Chapter XIII

Empirical Evidence on How Information Technology Encourages the Creation of Strategic Networks

Jose A. Medina-Garrido
University of Cadiz, Spain

Sebastian Bruque-Camara
University of Jaen, Spain

Jose Ruiz-Navarro
University of Cadiz, Spain

Abstract

This chapter analyzes how information technology fosters and supports the creation of strategic networks. First, we shall establish an eclectic theoretical framework that can appropriately explain the reasons why firms form strategic networks. We base our analysis on the theories of transaction cost economics and the resource-based view. Second, we shall analyze, from this theoretical perspective, how information technology can affect the
factors of value and cost that influence the formation of strategic networks. Finally, we shall empirically test if theory predictions actually occur in practice, by studying the role that information technology has played in the formation of a network by a Spanish firm.

Introduction

Networks of firms, to give these structures just one of their names, have been very widely studied (by, for example, Thompson, 1967; Contractor, 1988; Hennart, 1988; Kogut, 1988; Hamel, Doz, & Prahalad, 1989; Powell, 1990; Hamel, 1991; Williamson, 1991; Parkhe, 1993; Ring & Van de Ven, 1994; Gulati, 1995), and there has been some work on the importance of information technology (IT) in these networks (Cash & Konsynski, 1985; Porter & Millar, 1986; Rackoff, Wiseman, & Ullrich, 1985). But there is little in the literature that explains in detail the role of IT in the formation of inter-organizational networks (see Clemons & Row, 1992). There are gaps with respect to what IT actually does, and how it makes possible, or at least facilitates, the operation of the network. This work attempts to fill this important gap, in a literature where IT appears to be very important for inter-organizational relations, but the reason why is anecdotal.

The aim of this chapter is to look in detail at the reasons why strategic networks are formed, developing a theoretical framework that can explain these reasons adequately and that allows us to analyze the role of IT in their formation and maintenance. The propositions we put forward will be tested against a case study, which, as well as being illustrative, will allow us to make a theoretical generalization (Yin, 1984; Bonache, 1999).

Background: Reasons for Network Formation

The reasons given in the literature for the formation of strategic networks can be grouped into two types: value creation and cost savings (Tsang, 2000). However, these two reasons are controversial. On the one hand, much of the literature focuses exclusively on the potential of inter-organizational relations for generating value (see Varadarajan & Cunningham, 1995; Hamel, 1991; Eisenhardt, 1996). On the other hand, some authors see strategic networks as a means of saving on various costs (see Jarillo, 1988, 1993; Williamson, 1991; Clemons &
Applying SNARE-RCO to Evaluate the Relational Capital of an Organization: The SH Case Study


[www.igi-global.com/chapter/applying-snare-rco-evaluate-relational/76148?camid=4v1a](http://www.igi-global.com/chapter/applying-snare-rco-evaluate-relational/76148?camid=4v1a)