussion on network management responsibilities from the viewpoint of a focal actor. Three principal management activities are defined:

- Activities aiming at initiating and establishing new relationships
- Activities aiming at activating and coordinating activities and resources
- Activities aimed at changing the current network configuration

The activities aiming at initiating and establishing new relationships concerns gaining access to resources and activities which are unreachable within the present network configuration. Establishing a strategic partnership or an alliance between two or more companies illustrates this type of activity. The activities aiming at activating and coordinating activities and resources seek to create value through coordination and transformation activities in- and outside managerial control (such as drawing on supply networks when producing cars or coordinating activities and participants in a building consortium). The third activity relates to changing the current network configuration. This may include changing how resources are used or activities are executed in the network and by whom. For instance, customers and suppliers collaborating on inventory management or the reshuffling of activities among actors in order to create more efficient activity flows or better resource utilization. This may also include activities so as to terminate existing relationships in order to improve overall network effectiveness.

The content of the tasks can be systematized in accordance with level of abstraction or reach of managerial decisions to be made (Möller and Halinen 1999; Ritter et al.
These levels simultaneously describe the actors’ span of control over activities and possibilities for directing activities. Three levels of managerial reach can be outlined: (i) the internal activities of the organization, (ii) the dyadic relationship level and (iii) the network level. The dividing line separating internal and external activities of a firm has been discussed to some extent, whereas the distinction between relationships on the dyadic level and networks as such from a relationship management perspective needs some further explanation. The critical difference is that at the relationship level we are chiefly concerned with the past, current and future relationship-specific activities to a single other actor and how to manage the evolution of the relationship effectively. In a network perspective, we take a broader view; we are concerned with relationship interconnection and network positions and how these may provide an overall framework for the prospects of the single relationship (Håkansson and Snehota 1995). Hence, this perspective envisions a single relationship as an asset, which may be combined with other assets to create value, but does not directly involve how this relationship should initiated, managed or reconfigured.

In addition to this, the three levels together also represent a nested hierarchy in the sense, that managerial initiative taken on the network level constraints and focuses decisions made on the relationship and on the organizational level. This is not meant to suggest that strategies are plans which are followed and then executed in a linear fashion. Strategies may well be the outcome of intended planning and emergent possibilities and usually they are a mixture of the two (Mintzberg and McHugh 1985). However, in terms of enacting strategies in a network management context, decisions made regarding network positioning allocation and configuration provide direction to decisions made on the relationship and organizational level. As such they are sense-making procedures enacted to create a collectively shared belief system (Weick 1995).

Based on the dimensions, nine critical challenges to the formulation of a management policy can be stated

1a: What is our position in the network and what possibilities does this give us for achieving legitimacy and for creating value?
1b: How do we select customers and suppliers in our organization and how are relationships initiated in our organization?
1c: How do we support our employees’ possibilities for creating linkages to central actors in- and outside our organization?
2a: How do we balance interests and mobilize relationships in our focal network?
2b: What is our policy with respect to developing relationship with suppliers and customers? Do we have a relationship management program?
2c: How do we maintain and explore personal relationships developed by our employees? How do we maintain fruitful relationships to former employees?
3a: How and when do we audit the present configuration of activities in the network in order to strengthen our current network position and value creation ability?
3b: How do we best adjust our relationship management activities on the dyadic level with our portfolio of activities on the network level?
3c: How do we revitalize or terminate relationships which are no longer of value to us?

These key challenges underlie the components outlined in figure 1. We will explore them in detail and link them to specific tools and heuristics aiding managerial choice, and briefly return to the interrelations among them in the last part of the paper.

Figure 1 in here: Management tasks and activity domains: An overview

Creating new business relationships
From a management viewpoint, the creation of new business relationships concerns gaining access to activities and resources controlled by other actors in the network in order to renew one’s business possibilities (Gadde et al. 2003). Therefore, creating new relationships are a central strategic activity in the constant reformulation and renewal of network activities. Creating access to business actors concerns the development of legitimacy in order to be able to dispose over their resources and activities. This is also why mechanisms for creating and destroying trust are important aspects of management.
In order for relationship creation to be successful, a minimum requirement is that other actors do not distrust underlying intentions. Actors must hold reasonable expectations that providing this access will lead to creation of value for both parties. Otherwise, they would prefer their resources and activities deployed elsewhere.

1a: Network positioning in relation to other actors

From the network perspective, focus is on seeing and communicating the possibilities and limitations presented by the present network horizon of the company. In a network, new possibilities for repositioning continuously evolve. Identifying these possibilities is a critical task for relationship management. Ojasalo (2004) identifies two tasks in relation to this outlook function: To identify key possibilities which can be executed and will create value for the firm and to identify key actors - existing or new - who should be involved in the pursuit of these possibilities.

A central issue regarding the creation of new business relationships is to define possible positional advantages with respect to existing activities. The central optimization challenge in a network context is – with limited resources - to gain access to the widest range diverse but complementary resources. Formulating the strategic objectives on the network level of a potential collaboration with a partner influences other actors than the focal firm (Holmen and Pedersen 2003). In some cases this formulation process is a rather explicit and ex ante part of forming a new relationship – for instance in the case of developing a building and construction project, where roles of others may be clearly specified. In other cases, this process has an emerging character, where business possibilities and inducements for involving more actors gradually crystallize.

As the key task of network positioning is how addition of new business relationships may change value creation this also means that creation of relationships that expanding the number of – say - customer relationships with little qualitative impact on the existing position of the firm is only considered on an aggregate level. The creation and formation of relationships within the outlined perspective for positioning the firm is considered to belong at the relationship level.

Developing an overview of a business actor's position in its focal network has been discussed as the creation of a network image (Ford 2003), which make help business
actors in analyzing whether resources and activities are allocated optimally with respect to the current business possibilities. A network image may help strategists in identifying direct links and couplings to the wider network of actors and lead to the identification of market possibilities. However, although approaches exist, the procedures of how to do network mapping are still underdeveloped. One approach that can guide such an effort is to search for complements in the eye of the consumer – rather than focus on links defined by technological or industrial affiliation (Ritter et al. 2004). For instance, producers of kitchen equipment are complements to producers of kitchens in the eyes of the consumer. They both contribute to equipping a kitchen with the necessary installations ensuring that the customer can “get the job done”. However – with the exception of IKEA there are virtually no producers active in both cutlery and in kitchen production. Such complements or the lack hereof assess relationship managers’ evaluation of possible value from adding relationships to an existing relationship portfolio.

These frameworks for aiding management decision making mainly focus on network positioning and the addition of new relationships from an innovation point of view: How un- and re-bundling of existing activities and resources may lead to the creation of entirely new forms of value. Besides looking at the compatibility of forming new relationships and creating strategic innovation advantages, there is a need for evaluating positioning advantages arising from adding or subtracting relationships of the similar kind that the firm may already be actively involved in (Johnson and Selnes 2004).

1b: Initiation of relationships
Moving to the relationship level, the key issue on the relationship level concerns how partners – chiefly customers and suppliers – are selected and how relationships are created. From a management perspective, the creation of business relationships both calls for systematic assessment and procedures, while at the same time also allowing for adaptation to the unique characteristics of business partners. Developing and implementing best practices of relationship creation throughout the organization in order to utilize some form of scope economies in the process and exploit more explicitly what has been learned from the previous relationship creation efforts is a key task for relationship managers, as pointed out by Storbacka (1995) in a study on how commercial
banks establishes business activities. However, note that relationships differ in terms of intensity and significance and there is not a single model for relationship creation that fits all (Pels 1999).

The ability to enact schemes to initiate new relationships and support such activities, when necessary is important. Not all potential contacts are equally attractive given the positioning aims of the firm, and both the possibilities, partner objectives, partner scope and potential pitfalls must carefully be evaluated as a part of assigning appropriate decisions on if and how a relationship should be initiated. For instance, Lei, Slocum and Pitts (1997) outline an approach for assessing the strategic value of potential strategic alliance partners.

At the same time following up all possible leads calls for the investment of resources and activities and can not be utilized simultaneously. Being able to select and de-select possibilities for initiating relationships and partnerships and allocating responsibility for this is an important relationship management skill (Ehret 2004). This calls for evaluating potential value of a single relationship, including its potential costs and benefits.

1c: Creating the boundary conditions for personal networking
The term relationship implies that business relationships are social in nature (Hallén and Sandström 1991). They are formed by actors, involving elements of personal trust. Therefore, the employee’s ability to form personal ties and utilize these in pursuing projects and ideas for their employees constitutes a vital resource for the networking firm. The managerial challenge for the firm in relation to the initiation of new relationships and partnerships is while motivating employees to explore network relationship initiation possibilities – also to create and communicate properly the resource conditions and the responsibilities relating to this task. In relation to this, employees which have the possibilities of forming these relationships must understand their boundary spanning options – that is how much autonomy is given for exploring the possibilities of establishing relationships and engage the firm in new partnerships and have a sense of whether their actions fits with the overall positioning aim of the firm.

Establishing relationships and partnerships critical to the firm primarily rests in the hands of key account or key supply managers, with specialized assignments within these
fields. The critical challenge of defining the appropriate scope conditions for these actors' ability to develop relationships while also attending to the goals of the organization has been discussed in the literature on boundary spanners (Workman Jr. et al. 2003). Focus is therefore on the norms and expectations communicated by management for furthering personal networking and knowledge sharing in- and outside the organizational perimeters. This perspective extends beyond that of boundary spanners, suggesting that networking with actors external to the organization is not compartmentalized in the procurement or marketing function (Gummesson 1991).

Managerial support of personal networking activities enhances loyalty among key employees and support knowledge sharing within the organization. Social networks managed properly supports employees inducements for learning outside the organization’s borders and use their knowledge for challenging existing corporate wisdom (Burt 2005). However, it is clear that these activities imply a careful balancing act. Drawing the line between personal networking activities promoting the interests of the company may difficult to disentangle from networking activities only promoting the interests of the person involved. Management need to implement policies for networking which both favor co-alignment of personal and corporate interests and which to some extent monitor the outcome of such activities. Others have suggested inducement schedules that promote solidarity among team members in order to ensure some degree of peer pressure. However, these problems are not easily solved, and applying a scheme without some form of direct managerial involvement and trust are more likely to destroy than promote such activities, as demonstrated in other knowledge-based environments (Mintzberg and McHugh 1985).

Ensuring that conditions exists for systematic networking is a management task, which requires the implementation and facilitation of principles for how organizational members should approach, develop and maintaining personal relationships formed in connection to their work activities. One outline suggests, that management employ five organizational skills for initiating and developing relationships, which include positioning, hunting, coaching, leading and farming as specific subtasks to be addressed in the process (Masciarelli 1998)
Coordinating actors, activities and resources

Effectively coordinating actors, activities and resources, concerns the principal role of creating stability conditions for repeated value generating activities to unfold. Whereas the creation of new business relationships creates the foundations for the creation of value, the ability to manifest these activities in an organizing framework, allowing for these activities to be carried out as efficient as possible is required for value realization. Since part of the resources and activities needed for carrying out activities are available only in a negotiated context, it is the fundamental organizing challenge. If management is unable to create value through activity coordination, resource owners and activity holders quickly lose confidence and withdraw their support. Hence, coordination of actors, activities and resources in relationships is an activity which impact on the network level, the relationship level and the organizational level of activity domains.

2a: Allocation of resources and activities

All firms depend on resources provided by external partners for strategic leverage (Håkansson and Snehota 1989). The allocation of resources and activities in- and outside of a firm fundamentally defines its business model; this includes its function and role in the value creation process, which all actors in a given business network are involved in. A basic strategic challenge for the management of resources and activities relates to decide which fundamental part of the activities performed in the value creating process that the organization wishes to command by means of ownership and which are best left to others and accessed through business relationships, as has been discussed repeatedly in the strategy literature on core competencies (Prahalad and Hamel 1990) as well as in the resource-based view of the firm (Barney and Hesterly 2006). These questions ties directly with the role of management as captaining the resources of other actors, while balancing their interests against its own. Relationships are often long-term in nature and through a stronger commitment toward one specific actor the firm is adding rigidity and decrease flexibility. On the other hand, since the command over critical resources and activities directly impacts on value creation possibilities, proximity to other actors enhances the possibility to learn.
Strategic focus on long-term commitment to single relationships or short term commitments constitutes two different approaches to mobilizing resources and activities in the network and calls for very different approaches to network management (Miles and Snow 1992). Flexible networks are dynamic, assembled for a given run and then again dismantled. Stable networks with relationships of a long term nature calls for mutual investment in relationship-specific assets which are not easily deployed outside the relationships in which they were developed and requires looking at relationships as long-term assets of mutual dependence. Both strategies may be viable. However, there is a tendency for dynamic networks to be more liable in cases of innovative disruption, calling for product innovation, whereas in mature technologies, where process innovation is called for, relationships of a long-standing nature are more likely to be efficient. Moreover, while these strategies do not affect the fundamental challenges outlined here, they certainly affect priorities and the organizational skills required for successful network management.

Management must unravel how interdependencies among activities and resources on the network level impacts on the internal effectiveness of the organization. The allocation and coordination of a firm is strongly contingent on several ties developed in the broader network context. On the network level, they may include both the intertwined forces of social, regulative, cognitive, normative and technical ties of a focal company (Håkansson and Snehota 1995). By social ties on a network level we here address the overall standing of a company in a network context: its image as a reliable partner (or otherwise). Regulative ties concerns legal bindings as well as law like customs and rules impacting on the focal firms’ ability to create value or to be regarded as a legitimate actor. Cognitive ties concerns socially constructed facts; what is believed to be viable and objectively true among other business actors and normative ties concerns what are the expected business practices, customs and norms to be followed. Finally, technical ties concerns the trajectory formed by a specific technological solution spread in the network. The central task for management with respect to allocation of resources on the network level is to create effective and efficient forms of allocation, which may create sustainable value creation positions for both parties involved. At the same time management must be aware of potential trade-offs between existing and future possibilities. Ties are binding,
particular in situations where fundamental technological changes are at play. An intensive collaboration led partners to engage in mutually binding long-term contracts.

For management, resources must be deployed for supporting the collaborative context of the firm. Rather than increasing cost pressures on suppliers, firms should collaborate with suppliers in order to enhance their competencies and drive costs down through improvement of supplier quality (Handfield et al. 2000; Wagner and Johnson 2004). Decision-making frameworks supporting the relationship managers’ ability to optimize and rationalize on a network level are still lacking. However, some potential contributions supporting managers in this quest can be found. One concerns the role of technical ties of a company, addressing potentials and possible pitfalls of seeking to loosen or tighten relationships through the promotion, enforcement or adaptation of modular interfaces (Chesbrough and Teece 2002).

2b: Stabilizing and routinizing relationships

Moving to the relationship level, the stabilization and routinization of relationships relates to the ongoing adaptation of tasks and roles as well as the development of a set of mutually acknowledged relationship norms (Spekman et al. 1997). The ability to balance and ensure some degree of repetition in exchange is crucial for the creation of value in organizations (Weick 1991).

From a relationship management perspective, it is important to ensure that it is commonly understood among all actors that any contact to members of a partner firm contributes to these persons’ overall perception of the firm and adds to the members of the partner organization’s shared understandings of and attitudes toward the firm. Actions taken in the past and critical events shape the understanding of reality from which contemporary and future activities are understood. It is an important task to establish the necessary monitoring mechanisms for following the interactions taking place between the organization and its key partners. However, only few organizations systematically collect this kind of information and act upon it (Holmlund 2004). Other focuses on enabling communities in order to facilitate relationship stability, hosting and facilitating arenas for complementary interests of suppliers, customers and other constituents (for instance shareholders) to debate. Some of the central issues in stabilizing and routinizing business
relationships have been addressed in the literature on norms in business relationship. Creating relation specific norms, can be compared to a set of game rules, which can be organizations in developing a mutually acceptable behavioral code. This is a precondition for aligning activities efficiently in the relationship. Shared and mutually accepted norms reduce the risk for communication failures and support the process of mutual specialization and the creation of efficient problem-solving heuristics across organizational boundaries (Spekman et al. 1997). Expectations toward collaboration are often expressed as a question of establishing mutual trust. Trust reduces the need for mutual control and hereby costs of monitoring activities. However, the existence of trust is not a prerequisite for collaboration to prevail. Mutual or at least complementary expectations with respect to profits through increased revenues or reduced costs can be sanctioned by mechanisms external to the organizations involved.

In addition to ensuring some form of monitoring of interaction in relationships, more formal procedures for ensuring and maintaining communication channels linking intraorganizational departments and stretching across inter-organizational boundaries are called for. Managerial frameworks for implementing such systems are developing within the literature on customer relationship management (Parvatiyar and Sheth 2001) and in the literature on supplier relationship management (Cox et al. 2003). Only few attempts have been made in order to combine these two or more in a multidimensional positional framework (Christensen, 1995). Missing or inadequate communication is often the root cause for failure in and termination of interorganizational partnerships (Lindberg-Repo and Grönross 2004). Ensuring communication flows among partners also is a prerequisite for efficient coordination and relationship governance (Mohr and Nevin 1990). For instance, in terms of adjusting and negotiating changes, the importance of established communication channels and arenas comes to the fore. Relationship managers are able to draw some notions on how to monitor and evaluate the stability and operations of relationships from the literature on customer relationship management. Several metrics has been applied, including CLV (customer lifetime value) and breaking down relationship activities in a modular fashion to provide value measurement and enhance routinization in relationships (Storbacka 1997).
In alignment with the previous discussions, the ability to create personal relationships must be matched with an organizational effort towards maintaining these relationships in order to develop the social capital available to the firm. Recently, there has been a focus on the ability of employees to create social capital, defined as the potential value of other actors’ feelings, trust, collaborative intent and expectations represent for individuals and the companies they represent (Nahapiet and Ghoshal 1998). Development of social capital supports the infusion of new and different forms of knowledge in the organization and for levitating the hierarchical silo effects, by facilitating the sharing and distribution of relevant knowledge held by individuals to a larger community of potential users within the organization. Supporting the development and maintenance of social networks is an important relationship management activity. Several investigations have pointed at the importance of social relationships within as well as across organizational boundaries (Burt 2005). One case example of companies seeking to support the formation of social capital is Deloitte Touche Tohmatsu in Sydney, Australia. Here, management seeks to establish facilities, traditions and norms supporting information sharing. This includes mentor agreements, social gatherings such as business lunches with colleagues from other departments and various forms of clubs and events (Townley 2002). Such initiatives need not necessarily only to unfold within the organization. Rather, opening up social capital developing activities to external participants may be central for attracting external talent and competencies. Exchanges of employees, teamwork and social settings are important means for creating a forum, where members of the organization are willing to exchange ideas and experiences. Physical co-location and face-to-face interaction are often necessary in order to spur these processes.

Developing social capital also hinges upon the process of creating connections that span organizational boundaries in order to support communication channels among departments located in different organizations. Research findings suggest, that while top management often are most active when relationships are formed, it is the personal networks spanning the level of middle managers which are responsible for the ongoing dialogue and the process of adjustment and routinization of activities (Donaldson and O'Toole 2002). An important task for relationship managers is to ensure that these
networks are facilitated and that managers also draw in relevant key persons from other departments than their own within the organization.

Both types of social networks are important for the formation of operation routines within and between organizations, ensuring efficient coordination with a minimum of adjustments and communication required. As shared perceptions develop, the ability to act and react coordinated is strengthened. This may over time form a relationship-specific skill, which is an important aim of relationship management. However, at the same time such relationship-specific skills may become rigidities calling for organizational un- and relearning in order to avoid narrow specialization and competence traps (March 1991).

**Changing organizational co-alignment with relationships and networks**

Besides creating and stabilizing relationships, the ability to change or even terminate relationships provides the third and important pillar for relationship management efforts. Networks consist of relationships to individual economic actors, each pursuing their own aspirations and acting according to the aspirations. This also means that networks are constantly changing and that it is a task for relationship management to develop and adapt the network position of a company to accommodate with these changes. Norman & Ramirez (1993) describes this as a process of creating network constellations, where value creation is contingent on the mobilization of new actors and/or activities. As the strategizing efforts of business actors unfold, existing relationships and network positions must develop too in order not to become obsolete.

**3a: Configuration of activities and resources**

Aligning network positions to the dynamics of networks is an important task for relationship managers. Miles & Snow (1992) points out that business networks can be more or less dynamic in the sense of their configurational durability. The dynamics and reconfigurability of a network must reflect the pace of change in its task environment. There are several examples of networks which are hyper mobile in the sense that they are established with the purpose of pursuing one specific project and are dismantled and reconfigured in other networks after a given run. These are labeled opportunity networks by Achrol & Kotler (1999) – networks organized around servicing the unique need of a
single actor. One example of this type of network is found in Li & Fung, a leading supplier of textiles, operating from Hong Kong. This firm has production facilities, but connects 7,500 suppliers and customers. Besides this, the company takes care of design, development, production planning, internal logistics and delivery, quality inspections, procurement of raw materials, etc. For every order, the company in principle generates a new, custom-tailored delivery system (Margreta, 1998).

One task for relationship management in terms of reconfiguring activities and resources relates to identifying and selecting potential and current partners that are best aligned with the company’s strategic focus. This issue is closely related to the definition of business scope and activities within the relationship; what activities that are considered as critical and which activities that may be left to specialized suppliers or buyers.

Network configuration tasks also includes the continuous evaluation of potentially new forms of collaboration available from the given network position and how alterations in the present set up may affect existing resource constellations. Resource constellations between actors may be strongly or loosely coupled and may relations may be positively, negatively or potentially connected (Blankenburg Holm and Johanson 1992). They may be connected in the sense, that an existing relationship increases or decreases the possibility for creating value in other relationships. The existence of positive interconnectedness is also discussed in terms of positive network externalities, related to the increased value associated with increased use of a specific resource, such as for instance the programming language Linux. The expanding number of users and programmers using Linux or other open source programs increase the number of applications available for all other users. Market creation processes, where firms seek to attract still more users to a specific platform also reflects this mechanism.

Relationships may also become negatively interconnected, leading to the loss of interpartner trust and eventually to the termination of activities. This may be caused by the changing strategic dispositions of other actors. Finally, interconnectedness may be latent, meaning that actors have a possibility for creating positive or negative network externalities through network reconfiguration.

Reconfiguration of resources on the network level concerns the fundamental change of a firm’s current business model and realizing a new one (Christensen and Raynor
However, these frameworks do not detail how relationship management efforts must be carried out in order to disentangle existing activities while in some cases remolding them into new form.

3b development and termination of relationships
A central management challenge concerns the ongoing development of incentives for maintaining and developing the single relationship with other actors. The sharing and distribution of value created through collaboration is important to ensure a continued support from the relationship partners. One important issue is the reinvestment or repatriation of profits. This problem is particularly significant in relationships where firms join marketing efforts and share marketing costs. As relationships are not static, relationship managers must continuously adjust relationship management efforts to meet the changing strategic priorities and dispositions of their partners. Moreover, they must include considerations for managing the fundamental reconfiguration or termination of relationships. Only few companies seem to incorporate the dynamic and evolving nature of relationships in their relationship management efforts.

3c: Develop, unlearn, reorganize and include new employees
Firms develop their skill base through acquiring new employees or by facilitating learning and unlearning activities among their present employees. Changing the skill base in accordance with the changing requirements of network co-alignment is an important task for management.

The labor market is changing rapidly, and an increasing share of the employees of a company is knowledge workers, which are not hired in on standard terms. The increased flexibility of markets, combined with the possibilities of IT for integration of processes and interaction of people across vast geographical distances have created the basis for a series of innovation in the employer-employee contracts. People working from their homes, free-lance and temporary employments in relations to projects are some examples of how changing business conditions impact on the organization and management of personnel. As a consequence, the organization of the labor market, the role of unions etc are under siege. Companies specialized in mediating these new wants are growing
rapidly. A multinational company such as Adecco specializes in temporary assignments and has more than 750,000 free lancers in the US alone (Drucker 2002). This has consequences for the employee management as well. As the sanction mechanisms inherent in markets become an increasingly integrated part of business organization, individual employees increasingly looks for ways to improve their own market value through the work tasks they take on and particularly knowledge workers are therefore increasingly demanding with respect to their preferred type of work, seeking to balance tasks where they have some experience with those that provide learning opportunities.

In light of the growing importance of knowledge in value creation, the control of critical production resources is increasingly shifting hands – from firms to employees (Drucker 1993; Martin and Moldoveanu 2003). Creating the boundary conditions for networking also includes the social contract between employers and employees, understood as the explicit and implicit expectations with respect to obligations and benefits. The fundamental orientation of employees change – from having a job, clearly defined in terms of working hours and obligations, to pursuing an individual project, where fostering the creation of continuous self-development is at the core of the work orientation agreed upon in the social contract. In addition, job descriptions become more fluctuating and more short-term in nature. They might better be described as projects, which may forward the organization’s interests as well as lead individual employees to gain knowledge which may increase their personal market value. Social skills such as situational awareness, social presence, trustworthiness, communicative abilities and empathy are all aspects of human behavior highly rated in the relationship oriented firm. Following from the increased importance of human talent, employees also expect to be regarded more as partners, which are more directly related to the firm through employee shares, etc..

These values are pointed out by Niels Henning Olesen, development manager at RTX:

*I believe that our employees belong to a culture, where shopping around is common. It is the projects that bind you to your employer, more than the job. People are very loyal to their project, but they also move on. They are good at timing these shifts when they are*
no longer involved in projects. Typically, they will not stay on in a similar type of project more than two to three times. After that they move to another company or maybe to a different type of project in our house.

The citation above outlines the porous nature of social capital well and that a stronger focus on employees as partners to which the company has relations (even after they may have left the organization) is necessary to incorporate in the principles guiding managers seeking to optimize its management of relationships to organizational personnel.

Interlinking the levels and tasks of network management: Towards a holistic framework

In these sections, a conceptual model for addressing nine key tasks for relationship management has been discussed. However, as described in figure 1, these tasks are clearly also interrelated, suggesting that there are synergy effects among the individual areas of managerial responsibility identified. In this sense, the framework for network management suggested here is holistic. In figure 2, these interrelations are described as four “platforms” or benchmarks for achieving system fit, (Kotler et al. 2002). We describe these as Collaboration design, collaboration alignment relationship creation and management and relationship development and reconfiguration.

In this section these interrelations will briefly be discussed. On the network level, collaboration design concerns the fundamental task of ensuring that relationship initiation and maintenance correspond with outlined positioning intend. Hence, a critical benchmark for management is to evaluate the initiation and design of relationships with specific activities with the strategic intend of the firm in terms of achieving a specific network position and ensure that the activities unfolding in the relationship corresponds with this aim. On the other hand, as opportunities continuously emerge in relationships the ability to communicate this knowledge and inform strategists about emerging possibilities is an equally important aspect. This link describes the fundamentally
dynamic and dialectic nature of network positions and corresponding roles (Anderson et al. 1998). A network position provides possibilities for marshalling and allocating resources. At the same time however, efforts aimed at creating a position will alter how this allocation process develops. Strategizing efforts in terms of reconfiguring organizational co-alignment in the network will impact on configurations of resources and activities.

Moving to the relationship level, the role of relationship creation and management has been discussed to some degree in the literature on buyer-seller relationships. Clearly, as business relationships unfold in a historical context where actor bonds play an important role in the unfolding of relationships, creating adequate conditions for individuals networking ability is important for both the initiation and the daily management of relationship-oriented activities. On the other hand, it is also important for management to ensure some fit between the interactions among the individuals and the tasks to be carried out in the relationship. The network managing firm may loose important information and influence possibilities should the personal network not correspond to the activities at hand.

Collaboration alignment deals with the interdependent activities for continuously ensuring a fit between network positions on the one hand and relationship management and development activities on the other, corresponding with management’s strategic intentions. The network structure evolves continuously, as actors, to which the firm is related make new strategic dispositions and acts upon them. The changes affect the firm directly through its relationships, as well as indirectly as third-party actors may change configurations of activities and resources. Hence, carefully monitoring the strategic fit between overall network positions on the network level and how activities unfold on the relationship level is a critical holistic aspect of network management responsibilities.

Finally, relationship development and reconfiguration inside as well as across the boundaries of firm precludes the development of social capital within the firm, but it is also quite clear, that the development of social capital can facilitate the conditions for further networking, as shared interests emerges. Also, unlearning, reorganizing and including new actors are both a consequence of the creation of social capital but may also lead to the expansion of the social capital base.
The interlinking between activity domains within each of the principal relationship management tasks underlines how decisions and activities initiated at one level must have consequences throughout the areas of management responsibility within the organization. For instance, network positioning decisions clearly outlines the conditions for initiating new relationships (the link between 1a and 1b in figure 1), which in turn may frame policies for networking – particularly outside the organizational realm, as envisioned by the arrow linking 1b and 1c in figure 1. Likewise, decisions on how to allocate resources and activities on the network level (2a) will set standards for the governance of relationships (2b) and they will in turn influence policies for creating social capital in the firm. Finally, strategizing efforts to change configurations of activities and resources may lead to the revitalization or termination of relationships, and this will in turn impact on the social network activities at the organizational level.

**Discussion and concluding remarks**

We have outlined a new perspective for management given the changing organizational conditions in terms of increasing interdependency with other firms, linking relationship marketing to the notion of social exchange rather than control. This idea that management is contingent on organizational form is far from new. However, so far only few have attempted to substantiate how the fundamental nature of management must change given these changing conditions.

Developing and presenting the integrative model of nine interrelated management tasks in the networked enterprise tasks provides an opportunity for bringing together contributions from a variety of research disciplines which have worked partially with these issues. These research disciplines tend to reflect the industry-age form of organization, where managers were trained to perform predictably within strictly given areas of specialization, rather than being able to take initiatives and configure business networks. In a management framework suited for the networked enterprise, the need for de-compartmentalizing these disciplines and take a more holistic view on management is greater than ever. While the limited space in this paper does not permit for a more detailed discussion on how managerial concepts may be developed in detail, the main idea has been to attempt to provide an overview of this literature. Clearly, there are
several accounts of literature disregarded, and developing the framework is an ongoing process. One future avenue for research which may help to address this issue is grounding the framework empirically. This can be achieved through several routes of enquiry. The traditional approach would be to take the framework into qualitative questioning and debate among managers, possibly using focus groups as a methodological anchor. This would undoubtedly provide valuable inputs to strengthening the framework. However, another and perhaps complementary perspective is to use it as an action-oriented framework for addressing how companies might implement management in the networked enterprise as a practice, and develop the framework in interaction with managers seeking to grasp these managerial realities of focusing on the initiation, management and development of network connections, rather than on control.

References


----- (2002), "They are not employees - they are people," Harvard Business Review, 80 (2), 70-77.


Figure 1: Management tasks and activity domains: An overview
Figure 2: Interrelations among management tasks: A holistic perspective