Network management as a success factor (a comprehensive literature review)

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Abstract

The economy and the focus of organizations are heading more as it goes towards human resources. The challenge of global companies is to create recognitions and to being coherent with individuals of similar fields or successful people. The main task of such organizations is to manage the relationships with the latter. As founder of Moz, Rand Fishkin said: "Don't build links, build relationships". The research question which this paper attempts to answer is: How does the network management affect the success of an organization? Our hypothesis laid ahead suggests that the focus of companies in network management, guarantees the long-term success of the organization. According to the review studies of this paper, Silicon Valley is the best example to understand the importance of network management especially in innovation. "Shared creativity" suggests that best problem solving is retained through sharing, diversity skills collaboration and experiences, targeting the achievement of a common goal. Leaders and the companies, including Albania, which are focused on this area have achieved excellent results in total revenues as well as knowledge. In this paper, we aim to design a framework for a successful

implementation of the network-oriented business strategy, key ingredients of which, are human resources strategy, network competence and innovation success.

Key words: *network management, Innovation success, Strateg*

Introduction

Network management has become one of the key words of organizations inside and outside of Albania. Organizations are facing different challenges on day to day basis, where as one of them is the management of good relationships with the right individuals so we use them at the right time. Network management is embraced by relatively large companies as it is seen as one of the key factors for their success. Building relationships not just creating links is one of the leading principles that organizations are following nowadays. Robert Kiyosaki said: "The richest people in the world look for and build networks, everyone else just looks for work." Proper network management practices have the goal of enhancing the organization's performance, enriching the internal environment, and internationalizing the organization. We know that the characteristics that make an entrepreneur are some born, and some gained during their lifelong experience. If we ask individuals of an organization individually for a business idea, the responses would be not being satisfying, but if we would put them through brainstorming, we would get more qualitative results. Building long-term connections are the bridge between individuals and organizations. Network is the skill which some of the employees use to adapt in the market as well as it is a special ability that some of them use it to share experiences and build profitable relationships.

Research question, hypothesis and methodology of the paper

In this paper, the focus will be on the importance and the positive impact that network management has, given that organizational challenges are becoming more and more frequent and the global market needs to be implemented as effectively as possible. This paper aims to highlight the advantages that a company will have if it's able to manage good network relationships, which is based on relevant literature and in some successful case studies.

Explicitly, the research question of this paper is: How does network management affect the success of an organization? The assumed hypothesis states that network management guarantees the organization's long-term success globally.

In the first part of the paper, theoretical aspects of what is "network management" are discussed and how this process is realized. The rest of the paper consists of case

studies which show us how this approach works in some organizations. Further, successful techniques to reach long-term market success that organization must implement them in their organization have been listed.

Network management definition

A network can be defined as 'a complex, interconnected group or system', and networking involves using that arrangement to accomplish tasks. As we've suggested innovation has always been a multiplayer game and we can see a growing number of ways in which such networking takes place. The conception of network has become the keyword for a lot of organizations, in the era of innovation. It has a lot of benefits for the organization and the employees. But we must mention that the network has some imperfection effects.

Different studies from various authors, approve different characteristics about network strategy and implementation. The academics on Europe, have the attitude focused on institutional, geographical and social condition of networks and the convenience in innovation area. In contradiction, we found that in Anglo-Saxon theories is very critical the way of identifying how to manage and to profit from networks. (Tidd & Bessant, 2009)

According to (Tidd & Bessant, 2009) a network determines the members in two ways. The first one is about sharing information and experience through network. The second one the role of actors is accepting the differences to turn them into power. The network has an amazing importance according the strategy of each organization, and this influence in relationships. This achievement has some sources for example: technology, trust, economic advantage and validity. Network relationship can be loose or stable, indicated from some factors as quality (concentration); quantity (number) and type (proximity to organizational activities) of the links.

Management is planning, organizing, managing and controlling human resources and other resources to achieve organizational goals efficiently and effectively. Organizational resources include assets such as people and their skills, technical knowledge, and experience, machinery; raw material; computers and information technology; patents, financial capital, loyal customers and employees. A manager's goal is achieving high performance. One of the most important objectives that organizations and their members attend to achieve is to offer that product - or service - that the client wants. A network manager aims to internationalize the company and create relationships with third parties. It is very difficult to find the ways for this goal, but through the valuable links and the

Such links are more than individual transactions and require significant investment in resources over time. Networks are appropriate where the benefits of co-specialization, sharing of joint infrastructure and standards and other network externalities outweigh the costs of network governance and maintenance. Where there are high transaction costs involved in purchasing technology, a network approach may be more appropriate than a market model, and where uncertainty exists, a network may be superior to full integration or acquisition. Historically, networks have often evolved from long-standing business relationships. Any firm will have a group of partners that it does regular business with – universities, suppliers, distributors, customers and competitors. Over time mutual knowledge and social bonds develop through repeated dealings, increasing trust and reducing transaction costs. Therefore, a firm is more likely to buy or sell technology from members of its network. Firms may be able to access the resources of a wide range of other organizations through direct and indirect relationships, involving different channels of communication and degrees of formalization. Typically, this begins with stronger relationships between a firm and a small number of primary suppliers, which share knowledge at the concept development stage. The role of the technology gatekeeper, or heavyweight project manager, is critical in this respect. In many cases organizational linkages can be traced to strong personal relationships between key individuals in each organization. These linkages may subsequently evolve into a full network of secondary and tertiary suppliers, each contributing to the development of a subsystem or component technology, but links with these organizations are weaker and filtered by the primary suppliers. However, links amongst the primary, secondary and tertiary supplier groups may be stronger to facilitate the exchange of information.

The importance of network management at SMEs

According to Hammami et al (2003) networks of firms are defined in terms of specific co-ordination modes between market and organizational hierarchy by emphasizing the necessity of collaborative tools needed in order to regulate their activities fairly and to limit opportunism. Other authors as Lin and Zhang (2005) in explain that in the conditions of high competition outlined by agility, compliance and innovation the role of networking is crucial. Since 1997 the role of network in small and medium enterprises was outlined by Raymond and Blili, by explaining that in the new conditions of the era of globalization competitively is changing and customer expectations also have new trends so, networks help managing the synergy and dynamism of new business environments. Mezgar et al., (2000) argue the importance of networks by explaining their aspect as an appropriate

approach for small and medium businesses to employ their bounded resources and to compete adequately. According Chetty and Holm (2000) the networks contribution is described in terms of new opportunities exposed, new knowledge and new experiences learned. In the same line, Gils and Zwart (2004) analyse the contribution of networks to lead efficiency and competitiveness through accessing diversified capabilities, achieving external knowledge and learning.

According to Bennet (xxxx) the concept of relationship management network focuses basically in the use and increase of the social capital of the organization. Bennet (xxxx) explicates the relationship network as "matrix of people that consists of the sum of a knowledge worker's relationships, those individuals with whom the knowledge worker interacts, or has interacted with in the past, and has a connection or significant association". The author also explains that the main units for managing networks for a company are teams and communities. Also, Bennet asserts that the impact of organizational networks which cross the organization is reflected in terms of increased organizational awareness, reduced repetition and increased organizational agility and flexibility. By representing the concept of Mesh[1], the author explains the "Principles of Relationship Network Management" based on parallelism with Sun Tzu's fundamental principle of success in warfare.

Sun Tzu's Theory

As we know, Sun Tzu is undoubtedly one of the most famous Chinese military strategists in history, mostly known for the "Art of War," a treaty on military strategy. This act left his legacy a legendary figure in the history of the Chinese army and continues to have a significant impact on global history and culture. The Chinese general lived in the 4th century before the birth of Christ. There is a little knowledge of heroic acts in the Sun Tzu war, but he was so passionate about the war that he wrote "The War Art", the book of best war strategies ever written. This early book is back in the manual of many of the modern war tactics, implementation is found in strategies of organization for networking and globalization. The graphic below defined the Principles of Sun Tzu in analogy with the Principles of Relationship Network Management (RNM):

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[1] a network of interconnected communities of practice across the Federal, State and local governments

FIGURE 1.
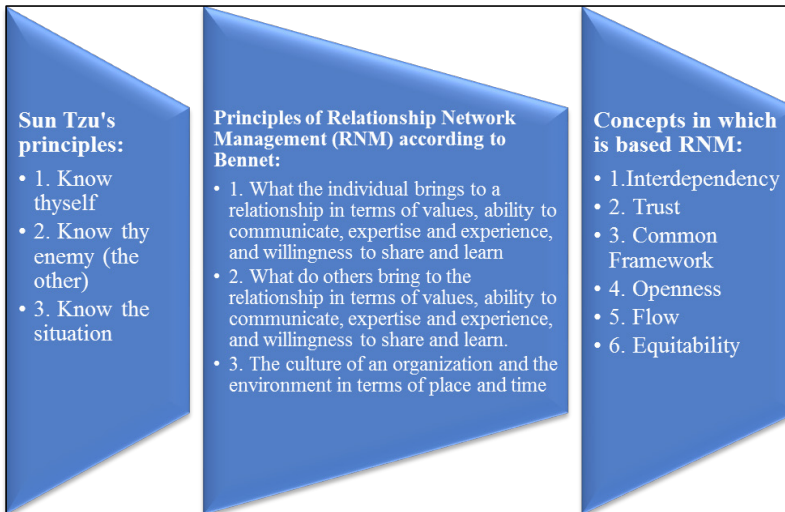
As described by the author the successful relationship network management is built upon six basic concepts: Interdependency, Trust, Common Framework, Openness, Flow and Equitability.

Interdependency is a cause-effect relationship that connects two actions to each other. Every part of this relationship is responsible for the mutual success that pretend a very positive result in long run.

Trust is a critical case even between people, furthermore in business relationships where the profit is the main goal. Trust is depending on stability and compatibility, doing what you think is the best for leading the market. It is a value for individuals and organizational, and this is confirmed by consumer behaviour. Trust takes time to produce results, but it lasts for a prospect achievement.

Common Framework which offer the possibility to share and exchange different information and helps the creation of knowledge. Some of the characteristics of this common framework include: a common language (developmental, useful, organizational); shared values and moral requirements; shared goal; shared stories and vision. Diversity of knowledge is an advantage of organization, where ideas and thinking manners add values to have a creativity environment.

Openness is a continuous process that derivates from trust and collaboration. Theories prove us that organization which "huge" new ideas are more successful that organizations which only follow the rules. Cooperation with others gives the

opportunity to have value and make the aim of organization leaded by "Knowledge shared is power squared".

Flow is based on active discussion integrated with knowledge, data and information to complete a circle of a large group of people sharing experience progress and regress through team interaction, events and association. This full circle is relative to organization and specifically. This flow is vertical and horizontal and consists of two-way link between key factors of the connection in organization. This means the bridge between decision makers employs and the executive strategy employs, that is essential for organization prosperity, in the framework of network.

Equitability is about a reasonable relation, which is outlined by propriety, honesty and integrity. The principles of natural justice include the profit gained by this synergy of new ideas, real contributes and openness of creating relationship in organizational environment.

Supervising all these concepts: interdependency, trust, common framework, openness, flow and equitability is not the effective way. All the organization can do is create healthy relationships between people and companies, by interacting and building carefully the belief in this circle. It is very important the history of interactions for a continuous process.

Why Networks?

There are some reasons Why Networks, according to (Tidd & Bessant, 2009) , four major arguments pushing for greater levels of networking in innovation:

- Collective efficiency – in a complex environment requiring a high variety of responses it is hard for all but the largest firm to hold these competencies in-house. Networking offers a way of getting access to different resources through a shared exchange process – the kind of theme underlying the cluster model, which has proved so successful for small firms in Italy, Spain and many other countries.
- Collective learning – networking offers not only the opportunity to share scarce or expensive resources; it can also facilitate a shared learning process in which partners exchange experiences, challenge models and practices, bring new insights and ideas and support shared experimentation. 'Learning networks' have proved successful vehicles in industrial development in a variety of cases – see later in the chapter for some examples.
- Collective risk taking – building on the idea of collective activity networking also permits higher levels of risk to be considered than any single participant

might be prepared to undertake. This is the rationale behind many pre-competitive consortia around high-risk R&D.
- Intersection of different knowledge sets – networking also allows for different relationships to be built across knowledge frontiers and opens the participating organization to new stimuli and experiences.

What skills should have an effective networker?

Donna Messer is a speaker, a journalist, an author, a coach, a trainer and a lot of other words that describe her perfectly. She is a leader at page Connect Us Canada, and she is "The queen of networking". In her work paper "Effective Networking Strategies", Donna Messer (Messer), listed three essential skills:

- *creative visualization*
- *lateral thinking*
- *artful listening*

When you have mastered these skills, you can network effectively and creatively.

Creative Visualization

Visualization means to make perceptible to the mind or imagination. Visualization is drawing human thought or other logical data with the help of combined electronic and informational tools in a plan. Through this action, it is possible to present and combine the human peculiarities. It is very important in networking, being so creative. You must think positive and to think that your organization will be on the top of ranking companies. Only by thinking in this way you can achieve your goals. To visualize the different issues make you more attractive to set goals and find ways to accomplish them. This system allows the entrepreneurs to have successful strategies, a well thought planning, a clear vision and an achieved target.

Lateral Thinking

In 1967, Dr. Edward De Bono evolved the term lateral thinking. This means to solve problems in a different way, that consist of giving solution not by traditional methods but with intuition. Lateral thinking defines of using pictures to advance thoughts and this can happen in business and organization too. As Edward De Bono said, "when something negative happens, try to think of a way to turn it around."

Artful Listening

Listening is an art, and this is found in business too. You must be creative and learn how to be a good listener to achieve your goals. To make connections you must learn what information is valuable, because this affects the network. If a person feels free to express the new ideas, then there is a tendency for a success in networking process. Artful Listening helps in creating atmosphere between the different people, to share experience and to find new manners to achieve the organizational goals.

Advantages of network management

We start by presenting some core aspects of the success perspective on network management. (Möller & Halinen, 1999)

Companies are in relevance with the dependency in resources. Any single organization is dependent from some factors, that cannot control independently in long term. These factors may be suppliers, employees, customers, market etc. The condition of the organization makes the relationship dependent with other companies. This interdependence has several management implications.

Möller & Halinen (1999) emphasizes that two of the most important elements which enable an appropriate and best way of managing an organizational network are the understanding of the relationships that constitute the network and the creation of a network vision. As clear as possible the network vision a firm has the greater are the opportunities to predict the strategic changes initiated by specific actors of the network. While the role of the network vision it refers to the evaluation of the actor's actions on the network. The author explains that network relationships represent the results of investments that managers do during the time they work and are investments of financial resources. But in conditions of limited resources the manager role is develop an "optimal set of relationships" meaning that they must be able thorough visioning to use the windows of opportunity that are offered in a network. Also, it is noted the importance of creating flexible organizational structures that sustain the learning capability of the organization, by empowering the perspective of knowledge-management view. And finally, according the authors, is the mobilization of the network actors in the right way.

According to Mallidi et al., (1999), the fundamental prosperities of network management implementation are approach to new markets, optimizing capacity of organization, enhanced utilization and expanded productivity.

In order to reach sustainable progress, small and medium entrepreneurships,

where the network is a key word, arrange much financial efficiency, conform to Moore and Manring, (2009). In extension of this, Gilmore et al., (2006) claims that managers or owners could benefit from the diversity of market, human resources and various information, by adapting efficacy activities.

Network management (Case Studies)

A. Silicon Valley

Silicon Valley has long been labelled as the Mecca of the start-up world. With its entrepreneurial history, an infrastructure that helps small companies thrive, and a host of resources - such as talents, investors, and networking events - look like icebergs for the founders of new companies.

Silicon Valley represents a significant example of a successful network management, because of symbiotically coexistence of large firms and start-ups; high financial returns for the network actors (Successful entrepreneurs and early employees); an extremely deep human resources pool; a business infrastructure; the most competitive venture capital market; the government; Globally top-class research universities; Top talent from all over the world; Labour mobility; culture and cooperation with failure;. In this paper we are going to explain all the characteristics above, to define what are the success factors in network management, as Silicon Valley practice.

1. *Symbiotically coexistence of large firms and start-ups*, means that Silicon Valley is an academy where the start- ups convert in large firms, by the assistance of this network in human capital and different expertise.
2. *High financial returns for the network actors,* determine the opportune cost of leaving a large organization job to become an entrepreneur with high risk and high profit.
3. *An extremely deep human resources pool* represents people all over the world with profound competence in every stage of the process since basic startup to accelerated expansion. In this network environment people aim long run vision, clear objectives and ambitious long careers.
4. *A business infrastructure* which provides value to entrepreneurs and startups. It means the variety of large firms inside Silicon Valley, where every company can collaborate and create a place, in which firms can assist startups by the legal and financial methods.
5. Silicon Valley has *the most competitive venture capital market*. Not only does the amount matter, but the extra value that venture capitalists provide

such as interpersonal networks for startups' initial employees and staff, and introductions to potential customers and buyers of the firm are all important value-added functions they provide beyond financing.

6. The role of *government* cannot seem to be a potential partner for innovators, but it has been seen that great things happen when entrepreneurs and policymakers are on the same table. Leaders are not just about the success of startups in the civil sector - they are also the protective word when they encounter bureaucracies and environmental regulations that many entrepreneurs encounter.

7. *Globally top-class research universities*, in order to share the innovation into the region, there are a lot of universities and academic researcher as Stanford University, University of California, UC San Francisco Medical Center etc., which anchor Silicon Valley in scientific analysis.

8. *Top talent*, there is a huge number of participants from all over the world that contribute in network of Silicon Valley, by different backgrounds and different regions. We can list some Albanians, recently have become part of it.

9. *Labor mobility* one of the Silicon Valley's power of success is the Labor mobility which is managed in a perfect form in order to avoid the movement of talented human resources to other companies, which in fact is one of the biggest problems in information technology industries. The way in which how it works the labor mobility in this company is related with the absorption of talents thorough startups. They have revised their salaries by raising them considerably to avoid the loss of talented talent through start-ups

10. *Culture*, in different meanings for example the culture of accepting failure as a positive experience and learning from it is very important in the continuous steps of networking Culture express the diversity from various country and the huge spirit of collaboration into researchers, entrepreneurs and employees.

Silicon Valley is the outstanding case study in networking management, it defines the era of innovation and the success is worth of all above key elements in fuelling the effectual cycle.

B. Datacorp

We are going to introduce some case studies according to (Håkansson & Snehota, 1995). This case concerns an international company, Datacorp, and its way to handle some of its major relationships and customers. Datacorp's relationships

are part of a network characterized by rather rapid technological development. The case shows how, in the context of complexity and change, the different actors within the network read each other's identity and how they perceive the changes and trends in the network. Conflicting views tend to survive side by side. The point that is nicely illustrated in the case is how the different ways to `read the change' in the network actually promote changes in the relationships as the different views are confronted in interaction between actors. It thus illustrates discrepancies in the network logic among various actors. Another issue raised in the case is how a company can react when faced with the differences in interpretations of what is happening and what various companies in the relevant network stand for. The case offers also some examples of how revolutionary changes in the network are intertwined with the mundane steps taken in the individual relationships.

C. Inteq

This case concerns the company, Inteq, and describes the developments in its relationships to some of the most important customers. The case is a good illustration of how dependent the relationships are on how different actors specialize and change the way they are related. It contains several examples of how the development within a certain relationship is affected by what is going on in general in the network. A key question for Inteq is, for example, how one extremely important part of the network (customers in the automotive industry) will choose to solve their demands in the future. The case also provides a good example of conflicting tendencies in some of the developments which makes the problem of directing the future strategy of the company even more difficult.

It deals with the developments in a rapidly changing information technology network within which operates the Japanese company Fujitsu. It illustrates how long-term relationships can be useful if combined with a set of more short-term or task-oriented relationships or if some flexibility is built into them. A company within such a network must be extremely adaptive, which in turn means that it must be good at managing the learning and unlearning. At the same time the case suggests the importance for a company of being able and daring to follow its own route. An issue highlighted in the case is how control of change, as much as attempts to induce change, always requires alliances among actors.

Conclusions and recommendation

Nowadays, entrepreneurs face a market where it is extremely difficult to achieve long-term success and penetrate through the international markets. Network management is a one of the challenges that companies must face and those that are able to implement good network management, have achieved high results as well as a diverse internal organization environment. The way organizations choose to manage networking is almost the same. A network management starts from the mission, vision and philosophy of the organization. A product/service company that focuses on maintaining profitable relationships is most likely a successful company.

If we refer to Albania, network management is the first step, because businesses are still under development and our country's economy is also developing. If we refer to foreign companies that follow this strategy, we can say that they have a profit both in the company's income as well as the company's goodwill.

In the world we live today and where the knowledge economy is very important, we say that the human resources of a company are the most valuable asset for every company and that is the starting point of learning how to treat relationships with third parties. Getting to manage a network in an organization guarantees the organization's long-term success in the national and international market. However, this strategy requires adapting to the factors such as the country, culture, habits or size of the organization. Diversity is always a competitive advantage for an organization and network management does this best. Network management aims to reveal and approach the boundaries between organizations and individuals.

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