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Where is the Limit? Barriers of Theories – Organisations without Boundaries

ISTVÁN SZINTAY, Ph.D.
UNIVERSITY PROFESSOR

e-mail: szvmanor@uni-miskolc.hu

SUMMARY

The paper addresses the issue of inter-organisational cooperation. Networks change economic relations fundamentally; however, theory has devoted so far relatively little attention to this development of significance in economic history. It can be attributed to the fact that many evaluate the transformation of large vertical concerns into loose networks as unambiguously as gaining ground by the market against hierarchies. Although there is no doubt that the transformation of large organisations into networks of independent contractors revitalises the market, at the same time it also changes the nature of market relations.
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INTRODUCTION

Earlier several publications dealt with networking cluster-type organisations as well as with various issues of outsourcing (Szintay 2006, 2007, 2011). Those studies focused mainly on the structural characteristics, the players, and the innovative organisational adaptations. All those areas necessarily raised the issues of networking. The publications referred to clarified that business networks are organic and active cooperation forms of companies and economic units based on functional, knowledge- and resource-based division of labour which

- ➢ are directed at the realisation of common strategic objectives as a result of joint problem solving and
- ➢ are based on mutual trust and benefits.

In the course of cooperation, concentrated use of resources and risk spreading are achieved through a division of tasks and responsibilities.

The above definition of a business network is, however, only a punctiform, snapshot-like summary, the central element of which is division of labour achieved by cooperation between the individual players and its management. A network is, however, just like any economic formation, a highly dynamically living, moving and changing system of organisation with the simultaneous representation of:

- ➢ division of labour,
- ➢ structure of power, and
- ➢ structure of knowledge.

This paper, in the present chapter – as an introduction of the train of thought – will deal with the advance of financial investors, which will have a significant impact on the further topics to be covered, next with the background of outsourcing in economic theory as an independent part of a chapter, and with the network theory relations of organisations without boundaries.

FUNDAMENTAL CASES

It can be observed, particularly concerning the securities on the USA stock exchange, that in the past 15-20 years part of the disperse ownership structure has been reduced leading to a concentrated emergence of unit trusts.

As a result, by the end of the 1990s, close to half of the shares of the public companies on the stock exchange in the USA were owned by the unit trusts venturing into the share market, according to certain calculations. As opposed to the private investors representing a smaller weight and sometimes following different objectives, the enormous weight of the trusts secured for them an influence in the general meetings and on the board of directors that has never been seen before. And the trust managers – being financial investors – were primarily interested in the value of their investments rising as fast as possible. The company which was not able to guarantee a return as least equivalent to the performance of the share market had to count with a decrease in the interest of the investors, and thus of the stock list, which the owners – particularly the unit trusts making a living from the return on the shares – were not willing to tolerate. The management had to find the means and measures ensuring the expected increase of the stock lists (Greaver 1998).

Investors began to tie the remuneration of the management increasingly to the stock lists. But since the development of the stock lists is determined not only by the performance of the companies, it did not prove to be the best solution to tie the remuneration of the management solely to the rate of exchange of the shares of the company in question. As a solution to the problem the formula of the Economic Value Added (EVA) was born in the early 1980s. The index number proposed by Stern Stuart Management Services connected in a creative manner the accounting data and profits of a company with its performance in the share market. The formula EVA (and its successive versions, e.g. REVA) represented appropriate indices of performance also in terms of incentives for company management (Barney, 1997). According to the logics of EVA, the managers deciding on company investments had to make decisions on the allocation of the working capital that the returns on the investment should exceed the minimum return rate which the investors would achieve if they invested in other fields with similar risks. According to the EVA formula, it seemed expedient to avoid investments in non-core activities contributing little to the company performance and therefore not ensuring the expected returns. The changed investment and capital tie-up policy was directed at lightening the burden on the company balance and increasing profitability (Clott 2004).

From the mid-1980s on, the cut-throat competition in the market and the increasingly volatile market conditions made the vulnerability of the vertically organised mammoth companies absolutely obvious. Daimler-Benz, one of the largest companies in Europe, was an example for the fact that an agglomerate of heterogeneous branches of business could result in a staggering economic performance.

The case of Daimler was not blatant at all. Jack Welch, appointed president of General Electric in 1981, used similar tactics to break down the diversified conglomerate. At that time the portfolio of branches of business of GE was at least as wide as that of Daimler. In addition to space technology, the company was involved in medical equipment, video film production and carpets among others. When Welch took up his position, he formulated a simple, but extremely inspiring objective for every branch of business. If they wanted to remain in the GE portfolio, they would have to be the first or at least the second in the world in their own industry. If this objective was not met, he got rid of them summarily. In the subsequent period Welch sold the various branches of business of GE in the value of more than 11 thousand million USD, reduced the number of employees of over four hundred thousand persons by 40 %, and at the same time boosted the company's revenues from 27 thousand million USD to 100 thousand million USD.

For both companies only a double-digit profit rate (11-12%) – as the return expected by the financial investors – became the condition for surviving. GE founded by Edison will slowly cease to produce light bulbs, which shows that professional investors are pushed into the background.

In the following period, vertically organised companies were practically out-vying each other in bringing about disintegration. They expected a simplification of their profile to increase their profitability, attempted to eliminate the sources of losses by re-organising their activities, reduced long-term capital tie-up and improved profitability indices by streamlining the organisation – e.g. eliminating the level of middle management and abolishing redundant jobs – and by selling high-value assets and then re-taking them into lease, or rent (see e.g. the hotel chains selling and then renting their buildings. The changes in the share market contributed to a significant extent to the downfall of the vertical company.

Naturally, in this streamlining process outsourcing led to outsourcing such less efficient activities which it was possible to buy "more cheaply" as an external service. The modularisation of services started to develop rapidly with the development of logistic systems and IT.

Using the model of production system, modularisation lends itself to interpretation easily also in the field of services. Outsiders can be contracted not only for the production of modular part units, but also for performing supportive services for the company as well. A modern company can be conceived of as a central node which concentrates exclusively on the activities providing for the largest added value, and contracts external suppliers and specialists for all other activities. If a need arises for the entry of an additional service, the external supplier joins the company as if in the form a Lego piece, as a module. If the function is not needed, the module can be detached in an identically simple way as it was attached, which is one of the great advantages of the contract relations compared with vertically integrated companies. By using suppliers with outstanding capabilities, it is possible to avoid investments into risky technologies that become obsolete rapidly and to obtain instant additional capacity, if demand changes fast. The scarce resources can be concentrated on the activities of the chain of values which carry the real competitive advantage. Thus the company can avoid unnecessary tie-up of capital and can achieve flexibility and rapid growth.

That means that outsourcing operating on the principle of efficiency immediately produces some networking formation, where independent business units cooperate closely. This is a multi-coloured conglomerate of different ranges of owners, technologies and cultures changing dynamically in space and time due to their amoeba-type movement, which is difficult to define and which is called a boundary-less organization by many. Peter Duckert, Todd Zenger and William Hesterly speak for example about the disaggregation of corporations, others call it de-conglomeration, the deconstruction of companies or their vertical disintegration or – referring to the definitive element of the process, putting activities outside the company – simply describe it as the outsourcing wave:

The successful organisation of tomorrow is built around the building blocks of advanced information technology. The success of the organisation originates in the ability to connect to and disconnect from the nodes of the knowledge network. This networking organisation connects the teams of employees empowered to make decisions, consultants, suppliers and buyers on the 'just as necessary' principle.

The essence of the network is not stability, but adaptation. The network is a kind of anti-organisation, the organisational scheme of which becomes obsolete before it can be drawn up.

Everything is in motion. There are no constant, fixed connections either within the company organisation, or outside it, what's more, what is outside and what is within is also in constant motion. If the traditional corporation resembles mostly some machinery, natural analogies fit best the network: the network company populations can be conceived of as ecological systems, the organic symbiosis of smaller and larger companies.

Networks change economic relations fundamentally; however, theory has devoted so far relatively little attention to this development of significance in economic history. It can be attributed to the fact that many evaluate the transformation of large vertical concerns into loose networks as unambiguously as gaining ground by the market against hierarchies. Although there is no doubt that the transformation of large organisations into networks of independent contractors revitalises the market, at the same time it also changes the nature of market relations.

On the basis of the above, let us have an overview of the approaches of economic theory to explanations of outsourcing.

ECONOMIC THEORY BACKGROUNDS

Division of Labour and Efficiency

Already Adam Smith discussed the advantages of the division of labour and specialisation in his famous work. Smith observed that the same number of workers specialised for a single part operation of pin production produced more pins a day than the same number of workers producing pins by themselves.

While one worker was able to produce 20 pins a day at best, ten workers specialised for individual steps of production were able to produce approximately 48,000 (!) pins. This principle of work organisation observed by Smith resulted in rapid economic development and an increase in social welfare. The increasingly greater specialisation of labour and the final separation of the various trades and jobs are also due to the advance of the division of labour.

Among the classics, David Ricardo also analysed efficiency resulting from the division of labour. In his classic example he discussed the possibility of trade between Portugal and England, presuming a situation where one of the countries is absolutely more efficient in the production of every product (i.e. less labour content is required for the production of the product). Ricardo showed that in the case when each country would sooner produce the product in the production of which it had comparative advantage, i.e. compared with the joint average productivity of the two countries, its advantage was greater or its shortfall smaller, it was possible to increase overall production. Naturally, countries were only able to take advantage of the increasing overall production, if they traded with each other. He used the theory to provide a justification for international trade.

At the beginning of the 20th century, further improvement of the division of labour took place in the manufacturing industry, particularly in motor-car production, through the invention of the production line. In the assembly of his motor-cars, Henry Ford combined continuous production with the division of labour. The activities broken down into individual phases of work had to be performed by the workers specialised for them in a given period of time. Thus the production costs of a vehicle decreased dramatically, while at the same time the quality of the assembly improved essentially. Ford's idea was further developed and improved in the course of the decades since then, then in the past few decades robots appeared beside the assembly line next to/ instead of the workers.

Outsourcing an activity means the enforcement of the division of labour. In outsourcing, the internal organisation of the division of labour is superseded by the division of labour performed between organisationally and legally independent companies; companies specialised for the individual elements of the chain of values enter into contractual relation with each other. The objective continues to be the realisation of efficiency and benefits resulting from the division of labour, which appears at the outsourcer as a reduction of costs and on the supplier side, as profits.

Market Versus Vertical Integration: Transaction Costs

In outsourcing the division of labour organised in the corporate hierarchy, the bureaucratic coordination is replaced by market coordination. The question is which form of coordination is more efficient? The problem can also be formulated as: where should the boundaries of the company lie, i.e. which activities is it expedient to organise within the vertical organisation and which are the activities which can be entrusted to the external market players? The answer is given by the economics of transaction costs, which will not be discussed in detail here (the works Williamson 1975 and Conner 1991 are well known.)

By way of summary, it can be stated that the size and range of influence of a company depend on the savings and cost increments which the company realises in the course of performing a transaction in house, in-sourcing, compared with obtaining the same input-service from the market. On this basis, vertical integration and diversification, but also competence-based company developments lend themselves to explanation easily. For more detail, see (9).

The principal - agent theory and the game or trust theory are closely linked to the theories of transaction costs.

The principal - agent theory is based on a description of the relation between principal and agent. In the relation the principal invites the agent, for the purpose of achieving some objective, to perform the task defined by the principal acting on behalf of the principal. However, the interests of the agent may clash with those of the principal, and the agent is inclined to maximise his own interests at the costs of the principal. Starting from this, the theory is based on three problems arising in the principal - agent relation: the opportunism of the agent, the information asymmetry between the two parties and the different attitudes of the agent and the principal to risk.

The statements of the principal - agent theory can be applied almost fully to the inter-company relations created in outsourcing. In the outsourcing contracts the requirements concerning the expected final outcomes and those concerning the behaviour of the service supplier are mixed. E.g. in informatics outsourcing ensuring 98 % availability of the network is an expected final outcome, while the stipulation concerning the reaction time of the Help Desk is expected behaviour. Both are measured, validated systems are used for their measurement, and in some cases even external experts can be called upon to examine the performance of the service provider. Measurements are not cheap, the validation and benchmarking performed by external experts may cost millions. Despite all this, in outsourcing relations "we are arguing almost all the time" (as stated by several interviewees, see later!), which means that the service provider does not share the objectives of the outsourcer to the full, and a divergence of the objectives is typical.

Modelling of the cooperation is examined using one of the best known applications of games theory, the prisoner dilemma. The prisoner dilemma is also suitable for presenting the possibility of opportunism exhibited in the course of a single-period contract. The model can be used to prove that the parties following exclusively their own interests may use mutually destructive tactics in contractual relations, which results in a deterioration of the service, and the dissatisfaction of the partners leads to the termination of the contract before its end or to discarding its prolongation later.

The Theory of Sustainable Competitive Advantages

This group included several schools of thought, here

- the theory of core competences, and
- resource-based theories will be dealt with in outline, supplementing the discussion with the theory of inter-company relations.

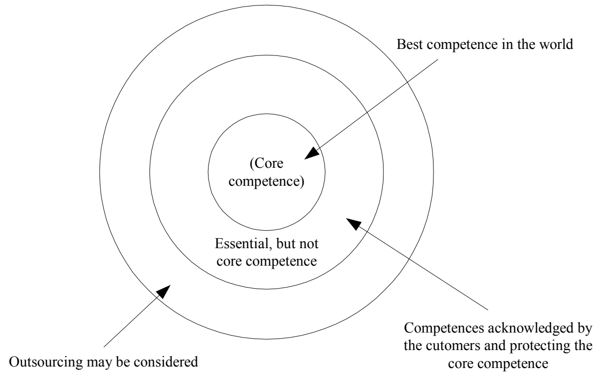
The Theory of Core Competences

In the early 1990s Prahalad and Hamel (1990) renewed the view on the origin of corporate competitiveness. Their approach focused on the internal competences of the company, also called fundamental or core competences.

Core competences cannot be separated from corporate organisation. They do not mean the aggregate of the knowledge of the persons constituting the organisation, but are the results of the synergy created by the collective knowledge of the persons constituting the organisation, including the corporate processes supporting the utilisation of the specialist skills. The core competences are the treasures lying not in the individual persons or in some unit of the organisation waiting for the company to utilise them, but they are typically cross-functional, knowledge-based skills or competences found in the entirety of the organisation.

According to Prahalad and Hamel the most important features of the core competences are that (1) they ensure access to a wide range of a variety of markets, (2) their contribution to the quality of the end products perceived by the consumer is significant, (3) they cannot be imitated by the competitors because they represent a complex harmonisation of individual technologies. They are few in number: in most cases companies are able to build up and maintain a maximum of five or six competences representing a global lead. The core competences are the organisational capabilities ensuring survival; these are what the next generations of the competitive products originate from. Core competences cannot be hired through outsourcing, or supplier chains.

The decisions on outsourcing activities and the concept of core competences were arranged in a common strategic framework by Quinn and Hilmer (1994). According to their argumentation, companies have to concentrate on their core competences representing excellence and being able to supply the costumers with unique value, while they have to outsource the other activities traditionally integrated by the company. Their internal performance is, on the one hand, no strategic responsibility, and on the other, they do not carry the critical competences. Companies have to concentrate their scarce resources on the areas and activities where they are world leaders. In the activities where strategic excellence is less important, the company can make use of the investments, innovations and specialised, professional competences of external suppliers. In those areas the company would be able to achieve excellence within its own organisational framework only at a prohibitive price or would not be able to achieve it at all (Figure 1).



Source: Quinn 1999

Figure 1. Core Competences and Outsourcing

The concept of core competences was highly successful in the management theory of the 1990s. A great number of companies began to define their own core competences.

However, identifying core competences often meets with serious obstacles. What could be the core competence of a relatively simple company performing a standardised activity?

Let us think of a cleaning company using a mature technology and providing a standardised service. What are its key products? Because of this, the concept of core competences also inspired a great number of critics, among them Porter, who says that it is not the inconceivable core competences that are to be looked for, but companies have to strive for sustainable competitive advantages by performing distinctive activities in distinctive manners (Porter 1996).

Resource-based Approach to Corporate Competitive Advantages

Although the theory of core competences inspired a long line of specialists, many have pointed out that the concept is nothing else but a narrower approach to the resources-based view (RBV) of companies. The resource-based view places the unique, not imitable corporate resources that are essential for competitiveness in the centre of its analysis (see Barney 1997, Conner 1991).

The resource-based theory is based on an economics approach. According to the theory, companies can be regarded as sets of physical and intangible resources and capabilities, which determine with what efficiency the functional activities can be performed. Companies are characterised by heterogeneity of resources and capabilities, and different companies possess different resources and capabilities. The valuable resources and capabilities make it possible for the companies to perform activities at lower costs or better than their competitors and thus to achieve a competitive advantage. According to the concept, resources and capabilities create value, and this value is the sum of the consumer's surplus and the producer's profits.

The unique resources may be (1) individual physical resources (e.g. land, site, exclusive right of access to raw materials), (2) special human resources (e.g. individual leadership talent), (3) technological resources not imitable by others (e.g. possession of exclusive patents), (4) intangible resources (e.g. corporate reputation).

Special resources cannot be imitated by others. The reason for that can be found in their physical uniqueness (see for example a hotel built in a unique location), or perhaps their accumulation is 'dependent on a path', i.e. they cannot be obtained at one jump, e.g. by acquisition, or by an investment made at a given moment (e.g. reputation of a brand). This means that the road or path leading to a unique resource cannot be shortened in any way. In other cases imitation is impossible because the competitors are not able to identify the unique resource itself or do not know how to create it themselves (causal ambiguity). Last but not least, potential competitors may also be deterred from imitation by a substantial investment in a special resource. In that case the market is in general so small that a single company can meet the demand. And the supplementary capacity created by others cannot be utilised efficiently; with a new investment the competitors would only be able to market the production volume established at a loss.

Research has clarified rather early that the collective term of resources can be divided into resources and capabilities. In this respect resources are negotiable and not specific to the company (e.g. specialist know-how, financial and physical resources, human capital, etc.), while the capabilities are company-specific and enable the utilisation of the resources. The capabilities are information-based, tangible or intangible processes which are developed through the complex interaction between the resources. The capabilities are based on the information developed, collected and exchanged by the human resources of the company, are 'invisible resources', are frequently developed in functional areas or are created at corporate level by the combination of physical, human and technological resources. The professional literature of the resource-based view also came to apply this distinction (see e.g. Barney 1997)

The value of unique resources is to be judged by the extent to which they can be regarded as valuable, rare, how imitable they are and whether the company possessing them can exploit them. The evaluation can be performed using the VRIO (value, rarity, imitability, organization) framework of analysis. (Barney 1997, Table 1)

Table 1
VRIO Analysis Framework of Resources and Capabilities

Valuable?	Rare?	Costly to Imitate?	Exploitable by the Organization?	Its Impact on Competitiveness	Economic performance	Strengths or Weaknesses?
No	-		No	Competitive disadvantage	Below normal profit	Weakness
Yea	No	-		Competitive-parity	Normal profit	Strength
Yes	Yes	No		Transitional competitive advantage	Above normal profit	Strength and distinctive capacity
Yes	Yes	Yes	Yes	Sustainable competitive advantage	Above normal profit	Strength and sustainable distinctive capacity

Source: Barney 1997, p. 163.

The resource based view of a company does not exclude Porter's approach to the branch structure. What is more, the unique resource is to be submitted to a strict market test to assess its suitability for ensuring competitive advantage. If a company bases its strategy on unique resources, it cannot ignore the dynamics of the industry.

The resource-based view of the company offers a strategic framework similar to the one presented in the analysis of core competences (Quinn and Hilmer 1996). The activities supported by unique capabilities and/or resources important in respect of the sustainable competitive advantages are of strategic importance for the company, thus the activities which are not critical as a result of focusing on the former one can be outsourced.

This train of thoughts can be reversed. Is it worth concentrating on the activities which cannot be the sources of sustainable competitive advantage? If a company cannot perform an activity in a cost-effective way or it does not contribute to the revenues or to the value produced for the customers, and is not supported by the unique capabilities or resources either, it is worth keeping? Is it not more expedient to find the best external sources in the world, companies in which the less important or marginal activity of the company is an activity supported by unique resources and core competences?

In this way the outsourcer obtains the available best performance and the best available competences from an external source. It is a different question that later on the outsourcer is not able to evaluate the service provider professionally appropriately, for the outsourcing results in a deterioration of the internal expertise.

In addition to the theory of competitive advantage explained by the industrial structural forces and the resource-based view of the companies, a third theory has emerged in the past years, which derives sustainable competitive advantages from the relations between the companies involved in the supply chains and in strategic alliances. The theory is called relational view, i.e. the theory of competitive advantage arising from inter-company relations.

Theoreticians involved in theoretical management began to pay attention to the special capabilities arising from partnerships in the late 1980s and early 1990s. The system of suppliers mentioned earlier and used in a revolutionary way by Toyota, operating with high relation-specific investments yet with low transaction costs, and the strategic alliances or partnerships spreading in the early 1990s led to the birth of the theory.

Outsourcing Risk and Returns, Matching the Theoretical Background

Naturally, every approach and underlying theory can describe certain things well, and can describe and explain other issues less appropriately. It can be stated that the transaction cost theory, which explains the decrease in capital tie-up, apportism and the transaction costs involved in contracts, lends itself well to matching. So does the resource-based view, according to which outsourcing enables companies to focus on exploiting their own internal resources/capabilities, to have access to world class expertise and at the same time can lose critical knowledge by outsourcing the wrong activities and even lose innovation competences.

Table 2
Outsourcing Risks and Returns, Matching the Theoretical Background

Outsourcing benefits and returns	Matching theory	Outsourcing risks	Matching theory
Reduction of costs for various reasons	TCE and RBV	Outsourcing the wrong activity, losing critical knowledge	RBV
Focusing on core activity	RBV	Choosing the wrong partner	PAT
Access to expertise, improvement in the quality of processes	RBV, RV	Bad contract, ignoring the transaction costs related to the contract	TCE
Reduction in capital tie-up	TCE	Supplier opportunism, lock in, losing strategic flexibility	TCE
Flexibility and scalability	RBV	Deteriorating morale and productivity, negative trade union reactions, losing key persons	None by itself, TCE, RBV
Positive impact on innovation	RBV, RV	Decline of organisational culture, loss of flexibility, weakening of robustness	RBV
Radical crisis management, re-organisation of business process	RBV, RV	Losing innovation capability	RBV

TCE= transaction cost economics, RBV = resource based view, RV=relational view, PAT = (principal-agent theory
Source: Hinek, M. C. 2009.

Of the two ‘smaller’ theories, the principal - agent theory explains the risk that the outsourcer chooses the wrong service provider (counter-selection). The relational view matches the yields of outsourcing when the relation between the service provider and the outsourcer advances towards strategic partnership (positive impact on innovation, re-organisation of business processes).

Some benefits and risks match both theoretical models. So does the reduction in costs, which according to the transaction cost theory in its narrow sense carries an explanatory force when the costs related to directing the transaction, and the costs due to means-specificity, opportunism and uncertainty decrease. On the other hand, the resource-based theory explains how specialised service providers can achieve a reduction in costs by means of their unique resources and/or competences and a lower position of costs compared to the outsourcer.

A special area is the issue of the deterioration of morale and of losing key persons. This risk is not explained well by any of the theories, but arguments can be found concerning both transaction cost economics and the resource-based view. Key persons represent the issues of means-specificity, their loss may withdraw critical knowledge from the organisation, thus this result matches the resource-based view.

STRUCTURAL ISSUES OF OUTSOURCING CONCERNING NETWORK CONGLOMERATIONS

Table 1 shows organisational efficiency as an essential aspect of the VRIO analysis. It has been suggested several times that outsourcing in general results in co-sourcing networks. That is it always induces cooperation initiatives which:

- are directed at achieving common strategic objectives as a result of joint problem solving,
- are based on mutual trust and advantages.

Concentrated resource utilisation and risk spreading are achieved in the course of cooperation through sharing the tasks and responsibilities.

The above definition of a business network is, however, only a snapshot-like summary. A network is, like any other economic formation, a system of organisations which lives, moves and changes in a highly dynamic way through the joint representation of:

- the division of labour,
- the power structure,
- and the knowledge structure..

If the structural issues of this phenomenon are examined, the real challenge facing the organisations working in a network form is to manage the cooperation forms appearing in the various relations. This factor of organisation and management is not a question that arises automatically for the organisations. If legally independent organisations are examined in the traditional way of thinking either in the supplier-buyer relation (where maximising the profits in the transaction depends on the supplier and buyer positions), or in the relations between competitors, the cooperation can be considered to be a foreign, limited relation.

In operation in a network, the management of cooperation is to be divided into two decisive areas: the management of the inter-organisation relation of cooperation (the management of meta-organisational challenges), and the management of inter-organisational cooperation within the organisation and creating its background (micro-organisational challenges).

Management of Meta-Organisational Challenges (Szintay 2011)

The central character of a network organisation and management programme is the network manager (network broker, to use a popular term), which may be either a company or a group of experts or an authoritative organisation of the network. The role and responsibilities of the network broker differ significantly from the activities of the managers of hierarchy-based companies. Namely, the network broker organises the operation of the network not within an organisation, but 'reaching across' the boundaries of hierarchies and mobilizing them for achieving the objectives at hand and allocates the resources for their optimum exploitation. Network management has to ensure the following general principles:

- promptness, i.e. the network has to be able to be dynamically changed, has to be able to react to the newly emerging challenges of the market, always taking the formation considered optimum;
- being free of costs, i.e. the operation of the network may incur only minimal expenses on the side of the different players, or at least the profits that can be realised should substantially exceed the expenditure;
- avoiding isolation, i.e. there should be no isolated players or groups of players within the network, or any factors which may question the achievement of the network objective (or system of objectives) set;
- being frictionless, i.e. the network cooperation should work with the least possible conflicts, maintaining the possibility of cooperation in any direction between the individual players.

In order to make these general principles prevail, the management directing the 'meta-organisational' processes has to perform three tasks (roles) of key importance, which at the same time also mean managing the 'meta-organisational' challenges:

- 'system administrator', the function of which role is to manage the various programmes already initiated, to check the performance, possibly to involve service providers, to control the network process, to operate the network development systems, and to ensure the continuity of the network operation;
- contact person, the function of which role is to explore the strategic alternatives of the network, to initiate the directions of network development, to initiate and launch new programmes, to identify new cooperation partners and to involve them into the network.
- The network broker is not only a consulting or management organisation, it is to a much greater extent a function providing the framework or the network cooperation, which operates as a connecting link and indicator in the interest of maintaining and developing the whole network.

Managing Micro-Organisational Challenges (Szintay 2011)

Managing inter-organisational cooperation within an organisation requires mainly using structural coordination instruments and their increased utilisation, of which two different forms have to be highlighted here:

- The task falling to a particular organisation within the network operation can be defined well at the time of beginning the task, it has a definite starting point and end point, and the flow of input information or results and of output information or results is realised through bilateral relations. In that case it is justified to build a cross-functional project or team structure within the organisation. This affects the fundamental activity of the organisation only to a limited extent.
- The task falling to a particular organisation within the network operation cannot be defined well at the time of beginning the task, only the expectation of the necessary output emerges on the part of the other members of the network. For the performance of the task, an inter-organisational project or team is established, which performs inter-organisational resource and activity allocation for the achievement of the programme. In that case ensuring the organisational integration of the inter-organisational structure is a priority task. Beyond stating the responsibilities, obligations and command powers, advanced, highly active communication within the organisation carries outstanding significance as an instrument of preventing possible resistance in the organisation. The difficulty in that case is represented by organising multi-communication.

By way of summary: theories always provide satisfactory explanations along presuppositions and boundary conditions, yet even so they often lead to insecure ground in science. Business sciences are characterised by the fact that the permutation experiments of practice produce viable mutants next to a great many failures through screening them by market rationality.

The theory attempts to analyse and systemise these, excluding the defective ones 'with great certainty' and giving way to further empiricism.

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