

## Firm s Partnership and Competitive Advantage

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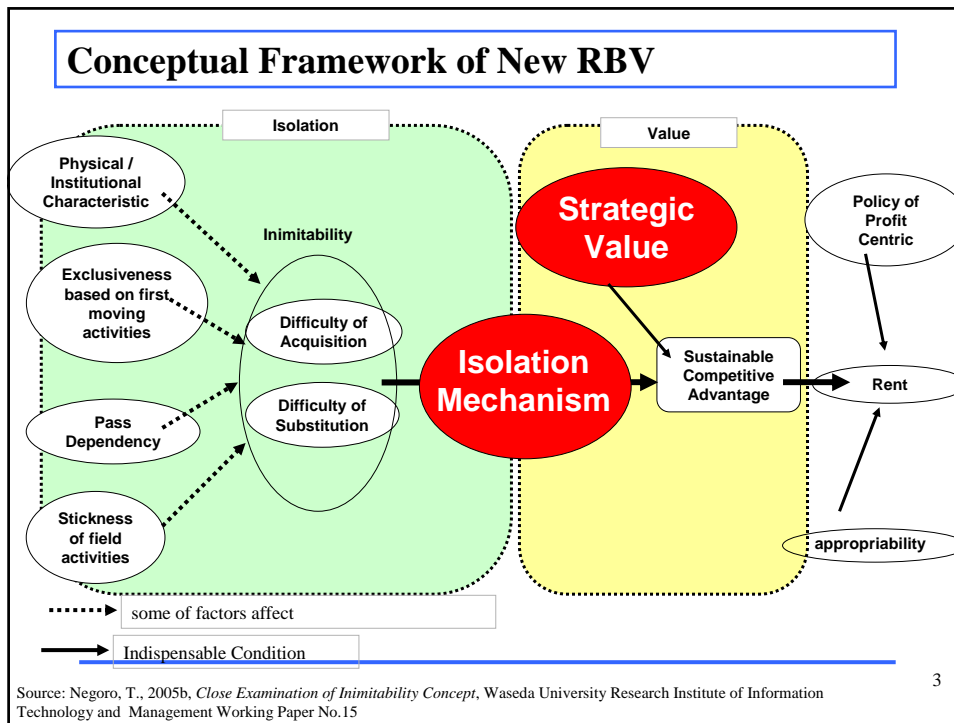
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### Summary

- **Conventional Resource Based View theory** framework is not **sufficient** to examine competitive advantage in an industry in which business with partners is **inevitable**.
- **“Opportunity advantage”** brought by partners is able to be explained by introducing framework of **Structural Embeddedness**.
- This paper analyzes ERP package business as a case to confirm competitive advantage that is brought by the partner relationship structure.

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2



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### The Limitations of Conventional Business Strategy Theories

- An assumption that resources and capabilities that become sources of heterogeneity among firms or differences of business performances are produced inside a firm in one way or another( Konno(2002), p.13)
- There exists **a few studies** of sustainable competitive advantage that consider **resources including partners'**.
- **Opportunity advantage has been argued but not clearly theorized.**

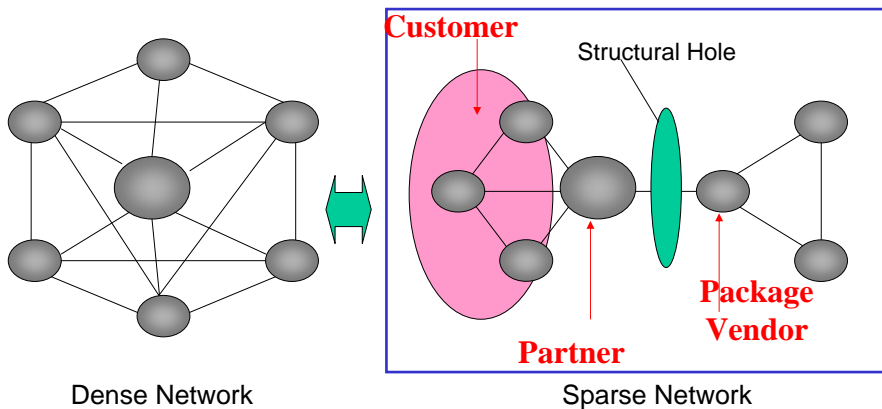
4

### Concept of Opportunity Advantage

- “Opportunity advantage” refers to a state that a firm has a capability **to obtain a lot of business opportunities** in partner networks.
- “Opportunity advantage” can be changed **by choice of partner.**
- A partner network that brings more business opportunities has a possibility of enhancing **a competitive advantage.**

5

### A view of Structural Embeddedness



- Structural embeddedness theory argues that an actor that is embedded in a sparse network has a possibility to obtain new and advantageous business opportunities.

(Source:

6

### ERP Package Business in Japan

- A industry that has a **typical horizontal business partnership** including hardware vendors, basic software (O/S) vendors, System development companies, and so on.
  
- **A collaboration with other players in IT industry is inevitable for Software package vendor**
  
- Business performance is directly affected by the quality of the partners' strategies.

7

### Considerations on Case Selection

- Focus on partner strategy of ERP Package vendors
  
- Focus on large business market of ERP Package business in Japan
  - Main battlefield
  - Easy to capture characteristics of the strategy of package vendors
  
- **Companies for Case Analysis**
  - Focal company : SAP Japan**
  - Compared company : GLOVIA business of FUJITSU**

8

### ERP Package Market Share

SAP Japan keeps the top share in the large business ERP market in Japan

	1997	1998	1999	2000	2001	2002	2003
<b>SAP</b>	<b>34.2%</b>	<b>46.9%</b>	<b>33.0%</b>	<b>45.6%</b>	<b>50.4%</b>	<b>45.9%</b>	<b>46.1%</b>
OracleE BS	15.4%	14.4%	24.0%	19.0%	15.7%	19.1%	20.6%
<b>GLOVIA</b>	<b>10.3%</b>	<b>7.2%</b>	<b>9.5%</b>	<b>7.5%</b>	<b>7.9%</b>	<b>9.1%</b>	<b>10.8%</b>
PeopleS oft	0.9%	2.9%	5.8%	3.2%	4.2%	5.9%	8.1%
SSA	9.4%	7.2%	5.8%	4.6%	3.9%	4.6%	6.3%
Intentia		0.7%		3.5%	3.2%	3.0%	3.6%
IFS		0.7%	2.1%		3.5%	3.4%	3.2%

9

### The Characteristics of Partnership of SAP Japan

- A Company with a required conditions is able to be a partner
- **Diversity** is observed in partner types
- SAP Japan **focuses on** product delivery, sales activities, technical support services

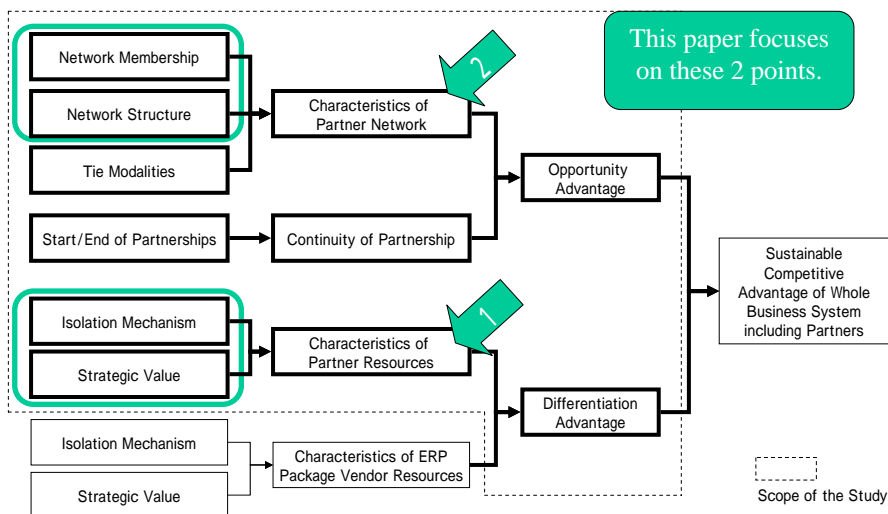
10

### The Partnership Characteristics of Glovia Business of FUJITSU

- Regardless of providing a partner system that is almost the same as SAP Japan, most of GLOVIA partners are **FUJITSU group firms**.
- **Lack of diversity of partners**
- **Because FUJITSU delivers hardware products and basic software products, partnerships with competitors ( hardware vendors, basic software vendors ) are not observed**

11

### The Framework for Analyzing Partnership



12

### Evaluation of “Isolation Mechanism”

- To acquire continuous competitive advantage, isolation of resource is necessary.
- Resource Isolation mechanism consists of “difficulty of acquisition” and “difficulty of substitution”.
- In this paper, “difficulty of acquisition” is evaluated as “immobility”.

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13

### Evaluation of “Isolation Mechanism”

- **SAP Japan need to utilize external resources when it conducts sales and implementation activities.**
- **GLOVIA business of FUJITSU accumulates resources mainly internally.**
- SAP Japan is supposed to be **inferior to SAP Japan in immobility.**  
=> It doesn't have good “**isolation mechanism**”

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14

### Evaluation of “Strategic Value”

- ERP packages require generally **huge and long term projects** for implementation because the functions of products are very complicated and the scope of application is very wide.
- Therefore customers should consider the vendors’ past implementation performance. Because customers think about **uncertainty** whether the package will work when they utilize the software.
- To evaluate **the strategic value** of the ERP package businesses, it is required to examine whether the partner resources contribute to reduce the uncertainty of implementation.

15

### Evaluation of “Strategic Value”

- In the case of **SAP Japan**, the quality of partners varies and **it depends on choice of partner** whether the partner resources might contribute to reduce uncertainty of utilizing the software.
- In the case of **GLOVIA business of FUJITSU**, FUJITSU has much resources in itself and the equivalent way, it keeps certain level of capability. Therefore **uncertainty is almost avoided**.
- **GLOVIA business of FUJITSU is comparatively superior to SAP Japan in “strategic value”.**

16



### Partner Member of SAP Japan

#### ■ Significant Partners

- **User Company, system development subsidiary of User Company's group, Computer Vendors, Consulting Firms**

#### ■ From an interview with consulting firm:

- SAP Japan expanded its business not through a collaboration with computer vendors but with consulting firms.
- Furthermore, some accounting firms that had human relationship with consulting firms introduced customers to SAP Japan.

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17

### Partner Member of GLOVIA Business of FUJITSU

- #### ■ Total of 80 companies, but almost partners are targeting to middle and small business market.

- #### ■ To compare with SAP Japan, as far as considering partners targeting large business market, half of 26 partners are **existing FUJITSU group companies**.

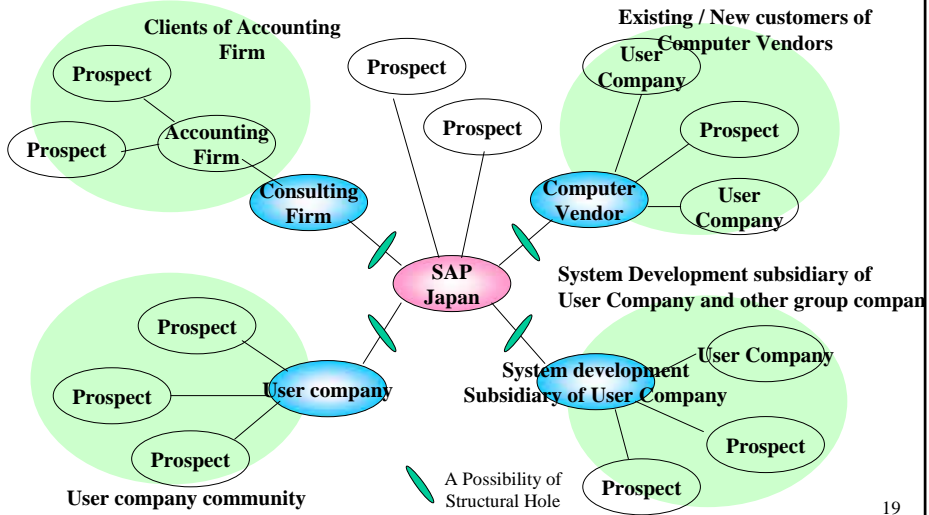
- #### ■ Furthermore, FUJITSU directly sells GLOVIA to customers in the large business market and it doesn't have any resale system.

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18

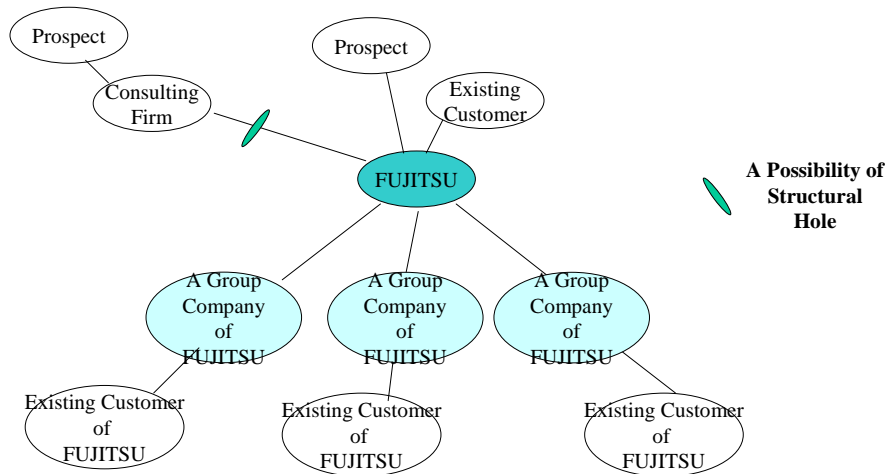
### SAP Japan's Partner Network Image

■ SAP Japan has a lot of possibility of structural holes.



### The Partner Network Image of GLOVIA Business of FUJITSU

■ GLOVIA Business of FUJITSU has few possibility of structural holes.



### Summary of Case Analysis

		SAP Japan	GLOVIA business of FUJITSU
Partner Resources	Isolation Mechanism	×	
	Strategic Value		
Partner Network	Membership		×
	Network Structure		×

■ Comparing both companies,

- GLOVIA business of FUJITSU is superior to SAP Japan in partner resources
- SAP Japan is superior to GLOVIA business of FUJITSU in partner network

21

### Discussion (1)

- From the analysis result based on traditional RBV, **SAP Japan's partner resource does not contribute to the competitive advantage.**
- On the other hand, **the partner resources of GLOVIA business of FUJITSU have competitive advantage** because most partners are group firms.
- **From the framework of conventional RBV, GLOVIA business of FUJITSU that has superior to SAP Japan in partner resources can have competitive advantage.**

22

### Discussion (2)

- But **SAP Japan keeps the top market share** , GLOVIA business of FUJITSU just keeps 3<sup>rd</sup> rank.
- Therefore **GLOVIA business of FUJITSU can not fully utilize its resources** that have potential ability to acquire competitive advantage.
- This shows that there exists **another factor** that conventional RBV can't fully explain.

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23

### Discussion(3)

- SAP Japan has diversity in its partner network – user firms, SI subsidiaries of user groups, many consulting firms.
- This is supposed to be a key factor of taking business customers that are **difficult to be reached by SAP Japan itself**.
- From the structural embeddedness view, it can be said that **SAP Japan places itself in the position that connect structural holes**.
- Therefore, SAP Japan has **the possibility of having “opportunity advantage”**.

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24

### A Possibility of Complement and Expansion of RBV with Structural Embeddedness Theory

- In the framework of conventional RBV, “**access**” brought by business partners **has not fully been examined**.
- By introducing structural embeddedness view, explanation of “**opportunity advantage**” brought by partner **network** become possible.
- In the explanation of competitive advantage brought by business partners, the structural embeddedness theory is positioned as **a theory that complements and expands conventional RBV**.

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25

### Future Research

- Examine the impact of software product to the differentiation regarding competitive advantage
- Examine using other mechanisms – e.g. first mover’s advantage, network externality , brand powers, etc.
- To generalize, examine the framework in other businesses / industries
- Quantitative approach

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26

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- (\*) These are written in Japanese only.

27

\*\*\* End of Presentation \*\*\*

28