The management of networks

Enforcing social link for economic well being

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Synopsis of the Book

Last century, the managerial principles based on unity of place, of time and action by comparison to the Greek tragedy, were still being used as a reference framework for companies with a sedentary profile, growing locally in unified supply chain to provide a local offer for local demand, under the supervizion of a unique and central leader. Nowadays, business models are framed in a modern global economy, where rules of management encounter less boundaries and more contradiction with uncertain outlines: dealing with shared leadership, achieving ambidexterity in management for exploration and exploitation of assets, thinking global but acting local, etc.

Firstly, markets globalization tend to shift with unity of place in economy, and push companies to act as "*citizens of the world*" by reaching a worldwide size through a policy of strategic alliances with local industrial partners. The outsourcing and the relocation of industrial activities in emerging countries to improve competitiveness, point out a kind of strategic nomadism specific to 21st century's economy. In such a context, benefits occur from comparative adavantages related to differents regions in a country. So, the territorial setting-up decision or the type of local partnership result from economic advantages provided by regions all around the world, such as lower tax rates, higher growth rates according to the domestic demand, modern infra-structure such as roads, telecom and energy, and access to a well-educated English speaking labor force. Beyond the most attractive territories, we can mention previous communist countries (Brazil, Russia, India, China) where economic growth rate is now at the higest level worldwide. By the way, national territory and domestic market could not be much longer a refuge to compensate the lack of competitiviness at the international level for companies too much sedentary.

Secondly, unity of time is no longer applied in the economy, due to distant communications introduced in various business models by social medias from the World Wide Web 2.0 and by digital devices that allow to build a value chain without jet lag barriers, with technological capacity to achieve team building across different countries at different period of times. Managing flows of informations raise the agenda of companies' managers, specially if we consider that collaborative innovation through disseminate employees is related to the capacity of mixing experiences and sharing different knowledges. At the cross roads of "*information highways*", a company is no longer a simple legal contractor involved in commercial and financial transactions, but a main part of the "*worldwide knowledge economy*", where it's more accurate to learn, to memorize and to restore informations from these different transactions, in order to stay competitive. Knowledge management is then a strategic issue for any company.

Thirdly, unity of action is no longer necessary as it was the case in the last century, because nowadays supply chain management consists in dividing tasks between multiple independent companies with no common hierarchy. In consequence, this distribution of power in decision making introduces new governance problems, in a kind of virtual organization without boundaries in which an unlimited chain of industrial, financial and commercial partners are involved.

With the globalization of markets in a context of a sharing economy for knowledge, we focus our attention on relationship management between independent companies. This relationship management raises as a predominant factor for competitiveness, by comparison to other strategic factors like endowments, financial assets, or humans skills. However, relationship management is certainly the most difficult activity to handle for a company, because it is not so easy to forecast or to supervise behaviors from independent partners. To reduce the risk of uncertainty in companies strategic alliances, an organizational form arise in which the principles of trust and reciprocity will prevail : The network organization. So after defining this notion of network in the book's introduction, we carry our attention on the way to create economic wealth from trusted links : in the United States for instance, trust is related to success on the market from repute companies ; in Italy, trust pre-exists in business relationships between family entrepreneurs which blood ties are relevant to guarantee security in transactions ; in France trust is framed and guarantee by public authorities which playing a neutral role to federate cooperations between separate public and private companies ; by comparison to the economical dimension of trust in USA or to to the sociological dimension of trust in Italy, the notion of trust is framed on political criterium in France. So this book aims to focus on strategic cooperation through network organization, that is necessarly based on strong and exclusive relationships between confident partners. This conception is mainly accurate when knowledge has to be shared in order to improve open innovation across technological partners, when economical solidarity has to be increased in order to save the territory attractiveness among nearby partners, when tacit social conventions has to be preserved in a "professional community" in order to stabilize social order across employees from the same company**.** To argue about these ideas, the book is framed in three chapters.

The first chapter aims to introduce the issue of "network and capitalism". It is dedicated to the mechanisms of wealth creation through strong and exclusive social ties between actors. Capitalism based on networking takes three forms : a distributed network where the creation of wealth arise out of tacit social relationships between actors coordinated in peer-to-peer manner ; a centralized network where interactions between members are framed by a central actor occupying the strategic role of focal-pilot ; an administratived network whose creation of wealth is based upon a governance structure animated by head of networks. This capitalism focused on networking follows several managerial rules inspired by participative democracy in decision making among network members, and transparency in the process of sharing informations. In this chapter, we try to understand if this sort of capitalism based on equity and solidarity, could bring some answer to regulate systemic crises which concern traditional institutions : the systemic crisis of market capitalism based on greed behaviors from speculators, or the crisis of legitimacy for nation-state capitalism because of unequity in redistribution of wealth from a generation of citizens to the next one ?

In the second chapter, we intend to analyse networks at meso-economy level through the notion of "inter-companies network". To better understand this notion, we classify three different ways to implement economic value form a corporate point of view : the hierarchy framework which consists to integrate assets inside capitalistics broders ; the market framework which consists to externalize assets toward competitive supplyers through contract negocation process ; the network framework which consists to co-realize assets in cooperation with competitive and independant partners. On this occasion, we demonstrate by a state of the art in the academic litterature, that network strategy distinguishes itself durably from others strategies related to market and hierarchy. Obviously, network should not be assimilated to an hybrid organization between market and hierarchy, but to a new model of wealth creation based on socio-economic criteriums. Furthermore, we highlight the characteristics of a network constitued by several independent companies, federated by trust. Among business illustrations on this subject, we take the example of Benetton Italian network supported by the industrial district of Italian small medium-sized companies, whose managers share familly ties at the origin of an *intuitu personae's* trust. In this chapter, we also underline the Moroccain case of Casablanca's TechnoPark network in order to highlight the limits in collaborative innovation process, when trust is only managed in an institutional way. Finally, we raise the question of partner's loyalty within an inter-companies network, with the examples of Ikea or Ford, when trust is built according to a mutual learning process from transactional experience.

In the third chapter of this book, we focus on the territorial dimension of network, to determine how a technological cluster for instance could be federated by the geographical nearby of its members. Regarding this topic, we search to understand if the geographical nearby is usefull to facilitate business cooperations among public or private companies linked to the same territory. To explore this topic, we start by analyzing a territorial network at a supra-national size formed by the coalition of 27 nation-states across Europe : the European Union. Regarding to the chronology in the implementation of European Union, we tend to modelize the life cycle of a territorial network. Beyond this geo-political case, we continue to examin the question of territorial networks at a smaller scale, on a regional size, such as business ecosystems. Compared to Silicon Valley in Califorina, a territorial business ecosystem is based on public-private partnerships from surrounded companies. This type of regional network reveals either competitive advantages and organizational limits from nearby collaboration in terms of technological innovation. Beyond this level of analysis, we focus our attention on territorial networks under micro-regional conditions. In order to explain how does it work, we focus on a distributed network of employees in a french family owned SME's rooted locally and called : "*Herve Thermique*". In this company the leadership is shared with transparency among all the employees, in a kind of democratic utopy in which the CEO is no longer involved in operational decision process. In fact, the social network of employees doesn't replace legal power in the company but it tend to complete hierarchical line in organizational chart by introducing more transversality in decision making. From this example, we are abble to argue that human resources network can't be efficient enough, without being reshaped on the one hand by commercial incentives from the market, and on the other hand by hierarchical leadership. After this study, we later approach the question of participative democracy within the city of Parthenay, by studying process of citizens networking, without depending on the usual local and institutional intermediaries : lawyers, bankers, politicians, knowledge experts, professionnal unions, local authorities… This case in public management allows us to fight against a dogma : citizens network can't substitute the role of political actors ! To manage a city, the social dimension of citizens networks, has to be combined with economical dimension from the market, and to neo-instutional governance embodied by the mayor.

Through these different chapters, we assume that the network capitalism, relying on trust relationship, should create in a less abstract manner economical wealth for people and should redistribute this wealth in a fairer way, with regard to the financial capitalism or to the nation-state capitalism.