

CHALLENGES OF MANAGING A NETWORK BUSINESS

Dr, Adjunct Professor Hanna Lehtimäki
Life Works Consulting Ltd, Tampere, Finland

Researcher, PhD Student Malla Mattila,
University of Tampere, Finland

BBA Heidi Pirinen,
University of Tampere, Finland

BBA Mari Tegelberg
University of Tampere, Finland

Content of this presentation

- Introduction of the research process
- Value co-production as a theoretical standpoint
- Research setting
- Research results
- Concluding remarks

Research process

- The goal was to identify the key challenges in managing a networked business
- Theoretical premises in frameworks which take into account value creation situations businesses face today
 - Value co-production
 - Capability co-creation
- Qualitative case research of an innovation based start-up, "Alfa"

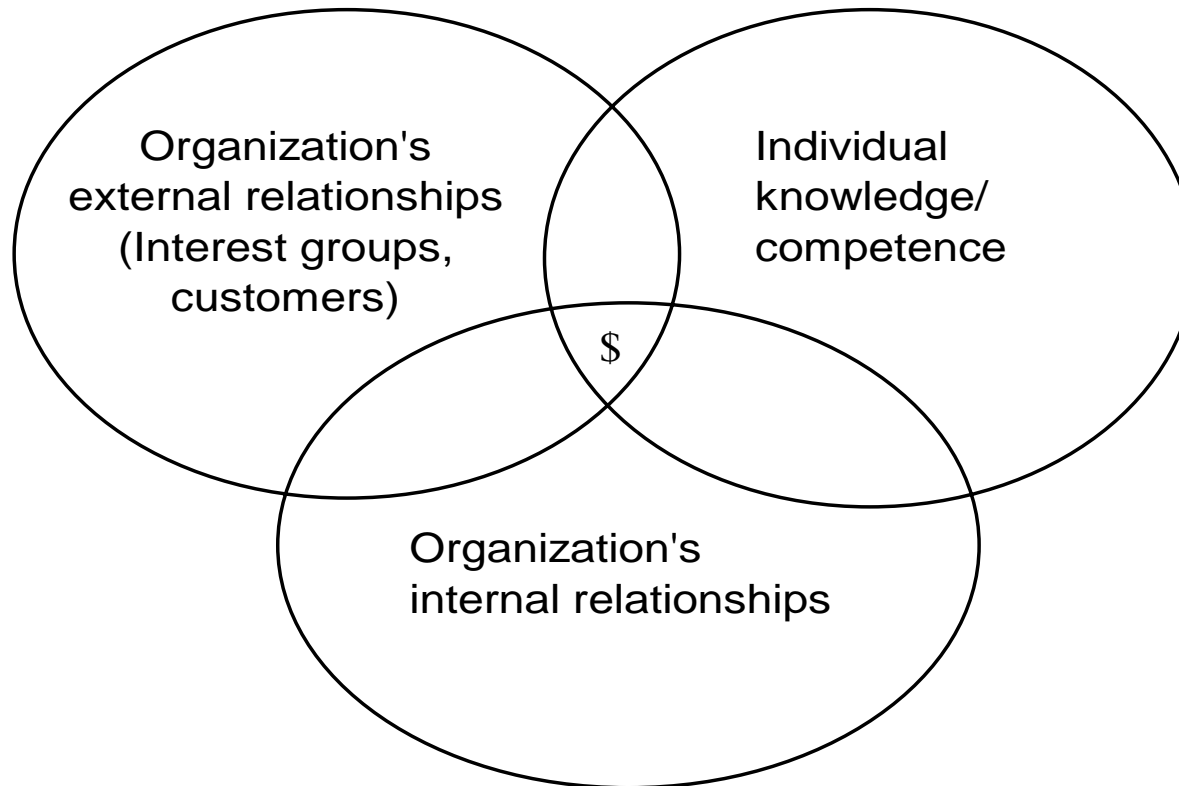
Co-production of value

(Normann & Ramirez 1993; Ramirez 1999, Normann 2001; Sveiby 2001)

- Processual view on innovation activity: value co-production is synchronic and interactive
- Framework allows reconfiguration of roles, actions, and interactions among the economic actors
 - Customers do not destroy value created by producers
 - instead, they are creating and/or reinventing it
 - Customers and other actors can have concurrently different roles
 - Knowledge/competence and relationships become in the locus of the framework

Co-producing value through relationships and knowledge/competence

(Sveiby 2001)



Research setting

- Qualitative, case research design
- Data collection
 - Total of ten interviews (four persons were interviewed twice and two only once) conducted in two separate points of time (spring 2004 and late autumn 2005/early spring 2006)
 - Temporal scope
 - Interviews lasted between three quarters and two hours
 - All interviews were conducted in Finnish, and they were recorded and transcribed
 - Interviews were conducted as open-ended
 - Interviews focused on the processes of organising, developing, and managing the firm as well as on the challenges it faced during the period of the study
- Data analysis
 - The method of content analysis was used
 - Research triangulation

Empirical context

- The case firm is a start up established to bring a technological innovation to the market
 - The innovation combines three different industrial capabilities, and thus, can be called hybrid media
- Innovation process dates back to late 1990's
- At first, in 2004, nine persons worked in the firm
- Today, Alfa employs approximately 20 persons in Finland and Europe

Value co-production framework in practice

– Case Alfa (1)

- Value is co-produced through network relations synchronically and interactively
 - Customers, partners, and subcontractors participate in the value creation processes and technology development
 - Primary organising principle and driving force of Alfa's activities are internal and external networking
 - Internal and external network connections are scattered and they seem to be somewhat person-dependent
 - Role shifts and overlaps between the actors may blur the efforts of control
- *Success of management lies in a firm's ability to manage interactions, not individuals or individual companies!*

Value co-production framework in practice

– Case Alfa (2)

- Customers are seen as co-producers of value
 - At first, difficulties in defining the main (potential) customers
 - Global customers with resources to invest in technology development and power to seduce other players to use the technology were targeted
 - Diffusion of technology inside and through the global customers
 - Technology is developed gradually
 - Engaging customers in the final phase of product development
 - Competitors offer ready-to-use solutions
 - Alfa acts sometimes as mediator between its public and private partners
- > *co-creation of value with customers requires risk taking capabilities from customers also*

Value co-production framework in practice

– Case Alfa (3)

- Three types of capital are necessary in innovation based business:
 - Knowledge capital: Generated and maintained through the aggregates of dispersed individual expertise who value empowerment and self-guidance instead of hierarchical leadership
 - Financial capital: Committed financing organisations are needed, because product development with customers require financing before launching the product
 - Social capital: Long-term personal networks are a strong asset in building a network business. They can provide cost savings.

→ *Research on how to put value on each type of capital is needed to fully capture the value co-production process and the role of each type of capital in it*

Thank you for listening!

Any questions?

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