

Transformation of Network Structures

- A Conceptual Framework

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Not for quotation. Comments and suggestions are most welcome.

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Abstract

This paper is about the dynamics of industrial network structures. The aim is to develop an alternative conceptual approach to the industrial network approach, developed by Swedish researchers within the International Marketing and Purchasing Group. First, the industrial network approach is reviewed in order to emphasize the dynamic perspectives. Second, a conceptual discussion of networks is followed dealing with an exploratory analysis of dynamic elements of the process of transformation. Third, the discussion is summarized by the development of a conceptual framework of the transformation of industrial network structures. The theoretical approach is a combination of resource-based theory, especially the capability view, strategy theory, and evolutionary economic theory.

The industrial network approach is argued show weak explanatory power of the evolutionary processes of the transformation of industrial network structures. By integrating the theoretical framework mentioned above, the paper argues to present a conceptual framework which takes into account the evolutionary process. The framework emphasizes the importance of the evolutionary development of network structures designed by managerial strategies and exogenous shocks. The focus of the process is directed towards the development of resources, especially capabilities, which have to be complementary and coordinated within the network. These processes, characterized by inertia, lead to structural change which provides a 'feed-back loop' towards the market and the networks. This framework should be compared to the industrial network approach, which emphasizes the structure of three sub-networks (actors, activities, and resources) for implementing and evaluating strategic decisions.

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