

Local facilitators and regional tutors training

Eco-NautiNET Project

NETWORKS OF ENTREPRISES - MAIN CONCEPTS AND THEORY



NETWORKS OF ENTERPRISES

Factors determining the economic globalisation

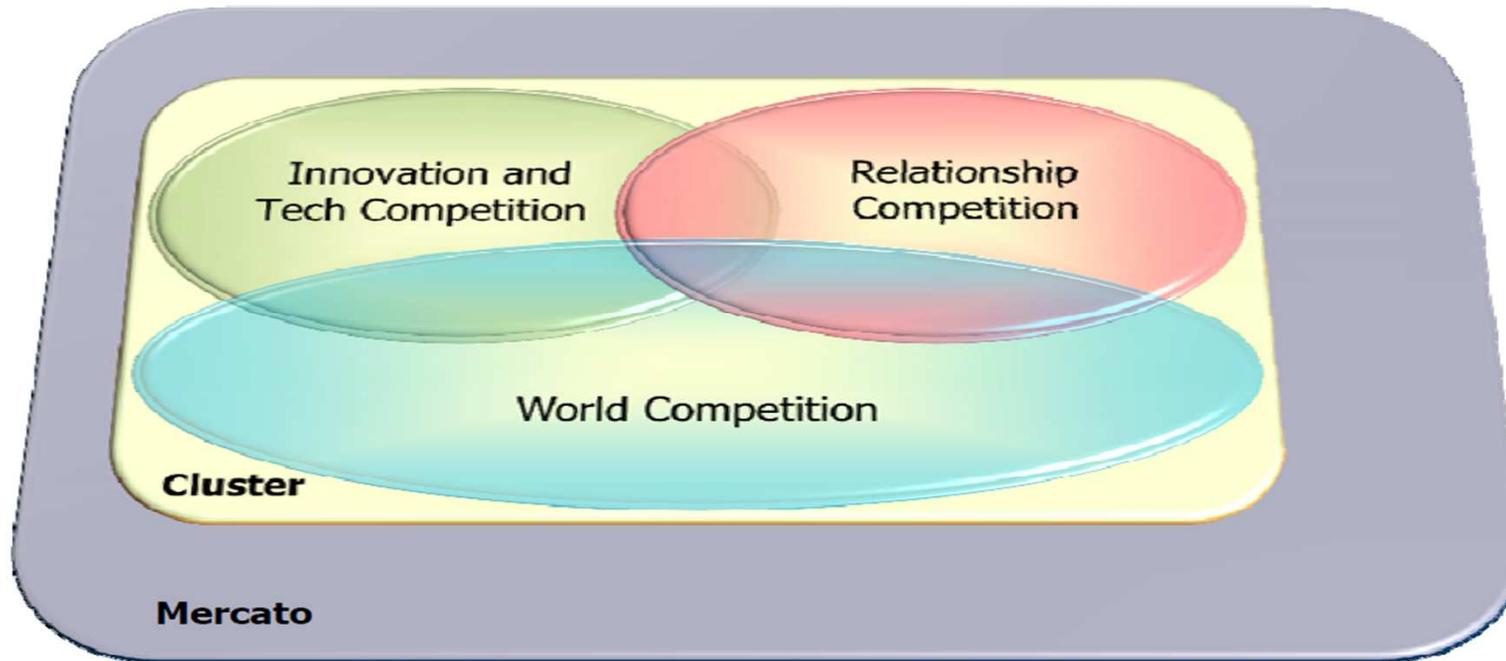


"Drivers" of the Globalization

Three prior dynamics of economy:

1. Evolution of the technologies (Transports and Telecom)
2. Institutional and political consolidation (EU, Naphtha, Mercosur...)
3. Convergence of the cultural and behavioral models

The new dimensions of global competition



Why creating a Network?

In the new international economic panorama, the competitiveness of SMEs is given by their **ability to innovate and to face** the challenges of the globalization.

The enterprises must **overcome their own dimensional limits** and give life to **aggregations of enterprises** able to put into the system knowledges and individual competences.

The collaborations with the institutes of research and university become a necessity to ~~survive and to keep up to the global competitive pressure.~~

Why creating a Network?

The Network as possible answer to the crisis and the change



The Network as opportunity of growth and development

Definition

The Network is an **organizational model based on cooperation and coordination among interdependent enterprises, that establish connections and long term and share results**, but maintaining their juridical and economic autonomy.

The distinctive goal of the relationship is **the exchange of knowledge and information**.

What is a Network

A network is a way through which the enterprises can organize their cooperation and get a result that can create added value for each of them

There is a network when:

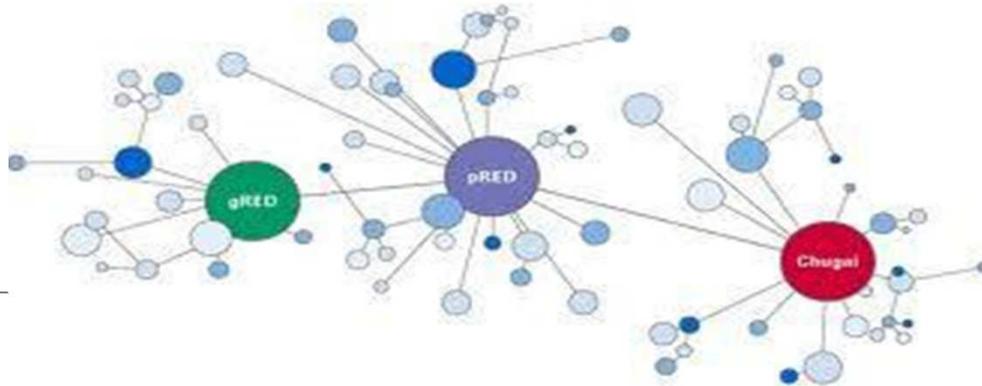
the enterprises establish relationships of collaboration and coordination of the respective activities with the intention to realize shared aims.

All this...

"to promote the development of systems of enterprises through networking that strengthens the organizational measures, the integration, the exchange and the diffusion of the best technologies, the development of services of support and forms of collaboration among productive realities, also from different regions"

Vertical Networks

Horizontal Networks



**Medium or Great enterprise
with a dominant role**

Many micro and small collaborating enterprises



Territoriale
di Ravenna

Vertical Networks

They act on the coordination

- ✓ Technological innovation
 - ✓ Safety quality standards
 - ✓ Origin of the products
 - ✓ Time optimization
 - ✓ Suppliers selection
 - ✓ Key in hand productions
-



Horizontal Networks

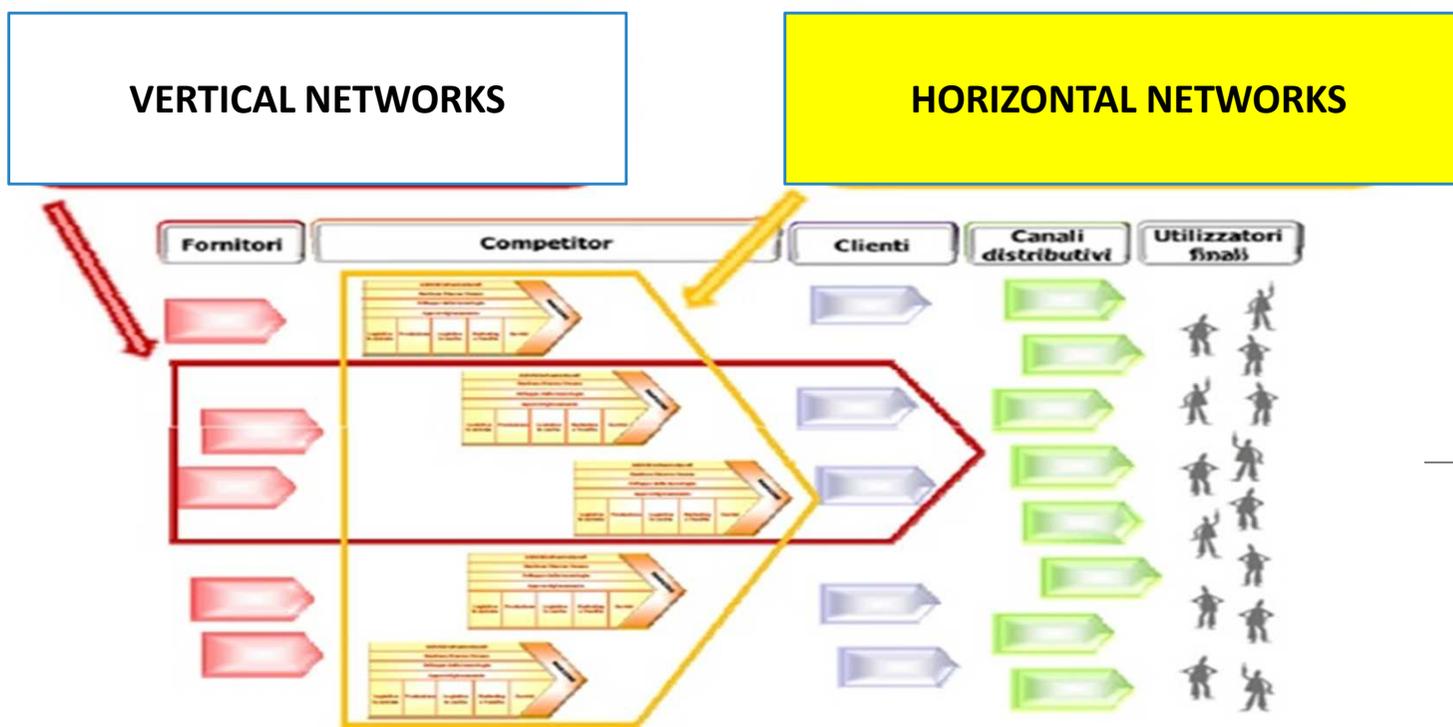
They act on the core business

- ✓ Knowledge exchange
- ✓ Internazionalization
- ✓ Product Innovation
- ✓ Organizational issues
- ✓ Brand strategies



Territoriale
di Ravenna

Network Business model 1



Network Business model 2

The network has the tendency to bring the firms to valley toward the final users where the possibility of profits is higher

In the case of a **vertical network** the amplification happens both for suppliers and clients

In a **horizontal network** the firms can push very next to their clients that before they didn't, but they could actually reach the point to take the place of them.

Aims

- ✓ The network represents a **form of contractual coordination** among economic operators in order to increase the competitiveness of SMEs without fusions or incorporations/acquisitions.
- ✓ A Network offers the possibility to combine SME's autonomy with the ability to acquire a critical mass of financial resources and knowhow, allowing to reach the strategic objectives, otherwise inaccessible for a single small company

- ✓ The discipline of the Network implies **the self regulation of** the parts concerning cooperation and that are more flexible than the ones allowed by other regulations.
- ✓ **The Network must develop an autonomous entrepreneurial project**, with objectives and programmes common to all the participants, capable to generate advantages for every member.
- ✓ **The inspiring principle of the Network is the relationship** organized among enterprises, ~~founded upon the potential synergy among the participants, and finalized to the attainment of common objectives.~~

Peculiarities:

Essential characteristics of a net:

- ✓ presence of knots (enterprises)
- ✓ interdependence among the knots
- ✓ institutional autonomy of the knots
- ✓ mechanisms of government of the relationship among the based knots on the coordination (cooperation, mutual influence, negotiation)

Architecture of the network

- ✓ Knots: organizational entities, open systems, with high level of self-regulation.
- ✓ Interdependences: functional interdependences among the organizational entities for the input's acquisition and for the production of outputs.
- ✓ Rules: rules managing the exchanges among the organizational entities, first of all for the division of the costs and the benefits among the partners.
- ✓ Processes: processes of communication and taking of the decisions; procedures of planning, coordination and control.

The Network Manager

He/she supports the net in the sharing and attainment of the objectives defined in the contract of network.

Some skills and competences:

Strategic and organizational ability ,
Knowledge of the territory, of the sector
the and of the economic field / and productive
Competences and knowledges to the tools of analysis of the international markets

To face the change to three levels

Learning

Adaptation

Innovation

Learning

Every organization to survive must change with a speed at least equal to that with which it changes the surrounding environment.

- ✓ To work on the people and on the competences
- ✓ To learn from the experience
- ✓ To learn from the comparison
- ✓ To access nets of knowledges
- ✓ To consolidate the knowledges
- ✓ To learn always

Adaptation

In the double meaning of "ability of adaptation to the surrounding environment" and of "ability to suit for his/her own context."

In a perspective "ecological" not the most proper but the most adaptable are selected.

"To adapt, not to adopt." (Deming)

- ✓ Flexibility
- ✓ Rapidity
- ✓ Creativeness



Territoriale
di Ravenna

Innovation



Innovation

- ✓ Of process
 - ✓ Of product
 - ✓ Organizational and managerial innovation
-

To make a network to face the change

- ✓ with what objective
- ✓ with whom
- ✓ with what precautions
- ✓ with what supports

The objectives of the Network

- ✓ A stronger buy power
- ✓ Improvement of the productive efficiency
- ✓ Increase of the productive ability
- ✓ Amplification of the offer
- ✓ Reduction of the costs
- ✓ Affirmation of a brand
- ✓ Access to new markets
- ✓ Analysis of Competitors
- ✓ Access to knowledge
- ✓ Acquisition of managerial competences

Building a Network: with whom?

- ✓ Other producers
- ✓ Clients
- ✓ Suppliers
- ✓ Distributors
- ✓ Associations/Institutions
- ✓ Banks
- ✓ Citizens/consumers

Why creating a Network? Advantages and fields of application

- ✓ Ability of organizational innovation, of product and of trial, also thanks to partnership contemplated
 - ✓ Ability to build relationships and nets
 - ✓ Ability to learn from the inside and from the outside
 - ✓ Ability to acquire, to develop and to share knowledge
-
- ✓ Joined Management of the logistics
 - ✓ Central purchases joined
 - ✓ Realization of activity of marketing and marketing joined
 - ✓ Acquisition of services professional
 - ✓ Realization of a product realized with the contribution of everybody

Why creating a Network? Advantages and fields of application

- ✓ Offer of a complete service with the contribution of all
- ✓ Joined organization of the fairs share and missions to the foreign
- ✓ Sharing of centers of assistance
- ✓ Predisposition of a common commercial catalogue
- ✓ Exchange of information
- ✓ Exchange of consistent performances in the attribution of parts of gotten order, not realizable in the anticipated times singly
- ✓ Acquisition and sharing of activity of technological search or market of common interest

Why creating a Network? Advantages and fields of application

- ✓ Creation of a common mark/brand and an interaction common with the great clients
- ✓ Possibility to acquire certifications of quality or to manage marks commercial
- ✓ Communication and narrower relationship between suppliers and clients
- ✓ Increased contractual ability towards third parts, (suppliers, institutional subjects, clients, etc.)
- ✓ Ability of communication and persuasion toward the final clients through joined actions
- ✓ Partnership in the development of some parts of the production
- ✓ Partnership for the commercial development and the entry in new markets

Why creating a Network? Advantages and fields of application

- ✓ To undertake otherwise runs of internationalization unattainable for costs and times
- ✓ To share the risk of enterprise during a period in which it is necessary to cross new roads and often risky
- ✓ Great visibility
- ✓ Great guarantee toward third
- ✓ Possibility to exploit synergies and to develop in common activity
- ✓ Great productive (committed greater) ability
- ✓ Getting the productive ability of a greater firm also maintains the rapidity and the flexibility of the firms that compose the Network
- ✓ Great ability of investment

Why creating a Network? Advantages and fields of application

- ✓ Influx of different competences that can make growing the network and the single firm
- ✓ Possibility to constitute a net among enterprises of different nations
- ✓ Accessibility to elements increasing competitiveness
- ✓ Access to financing
- ~~✓ Accessibility to infrastructures normally not accessible to single small companies~~
- ✓ Great efficiency
- ✓ Great flexibility, operational great stability of the billing

Why creating a Network? Advantages and fields of application

- ✓ Great creativeness
- ✓ Great visibility
- ✓ Growth of the sales
- ✓ Best use of the fittings
- ✓ Best access in capitals
- ✓ Reduction of the costs of production
- ✓ Reduction of the times of production
- ✓ Limitation of the risks
- ✓ Exchange and development of the human resources

Perché fare Rete?

Problematiche legate alla Rete

- ✓ Limitazione del potere individuale e necessità di condividere le scelte aziendali della Rete
- ✓ Condivisione del know-how della propria azienda con gli altri soggetti della Rete
- ✓ Gestione dei rapporti interpersonali
- ~~✓ Costi iniziali per la costituzione e costi di gestione della Rete~~
- ✓ Necessità di acquisire competenze organizzative e gestionali per gestire la maggiore dimensione

Why creating a Network? Issues related to the a Network

- ✓ **Limitation of the individual power** and necessity to share the business choices of the Network
- ✓ Sharing of the know-how of every firm with the other subjects of the Network
- ✓ Management of the relationships
- ✓ Initial costs for the constitution and costs of management of the Network
- ✓ Necessity to acquire organizational and managerial competences to manage the increased dimension

Why creating a Network? Issues related to the Network

- ✓ Difficulty in the construction of the net depending on the manifold in demand of competences
- ✓ Management of the network (office of management / manager of network)
- ✓ Organizational changes of the single participating firm
- ✓ Management of the structure of the network that is mutable in the time
- ✓ Possibility of opportunistic behavior of the participants
- ✓ Appropriation of strategic knowledges and exploitation to the outside of the same network
- ✓ Disloyal subtraction of clients or personnel
- ✓ Incorrect exploitation of the results produced out by the network
- ✓ No contribution to the activities and investments as prevented

A Roadmap

1. **The analysis** (with external experts if of the case) of real and potential competitiveness
 2. **The individualization** of that susceptible factors to improve the competitiveness that you/they can be acquired together to other enterprises;
 3. **The activation of contacts** with other enterprises potentially parties to the constitution of the Net, also through Business Support Organizations (of sector and territory) and the Cdcs, that could act from counters for the creation of the nets of enterprises;
-



Territoriale
di Ravenna

A Roadmap



4) **The definition of objectives** of improvement of the competitiveness common to the interested enterprises to the constitution of the net (negotiation beginning among participants);

5) **The description** of the activities that the net should develop, to pursue the preset (it needs to avoid superficiality) objectives and an evaluation of the human resources, techniques (es. immovable) and financial necessary (to the clean one of the incentives, if of the case);

6) **The predisposition** of a programme of the net according to the law: in substance, it is the formalization of the negotiation;

A Roadmap

7) **The predisposition of a draft of contract**, and therefore the decision on the matters that the normative leaves to free determination of the parts (es. the choice of the subject performer of the contract [external / inside, professional, quorum], the property fund, evaluation of the conferment , rights and duties of the adherent ones);

8) **The approval from every participant**, according to his/her own decisional procedures, of contribution to the net (attention to the quorums and the competent organ for society of capitals, could be extraordinary operation for dimension of the conferment and to the duties of information of the administrators);

A Roadmap

9) **The signature of the contract** of net with the aid of a notary or other official (for the authentication of the signatures) public and of an expert for the editing of the contract;

10) **The deposit for the registration of the contract** of net in the competent register of the enterprises for territory from every enterprise participant;

~~11) The official in charge for the formalization of the contract can start to operate after verification of subscription by each member, otherwise he/ she will be responsible for his/her actions in front of the law.~~

Some comments

We are online probably already but we are not fully aware about it or satisfied
Then we must to take into account some things:

- ✓ we can belong to a lot of different nets
- ✓ collaboration and competition are not in contradiction
- ✓ a network is not forever
- ✓ to belong to a Network gives some advantages

Some warnings

- ✓ A base of trust
- ✓ A project common
- ✓ Awareness of the investment and of the difficulties
- ✓ Attention to direction and decisions
- ✓ Recognition of the roles and exploitation of the contributed
- ✓ Distribution of the advantages
- ✓ Clear rules Integration to the project of network
- ✓ Sharing of languages



Territoriale
di Ravenna



Thank you!

Alessandro Battaglia
abattaglia@ra.cna.it

This document has been produced with the financial assistance of the European Union. The content of the document is the sole responsibility of CNA RAVENNA and can under no circumstances be regarded as reflecting the position of the European Union and/or ADRION programme authorities