

# Chapter XI

## Creating Competitive Advantage: The Emergence of a New Business through Collaborative Networks – An Empirical Case Study in the ICT Sector

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### **ABSTRACT**

*This chapter addresses collaborative business networks at the level of industry/cluster networks, which is important and relevant from the strategic management perspective in several industries. This chapter examines two current “hot topics”: the emergence of a new Internet driven business group, and its construction through a series of intentionally developed collaborative networks. Networks are seen to offer firms collective benefits beyond those of a single firm or market transaction. The author of this chapter aims to contribute to the development of the emerging theory of network management by integrating notions from the industrial network approach and the resource-based view of the firm, in particular its extensions into dynamic capabilities and learning. The starting premise is that the characteristics of the task that organizations try to accomplish through forming a specific collaborative network influence, the management of that network, and thus, the capabilities developed and required. This chapter is based on a longitudinal case study in the ICT-sector.*

## INTRODUCTION

This study examines two current “hot topics”: the emergence of a new Internet driven business group, and its construction through a series of intentionally developed *collaborative networks*. This is a highly relevant topic from a number of perspectives. First, relatively little academic research into so-called *e-business* has been published, in spite of its huge impact on economy (Amit & Schott, 2001). Many Scholars argue that network organizations are expected to take the leading role in economic and social innovations in the world of increasing globalization, connectivity, and knowledge intensity (Castells, 1996; Grabher, 1993; Jarillo, 1993; Parolini, 1999; Thompson et al., 1994). Second, in spite of the few seminal studies (Alajoutsijärvi et al., 1999; Lundgren, 1991; Håkansson & Lundgren, 1995; Håkansson & Waluszewski, 2002) we have no more than a rather scant understanding of the dynamics of the emergence of business networks, and especially about the role of individual actors in this process.

Furthermore, the companies operating in a network context need to learn to master both the social and business networks in order to succeed in their business networks (e.g., Lechner & Dowling 2003; Uzzi, 1997) and use the knowledge and information shared in these networks to create competitive advantage. The partners and relationships in networks have also been studied in social networks studies (e.g., Griffith & Harvey, 2004). Relationships in collaborative networks can be divided as follows: Firstly, the relationships involved in research and development activities in software and hardware (platform) technology development and their production, including R&D organizations, universities, and research laboratories (Lee et al., 2001; Anderson & Jack, 2002), or as Lechner and Dowling (2003) stated, knowledge, innovation, and technology (KIT) relationships and networks. Secondly, relationships involved in marketing and distribution,

including in after-sales services and maintenance, distribution and marketing networks, such as advertising agencies, marketing consultancies, and various distribution channel partners that enable access to new or current markets, and provide new market information and expertise in commercializing a product-service offering (Larson, 1991; Lechner & Dowling, 2003; Rocks et al., 2005). Thirdly, network actors facilitating or supporting business processes include business associations (Vanhaverbeke, 2001) and financial partners (Birley, 1985).

This chapter aims to show how an intentional networking among different actors can benefit a focal actor in developing a new business group based on emerging technologies, and thus, create competitive advantage. This study is based on a longitudinal case study in the ICT sector (Juntunen, 2005), and it takes the viewpoint of a focal actor. The author looks at how new breakthrough technologies (i.e., xDSL, multimedia, mobile technology, Internet) and the combination of formerly separate technologies and businesses are transformed into a viable business—the so-called *home commerce* business group—during the time period of 1990-2003. *Home commerce* refers to a set of Internet-based services targeted for consumers and accessible at home via different terminals. This study also examines how the focal actor tries intentionally to construct this new business group by developing of a series of interlinked strategic alliances and networks of organizations. Using the insights gained during this process the author tries to identify the capabilities that the focal actor develops, giving particular attention to network capabilities. The study of network *capabilities* is a rapidly growing area of research, which combines aspects of industrial network theory and the dynamic capability view of the firm. The basic idea is that companies must develop specific organizational capabilities, which the author calls network capabilities, in order to operate and survive in a network context (Möller et al., 2003; Möller &

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