

to be given to develop and organise data exchange systems in a way it is useful for the partners.

5. Companies have concrete flexible implementation plans based on step by step projects and if possible starting with early successes. These plans have to be managed by inter-company task forces responsible for executing projects and coordinating (and developing) common electronic business policies and standards for financial, marketing, quality, logistic and information systems. It is important, that plans are flexible in order to face changing circumstances or surprising new developments and opportunities.

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3 Lessons from Improvisation or Market Led Theories

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Hayek (1945) described the **market** as a discovery process, where new opportunities and innovations are relentlessly found out and the news of such findings are transmitted instantaneously through the price system. The market constitutes the framework in which organisations perform their activities from two different perspectives (Ciborra, 1997a):

- In first place, the requirements of the market outline the goals, plans, strategies etc. that the organisation is willing to achieve; the achievement of certain goals and objectives is called the „*in-order-to*“ motives of action.
- At the same time, past experiences when trying to reach those objectives also determine the kind of actions to perform; this frames the „*because-of*“ component of action.

Independently of the reasons to perform certain activity, the organisation will face a transformation, which will be more or less dramatic depending on the objectives to reach, and the organisational path dependency. In this section, **transformation** is considered as a bottom up, incremental and individual driven process of change. Therefore strategy's devising is a formation process, instead of a formulation one.

Strategy is the creation of a unique and valuable position, involving a different set of activities (Porter, 1996). This is true for the physical value chain, but it is also applicable for the virtual value chain, in which information is not only a supporting element in the value-adding process, but a source of value itself (Rayport and Sviokla, 1995). Any strategy seeks the development of business's competitive advantage (Henderson, 1989), and therefore, a change or transformation in order to match the requirements of the market.

Mintzberg (1987) defines strategy as plans for the future and patterns from the past. In this definition it is possible to find a „in-order-to“ and a „because-of“ element. The presence of these elements in this concept is due to the way Mintzberg reached such definition: strategy is defined *a posteriori*, after the action has been carried out and managers are aware of the activities that enable such performance. Furthermore he also accepts that strategies „*can develop inadvertently, without the conscious intention of senior management, often through a process of learning*“. This emerging strategic management conceptualisation describes strategic decision as messy, disorderly and disjointed processes (Hutt e.o., 1988).

In this (to some extent) chaotic context, **improvisation** is playing an essential role. Ciborra (1997a) defined improvisation as „*situated performance where thinking and action seem to occur simultaneously and on the spur of the moment*“. Many a-posteriori called strategies have an improvised origin. Improvisation is possible and successful if there is enough knowledge that can support a non-planned decision. Otherwise there is a big risk of failure if the results of improvisation are not rightly controlled.

That knowledge is provided through a **learning process**. As pointed before, the learning process plays an important role in the formation (as well as it does in the formulation) of strategies. In order to understand the sources of knowledge and the learning processes, Ciborra (1997b) described the „learning ladder“. This model shows that knowledge is created in four different levels: routines (experiences or work practices), capabilities (skills), core capabilities (skills that confer a competitive advantage) and formative context (organisational context, culture, values...). Those four levels determine the learning process and the knowledge that evolve from it.

Therefore even if improvisation can be, and in fact it is, a way of strategy decision making, it is influenced by the knowledge of those who improvise. That

knowledge is determined by the learning process by which it has been achieved. And at last, this learning process is determined by the resources of the organisation, the past experiences, business mission, competitive environment and other factors. Consequently knowledge acquisition is a path-dependent process. Path dependency means that the way a firm owns its assets (capability or competency) depends on the process through which they were acquired (North, 1990).

Those influencing factors can be defined as a set of rules that affect the improvisation practise. Using the terminology of the Institutional Economics discipline, those rules are called **institutions**: „*institutions are the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction*“ and they provide a structure for everyday life (North, 1990). They can be formal constraints (like laws or contracts) or informal (values or customs). Having into account that only those rules that affect the expected payoffs of actors can be titled as institutions (Eggertsson, 1997), it is possible to accept that the rules affecting learning process are informal institutions since they influence the performance of the organisation.

Furthermore institutional factors are also to be found in the market side of our analysis. In this case, rules' sources are threefold: consumers (when determining the requirements of the products and services), technology (that determines the final characteristics of those products) and competition (or how other organisations react before the same situation).

All those constraints or institutions aim to reduce uncertainty about the environment by providing certain behaviour patterns. The virtual organisation, due to its special characteristics —among them, the use of information technology for accessing the market-space, and the fast changing environment, in which they are working— can be defined as a complex system. In order to achieve a consistent solution to problems in complex systems, a sequential process that involves institutions is necessary. „*Dealing with all issues simultaneously exceeds the computing capability of individuals*“, and therefore individuals have to operate with an *institutional rationality* (Colander, 1996).

Conclusions

In this section we have defined the market as a set of rules and also as a discovery process in which organisations are embedded. In this framework and having into account that in last term the performance and activities of organisations seek to fulfil the requirements of the market, we are analysing a decision making mechanism through strategy formation. Figure 1 shows the schema of the conclusions of this paper.

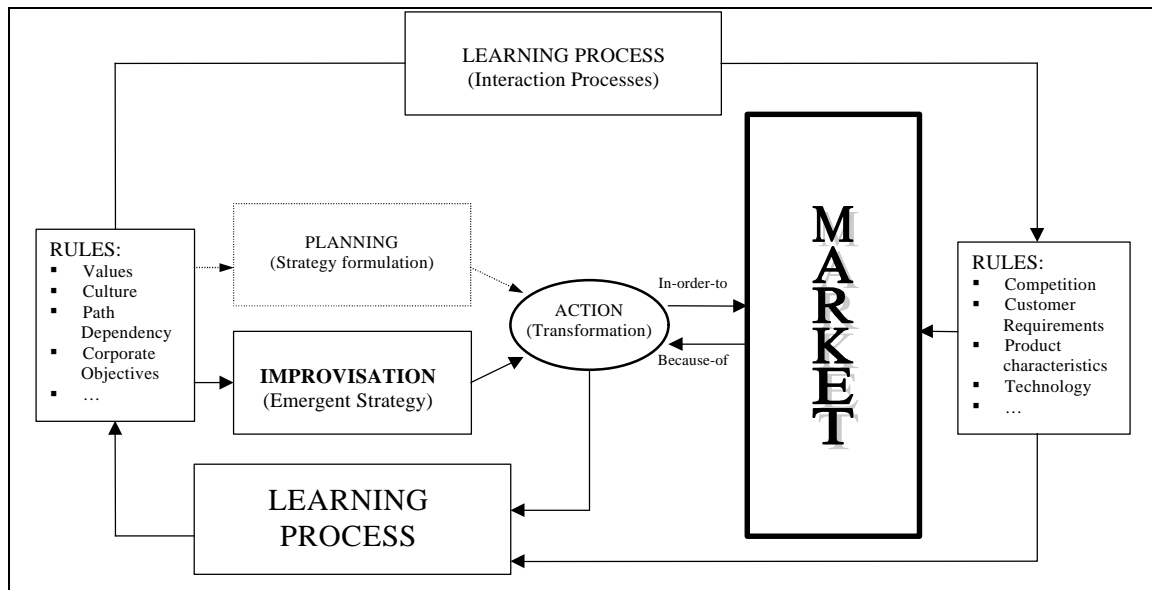


Figure 1: Improvisation on Market Led Decision-Making

In our view market-led action would have two origins: improvisation (or strategy formation) and planning (or strategy formulation). In this section the focus is on strategy formation, in which improvisation plays an essential role, even if it appears this concept cannot be matched with that of strategy because it is too formal.

Nevertheless, what it can not be denied is that even improvisation is determined or to certain extent, influenced by a set of rules or institutions that will guide the direction of that non-planned performance. Those rules are part of the learning process by which organisational knowledge is achieved:

- On one hand these rules come from the very *organisation* so they will ensure a result coherent with the rest of the organisational activities, culture and objectives.
- On the other hand, the characteristics of the *market* will state the direction of the action.

Even if individuals are not aware of the rules or institutions in which they are embedded, —since these constraints can be formal or informal—, their influence is essential in order to facilitate the solution to certain high complex problems, by providing action guides. A complex problem is that of transformation in virtual organisations to match the requirements of the market. In an anarchic (and hypothetical) situation, where there are no rules, a successful result can not be guaranteed.

Besides the learning process commented above, it would be possible to recognise another relationship between organisational level and market level. This process is a learning one in which markets and industries „learn“ from the activities, decisions and skills of organisations. Competitors, consumers, providers, and other

participants in the market will recognise the performance of certain organisation. If the results of such performance are successful, the market will accept the sources of that action as general accepted patterns (i.e. institutions).¹

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4 Lessons from Network Interaction Led Theories

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In this section is acknowledged, in the light of new arrangements emerging between organisations, the uncertain nature of organisational reality which inherently involves various forms of disputes, differences in cognition, opinions, etc. Uncertainty is a widely recognised feature of modern organisational reality (Handy 1996). In organisation studies, post-modernism (Clegg and Hardy 1996) emphasised uncertainty as a general process of destabilisation. These new conditions demand new ways of thinking with regard to organising and managing.

Clegg (1990), for example, views post-modern organisational forms, among which are virtual organisations, as alternatives to modernistic forms such as those described by Morgan (1986) in constructs of organisations as machines and as organisms. If we accept the view that organisations have been able to modify their forms to the extent that they might now be described as post-modern, the network approach and process approaches in general will be able to explain how and why organisations have made this transition. Many of these 'new' organisational forms depend on co-operation with other organisations. All this requires an attuning of the diverse activities conducted by different organisations.