

INTERFIRM NETWORKS AND ORGANIZATIONAL PERFORMANCE: A THEORETICAL REVIEW

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ABSTRACT

Interfirm networks have increasingly become strategic mechanisms for organizations seeking sustained competitive advantage and collaborative capability in turbulent business environments. This theoretical review examines how social capital, resource dependence, and network governance models influence organizational performance across developing market sectors. The analysis synthesizes prevailing empirical and conceptual literature to establish a comprehensive framework linking structural network ties, relationship quality, and shared knowledge assets with enhanced operational resilience, innovation capacity, and strategic performance.

1.0 INTRODUCTION

In the contemporary globalized economy, individual organizations rarely possess all necessary resources internally to navigate volatile market environments. Interfirm networking provides a strategic collaborative paradigm where firms share knowledge, pool capabilities, and mitigate environmental uncertainties.

2.0 THEORETICAL FOUNDATIONS

This review is grounded in the Resource Dependence Theory (Pfeffer & Salancik, 1978) and Social Capital Theory (Nahapiet & Ghoshal, 1998). Organizations leverage external relational ties to reduce resource dependencies and enhance transactional governance.

3.0 NETWORK GOVERNANCE AND TRUST

Governance mechanisms in interfirm networks encompass both formal contractual frameworks and informal relational governance based on mutual trust and reputation. Empirical literature indicates that high-trust relational networks reduce transaction costs and accelerate collaborative problem-solving.

4.0 CONCLUSION AND POLICY IMPLICATIONS

The theoretical framework demonstrates that interfirm collaboration significantly impacts corporate agility, innovation diffusion, and long-term financial performance. Strategic managers should intentionally design collaborative network alliances to optimize inter-organizational learning.