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Striving for network power: The perspective of solution integrators and suppliers

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ABSTRACT

This paper explores how companies in complex networks strive for inter-organizational power. Solution provision was chosen as the empirical context because of its highly networked nature and the complex power relationships within the networks. We raise the level of analysis from buyer–supplier dyads to a network involving solution integrators, their suppliers, and the users of their respective solutions. Our findings demonstrated that the integrators and suppliers take action to shape their power sources on three different levels. In contrast to the literature regarding solution provision, our findings from the analysis of six embedded cases indicate that suppliers can also achieve structurally powerful network positions by skillfully focusing their development efforts on fostering the complementarities of power sources. In addition, our study indicates that integrators may find it notably challenging to achieve power over their suppliers by creating better access to customer information.

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1. Introduction

The current business landscape in developed economies is characterized by the increasing provision of services. For example, in the US, the contribution of services to the gross domestic product (GDP) was 79.7% in 2012 (Central Intelligence Agency, 2013). This change is also reflected in the transition of manufacturing companies toward solution provision, which means that manufacturers take responsibility for customers' problems by providing solutions to them. This provision is achieved by integrating various types of machinery, services, and technologies (Brax and Jonsson, 2009; Davies and Brady, 2000; Davies et al., 2006, 2007). Because of its complex nature, solution provision typically takes place in networks that are global and competitive (Brandenburger and Nalebuff, 1996; Choi and Kim, 2008; Wu and Choi, 2005). In this context, the concept of power is central because it enables an actor to influence other actors to change their intentions and actions (Emerson, 1962; French, 1956; French and Raven, 1959), which can subsequently be reflected, for example, in improved contract terms, perceptions of responsibilities, or information sharing among the actors (Meehan and Wright, 2011). In solution provision,

such attempts to influence other companies are frequent because different networks compete against each other on one hand and, on the other hand, companies participate in different networks and compete with other actors in their own network. Within each network, the most powerful parties can improve their financial performance and reap a greater share of the network's profits through the use of their power over weaker actors (Gelderman et al., 2008; Ramsay, 1994, 1996). Thus, solution provision networks provide an interesting and timely context for studying how companies compete to gain power.

Originating in the social sciences, research investigating power in social networks (Dahl, 1957; Emerson, 1962; French, 1956) has developed in the area of marketing (e.g., El-Ansary and Stern, 1972; Etgar, 1976; Gaski, 1984; Hunt and Nevin, 1974; Wilkinson, 1973) and, more recently, focused on purchasing and supply management studies (e.g., Caniëls and Gelderman, 2005; Cox, 1999; Gelderman et al., 2008; Kraljic, 1983; Ramsay, 1994; Van Weele and Rozemeijer, 1996). The literature has identified various sources of power, of which structural power induced from the position in the network (Bastl et al., 2013; Burt, 1992; Wu and Choi, 2005) has gained increasing interest as competitive strategies have become based on networks (e.g., Teece et al., 1997; Teece, 2007). Other power sources can be divided into those that are specific to an organization, such as its tangible and intangible resources and capabilities (Cox, 1999, 2001a; Pfeffer and Salancik, 1978; Ramsay, 1994), and those that are specific to relationships between two organizations (e.g., Brax, 2005; Caniëls and Gelderman, 2005; Cox, 2001b; Johnsen et al., 2009).

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Despite several previous insightful studies, there are still gaps in the literature regarding how companies attempt to change power sources in their favor. In addition, the discussion on power has paid little attention to the context of solution provision. The power sources have been studied in detail in the context of value networks (Kähkönen and Virolainen, 2011) and the meaning of power for the network actors (Meehan and Wright, 2011). However, in line with Borgatti and Halgin (2011), we argue that the sources of power are tightly intertwined with companies' efforts to alter and manage them. In other words, research examining inter-organizational power, especially in the context of solution provision networks, needs to explore how companies act to achieve power. These studies examine companies' actions, but understanding the link between the actions and the realized power also requires understanding how power is thereafter enabled through changes in the (structural) power attributes (Kähkönen and Virolainen, 2011). The focus of previous research on companies' actions to realize power has focused on buyers and their strategies in relation to supplier relationship management and purchasing (e.g., Caniëls and Gelderman, 2005; Cox, 2001a; Pazirandeh and Norrman, 2014; Ramsay, 1994; Van Weele and Rozemeijer, 1996), whereas studies on suppliers have focused mostly on the actions of dominant suppliers (e.g., Gelderman et al., 2008).

In response to this knowledge gap, we set out to study power in networked solution provision (Brady et al., 2005; Brax and Jonsson, 2009; Davies, 2003; Davies and Brady, 2000; Tuli et al., 2007). We chose to utilize the perspectives of power in purchasing and supply management (e.g., Caniëls and Gelderman, 2005; Cox, 2001a, 2001b; Kähkönen and Virolainen, 2011; Pazirandeh and Norrman, 2014; Ramsay, 1994, 1996; Van Weele and Rozemeijer, 1996) and focus our analyses on the actions taken to achieve power, which are carried out by solution integrators and their suppliers. Choosing solution provision as the research context enabled us to study situations in which industrial companies with varying emphases on sources of power are part of the same network. Our aim is to identify the links between the decisions and actions by supplying companies, which lead to changes in their structures and positions in the network, thereby enabling power. Our approach in studying these links is similar to the one used in previous studies on purchasing power (e.g., Caniëls and Gelderman, 2005; Pazirandeh and Norrman, 2014; Van Weele and Rozemeijer, 1996). However, we take the opposite viewpoint. We study the actions taken by supplying companies to improve the power in a supply network, whereas the above-mentioned studies investigated the purchasing strategies of buyers.

We aim to take part primarily in the discussion of *solution integration* and secondarily in the discussion on inter-organizational power in purchasing and supply networks. Specifically, we aim to reveal how power is achieved through actions and decisions that lead to an advantageous position in the network. The previous studies on power in service and solution provision used mostly a triadic perspective to focus on the bridge position. These analyses predominantly used a conceptual approach (Bastl et al., 2013; Choi and Wu, 2009b; Li and Choi, 2009). Consequently, these studies were on a broader and higher level, explaining power relationships and strategic choices, whereas we intend to add significant detail to this picture. In addition, we aim to contribute to the discussion on network power (e.g., Dahl, 1957; Emerson, 1962; French, 1956; Håkansson et al., 2009; Kähkönen and Virolainen, 2011; Pazirandeh and Norrman, 2014) through exploring the context of solution provision, in which companies participate to various degrees in providing goods, services, and technologies. Thus, we aim to answer to the following research question: *How do integrators and their suppliers take action to shape power sources and thereby achieve power in solution provision networks?*

Next, to establish a theoretical basis for our study, we review the literature on solution provision from a network power perspective and aim to augment it by analyzing the literature on power sources and actions taken to improve power. We identify alternatives for sources of power and develop a literature framework that links companies' actions, power sources, and inter-organizational power in the network. This framework is used in our empirical analysis. The research method is a multiple-case study and the methodological decisions are presented in Section 3. After that, through an empirical analysis of six embedded cases, we identify the ways that companies strive for power and changes in the power sources enabling the power. The primary findings are presented as propositions in Section 4. Next, the primary contributions are summarized in Section 5 in addition to the limitations of the present study and recommendations for further research.

2. Theoretical background

This section presents the theoretical background of our research. We start by discussing solution provision in networks, which is the context of the paper. After a brief introduction of the context, we analyze the literature on power relationships in solution provision networks from the viewpoint of the power sources and we analyze the actions taken by companies to change their power sources.

2.1. Research context: networked solution provision

The current business landscape is characterized by networks of interrelated companies that can be simultaneously direct competitors and collaborators for common benefits (e.g., Brandenburger and Nalebuff, 1996; Håkansson et al., 2009). Solution provision (Brady et al., 2005; Brax and Jonsson, 2009; Davies and Brady, 2000; Tuli et al., 2007) can be observed as an archetype of interrelated operations, where very different types of companies are part of complex networks. Global manufacturers provide equipment uptime and services for outsourcing whole production lines, technology experts focus on supplying components of the equipment, local independent service companies provide maintenance for users, and so forth. Solution integrators are responsible for solving customer problems with customized solutions (Brax and Jonsson, 2009; Davies, 2003; Davies et al., 2006, 2007), instead of only delivering products and services in separate transactions. This responsibility can include, for example, integrating various types of machinery, power appliances, software, and services to offer the customer everything required to install, operate, and maintain an entire production line.

The operations of each actor in the solution network are interdependent. Integrators must rely on a number of suppliers of technologies, subassemblies, and services (Brady et al., 2005; Davies, 2003; Davies et al., 2006; Tuli et al., 2007). Furthermore, a maintenance provider can specialize in servicing the equipment produced by a specific manufacturer and therefore, depending on that party, in providing its customers with technological expertise and maintenance solutions. In addition, most companies in solution networks participate simultaneously in a number of such networks and some compete more or less directly against each other. Because of this complex interdependence, a network approach is essential to the analysis of power in solution integration.

Previous studies have frequently utilized service triads to focus their research on the context of these complex networks. The triads are considered the building blocks of organizational networks (e.g., Choi and Kim, 2008; Choi and Wu, 2009a; Wu and Choi, 2005). Triads contain three actors that are directly related,

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