

BUSINESS STRATEGIES – INTER-FIRM NETWORK PERSPECTIVE

The problem of organization boundaries

Today, it is a question about the boundaries of the organization. Discussion of the borders of the organization has been present in management from its earliest days. Tracking management development from the turn of the 19th to the 20th century can be seen as changing the perception of the boundaries of the organization. In the early days, the boundaries of the organization were clearly defined and determined by the legal system. And the organization was determined by the set of elements belonging to the whole. Over time, changes in environmental dynamics and in the complexity of the environment resulted in the evolution of the boundaries of the organizational approach.. There are many ways to clarify the boundaries of organizations from the perspective of their relationships with their environments. Among them there are: the stakeholders concept, stretching of the value chain, inviting the client to take part in the chain of a company's activities, virtual organizations or organizations without borders.

P.F. Drucker predicted that the company of the future will have limits only in the sense of what is needed for identification. In other senses, it will be either deprived of boundaries, or they will be fluent, or the boundaries will be the sum of the boundaries of the network elements.

Similarly K. Perechuda indicates the fact that the boundaries between the different organizations are becoming less acute. However, unlike P. Drucker, he considers that this type of trend threatens to breach the “identity” of the organization. An

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organization that does not protect their boundaries is highly susceptible to absorption by the hostile ambient systems. The boundaries of the organization have material and intangible dimension. Worldwide there is a clear trend to blur the borders between economic organizations, organizations which are the result of the progressive concentration of capital and the emergence of transnational corporations. Blurring boundaries is also important for small businesses becoming the so-called satellite (subcontractors, cooperation partners) in relation to large international companies [24, p. 36]. Through the process of “undermining” the boundaries of the organization it is possible to more quickly attain capital, technology and know-how.

Inter-firm networks are today extremely interesting objects of research, while at the same time being a specific type of challenge. This fact updates the discussion concerning the boundaries of the organization. It is worth focusing on the proposal of describing organizational boundaries developed by F. Santos and K. Eisenhardt [30, pp. 491–508]. They consider organization boundaries as being composed of four concepts: efficiency, power, competence, and identity. All four concepts, in practice, mean the real boundaries of organizations significantly broaden the area of the organization in comparison to the boundaries designated by the legal system. They also state organizational boundaries should be set at the point that maximizes the value of the firm’s resource portfolio. A boundary decision is, thus, a choice of resources for the organizational portfolio [30, p. 497].

On the other hand R. Coase states that these boundaries should be set at the point that minimizes the cost of governing activities [10] i.e. transaction costs, measurement difficulties, and knowledge differences. Referring to the boundaries of organizations it is worth mentioning research made by N. Anand and R.L. Daft [2]. They briefly reviewed the important structural designs from 30 years ago and then described key developments since that time. The concept is organized as a process consisting of 3 eras. The first era is called self-contained organization designs. During that time, organizations were self-contained with clear external and internal (between functional areas) boundaries. In the second era we can observe process orientation in organizing activities. Team work is important as well as horizontal orientation and no boundaries between functional departments. This era is called horizontal organization design with team- and process-based emphasis. The third era means organizational boundaries open up and is characterized by opening internal and external boundaries. So, it is easy to find out that evolution of organizational design goes with the evolution of the meaning of organizational context. As a result, the boundaries of the organization extend the firm beyond the natural administrative boundaries.

Network/Relation paradigm

The next step, after the resource-based view theory in management as an area of research, is the issue of inter-firm relationship. An organization operating in a network context becomes a subject of research. The conviction concerning the new paradigm is common - the network/relation paradigm focuses on the relationships as a critical element of the “fit” between the organization and context. Such a prospect considerably broadens the area of management research by pointing to other possibilities of forming organizational positions, not referring anymore only to the prospect of the industry environment. This means that the need for changing the strategy research is in regards to the problems of competition and strategic management issues in general. On the other hand, the interest in relationships is the result of the impact of RBV on the perception of the modern enterprise problems from a strategic perspective.

In research conducted by S. Castaldo [8], relationships in the network should be analyzed from the perspective of rent-seeking. By this he suggests a differentiation of so-called relational resources. The basis for highlighting the relationship is the location of the relational resources, which may be an internal element of the company (node, actor) in the network or may result from the embeddedness in relationships with other partners. Relationships can also vary from the perspective of the origin of the relationship. From this, relational resources can be internal and external. Recognition of these relational resources presents the concept of relational resources developed by S. Castaldo. He [8] maintains that relationships in inter-firm networks should be analyzed from the perspective of economic rent. By this, he suggests the necessity of differentiating relational resources. Recognition of these relational resources is presented in Table 1.

Table 1. Relational resources concept

	Internal relational resources		External relational resources
	Resources for the production of internal knowledge (absorption)	Resources for the production of external relationships resources	Relational resources located outside the firm (trust)
General and firm-specific level	General capability of knowledge absorption	General sales management and key accounting competencies	Firm's image and reputation
Situation – and relations-specific level	Comprehension of a specific partner-customer's routine knowledge production	Capability of managing the relationship with a specific customer	Trust in a single partner

Source: own elaboration based on: [8, p. 36].

Relations can be analyzed from the perspective of cooperation or from the perspective of the competition.

In analyzing the issues of inter-firm network dynamics, we can assume that we analyze a market phenomenon, which exposes the cooperation between enterprises in the broad sense. In inter-firm relationships there can be not only the nature of the relationship, but interestingly, the nature of the co-opetition relationship, a feature that simultaneously contains the presence of competition and cooperation. Such relationships tend to be predetermined by the nature of the partners, i.e. is defined clearly the area of cooperation and the area of competition. Therefore, by J. Cygler, such relationships are characterized by the presence of the distributivity. Another feature of the coopetitive relationship is complexity. This means that the relationships are the collection, rather than individual agreements/contracts. Examination of J. Cygler [13] indicates, also, interdependence as another important feature of the relationship. This characteristic presents a growing need for cooperation between partners, who simply need each other [13, pp. 19–22]. An important attribute of the relationship is the dynamism of competitive relationships and cooperative relationships. Striving for a balance between these two types of relationships gives a dynamic. Not without significance is also variability in the environment. The duration of the relationship is another element of meaningful coopetitive relationship. This characteristic is linked to the complexity of the relationships between the partners.

Evolution of competition

According to the main concepts present in strategic management, it should be noted that the strategic problems are mainly analyzed from the perspective of the theory of constraints (TOC), strategic choice theory and from the perspective of the theory of competition. Today, it is undoubtedly necessary to include, in the main discourse, the strategic management issues of cooperation and the formulation of activities to improve the relationships between the organization and its environment (or context or set of related elements).

The most popular explanation of competition is related to the work of M. Porter, who believes that the competitive strategy results from industry considerations. Originally, since in the center of strategic management lies competition, competition refers to the category of product and market. The entity who is able to offer a more attractive product, which is better in the market gains competitive advantage. Contextual changes meant that is increasingly observed competition between enterprises, competition for resources and competences. In this case, they who have the valuable resources and competencies win a competitive advantage. Such insight into compe-

tion is typical in the RBV approach and is observed particularly in the dynamic industries, in particular services.

Now we can observe increasingly innovative forms of the relationships between competing organizations undertaking, for example, the framework of the cooperative relationships (table 2). This makes us believe that the source of competitive advantage is a set of relationships between the firm and the other participants in the market. The organization that sets up such a relationship can get a better deal in the market. As a result the competition for the relational value is treated as a third leg in the theory of strategy (after competition for products and markets and resources and competences) [11, pp. 34–56].

Table 2. Strategy evolution

	Competition for products and markets	Competition for resources and competencies	Competition for relational value
Strategic objective	Defensible product-market position	Sustainable competitive advantage	Continuous self-renewal and value creation among stakeholders
Major tools	-industry analysis -competitive analysis -market segmentation and positioning -unique product	-core competencies -resource-based strategy	-vision and value -flexibility and innovation -front-line entrepreneurship and experimentation
Perspective	Strategic planning	Networked organization	Cooperation in networked organizations
Competition scope	Competition among companies	Competition among companies	Competition among networks of companies
Key strategic resources	Financial capital	Organizational capability	Human relations and inter-organizational relations

Source: own elaboration based on: [29, p. 9]; [6, p. 35]; [21, p. 341].

Competition for the relational value is the logical consequence of the resource-based approach, which, among other things shows relationships (relationship architecture) as one of the strategic intangible resources capable of building a sustainable competitive advantage. Studies focusing on inter-firm relationships, especially in the context of inter-firm networks, clearly indicate the importance of these relational resources in today's business world.

Compiling and developing the concept presented in table 2 and the concept described earlier made by N. Anand and R.L. Daft we can synthesize and relate the dynamic of competition, the dynamic of organizational design and the content of strategy (see table 3).

Table 3.

Strategic management	Organizational design	Content of strategy
Competition	Era 1: self-contained	Product-market
Collaboration	Era 2: process orientation	Resources
Coopetition	Era 3: organizational boundaries open up	Relationships

Source: own elaboration.

In conclusion, in the early phases strategic management focused on issues of competition. As a result, organizations have been closed and self-contained, and a strategy is related to the product and the market choice. Then companies began to base their operations on cooperation in order to increase the value in the value chain. In the organizational design area this results in process orientation and a source of competitive advantage will become resources. Currently, competitors take joint actions so that the boundaries of the organization blur and expand, and the sources of the market success are just relationships with other entities including, in particular, the competitors.

Network strategies

Strategic management faces many new and often unexpected challenges, which have their source in the dynamics of the environment and in the activities and strategic thinking in business organizations. Yet until recently, strategic thinking has been dominated by competition context. Organizations need to be still better than competitors to survive. Limited freedom, strategic choice and competition were until recently the center of interest in the strategic management field. Today, an important dimension in the strategic management is the dimension of cooperation. The problem requiring a theoretical arrangement is to identify possible forms of cooperative relationships i.e. to identify a strategy based on inter-firm relationships. Such strategies are, to some extent, the results of relational rent-seeking, acting as a source of business advantage from different kinds of relationships. External context of the environment has been an extremely influential element in the evolution of various strategies based on cooperation (collaboration) and, as stated by H. Astley and C. Fombrun [3], cooperation strategies are the global response of cooperation in the long term among business organizations, created in response to the absorption of the instability generated by the surroundings. In other words „*common mobilization of resources and formulation of action within communities of organizations*” exists in today’s business world [35]. In figure 1 are presented strategic orientations and trajectories.

Figure 1. Strategic orientation and trajectories

	Voluntarist orientation	Deterministic orientation
Isolated enterprise	2. Choice strategic choice theory Policy: corporate strategy	1. Constraint Contingency theory Policy: business strategy
Enterprise population	4. Collaboration Human ecology theory Policy: collective strategy	3. Competition Population ecology theory Policy: individual strategy

Source: based on: [4, p. 527].

Today the boundaries between organizations/enterprises are blurring. With so many different forms of relations between enterprises, including competing, we have businesses for which it is difficult to define clearly the boundaries of an exposure to one organization, and to define when the next organization's area of impact begins. When formulating a strategy for the company as a whole, it is necessary to consider the external context, taking into account the whole of its complexity. The development of enterprises increasingly means a specific type of external development. However, this is not only the development as classically understood. It is more about new forms of establishing relationships with the various participants in the environment. In this context, the stakeholders' perspectives as the perspective of strategic diagnosis becomes a particularly valuable approach.

Interesting recognition, associated with the perspective of the inter-firm relationships is the proposition of A. Branderburger and B. Nalebuff [7]. Here, the strategy, depending on the degree of embeddedness in a relationship, takes the form of independence strategy/discrete organization perspective/ strategy embedded in cooperative network/the embedded organization perspective.

Inter-firm networks are based, in their original form, on the relationships between the company and its environment. By analyzing these relationships, four basic types of exchange (strategies) between the firm and the environment can be seen, namely, markets, hierarchy, recurrent contracts and relational contracts [27, p. 486].

And next, following this way of thinking, it seems necessary to stress the relational strategy, as the base strategy for the inter-firm network. The relational strategy, the strategy focused on developing inter-firm relationships, refers to three essential conditions: the basic strategy of the business, the dynamics of the environment and the portfolio of relations [14, pp. 198–202]. The basic strategy of business explains why a particular relation is better than another and what contributes to attaining the strategic objectives of the company. The dynamism of the environment makes that relationship open and flexible. The portfolio approach is used to ensure the coherence of the inter-firm relationships with the business strategy, and to ensure the consistency of multiple inter-firm relationships (cooperative policy). The dominant

view explaining network strategies and the strategies inside the network is the parallelism of the competition and cooperation [16, pp. 121–122]. Cooperation means seeking benefit from the group activities, i.e. what is typical for business organizations, seeking synergies from relationships. B. de Wit and R. Mayer [34, p. 237] states that organizations should combine, at the same time, with the discrete organization perspective and the embedded organization perspective. Embedded in a network of relationships, to maximize the benefits and independent or discrete in order to maintain the potential flexibility and build still new relationships. Anyway, just the idea of flexibility, or as Y. Allaire, M. Firsirotu [1, p. 359] referred to it, ‘increased flexibility imperative’ has become the cornerstone of the networked economy construction. Thanks to inter-firm relationships, organizations can cope with uncertainty. The management or owners can shape the company’s own future instead of passively waiting. This means it is a need to enable the external context in the processes of formulating strategy, searching for new relationships, configuration with others and, as a result, build such inter-firm relationships, which, not only reduce the risk, but allow the acquisition special benefits.

It seems that the evolution of inter-firm networks was, to some extent, linked to the mainstream in RBV and determined, in a certain period of strategic thinking, just by the perspective of resources and competences. Despite the criticism of this approach, effects on thinking about the strategy remain, also in the context of the relationships between the organization and the environment. Going still further, RBV [5], [33] state the experience acquired in the past shows how accumulating internal know-how and processes of the evolution influence specific competences. This means that the company, which participates in different external business coalitions, has the capacity to deliver its knowledge and experience to the new relational systems more efficiently.

Relational strategies in the subject literature are not a new value. Simply, we can indicate a strategy model launched by Strategor group [32]. The theory of relational exchange and relational approach to strategy appearing in the model are based on the assumption of the existence of a privileged relationships made by organizations with selected partners in its surroundings. Competition in this approach becomes less important, and, even more important, is the need to make up voluntary agreements, going beyond the logic of the rules of free competition.

A special type of relational strategy based on cooperation is the strategy implemented in the framework of strategic alliances. Deciding upon the alliance has a strategic dimension, and is characterized by specific (strategic) intent. Strategies on alliances can be identified from different perspectives. However, the most interesting perspective seems to be the underlying logic. M. Romanowska states that there are two strategic logics in alliances i.e. transactional logic and competitive logic [28, pp. 95–96, 101–102]. It seems that these two types of logic are the basic types of

strategies for the creation of alliances. In the case of transactional logic, connected partners have different competitive advantages. Thanks to such cooperation, partners gain access to key competences of partners, so increasing the competitive potential of an alliance. In turn, the competitive logic leads to a connection of partners with similar characteristics. Partners combine their potential in order to strengthen the position in the market by increasing the scale of the action.

In view of inter-firm relationships, enterprises' competitiveness can take place via interaction, which results in gaining a competitive advantage over other non-interacting organizations. And now interacting/cooperation, or otherwise creating and putting into practice solutions based on different forms of interaction is the basic value of so called inter-organizational networks. Collaboration among companies is an alternative to compete. Its essence becomes a voluntary relationship of enterprises in their mutual interest. This relationship may take the form of more formality, but may also have the nature of unwritten or unnamed agreements. The cooperation of companies has been present in strategic management research for a long time. However, the specific nature of the renaissance is the connection with the dynamic change of business reality actually related to the emergence of the business network. Until recently, the problem of cooperation has been treated as processes of mergers and strategic alliances. Today we see that many companies adopt the processes of cooperation: from a informality to more formality. A special type of cooperation is cooptation. The cooperation needs to deal with the paradox that B. de Wit and R. Meyer [34, p. 33] identify, as the paradox of competition versus cooperation. On the one hand we have single, independent companies/a discrete organization/, and, on the other hand, the company embedded in the network of relationships /embedded organization.

Some problems result from describing cooperation because this category is used in the broad sense as a form of collaboration. From this perspective, we can extract the two forms of cooperation: simple and complex cooperation [19, pp. 27–39]. Cooperation in the framework of the partnership is vertical, as trade, production, loan, rent, leases, franchises, joint ventures, and cooperation is made, indicating the interactions between market competitors, such as acquisitions, mergers and strategic alliances. Though, given the nature of links between enterprises and production, interactions in manufacturing a complex product, such forms of collaboration are called cooperation (in the strict sense).

From the standpoint of the cooperative behavior of the organizations, it is more „useful” to consider the typology of relationships according to the scope of interaction, including such kinds of strategic behavior as: exchange of information, the pursuit of mutual benefits, change of the form of action, implementation of common objectives, common exploitation of resources, as well as the significant increase of competencies [18]. Analysis of different interaction forms shows that it brings

benefits irrespective of its range. This applies to both informal links between organizations in the form of a network, and closer ties within the partnership framework. It can be assumed following J. Child, D. Faulkner and S. Tallman [9, p. 110], there are two fundamental motives for cooperative strategy. On the one hand, those who seek opportunities for learning, and those who aim at skills substitution.

Earlier cooperation or cooperation strategy focused on companies that do not compete with each other (e.g., relationships with suppliers). Currently, cooperation is wider and also addresses the relationship with competitors. T. Pszczołowski treats cooperation in the broad sense and it is called the multibusiness operation, in which each participant shall be independent from the acts of the other [25, p. 106].

Another interesting and better reflection of the complexity that the cooperation forms is the classification scheme proposed by D. Cravens, S. Shipp i K. Crawens [12], who identifies four types of organization network taken into account, on the one hand, the dimension of the degree of cooperation, on the other, the dimension of volatility in the environment. In this way they provide four basic strategies of cooperation, as different types of network (fig. 2).

Figure 2. Types of network organizations

Degree of collaboration \ Environmental volatility	Low	High
	Collaborative	Virtual network
Transactional	Value-added network (outsourcing)	Hollow network

Source: based on: [12, p. 209].

The hollow network is transaction-based. In this network, the relationship does not have the nature of the asset. The primary strategic objective is the choice of partners, to enable flexibility and utilization of market opportunities. A flexible network, such as Cravens et al.'s, is a form of strategic alliance, or, alternatively, a *keiretsu*. It is the result of the volatility of environmental conditions but involves real collaboration. The value-added network is more transactional in nature and develops in a stable environment. It is, for instance, subcontracting or outsourcing. The virtual network is similar to the virtual corporation, where the basic form of communication is the electronic one.

Concept presented above is a good opportunity to indicate the two different ways of network perception. On the one hand, inter-firm networks are recognized as having the boundaries of the self-organized system, which is the effect of establishing local upstream relationships [15]. On the other hand, research in the strategic management field, and particularly in the RBV approach, dominates the view that we

have to deal with networks that arise as the so-called intended strategic network or value network, which includes organizations performing predetermined roles [7], [22]. In the latter case, the network has a more structured character, determined by its objectives and strategies, and it is easier to manage [20].

Another concept of collective strategy is presented by W. Astley and C. Fombrun. Taking into account the type of relationship, they distinguish four types of collective strategy. The nature of the relationship on the one hand, refers to the nature of the business and the characteristics of the relationship, and, on the other hand, the nature of the relationship is determined by the direct or indirect nature of the strategy formulated by each partner (fig. 3).

Figure 3. Collective strategies

Forms of independence types of association	Forms of independence	
	commensal	symbiotic
Direct	Confederate	Conjugat
Indirect	Agglomerative	Organic

Source: own elaboration based on: [3, s. 530].

Confederate strategies are usually found in very concentrated environments in which a small number of businesses co-exist. They are generally mergers or dyadic alliances. Agglomerative strategies develop more in environments made up of several small-scale businesses and central organizations try to coordinate the sector in an informal way. Conjugate strategies rely on direct contracts in order to set up activities. And organic strategies are mutual commitments in a network of enterprises whose activities are complementary.

In research conducted by B. de Witt and R. Meyer [34, pp. 221–223], an important concept of the strategic-network strategy demonstrates the synergy that can be achieved through:

- sharing resources (learning, sharing),
- integrating the activities,
- aligning position.

Therefore, from the network perspective, we can talk about strategy oriented on achieving synergy. Not just a single company, which had previously competed, must cope with cooperation. It is considered that the long-term cooperation weakens the company in terms of strategic potential. A company acting alone in the market, through daily confronting of competitors, becomes more “hard” and sensitive to change at the same time. Stability of the inter-firm relationship makes, in some sense, individual participants become weaker.

Collaborative relationships, among the companies in the network, must reconcile the aspects of competition and cooperation. An opinion that can be expressed is that cooperation is not a new form of competition, but a completely new direction of building relationships with others. The direction that shows all organizations can become involved in relationship to their benefit (positive - sum game).

A complex problem, still not solved and requiring further explanation, is the theoretical issue of the whole inter-firm network strategy. We can view the research, by which the inter-firm network strategy has the same strategy as the dominant parent in the network. When there is, however, compliance, even in the case of inter-firm networks without a parent, we can talk about strategy. Referring to the strategy of the network parent, we can believe that the strategy consists of a strategic core (key skills of this entity), the partner relationship (access to complementary skills) and, in the end, with the remaining items, which are obtained directly from the market [26], [31, p. 281].

Conclusions

This study offers a synthesis of the approaches in many research fields to position inter-firm relationships as a means of business strategy.

Examining the problem of network strategy is an enormous challenge. First and foremost, these studies have to face a variety of forms of inter-firm networks, where strategic behaviors are different in nature. Analyzing the strategy of the network requires at least one major assumption associated with the types of networks. If the network is researched from the perspective of the process of creating it, we can talk about networks that were intentional (intent) and networks that arise incrementally. In the first case, the strategy identification is equal to the parent node strategy identification, as it is when its intent network was established. Otherwise, the network, which is formulated over a long period of time, has no parent node, and all participants in the network are convinced that it will be easier to obtain certain results in the group than alone. Where the network occurs as the result of the simultaneous agreement between many participants, most competitors, whose objective is, generally speaking, the protection of specific resources, thereby protect the market position of competitors. Research on network strategy generally focuses on the identification of strategic behavior nodes that networks undertake. They lead to the conclusion that the behavior of strategic nodes is mainly determined by the role and position of the node in the network [23, p. 1]. The question of whether the network as a whole has a strategy is still open. We can believe that the strategy of the network as a whole has an incremental nature and is a result, in the long term, of the strategic network nodes' behavior. We can also demonstrate interesting proposals to analyze

the network strategy presented by the D. Harrison and F. Prencert [17, pp. 662–670]. They indicate three ways of strategizing in the area of networks: cognitive and positioning strategizing as typical in analyzing networks as a whole and adaptations as typical strategizing in the area of dyadic relationships.

Corporation strategy, in general, is analyzed in the perspective of the relationship between the organization and its environment, with emphasis on the match or fit. In the case of inter-firm networks, it can give the impression that, in many cases, this is not about a match or fit, but rather about shaping the environment. In other cases, the network (and its strategy) is the term used to cope with complexity.

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Abstract

Dynamic development of the resource-based view (RBV) approach and development of management practices makes sure management researchers are focused on the functioning and dynamics of inter-firm networks. Publications around the world increasingly expose the new paradigm in Management Sciences as a network or relation paradigm. This paradigm concerns the relational resources and naturally makes competitive advantage in modern business and is often based precisely on these resources. Consequently, this is a competition for value from the relationships rather than the competition for products and markets and their resources and capabilities. Organizations set up different relationships of cooperation and the question concerned on the boundaries of the organization is becoming increasingly disputed. The strategy of the organization is more and more based on relationships and the relational value and, in a wider perspective, requires a reflection of the strategies from the perspective of inter-firm networks and strategies of the network's participants. Relationships the companies make in the network must frequently reconcile the aspect of competition and cooperation.

KEYWORDS: BOUNDARY, NETWORK, STRATEGY, VALUE, RELATIONSHIP