

No business is an island: The network concept of business strategy[☆]

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Abstract

The purpose of this article is to explore the contributions that could be made to the conceptual frame of reference for business strategy management by one of the research programmes which focuses on the organization–environment interface, and to which a network approach has been applied. We start by examining some of the assumptions underlying the current “strategy management doctrine”. The network model of the organization–environment interface is then reviewed and three central issues of the strategy management doctrine are discussed from the viewpoint of the network model: (1) organizational boundaries, (2) determinants of organizational effectiveness, and (3) the process of managing business strategy.

The conclusion reached is that in all three areas changes are required in the assumptions of the business strategy model. Our arguments stem from a basic proposition about the situations described by the network model: continuous interaction with other parties constituting the context with which the organization interacts endows the organization with meaning and a role. When this proposition applies, any attempt to manage the behaviour of the organization will require a shift in focus away from the way the organization allocates and structures its internal resources and towards the way it relates its own activities and resources to those of the other parties constituting its context. Such a shift in focus entails a somewhat different view of the meaning of organizational effectiveness: what does it depend on and how can it be managed?

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1. Introduction

Looking back over what has happened in the study of business organization over the last 20 years, we can see that two major trends emerge quite clearly. Firstly, there has been a growing interest in business strategy and how it is managed. Secondly, a shift can be noticed in the focus of organizational theory away from the internal processes of organizations and towards the organization–environment interface. Both trends have produced valuable new insights and have advanced our understanding of the behaviour of business organizations.

There is an interesting contraposition between the two fields of research. Organizational theory studies which focus on the interface between the organization and its environment have tended to conclude that the individual organization is often embedded in its environment and that its behaviour is thus greatly constrained if not predetermined, which means that it is not a free and independent unit. In contrast to this, research on strategy management has been concerned with the opportunities for directing and managing the behaviour of the individual organization, consequently assuming that the organization possesses a certain degree of freedom of choice. Cross-fertilization between the two fields of research has so far been limited, possibly because of this difference in perspective.

The purpose of this article is to explore the contribution that could be made to a conceptual frame of reference for business strategy management by one of the research programmes which focuses on the organization–environment interface, and to which a network approach has been applied. We start by examining some of the assumptions underlying the current “strategy management doctrine”. The network model of the organization–environment interface is then reviewed and three central issues of the strategy management doctrine are discussed from the viewpoint of the network model: (1) organizational boundaries, (2) determinants of organizational effectiveness, and (3) the process of managing business strategy.

2. The concept of business strategy

The conceptual frame of reference of business strategy management is not easy to grasp. It consists of a large and growing body of quite varied contributions from such groups as industrial economists (Chandler, 1962; Porter, 1980, 1985), organizational theorists (Hall & Saias, 1980; Miles & Snow, 1984; Mintzberg, 1988; Pfeffer, 1987) and management theorists and consultants (Ansoff, 1965; Hofer & Schendel, 1978; Hendersson, 1979; Ohmae, 1982). These multifaceted contributions are pretty heterogeneous in their approach as well as in the areas covered. In their current forms they can only be loosely linked together in what will be referred to below as the doctrine of business strategy management.

The concept of strategy as applied to business studies has only been appearing with any great frequency since about 1960 (Ansoff, 1965; Chandler, 1962). Since that date, it has gained wide acceptance, although “strategy” remains an ambiguous and elusive concept. Its meaning in the military context, “the art of so moving and disposing troops as to impose upon the enemy the place and time and conditions for the fighting preferred by oneself” (Oxford *English Dictionary*) does not seem to lend itself easily to business organizations. In particular, it is argued, because resources of business organizations (i.e. their “troops”) are largely fixed in place and time (Pennings, 1985, p. 2) it is difficult to

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