Chapter 3

Connecting Company Strategy and Network Identity

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Abstract: Current literature has explained how strategic interorganisational relations can be of concern for management. However when it comes to explain the causalities between theses relations and corporate strategies, it is less elaborated. As companies today more than ever operate in networks of relations it is of crucial importance to understand how these networks should be dealt with in relation to corporate strategy. The aim of this empirical study is thus to conceptualize how strategic relations are managed in accordance with the overall corporate strategy. Thus it tries to answer: Are there important connections between a firm’s network strategy and its corporate strategy?

Key words: Strategy, network, relational embeddedness, redundant and non-redundant relations network identity, defenders, analysers, prospectors and reactors

1. Introduction

Are there important connections between a firm’s network strategy and its corporate strategy? Over the years, a considerable amount of resources have been spent on studying the making of corporate strategy. The main focus has been on analysing single companies in isolation in order to understand how they behave and perform. Today, however, managers increasingly stress the importance of engaging in strategic relations beyond the isolated firm. Since the expected benefits of engaging in a network of strategic relations are high, the concept of networks or networking has gained increasing momentum. As a result, previous measures of effective strategy, i.e., those that focus on the position of a company within an industry (Porter, 1980) or the internal resources and capabilities of a company (Wernerfelt, 1984; Barney, 1991),
have become inadequate for predicting the effect and effectiveness of corporate strategies. The concept of networking is well suited to explain how networks of strategic relations can be a concern of management. But it lacks insight when it comes to explaining the relation of strategic networks to corporate strategies. It is this relation that we will shed light on here.

Common sense suggests that companies that differ as to corporate strategies would also differ as to the management of their strategic relations. At present, research enables us neither to verify nor disprove this assertion as the focus has been on the issues such as explaining the factors that have lead to focus on inter-firm cooperation (Gulati et al., 2000), determining what constitutes a network and how to maintain and/or develop a company’s network relations (Holm et al., 1996; Håkansson and Johanson, 1993; Miles and Snow, 1992; Ritter, 1999), and determining how to develop a network perspective (Gulati et al., 2000; Dyer and Singh, 1998). While the literature on strategic alliances (e.g., Bresser, 1989) strives to connect network behaviour with business strategy, the link between corporate strategy and network strategy still calls for further theoretical investigation and empirical exemplification. Hence this paper strives to conceptualise the processes by which strategic relations are managed in accordance with the overall corporate strategy.

To this end, the paper applies the well-known framework from organisational behaviour developed by Miles and Snow (1978) to provide distinct categories of firm level or corporate strategies. We do acknowledge the shortcomings of the model (Zahra and Pearce, 1990, 753; Namiki, 1989). However, as pointed out by Torres and Murray (2002) in contrast to Porter, Ansoff and others, Miles and Snow’s framework “characterises entire organisations as an integrated and dynamic whole, taking into account the interrelationships of strategy, structure and process” (Torres and Murray, 2002, 2). Another question concerning the applicability of the framework is the strong categorization of each business typology’s behaviour. Shortell and Zajac (1990) studied the reliability and validity of Miles and Snow’s business typology. They concluded: “researches can use the typology with increased confidence in future work on organizations and their strategies” (Shortell and Zajac, 1990, 829-830). Zahra and Pearce (1990) assessed the status of prior research on the Miles and Snow typology. They concluded that, overall, the predictions put forward by Miles and Snow in regard to the typology relating to the three different element of the adaptive cycle are supported.

To sum up, questions can be raised regarding the validity of some of the elements of Miles and Snow’s typology or framework for organisational behavior in general. However, most studies support the validity of Miles and Snow’s typology and argue for the wide applicability of the framework. As