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Strategic reversal – The network as reason, means and end

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Letter from guest editors

A major output from IMP research has been the conceptualisation of a business landscape that is populated by three universally related elements; activities, resources and the actors that are associated with them. These activities, resources and actors are seen to evolve within heterogeneous but more or less interdependent combinations within and between business firms. The centrality of interaction and interdependence within this conceptualisation has important implications for researchers and practitioners involved in business strategy. In particular, this conceptualisation contrasts with the more conventional view in the strategy and marketing literature of a more or less clearly defined business firm that is in control of its own discrete set of resources and is able to develop and implement its own strategy for those resources which it directs towards a more or less generalised market.

The aim of this first Special Issue of the IMP Journal is to develop a number of themes which relate to the idea of strategy in the interactive business landscape and which build on the IMP conceptualisation of the business network. The first of the papers by Bankvall, Dubois and Lind uses this conceptualisation to examine the ideas behind the commonly used term, "business model". The paper uses a case study of a truck Original Equipment Manufacturer (OEM) with ambitions to change its business model, particularly in emerging markets. The paper addresses the notion of 'business models' in an industrial network setting, and how the concept can be defined and developed based on the theoretical assumptions underlying business network theory.

The second paper by Gadde takes its starting point from the view of the business network as a network of interdependent activities and resources and the actors associated with them. The paper explores strategizing in terms of the widening and narrowing of corporate boundaries. The paper is based on a literature review where two archetypes of boundary-setting principles are identified: the 'integrated hierarchy' representing wide boundaries to control resources and activities in-house; and the 'connected company' featuring narrow boundaries, through outsourcing and specialization. The analysis shows that mainstream focus on ownership boundaries needs to be complemented by an understanding of the other significant borders of the firm that are derived from central features of the three network layers concerned with the interdependences between activities, interfaces between resources, and interaction among actors. The paper compares and contrasts the features of the two archetypes of boundary-setting principles with regard to these boundaries. The paper concludes with discussion of the variety and the dynamics of boundaries, and some examines some of their implications for strategic boundary-setting.

The third paper by La Rocca and Perna takes a more narrowly focused view of strategy in the business networks. The paper is based on the empirical case of a small Italian company in the automotive business. The paper focuses on the critical issues faced by a company seeking to establish a position in an existing business network. The paper highlights how a firm's development strategy is always contingent on the involvement of external actors and their resources and activities. This paper contributes to the discussion on strategizing by analysing the interactive nature of strategizing at the actor level and by focusing on the particular issues faced by an emergent company.

The following paper by Oberg discusses an often neglected area of business strategy and applies network thinking to the phenomenon of strategic reversal, or what happens when a company decides to undo strategic change that it had previously sought to implement. The paper examines three aspects of strategic reversal; firstly, the process by which network factors may drive reversal, secondly the ways in which a company can use the network to accomplish reversal and thirdly the possible effects of strategic reversal on network counterparts. The paper uses two case studies to illustrate these aspects and draws managerial conclusions for those involved in attempts to achieve reversals.

Finally, the paper by Svendsen, Dubourcq and Håkansson examines a case study that provides what they refer to as "a perfect example of a company within a business landscape dominated by network processes". The case study illustrates a central characteristic of business which is the embeddedness of actors within a network of heterogeneous resources. The paper shows how the situation faced by a company in seeking to develop a network position is determined by a set of existing connections between the resources to which it requires access. The paper highlights the ways that these existing resources and the connections between them largely determine the direction of a company's initial development. The paper also interprets the subsequent development of a company and its strategy in terms of the development and refinement of the interfaces between existing and developing resources.

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Towards a Network-based Business Model Concept and The Case of a truck OEM considering its Business Model in India

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Abstract

The term 'business model' has become part of everyday language and increasingly a concept subject to various theoretical conceptualisations. In this paper we explore the concept in relation to the Industrial Marketing and Purchasing (IMP) approach. As inspiration for the discussion we use the case of a truck Original Equipment Manufacturer (OEM) to consider its business model in relation to its business development in India. We conclude by suggesting that business models need to relate to how offerings/seekings are developed based on problem solving and interaction, which implies that the focus of the business model concept should be set on the 'layers' at which this interaction occurs.

Keywords: Business models, offerings/seekings, interaction, networks, trucks

1. Introduction

The paper investigates the case of a truck Original Equipment Manufacturer (OEM) with ambitions to change its 'business model', particularly in 'emerging markets', by adjusting its core products, i.e. the trucks and 'services' with which they are associated. The paper addresses the notion of 'business models' in an industrial network setting, and how the concept can be defined and developed based on the theoretical assumptions underlying the Industrial Marketing and Purchasing (IMP) approach. From an industrial network perspective, the business landscape can be seen as a network of interdependent activities and resources and the actors associated with them (Håkansson et al., 2009). The present paper examines the business model phenomenon according to this interpretation.

In order to develop the notion of business models from an IMP perspective we review the related literature. The concept of business models has not been addressed by the IMP literature, and we therefore discuss it first in more general terms. In the case, we then investigate the situation as understood by the truck OEM and the Indian actors who are, or might be, involved in the firm's business model. Based on this case, we discuss the aspects of business models that are important for firms developing their business in new settings. Finally, we propose theoretical and managerial approaches to the concept of business model in industrial networks.

2. Business Models and the IMP approach

The literature on 'business models' has proliferated in recent years (for a review see Zott et al., 2011). The suggested conceptualisations rely on many different theoretical underpinnings and/or combinations thereof. According to Zott et al. (2011) there is no consensus on what a business model is. Most researchers investigate them in the context of questions such as: How do firms create value? How are customers made to pay for that value? and How are payments turned into profit through firm-internal operations? (Teece, 2010; Morris et al., 2005; Chesbrough and Rosenbloom, 2002).

Most conceptualisations rely on static, firm-centred approaches, and traditional assumptions related to markets and market exchanges (Mason and Spring, 2011; Palo and Tähtinen, 2013; Bankvall et al., 2013). Market views in a business context imply the existence of a (latent) market on which the firm can decide to operate. A network view, on the other hand, implies that the firm operates within the network. Hence, from the perspective of the individual firm, a network does not exist if the firm is not part of (the interaction within) it. Therefore, the firm-level, managerial aspect of the business model concept according to a network interpretation must build on how the firm approaches interaction with its counterparts.

We have identified one suggested conceptualisation of business models based on networks. Mason and Spring (2011) refer to early notions of business models in internet-based business setting, where they describe the roles of various network actors and the flows of products, services, information and revenues between them. The business model conceptualisation suggested by Mason and Spring (2011) includes three core elements; technology, network architecture and market offering. Moreover, they suggest that:

...firms, business networks and markets form embedded systems within which multiple overlapping business models can be considered constituent parts. In this way, the business model is understood as having agency to shape action; but in turn actions (of others in the business network as well as the firms themselves) also shape the business model (ibid.: 1032).

A market offering is characterised as "consisting of the value-creation opportunity arising from alternative combinations of artefacts, access to suppliers' capabilities and capacities, and activities performed by the supplier(s) on the customer and/or its property" (ibid.: 1035). The market offering refers to the nature of the interaction between producer and user rather than to any special product feature(s).

Technology refers to the different system levels required to realise the market offering. The technology element contains four technological dimensions: product, process, core and infrastructure. Firms in the network are assumed to have different degrees of control over these technologies, but since all influence business models they should not be treated as 'environmental variables' but "as part of the network of internal and external actors that practice the business model" (ibid.: 1034).

The network architecture comprises the business network and the associated business transactions and relationships of the focal firm, as well as market standards and capabilities (ibid.). Indirect capabilities are included, based on the assumption that the firm can access and utilise the capabilities of others within the wider business network. The ease with which firms can access their counterparts' capabilities is influenced by the existence and development of markets and standards. The structure, content and governance of transactions link this dimension of the network architecture to relationships.

In view of IMP business logic interpretations, the conceptualisation suggested by Mason and Spring (2011) should be investigated with regard to the issues involved in mixing market and network understandings of the business landscape. The notion of 'market offering' suggests a unidirectional (seller focused) view of the products and services to be exchanged. The notions of 'offerings' from the selling firm's perspective, and 'seekings' from the buying firm's perspective can be seen as the basis for the interaction between buyer and supplier. Ford and Mouzas (2013: 11) describe service offerings/seekings and business interaction as follows:

Business interaction is the process through which each business actor will seek or offer service to or from particular counterparts on the basis of specific problems it has recognised and chosen to address and the particular relationships within which it is engaged. Service-seeking and offering is based on the existing resource heterogeneity, activity interdependence and actor jointness in relationships. Service-seeking and offering drives the process of activity specialisation, the path of resources and the co-evolution of actors. (ibid.: 11).

Ford (2011: 237) contrasts the service concept in Service-Dominant Logic (SDL) with IMP and on this basis suggests what 'service' might be for an actor in 'the interacted landscape':

... reciprocal, multi-dimensional and temporal. It would be concerned with the combination of problems and uncertainties that the actor and its different counterparts face and with their respective abilities. Service in this landscape would also exist at both the episodic and relational levels encompassing not only immediate "value-in-use", but also the longer term activity specialisation, resource path and actor co-evolution. Thus an IMP view of service would be expressed in terms of the expected and perceived problem-coping of actors, both for themselves and for their counterparts. This view would also emphasise how the intended, expected and attribute roles of business actors varied as their relationships evolved. (ibid.: 237).

In the interacted business landscape the actors develop seekings/offerings in interaction related to perceived problems and uncertainties. Joint problem-coping can be seen as the basis for the offerings/seekings developed through the interaction occurring in business relationships. This interaction can connect the production and use of offerings/seekings in new ways and, thus, production and use might develop as a result of the interaction.

Some parts of the offering may be standardised. For instance, truck engines are not developed individually for specific customers. As part of the offering/seeking, standardised components can be combined with products and services that are adapted or developed in interaction between buyer and supplier. As 'bundles' of components (products and services), such offerings/seekings become embedded in the buyers'/users' resource constellations and activity structures in ways that make them unique in their use settings. For the selling firm, the choice of which standardised and which 'customised' components should be included in its offerings is an important aspect of its business model since this choice sets the conditions for the interactions with counterparts. The border between a standardised and a specific product has been identified as one among several relevant firm boundaries, which influences the interaction with counterparts (Araujo et al., 2003).

Based on these notions we examine the following questions based on the case of a company contemplating its 'business model' in a particular setting. We also investigate the more generic issue of defining the business model concept from an industrial network perspective:

What actor related problems and uncertainties can be identified and how are these subjected to joint problem coping as a basis for interaction with the firm's counterparts?

How does the business model (or the firm's approach to interaction with its counterparts) affect activity specialisation, the path of resources and the co-evolution of actors?

These questions inform discussion of the case of a truck OEM considering its business model for India based on adjustment to the business models applied in other countries, and by changing its core products, i.e. trucks, and associated services. The case description relies mostly on how the truck OEM perceives its business conditions, and includes interviews with current and potential counterparts in India.

3. Case Description[1]- The Truck OEM and the Indian truck business

The case description is structured as follows. First, the current business model of The Truck OEM (the name used to anonymise the focal company in this case) is described, as perceived by the company. Section 3.2 discusses some of the main characteristics of the Indian truck business and describes The Truck OEM's ambition to develop its current business model to suit this specific emerging market, from the company's point of view. Sections 3.3-3.4 include the main characteristics, specific problems and uncertainties of the Indian dealers and the Indian truck operators.

3.1 The Truck OEM's perspective

The Truck OEM since the mid 2000s has been strengthening its position as a global truck manufacturer. It acquired several other truck OEMs and established joint ventures with domestic truck OEMs in various countries including China and India. As a result, the company has grown considerably to become one of

1. The case description builds on 37 interviews, conducted in two rounds in Sweden and then India. The first interview round included 10 interviews, 8 of which were with people associated with the organization of the Truck OEM, and 2 with customers of the Truck OEM. In the second interview round, 27 interviews were conducted. Among these, 2 were with representatives of The Truck OEM in India, 12 were with dealers, most owned by The Truck OEM, but also independent dealers and dealers associated with The Indian Truck OEM; and 13 interviews were made with potential and current customers of The Truck OEM and The Indian Truck OEM.

the world's largest truck manufacturers, operating under several different brand names.

The brands are positioned differently, both geographically and with regard to the various applications of truck operators. When entering a new geographical market, the challenge is to decide how to approach prospective customers. For example, it is important to identify whether these potential customers are primarily truck operators or actual buyers of transport services. Decisions have to be taken with regard to the range of products to offer these customers. The products include trucks, but also and increasingly, various so-called 'soft products' or services. The Truck OEM has a long-term ambition to increase its share of 'soft products' to approximately 50 per cent of total sales. This goal is influencing the company's sales and marketing activities.

The Truck OEM perceives the requirements of truck operators as varying widely depending on both the geographical market and the applications. Currently, their trucks are used for long haul, regional transport, and also city distribution. Some trucks are used for specific applications, for example, related to mining, or for hauling extremely heavy loads. All of the truck production requires some kind of customisation, which is developed in interaction with customers. To facilitate this customisation the company works with 'bodybuilders' or manufacturers of bespoke truck bodies, but also has extended its services. In addition to actual trucks, the main building blocks of The Truck OEM's offer are parts, maintenance services, financial solutions, service contracts, driver development, transport information systems, and accessories.

The specification for an individual truck is developed in interaction between a sales representative at The Truck OEM (usually a dealer, either independent or part of The Truck OEM), the truck operator (from the perspective of The Truck OEM, the primary customer), and often a bodybuilder. The Truck OEM is increasingly involved in the bodybuilding aspect of truck sales since it is introducing a series of 'concept trucks', which rely on truck bodies from the factory of The Truck OEM.

In addition to deciding the most appropriate body for the truck, service contracts and financial solutions have to be negotiated. Three types of service contracts - blue, silver and gold - have been developed. The blue is the basic service contract, which includes only basic services and requires the eventual truck owner to pay for all repairs. The silver contract includes repair of the driveline and certain other components. Since all new trucks come with a two-year driveline guarantee, the silver contract is not very attractive to customers. The gold contract is a much more comprehensive service contract and covers almost everything apart from damage caused by the customer's carelessness. Regardless of which service contract is negotiated, a customised service schedule is included in all new truck sales. This is based on the planned usage as specified by the truck operator. Larger customers are contacted when service is due, smaller customers need to keep track of the service status of their trucks.

Customers usually pay via a 20 per cent down payment, and instalments over the next 60 months. In Sweden, approximately 40 per cent of customers avail themselves of the financing solution offered by the truck manufacturer. In other parts of the world, customers (sometimes supported by dealers) tend to arrange financing through other channels. The customer also has the option of leasing the truck, via financial leasing or operational leasing. Financial leasing means that the customer is responsible for the residual value of the truck, and must purchase the truck at a predetermined price after a certain time period. Operational leasing means that the truck is rented for a specific time period after which The Truck OEM sells it on the used truck market.

3.2 The Truck OEM entering the Indian truck business

The Truck OEM has been present in India since early 2000, making the company one of the first western truck manufacturers to establish themselves in the country. It initially entered the market with an expensive premium product. The majority of perceived potential customers had little interest in a truck with this specification and at the price initially offered by The Truck OEM. However, there was interest for a particular application, mining, where dependability and strength are highly rated. One dealer described the cost sensitivity of its customers, referring to the safety reputation of The Truck OEM; "with a [Truck OEM brand] the driver lives, but the owner dies". As a consequence of the limited initial sales, the company entered into a joint venture with a local truck manufacturer - henceforth referred to as The Indian Truck OEM. The Indian Truck OEM was long established in the mass-market segment of the Indian market, producing and selling low-specification trucks at an 'affordable price'. The combination of quality and safety promised by The Truck OEM with the affordability and extended service network of The Indian Truck OEM was the basis for the joint venture business, which, it was believed, would attract a wide range of Indian customers.

Previously, The Truck OEM (and potentially also other OEMs) categorised the Indian market into two primary segments; the more expensive premium segment, which includes most western truck manufacturers, and the less expensive mass-market segment, occupied primarily by domestic OEMs. Recently, The Truck OEM has identified a third segment with considerable growth potential - the 'value segment'. Since this segmentation is based primarily on price, the value segment is considered to consist of both downgraded premium trucks and upgraded mass-market trucks, and variations thereof. The joint venture with The Indian Truck OEM is believed to be supporting the development of new truck models suitable for this "new" value segment.

In order to reach new customers, new (and current) trucks need to be developed to meet the specific requirements of the Indian truck business. The Truck OEM recognises that this requires a better understanding of the changing demands of potential future customers. It has commissioned several studies to increase its 'market insights'; the research project underlying this paper is an example of such a study and it focuses on Indian truck dealers and truck operators.

3.3 The Indian truck dealers

The Indian dealer network consists of both OEM-owned and independent dealers. Most dealers are associated with workshops which service and repair vehicles. The extent of the service network varies among OEMs. For example, The Truck OEM, a premium producer that is quite new in the Indian market, has a limited number of brand-specific dealerships (including workshops), while The Indian Truck OEM has dealerships across India. It is considered important for a premium truck dealership not to market vehicles from lower market segments since this acts as a deterrent to premium customers.

The poor infrastructure conditions in India mean that most customers consider it crucial to have dealers and workshops in close proximity to their operations. If a truck breaks down it can be difficult to transport it over a long distance for repair. If the

breakdown occurs far from an authorised workshop it is likely that the truck will be repaired in a 'private workshop', not associated with the truck brand. These workshops are present all over India. Due to their limited knowledge of western truck brands and lack of advanced tools and equipment, they primarily service and repair domestic brands. However, these private workshops are considered a potential future threat to OEM-related workshops.

In recent years, it has become increasingly common for special application customers, such as mining customers for example, to require workshop presence in the proximity or at the site of their operations. As a result, the number of customer specific workshops has increased. In addition, workshops are being located in areas of general commercial traffic and on particular highways. Many cities have introduced restrictions on vehicles of a certain size entering the city centre during the day; they are obliged to wait until after a certain time to go into the city. Setting up workshops on city perimeters can be a way of servicing these waiting vehicles.

Regardless of brand, Indian truck dealers consider it difficult to sell service agreements. Customers return to the dealer's workshop only during the warranty period; after that they carry out their own servicing and repairs or use a local 'private' workshop that are cheaper. Such workshops use low priced spare parts that are either pirated copies or genuine parts marketed directly on the Indian market by the respective truck manufacturers' suppliers. Indian customers are price sensitive and prefer to purchase parts themselves rather than using authorized workshops.

Sale of service agreements is perceived to be difficult because of the uncertainties related to use by Indian customers (primarily truck operators). Due to the nature of India's transport services, truck operators are considered unpredictable, making it difficult to forecast future truck use and consumption, and the likelihood of following formal maintenance schemes. The unpredictability of most Indian truck operations make it difficult to offer financial services such as operational and financial leasing. Payments are another problem; one OEM-related dealer estimated that approximately 50 per cent of its customers are late with payments, which forces it to make frequent contacts and constantly re-negotiate existing agreements.

3.4 The Indian truck operators

Indian truck operators (identified as the primary customers of the truck OEMs) consist of both small owner/operators and larger fleet owners. Many of the fleets of large owners consist of a mix of brands. Some are highly specialized, focusing, for example, on over-dimensioned cargo (ODC), vehicle transportation and home relocation. These functions often require very specific truck features. For example, heavy and slow-moving ODC transport requires reliable trucks with powerful engines, and customized loading solutions. This type of transport in India is challenged by the poor infrastructural conditions, the existing and continuously changing government and regional restrictions, road side theft, etc. On the other hand, vehicle transporters are characterized by predictable road use, related, for example, to traffic at the main ports, and the high value of the goods being transported. Vehicles used for home relocation require customised solutions that enable flexible loading and unloading. Thus, many large truck operators have very specific needs. To attract these potential customers it is important to understand their business and problems, and develop solutions to them. This might constitute on-road breakdown services on particular roads, cus-

tomised bodybuilding, driver education, and different kinds of security solutions.

In the mining case, The Truck OEM has managed to cater successfully to the specific requirements of its customers. Truck operators related to mining require very reliable trucks which often run 24 hours a day, and seven days a week. The Truck OEM's products are both strong and dependable. However, their cost is higher than for many of the alternative truck models on the Indian market. To address this, The Truck OEM has introduced a payment alternative based on payment per tipping. This means that the mine owners pay for performance rather than for the actual truck. In addition, The Truck OEM has established workshops proximate to the mining sites, enabling easy maintenance and repairs to ensure maximum truck usage. These adaptations, developed in interaction with the mining customers, are The Truck OEM's solutions to the specific problems and uncertainties of these customers.

The smaller owner/operators are often less specific about their requirements. They tend to perform a variety of different transport services and need basic general-purpose trucks. They also usually have less financial flexibility than the larger specialized fleet owners.

The Indian transport sector is generally perceived as very price focused, which affects the purchasing behaviour of most truck operators. The purchasing decisions of truck operators are typically based on price and available financial solutions provided by the dealers and the interest rates offered. While some larger and more specialized truck operators are concerned about specific truck features and capabilities, price is still the main factor in the truck purchase decision. This price consciousness means that most truck operators display fairly low brand loyalty. If a certain brand runs a campaign, for example, to introduce a new model, this is likely to attract truck operators who might not otherwise have considered such a purchase.

From the perspective of the truck operators, the concept of 'uptime', which has become important in western markets, takes on a different form in India. Poor road conditions and other infrastructure problems mean that the time it takes to reach a certain destination is not dependent primarily on the functionality of the vehicle, but is related to several external factors. For example, between the different regions in India, there are toll stations. Passing through a toll can take several days, with the result that vehicle and driver are idle for a long time. Also, waiting times related to loading and unloading can be considerable. In this context, it is hardly surprising that up time is not the primary consideration when assessing the technical features of a truck. As one customer stated: "Indians are happy with 50 per cent reliability because time is cheap".

Following the purchase decision, most truck operators service and repair their vehicles in unauthorized 'private' workshops, often using parts purchased on the grey market. Larger operators usually have their own workshops, often staffed by mechanics that previously worked for some of the larger truck OEMs. Price consciousness is also reflected in the choice of vehicle information system. Instead of purchasing the fairly expensive system offered by The Truck OEM, operators tend to favour cheaper off-the-shelf alternatives, which also are considered more user-friendly since they are less demanding in relation to the driver's knowledge. In some cases, driver education is offered as an add-on to a truck sale.

Truck drivers are very important to Indian truck operators. A large proportion of the Indian truck fleet is currently idle due to a lack of qualified drivers. Being a driver is a low status profession

with a poor salary, which makes it difficult to attract Indians to join the profession. Due to their low status in society, the police and other state officials subject many drivers to harassment. Fleet owners try to overcome this problem in a variety of ways, but it continues to be a very significant issue and, to a large extent, will be decisive about the future Indian transport industry.

4. Case discussion

The truck OEM's view on how to approach the business in India displays a traditional 'market approach' considering trucks as the products to be sold, and Indian truck operators in general as 'the market' for its goods. In accordance with this view, they perceive the problem as being how to sell expensive trucks in a market that is known to be very price sensitive. The result of this is that they focus on approaching a particular 'market segment' and how they can include so-called up-time services, based on a belief that the operational performance of their particular trucks is superior to that of most other trucks on the market.

We start by discussing Truck OEM's segmentation approach and the up-time issues related to road transport in India. We then discuss the problems and uncertainties of dealers, truck operators and truck drivers, and how they are resolved through problem solving and coping in interaction.

The Truck OEM has segmented the Indian market. The 'value segment' is seen as a 'new' promising segment in which no other trucks or truck dealers have operated. Given the ambition to develop new truck models to address this segment, it is necessary to identify potential customers. Following the general developments related to transport in emerging markets, it is most likely that these customers are currently part of the mass-market segment, but are keen to upgrade their operations. The less likely alternative is that these potential customers are currently part of the premium market segment and want to downgrade their truck fleet – perhaps to save on costs.

The traditional market segmentation approach involves a 'distant' view of the Indian truck business. By drawing on existing activity interdependence, resource heterogeneity and actor jointness, firms can consider how to build on what they have already developed. The dealers/workshops that interact with customers would be the central actors in this approach. They can develop the support provided to individual customers to enable them, in turn, to develop their operations. Hence, when the actors are required to interact in solving or coping with the identified problems through service-seeking and offering, the dealers/workshops play a crucial role 'in between' The Truck OEM and the truck customers/operators. Several activities, resources and actors have already been developed. For instance, specific resources and activities have been developed in interaction with mining customers, to allow trucks to be serviced at customers' sites. The location of the workshops can be seen as both a restraint and an opportunity since already existing servicing points can meet the servicing demands of specific customers and also improve the capacity utilization of the workshops. Specific solutions developed in collaboration with customers transporting heavy loads can be modified for application to other customers with similar needs. Truck driver training programmes could be developed further, and function to connect customers with similar problems and ideas about how to improve the general working conditions of drivers.

A product and price-based segmentation approach to 'the market' shows no apparent links with activity interdependence, resource heterogeneity and actor jointness. However, when considering these dimensions in relation to the individual dealer/workshop–customer relationship, the offering/seeking assumes unique aspects. These are highlighted in the development of standardised trucks to form part of the 'bundled' offerings to truck buyers based on interaction and problem coping. The problem then becomes one of how to interact, with what (in addition to the standardised trucks), and with whom.

Dealers/workshops currently find it difficult to develop long-term relationships with customers. The short-term cost focus of individual truck operators results in dealers/workshops 'losing' customers when guarantees expire. There are always less expensive service/maintenance alternatives, such as unauthorized 'private' workshops that are common throughout India. Travelling to and from a specific workshop can be time consuming, which is why geographical proximity to the customers' operations is considered so important. Enabling dealers/workshops to interact with customers and understand their individual need for servicing and repairs is crucial to enable development of offerings that better match customer demand.

The Truck OEM is keen to increase the up-time of trucks by extending the service part of their offering. However, this would seem not to be achievable only by developing new technical features. A combination of new technical features (e.g. diagnostic equipment enabling preventive maintenance), and development of maintenance services and on-road support provided by dealers to individual customers, might resolve some customer issues. The need to understand how up-time is influenced by specific customer operations seems crucial since the problems encountered require different combinations of solutions for individual customers, for example, based on how and where their trucks are used.

The case description highlights a number of issues related to the specific conditions of truck ownership and use in India, and specific truck operators. All these issues need to be addressed, and require different approaches from OEMs interested in developing a business model for the Indian truck business. We have argued that these challenges can only be addressed through interaction with those experiencing them first hand, that is, the dealers and truck operators. Joint problem solving should enable development of offerings that address the specific problems experienced. We therefore suggest that there are three 'layers' that need to be approached and organised as part of developing "a business model for the Indian truck business":

The dealer/workshop and customer (truck operator) relationship level– Joint problem solving and coping results in specific offerings/seekings based on the individual customer's situation and includes more specific customer needs. Services can be adjusted to solve some part of the up-time problem, through provision of on-road and breakdown services on certain highways. Other problems require cooperation, for example, scheduled overnight maintenance service while trucks are waiting to access particular cities.

The dealer/ workshop network level– Individual dealers/workshops need to combine the relationships with individual customers (to develop specific offerings/seekings) and exploit other dealers/workshops in the dealer network to cope with the locations of individual customers. Individual customers operate different routes and, thus, different parts of the road infrastructure and maintenance and break-down services need to be adjusted accordingly. A joint database containing information on all individual vehicles and their maintenance status could be a key resource in this regard.

The general 'Indian business level' – The dealers/workshops

need a set of (standardised) technical components (related to the trucks, use of the trucks and their servicing) which can be combined in different ways to form customised solutions developed in interaction with individual customers. These components, in turn, need to be developed in interaction between The Truck OEM and its dealers to match the range of problems to be addressed in these interactions.

Constructing a layered business model approach would be desirable for several reasons. First, while it is not possible to develop completely customised offerings, the offerings/seekings must use components that respond to the heterogeneity in individual customers' needs. Second, since these components need to be developed in interaction with actors from different network layers some components need to be standardised and others need to be customized to adapt to individual customer needs. This highlights the importance in the business model of interfaces and boundaries between standardised components and specific offerings/seekings, and their organising in relation to each other (Araujo et al., 2003).

While problem solving and interaction are the focus in the development of offerings/seekings, the business model needs to focus on the layers at which this interaction takes place. For a large company like The Truck OEM this implies that development of technological solutions needs to support the interfaces between standardised components and specific solutions, and that the ways of working with dealers/workshops should support their interaction with customers. In this layer, the interaction around specific offerings/seekings and how these relate to 'production' (of services such as maintenance, etc.) and use (of the trucks) allows adjustments to activities and resources at both the dealers/workshops and customers. Large fleet customers who have their own workshops might be persuaded to outsource maintenance and repair to specialised dealers/workshops. This would exemplify a business model that drives activity specialisation in a certain direction.

5. Concluding discussion

The business model concept can be developed and used to describe and analyse how offerings/seekings develop in interaction, in line with existing resource heterogeneity, activity interdependence and actor jointness in relationships. Single actors only have limited control over resource combinations (Håkansson and Waluszewski, 2002) and can strive for, but will never acquire, control over the surrounding business network (Håkansson and Ford, 2002); in other words, a business model can never belong to a single actor.

The managerial (firm-level) implications of this approach to business models suggest a focus on the firm's approach to (1) the components of the offerings/seekings, and (2) how to organise to promote interaction among counterparts. Holmen and Pedersen (2012) discuss how firms can handle resource heterogeneity in business relationships, and according to them managing resource heterogeneity requires developing systems for discovering, using and changing the features of single resources or resource combinations, and persuading, enabling or forcing others to become involved. These two intertwined dimensions are useful for describing the business model from the perspective of the individual actor. At the same time, every actor is engaged in the business models of its counterparts since their activities are interdependent, and the value of their resources depends on how they are combined, and how other actors respond.

For a company such as The Truck OEM formulating a business model in a new setting involves not only the technical features of its products and how the standard 'service packages' are designed but also how it can create 'the right' conditions for dealers/workshops to develop specific solutions collaboratively with individual customers. For The Truck OEM, the current segmentation approach relates mostly to different types of trucks, and assumes different kinds of truck operators to be potential customers of these (technically defined) trucks. However, in order to extend their offerings, possibilities to facilitate problem solving in interaction between dealers and individual customers seem vital. Standardised service packages may not fit with the specific needs of individual customers, but the possibility to develop specific solutions to solve and cope with individual customers' problems may increase the strength and content of the relationships between dealers/workshops and customers. This in turn may increase the possibilities to continuously develop better components of offerings that are more aligned to the range of problems encountered by Indian customers. The conditions for problem solving may change, and the firms that are best equipped and prepared for interaction with users may be those best prepared to cope with these developments. Increasing the interaction with dealers would increase awareness of what activity interdependencies, resource combinations and actor jointness to build further on.

Applying these ideas within a managerial approach to business model development would entail continuous possibilities for activity specialisation, resource combining and co-evolution with actors since a variety of customer needs could become systematically and jointly explored and exploited with dealers/workshops based on the latters' interaction with individual customers.

6. Final remarks

The IMP framework, which has been described as the "bridge between tradition and innovation" (Cantú et al., 2013, p. 1007), includes a rich theoretical understanding of business interaction (Ford and Håkansson, 2006). In this paper we elaborated the idea that the empirical notion of 'business models' can be developed into a useful concept as part of the IMP framework. There are three different positions that can be adopted. First, the frequent reference to 'business models' by practitioners and (non-IMP) academics could be ignored on the basis that it is not useful as a concept and/or does not contribute in view of the already existing concepts in the abundant IMP 'tool-box'. Second, 'business models' could be understood as a term used by practitioners, similar to 'markets', 'market segments' and 'competitive advantage', originating from other theoretical approaches and interpreted in many different ways by those practitioners. As IMP researchers, we typically find ways 'around' these terms in our empirical enquiries and analyses. Third, 'business models' could be developed into a concept and thus be given meaning based on and in relation to other (received) concepts and theoretical assumptions.

The position taken will change as the gamut of approaches increases. This is a healthy sign if it is agreed we do not have to agree and that variety is a promising feature in relation to resource and theory development.

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Strategizing at the Boundaries of Firms

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Abstract

The aim of this paper is to explore strategizing in terms of widening and narrowing of corporate boundaries. The paper is based on a literature review where two archetypes of boundary-setting principles were identified: the 'integrated hierarchy' representing wide boundaries to control resources and activities in-house; and the 'connected company' featuring narrow boundaries through outsourcing and specialization. The analysis shows that mainstream focus on ownership boundaries needs to be complemented. Other significant borders are derived from central features in the three network layers concerned with: interdependences between activities, interfaces between resources, and interaction among actors. Moreover, awareness and influence boundaries define the limits of the focal firm's knowledge and authority outside its ownership boundary. The features of the two archetypes are compared and contrasted with regard to these boundaries. The paper concludes with discussion of the variety and the dynamics of boundaries, and some implications for strategic boundary-setting.

Keywords: Boundaries, strategizing, industrial networks, insourcing, outsourcing, make-or-buy

1. Introduction

"Managers have continually struggled with the question of where to set the boundary between what work takes place inside vs. outside a company, what kind of relations to build with suppliers, and how to manage the division of labour with them" (Takeishi, 2001:433).

There is a general agreement on this strategic role of the boundary issue. As Holmström and Roberts (1998:73) claim, it is hard to imagine that so much time and effort "would be spent on adjusting firm boundaries unless there was some underlying economic gain". These adjustments concern the location of the border of a firm, as well as the nature of the connection to what is outside. Issues related to boundary-setting are strategic because they are critical to efficiency and effectiveness of individual firms, as well as to larger constellations, such as industries and nations (Pisano and Shih, 2008). The boundary of a firm determines what is inside the company in terms of operations and capabilities and sets the conditions for the division of labour in relation to other firms. Moreover, the features of the relationships with the business partners on the other side of the boundary significantly impacts on what the individual firm can achieve – both internally and in relation to others.

Also from a theoretical angle, strategizing at the boundaries of firms is central. Firstly, with the roots in the seminal paper by Coase (1937), transaction cost theorists emphasise the significant role of the boundary in any consideration of effective organisation. Secondly, for advocates of the resource-based view of the firm this boundary is strategic since it distinguishes between firm-specific resources and firm-addressable resources (Sanches and Heene, 1997). Thirdly, in modern property rights theory, boundaries are central because control over assets provides the owner with bargaining power in the negotiations with other firms (Grossman and Hart, 1986).

Mainstream analyses of boundaries thus focus on the owner-ship border of firms. This paper deals with boundaries from an industrial network perspective. Specific attention is directed towards prerequisites and consequences associated with modification of boundaries. Industrial network theory (Håkansson and Snehota, 1995; Håkansson et al., 2009) provides a particular view on boundaries by taking into account the three ARA-layers (activities, resources and actors). According to this approach a firm occupies a position in the resource layer through the associations between the resources controlled by the firm and external resources. Furthermore, the firm holds a position in the activity layer through the connections between activities carried out internally and those undertaken by others. The features of these positions are maintained and modified through the business relationships of the firm. The nature of these relationships provides the firm with a position in the actor layer. Since other approaches focus on the ownership boundary among actors, the additional concern from an IMP-perspective primarily relates to the boundaries in the resource and activity layers.

At a particular point in time the positions in these layers define the relevant boundaries in the network. However, firms are continually involved in strategic actions that affect these positions. Firms acquire new resources and divest others. They take on activities previously not conducted in-house, while outsourcing others. This means that corporate boundaries are continually affected by two forces – some of which tend to widen the boundaries, while others tend to narrow them (Figure 1).

Some changes of the corporate boundary are outcome of minor modifications and refinements in the activity and resource layers. Others result from more conscious strategic decisions regarding resource investments and divestments, as well as outsourcing and insourcing of activities that imply radical boundary shifting. This paper is concerned with substantial movements of boundaries, based on strategic ambitions to narrow or widen the scope of a firm.
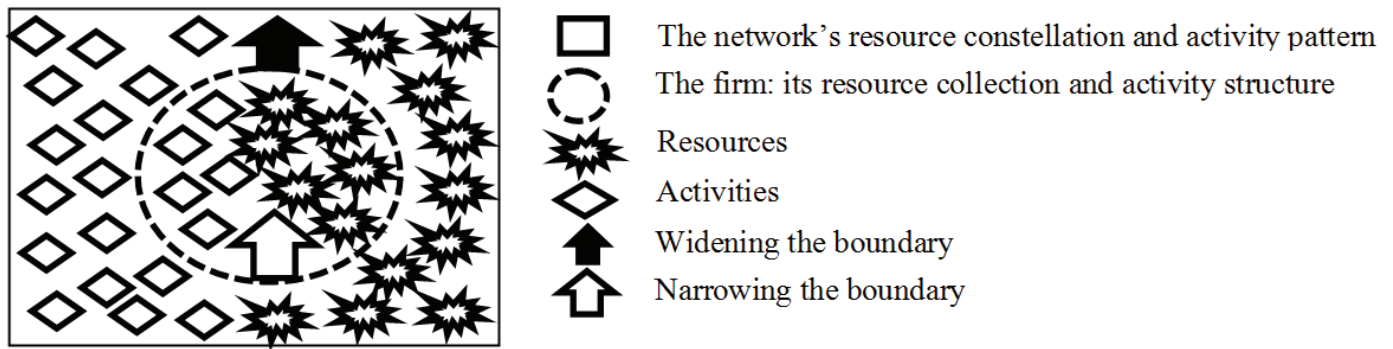
Figure 1   A firm's position in the activity and resource layers of the network.

2. Aim and outline of the paper

The aim of the paper is to explore prerequisites and consequences associated with strategizing in terms of widening and narrowing of corporate boundaries. In section 3 the analytical framing of the study is presented. The first part brings up issues related to strategizing and boundary-setting. This analysis shows that network boundaries are multi-faceted, implying that the ownership focus needs to be supplemented with other types of boundaries. On this basis an IMP-perspective on boundaries is derived and significant features of these multiple boundaries are discussed. Section 3 concludes with some notes on the research approach, where two archetypes of boundary-setting principles are identified. The first is 'the integrated hierarchy', which is the outcome of widening of boundaries in ambitions to control significant resources and activities through insourcing. The second archetype is 'the connected company', representing narrowing of boundaries through outsourcing and specialisation. Section 4 then provides a narrative of the integrated hierarchy on the basis of an extensive literature review. Similarly, the features of the connected company are discussed in section 5. Section 6 is devoted to analysis and discussion of the implications for strategizing at the boundaries of firms, while section 7 concludes the paper.

3. Analytical framework

The framing of the study contains three parts: an overview of the literature on strategizing and boundaries, an IMP perspective on boundaries and a note on the research approach.

3.1 Strategizing and boundaries

The IMP view of strategy was outlined in Håkansson and Snehota (1989), where contemporary perspectives on strategy and strategic management were challenged. The title of the paper reveals the main aspect of this approach: 'No business is an island'. The mainstream perspective on strategy was based on assumptions of a faceless and atomistic environment, the changing conditions of which the individual firm had to adapt to continually. The main driver of these adaptations was the firm's ambitions to strengthen its competitive position. According to the strategic management literature, the principles for strategic action were concerned primarily with the efforts of one firm to influence its connections to the outer environment (Johanson and Mattsson, 1992). This perspective is illustrated by the formulation of Barney (2002:6) that strategy is "a firm's theory about how to compete successfully". For Grant (1998:3), "strategy is about winning" in games featuring zero-sum contest conditions.

This view of business strategy thus takes its point of departure in relation to the competitors of the focal firm, while customers and suppliers are less prioritised in this respect. Regarding the actual business partners this literature recommended firms to avoid dependence on these actors. For example, in the well-known 'five-forces model' (Porter, 1980) suppliers and customers were characterized as potential threats to the strategic performance of a company.

An IMP perspective on strategy shifts the main attention from competitors to business partners (Gadde et al., 2003). In business relationships, featuring collaboration and interdependences, the scope of strategy changes "from that of pursuing a victory over others to somehow making it together with customers, suppliers, distributors and development partners" (Ford et al., 1998:107). This view is shared by advocates of the 'relational view of strategy' within strategic management, where interaction in business relationships is perceived a means of accessing the resources and capabilities of other firms (Gulati et al., 2000). Furthermore, Dyer and Singh (1998) consider business relationships and networks to be significant units of analysis for strategic decisions. But also when cooperative aspects are emphasised the previous attention to competition remains, illustrated by a quote from Sanches and Heene (1997:303), who claim that strategy is concerned with "how firms may improve their performance in competitive interactions with other firms". Similarly, Reve (1990) discusses a firm as a nexus of internal and external contracts. The strategizing of this organisation relies on a theory of the firm and a theory of competitive positioning.

The word 'strategy' is not common in the IMP vocabulary, probably because of the connotations it brings to traditional strategic management. Papers dealing with these issues prefer labels like 'strategizing' (Gadde et al., 2003; Holmen and Pedersen, 2003) and 'strategic thinking' (Baraldi et al., 2007). Gadde et al. (2003) analysed strategic issues in the three network layers and related the IMP view to the strategic management literature. Holmen and Pedersen (2003) discussed the important role of the firm's network horizon, which represents the part of the network of which a firm is aware and can take into account in its strategic action. The network horizon sets the conditions for how well a firm is able to "read the network – where it is and in which directions it is moving" (Holmen and Pedersen, 2003: 409). Baraldi et al. (2007) conducted a systematic comparison of the IMP approach with five important schools of strategy. One conclusion of their paper is that "the issue of strategy has not been adequately addressed by interaction and network researchers" and therefore they call for further research on "strategy in a network context" (Baraldi et al., 2007: 891).

Håkansson and Ford (2002: 137) characterised strategizing as

identification of "the scope of action, within existing and potential relationships and about operating effectively with others within the internal and external constraints that limit this scope". The scope of action and issues related to effective operations are then analysed in terms of the three network layers. Regarding strategizing in the resource layer the most significant feature is the resource heterogeneity assumption, implying that the value of a resource is not a given, but determined by the way the specific resource is combined with other resources. Concerning the activity layer the most important aspect from an IMP view is the role of interdependence among activities. These interdependences stretch across the boundaries of firms and call for coordination and synchronisation. When it comes to the actor layer the interaction in long-term business relationships represent the critical feature in strategizing.

An industrial network perspective on strategizing puts its specific emphasis on the view of boundaries. The dominant perspective on boundary-setting principles is outlined in transaction cost economies (TCE), originating in Williamson (1975) and further articulated in, for example, Williamson (1979, 1996, 2002). TCE provides distinct recommendations for efficient ownership boundaries on the basis of the conditions for business exchange in terms of uncertainty, opportunism and asset specificity. Despite its popularity the transaction cost approach has been criticized for neglecting factors that are significant for boundary-setting (Demsetz, 1991). For example, a review of TCE-analysis of boundary decisions concluded that "in this entire discussion, never once do questions about the relative capabilities of a firm and its exchange partners arise" (Barney, 1999:140). These conditions were perceived problematic and other authors argued that there is a need "to further our theory of a firm from the viewpoint of a firm as a knowledge-creating entity" (Nonaka and Toyama, 2002:995). They also claim that when firms are considered as knowledge-based units, rather than production functions, "the legal boundary of a firm is not as important" (Nonaka and Toyama, 2002:1006).

This means that too strong a focus on the ownership boundary will prevent both researchers and firms from identifying vital opportunities for strategizing. In this claim we rely on Holmström and Roberts (1998:75) who argued for "a much broader view of the firm and the determination of its boundaries". In the analysis of the theories of transaction cost and property rights, they concluded that "the theory of the firm, and especially work on what determines the boundaries of the firm, has become too narrowly focused on the hold-up problem and the role of asset specificity" (Holmström and Roberts, 1998: 91). Even greater efforts in the reorientation of boundary-setting principles are recommended by Nonaka and Toyama (2002:1006), in the claim that "we also need to reconsider what exactly is a boundary of a firm".

3.2 *An industrial network view of boundaries*

In the reconsideration of the boundaries of firms from the IMP view, we begin with the central features of a network perspective. Concerning the activity layer the interdependencies among activities are central. As long as firms strived to be independent of each other in the undertaking of activities, the focus on the ownership boundary was not a problem. However, these conditions change when activities increasingly become interdependent through just-in-time deliveries, build-to-order production and customisation. Such activity configurations require coordination across the ownership boundaries of companies, thus calling for complementary perspectives on boundaries and strategizing. In the resource layer combining and adaptations are critical issues. These actions connect a specific resource to other internal resources, but also to external ones. Therefore, the ownership boundary is a somewhat artificial demarcation line when it comes to strategizing in the resource layer. This view is shared by advocates of the relational view of strategy where Gulati et al. (2000) argue that a firm's network is a vital resource in itself, but also a means by which to access the resources and capabilities of other actors. Thus, analysis of inter-firm resource combining needs to take other boundaries than ownership into account. Regarding the actor layer, close cooperation over time between two companies creates cross-company constellations, where people may feel more connected to this informal group than to the firms where they are employed. When these conditions are at hand, the ownership boundary becomes an unnatural border. What needs to be taken into consideration when it comes to the actor layer and the positioning of a firm is "its relationships and the activity links, resource ties, and actor bonds that arise from them" (Ford et al., 1998:33).

An industrial network view has been suggested as a means of providing improved understanding of the boundaries in the changing business landscape (Araujo et al., 2003). Each network layer offers its particular perspective on what to perceive as relevant boundaries. This differentiation is useful because several researchers argue that it is important to distinguish between boundaries related to knowledge (resources) and boundaries concerning operations in production (activities). For example, Fine and Whitney (1996) analysed the connections between firms and found it necessary to differentiate between a firm's dependence on knowledge and its dependence on production capacity. Brusoni et al. (2001) share this opinion in the claim that decisions regarding the location of production activities are different from decisions concerning issues related to knowledge boundaries. Expanding the analysis to include borders in the activity and resource layers thus seems to be a potential contribution to the understanding of the boundaries of firms.

Fellows and Liu (2012) concluded that boundary-setting involves not only the location of a boundary. Equal attention must be paid to the permeability of the boundary, which relates to Thompson (1967) and the distinction made between boundaries as buffers and boundaries as bridges. Buffering boundaries feature low permeability, while boundaries used as means of bridging build on openness among collaborating firms and boundaries that are permeable. In both the resource layer and the activity layer, boundaries may function as buffers or bridges depending on the nature of the connections between the firms where resources and activities are located. These connections are determined by the relationships between the actors.

From a network perspective the main emphasis in the resource layer is not concerned with issues related to ownership of assets. More significant are the characteristics of the combining of resources since the interplay among resources impacts on their value (Penrose, 1957). Some resources in a particular combination are owned by one company, while some are controlled by other firms. The connections among resources, within and between these combinations, are identified as *interfaces* (for example, Gadde et al., 2010). The features of these interfaces are contingent on the adaptations between resources and take quite different forms in combinations based on buffering or bridging. The natures of these interfaces are therefore central for the performance in a resource combination and constitute the boundary between two resources, whether or not they are controlled by the same actor.

In the activity layer the connections are affected by the level of coordination and synchronisation among the activities. Coordination may be tight as a result of major adjustments of activities. In other situations, adjustments may be limited in order to minimise dependence. The extent of coordination significantly impacts on the efficiency and effectiveness of activities. The relevant feature in this respect is the interdependence characterizing the boundary between two activities in the network. Both the resource interfaces and the activity interdependencies in the network originate from the operations of actors. Adaptations and adjustments evolve through the interaction among actors, which may be close and frequent, or distant and sporadic. The conditions of the interaction in these respects provide their specific opportunities for resource adaptations and activity adjustments. Accordingly, the extent of interaction is the most significant feature of the border between two actors.

The conclusion of the above discussion is that a network perspective calls for considerable modification of established views of corporate boundaries. Mainstream theory puts the emphasis on the ownership control of a resource, and whether an activity is undertaken within or outside a firm. From a network perspective the relevant borders are the features of the interfaces between resources, the interdependencies between activities and the interaction between actors. These conditions determine the functioning and the performance of what is on-going in the network. However, these claims for alternative boundaries do not imply that ownership borders are unimportant. Some of the activity interdependencies concern situations where one activity is undertaken by one firm, while the other is conducted by another. The handling of this interdependence, and the decisions concerning adjustments, differ from situations where both activities are undertaken within the same firm. Similar conditions characterise the resource interfaces in the network – prerequisites and consequences for adaptations are affected by the ownership location of the resources. It is the same with the actor level – sometimes the relevant interacting actors reside within the same firm, sometimes they belong to different organisations.

Activity interdependences and resource interfaces cross the borders of firms. Therefore, the handling of activities and resources in one firm impacts other firms' activities and resources. It means also that knowledge about other firms' activities and resources is significant for the design of internal activities and resources. Knowledge of what takes place outside the ownership boundary is thus critical to internal operations. This extended border of the firm is identified as the awareness boundary (Dubois, 1998). The awareness boundary defines what a firm knows about the activities and resources of other firms in the network. This awareness "constitutes a basis for interaction" at the same time as it is "through interaction that the individual firm's awareness boundary can be extended" (Dubois, 1998:109). The significance of the awareness boundary is illustrated by Patel and Pavitt (2000) and their argument that firms need to know more than they strictly need for their own productive purposes, in order to be able to combine external resources with their own.

According to mainstream strategic management, firms are assumed to have full control over in-house resources and activities, but limited opportunities to affect what is outside this border. From a network perspective this assumption needs modification. Owing to inter-firm adjustments and adaptations, the individual firm cannot fully control its own activities and resources. On the other hand the same conditions imply that to some extent a firm can affect the resources and activities of its business partners. In the labelling of the boundary of these opportunities we rely again on Dubois (1998) and the concept of an *influence boundary*. This boundary is important because owing to prevailing interdependencies and interfaces, each firm influences other firms at the same time as it is influenced by them. The level of influence is determined by the nature of the interaction between the parties, but also through the exercise of power (Dubois, 1998). The influence boundary is highly significant because outside this boundary the firm is completely dependent on what others do.

3.3 Research approach

The above discussion identified the central concepts for a network analysis of strategizing at the boundaries of firms. From an industrial network perspective interfaces, interdependencies and interaction represent critical borders in the three network layers. Moreover, the features of the awareness and influence boundaries significantly impact on the functioning of firms. In addition to the boundary location, the permeability of the boundary is crucial. The perception of boundaries as either buffers or bridges affects their permeability. One strategic approach is to consider the boundary as a buffer in relation to what is outside. In this case everything important to the firm is located within its ownership boundary – critical resources as well as significant activities. This archetype is defined as the *integrated hierarchy.* Since all that is vital to its operations resides within the firm, the interaction with business partners is limited. The integrated hierarchy can be expected to feature strong resource interfaces within the organisation, while interfaces to the resources of other firms are weak. Furthermore, internal activities are likely to be characterized by considerable interdependencies while interdependencies to the activities of others are avoided.

The opposite approach then is to regard the boundary as something connecting what is on-going on the two sides of the ownership boundary. This strategic approach involves intense interaction with business partners. Through mutual adjustments in relation to other firms, internal activities are likely to be interdependent with the activities of business partners. In the resource layer, substantial resource interfaces can be expected across the borders to other firms. This second archetype is defined as the *connected company* which is assumed to be characterised by other types of awareness and influence boundaries than the integrated hierarchy.

The empirical investigation of the integrated hierarchy and the connected company is based on a review of previous research. The integrated hierarchy, relying on vertical integration, is a well-documented phenomenon that evolved in the US economy in the beginning of the 1900s, identified as the Modern Business Enterprise (Chandler, 1977). The connected company is outcome of the dissolution of the vertically integrated hierarchy when business conditions changed at the end of the same century.

In the remaining part of the paper the integrated hierarchy and the connected company are explored with regard to the features of their boundaries in terms of resource interfaces, activity interdependencies and actor interaction. Moreover the role and consequences of the awareness and influence boundaries in the two archetypes are analysed. Investigation of strategizing with regard to the integrated hierarchy and the connected company requires a dynamic view. This perspective is necessary since the actual prerequisites and consequences of the two strategic approaches become most evident when changes of boundaries occur. Therefore, in the analysis of the integrated hierarchy we also discuss underlying reasons and effects of the widening of

the boundaries into this vertically integrated organisation. Also, the connected company is investigated with regard to the causes and the consequences of the narrowing of boundaries in the ambition to increasingly rely on activities and resources of business partners.

4. The integrated hierarchy

The prototype of the integrated hierarchy was the Ford Motor Company, involved not only in car assembly and component production. The features of Henry Ford's firm were described in the following way (Drucker, 1990:100):

"He built his own steel mill and glass plant. He founded plantations in Brazil to grow rubber for tires. He bought the railroad that brought supplies to River Rouge and carried away finished cars. He even toyed with the idea of building his own service centres nationwide and staffing them with mechanics trained in Ford-owned schools."

The Ford company and other representatives of the integrated hierarchy were outcome of "the integration of the processes of mass production with those of mass distribution within a single firm" (Chandler, 1977:285). This organisational form, identified as the 'visible hand', replaced the regime of the 'invisible hand' of Adam Smith. Railroad and telegraph companies were the first examples of the integrated hierarchy, emerging at the end of the 1800s. The new infrastructure for transportation and communication established by these firms, paved the way for the integration of mass production with mass distribution that represents the typical form of the vertical hierarchy. The integrated hierarchies expanded and spread fast and "these integrated enterprises came to dominate many of the nation's most vital industries" (Chandler, 1977:285). The first step in the creation of these businesses was founded in investments in large-scale manufacturing facilities, since such capital-intensive arrangements required high throughput to attain efficient operations. These activities called for tight synchronisation of the flow of materials through the production processes in the factory. According to Chandler (1977) this activity coordination provided 'economies of speed' that were more important for the efficiency of the operations than economies of scale. Thus, the coordinative efforts in the activity structures provided greater benefits than did the size of the factory and the subdivision of work in the plant.

The improvements of the activity structures were made possible through the expansion of the resource base. Speculation and mass production required product standardisation, advertising and mass distribution. The developments of communication technology in terms of telephone, telegraph and postal services, in combination with the improved infrastructure for physical transportation through railways and steamships, enabled the required geographical expansion of the integrated hierarchy. In this way the vertically integrated enterprise was outcome of the joint effects of technological development and organisational development through the widening of the corporate boundary (North, 1981). An interesting question is then why the exploitation of technological development called for the organisational change to widen the boundary of the firm. Answering this question requires analysis of the conditions leading to the establishment of the integrated hierarchies.

The automobile industry is recognized as one of the pioneers in the evolution of the integrated hierarchies. In the first phase of this industry the suppliers of cars acted as assemblers rather than manufacturers. Their assembly operations relied on "components developed for other purposes, such as bicycle wheels,

or from variations on known themes, such as wooden bodies" (Langlois and Robertson, 1995: 47). Therefore, early cars could be easily put together from these components and parts developed for other purposes that were all available and ready to install. These conditions made the basic design concept for early cars known as the 'horseless carriage' (Langlois and Robertson, 1989). These conditions caused limited activity interdependencies and resource interfaces across corporate boundaries. Instead, car assemblers relied on one-sided adaptations and adjustments in relation to resources and activities available outside their firms. Thus, the conditions in the environment determined the performance of car assemblers.

Over time, technological development made new opportunities and principles available for design and manufacturing of cars. When entrepreneurs in the industry wanted to exploit these conditions they ran into problems (Piore and Sabel, 1984). Modification of the basic design would have required the involvement of many suppliers in the crafting network because each firm normally "handled only a single economic function, dealt in a single product line, and operated in one geographical area" (Chandler, 1977:3). Any effort to redesign the car would thus affect many suppliers and require their changes to be coordinated. These suppliers were reluctant to get deeply involved with an entrepreneur like Ford, because they worked already in close relationships with their main customers, for example in the bicycle industry. They had made adaptations and adjustments in relation to these firms and hesitated to engage in similar arrangements with firms outside their core operations, since these firms still accounted for small-scale businesses only. These conditions made it difficult, or impossible, for car industry firms to change the basic structure for car design and manufacturing. The main reason was that central resources and activities in need of modification were located outside their influence boundaries.

Similar conditions featured meat production. The innovator in this industry, Gustavus Swift, realised that "if the systems of meat packing, shipping and distribution were completely redesigned, it would be possible to reduce transportation costs and to take advantage of a number of scale economies, including those of a 'disassembly line' in a high-throughput slaughterhouse" (Langlois, 2003: 361). The exploitation of these economies required substantial changes of resources throughout the whole industry, for example, the development and production of refrigerated railcars and the establishment of a nationwide network of properly equipped branch houses for storing and merchandising. For the exploitation of the new conditions Swift found it more economical to integrate into many of these complementary stages "than to persuade the various asset owners to cooperate with him" (Langlois, 2003: 363). Again the solution to the narrow influence boundary of the innovator was the organisational change to widen the ownership boundary and establish the integrated hierarchy. This approach enabled adaptations and adjustments without interaction with reluctant business partners. A third example concerns General Electric, another of the integrated giants. Piore and Sabel (1984:38) explained the rationale behind their strategic decision in the late nineteenth century to integrate power generating companies with its electrical equipment division as a means of enabling coordination of the whole system. This strategic move made it possible to ensure that "power-generating capacity was planned to coincide with the distribution of lamps produced by the manufacturing process".

The above examples are illustrations of the general finding of Langlois and Robertson (1995) that major modifications of industry set-ups, identified as systemic innovations, often force

firms to integrate vertically and become involved in tasks they would have preferred to delegate to specialists. Similarly, in situations where many different pieces of a system must be changed simultaneously, Langlois (2003:361) prescribes integration and centralised ownership as a means "to overcome the narrow visions of local participants" and a way "to more easily trump the vested interests of those participants". The reason for the reluctance of suppliers may be that they literally cannot understand what the innovating firm needs, or that they do not find the innovation commercially viable for themselves. In a similar vein, Chesbrough and Teece (2002:129) conclude that "unaffiliated companies linked through arm's length contracts often cannot achieve sufficient coordination".

Within the integrated hierarches, activity adjustments enabled synchronisation of interdependent activities in the material flows through the plants. At the same time adaptations among internal resources created combinations with specific interfaces that enhanced efficiency and effectiveness. An unexpected outcome of the widening of the ownership boundary was that once operations were moved in-house and "performed in proximity to one another, people were led to perceive the productive processes in new ways and this changed perception was itself a source of innovation" (Piore, 1992: 440). In the car industry the outcome of this boundary movement was that people at Ford "found that their inspiration and needs outstripped the talents of their suppliers" when they developed tools and machines in-house (Langlois and Robertson, 1995:46). The reason was not that the technical advances were beyond the understanding of independent suppliers: ".... it was because only the men at Ford understood the uses to which the new machines would have been put" (Langlois and Robertson 1995: 53). This means that the integrated hierarchy not only solved the problems related to narrow influence boundaries. The interaction between the functional departments within the hierarchy resulted also in substantial extension of the awareness boundary.

Owing to these performance improvements, the integrated hierarchy for long time became the role model for efficient and effective business. For example, Chesbrough and Rosenbloom (2002) describe the launch of the Xerox model 914 that revolutionised photo copying in the mid-1900s. Xerox was a small player at the time and tried to cooperate with firms like Kodak, General Electric and IBM. When these efforts failed, Xerox had to conduct its own research, and perform all the required development activities to launch and support the innovative solution. They manufactured most components internally and distributed through their own channels. Moreover, they provided its own financing to customers and its own service and support. Xerox even made its own paper to ensure proper handling characteristics. Another example is that General Electric in 1951 built its industrial park in Louisville, consisting of six factory buildings, "each one the size of a large suburban shopping mall" (Fishman, 2012:1). Besides the manufacturing factories the park had its own dedicated power plant, its own fire department and employed 16,000 workers. Employment kept rising over the years and peaked at 23,000 in 1973.

The integrated hierarchy provided considerable benefits concerning the handling of resource interfaces and activity interdependences within its corporate boundaries. Mass production required adherence to 'the logic of aggregation', building on "standardization of design that allowed for mechanized mass production and a resulting standardization of products" (Lampel and Mintzberg (1996: 21). According to Piore and Sabel (1984) the machinery of mass production was so precise that the

product required very little craft skills. These features are beneficial to operations as long as basic conditions remain stable. However, when these conditions change, through technological development and knowledge expansion, the same features may constrain the operations in integrated hierarchies.

The vertically integrated corporations ran into problems when the technological frontier expanded substantially in the second half of the 1900s. These changes concerned both the depth of knowledge in current disciplines and the emergence of new technologies (Brusoni et al., 2001), as well as increasing inter-relatedness among formerly distinct fields of technology (Fai and Cantwell, 1999). Moreover, the standardisation building on the 'logic of aggregation' was successively replaced by enhanced customisation and its corresponding 'logic of individualization' (Lampel and Mintzberg, 1996). This change was enabled through the development of technical facilities in manufacturing and distribution that made these operations less dependent on large scale (Hayes and Pisano, 1994).

It was difficult for the integrated hierarchies to handle these new conditions since they were quite different from those that lead to their establishment. Within the hierarchy, workers were defined by the machinery "whose purpose, far from translating human skill into action, was to make human involvement in the production of the good superfluous" (Piore and Sabel, 1984: 23). The logic of aggregation thus provided limited breeding ground for variation and renewal, and also led to 'deskilling' of workers (Langlois, 2003:364). Moreover, integrated hierarchies received little stimulus for renewal from the outside. Relationships with suppliers were governed in most cases by arm's-length conditions, where suppliers received detailed blueprints of the components they manufactured (Scherrer, 1991). The interaction with suppliers was related mainly to "fine-tuning the engineering effort" and only in "very rare cases did suppliers and assemblers cooperate in the initial design of the project" (Scherrer, 1991:219). Moreover, Helper (1991) found that the interaction between the assembly operations and those of intra-firm suppliers was not much more developed. This means that the scope of research and development in the integrated hierarchy was limited to the capabilities of its own employees. It is not surprising therefore that over time "the radical change in product characteristics had given way to incremental product change" (Langlois and Robertson, 1995:51).

The strategy of the integrated hierarchies to control all critical resources and activities was beneficial. This approach enabled innovative restructuring of industrial operations by bringing significant activities and resources within the influence boundary of the firm. The strategy enabled firms to handle activity interdependencies and resource interfaces internally. However, this approach provided limited opportunities for interaction with other actors since the boundaries to suppliers were characterised by low permeability. When technology expanded considerably, the awareness boundary constrained the knowledge base of the firm to what was available within the walls of the hierarchy.

5. The connected company

The connected company is sometimes assumed to be an outcome of the recent attention to outsourcing. This is a fatal misunderstanding, primarily related to the fact that the integrated hierarchies for long time were considered the ideal form of corporations and thus over-shadowed other forms of business organising (Håkansson et al., 2009). Actually, connected companies were established long before the integrated hierarchies, illustrated by

the arrangements in the gun-making factories in Birmingham in the first half of the 1800s (Allen, 1929):

"The master gun maker … seldom possessed a factory or workshop. … Ususally he owned merely a warehouse in the gun quarter and his function was to acquire semi-finished parts and to give this out to specialised craftsmen, who undertook the assembly and finishing of the gun. He purchased materials from barrel-makers, lock-makers sight-stampers, trigger-makers, etc. All of these were independent manufacturers, executing the orders of several gun-makers."

These conditions are not too different from those prevailing in the business landscape of today. The technological changes described in the section about the integrated hierarchy expanded the knowledge base to a level that "there is no way that knowledge, especially 'knowledge-how' that is required … can all be collected in one centre" (Loasby, 1999:87). Owing to these conditions there are considerable benefits to gain from a cross-company approach in a time when the "mix of skills needed to produce even a simple household appliance exceeds what any company can assemble or, more importantly, manage" (Masi 2006: 14). The knowledge expansion thus makes it difficult for any individual firm to be at the cutting edge in all the various areas of capabilities on which it is dependent. Instead, companies have realised the benefits of utilising resources that can be accessed through a supplier specialising in a narrow range of technologies (Håkansson et al., 2009). This strategic approach enables a firm to benefit from the "specialized capabilities that would be prohibitively expensive to acquire or even impossible to duplicate internally" (Quinn and Hilmer, 1994:43).

By focusing on a limited range of significant activities and resources, the connected company benefits from specialisation in its development and production activities. The focus on these core issues provides internal economies of scale and the firm benefits also from the larger scale of the operations of specialised suppliers. For example, IBM used to be one of the integrated hierarchies. However, in the launch of their PC in 1981, they "embarked on an uncharacteristic strategy [and] produced the PC almost entirely by assembling parts bought on the market" (Langlois and Robertson, 1992:307). The production set-up included sourcing of the microprocessor from Intel and the operative system from Microsoft. This arrangement allowed IBM to focus on "what it did best – designing, assembling and selling computers" (Christensen and Raynor, 2003:5). Similar conditions characterised the disc-drive industry where most of the integrated firms that once established the industry decoupled their vertically integrated operations (Christensen, 1993). In 1980 the Ford Motor Company manufactured internally 70% of the components they used along their assembly lines. Twenty years later this proportion had decreased to 30%, implying an outsourcing rate of 70% (Quinn, 1999). Similarly, the operations in the industrial park of General Electric were reduced through outsourcing and offshoring. In the beginning of the 2000s the employment level was less than a tenth of what it was at its peak (Fishman, 2012).

The location of the corporate boundary of the connected company thus differs considerably in comparison with the integrated hierarchy. A study of outsourcing and offshoring concluded that the effects of this re-orientation are that "the boundaries of many firms … have simultaneously shrunk organizationally and expanded geographically, while also becoming more permeable" (Contractor et al., 2010:1418). The most important diversity between the two archetypes concerns the permeability of the boundaries. The boundary of the integrated hierarchies

featured low permeability since they deliberately avoided interdependences. Such arm's-length conditions would not function for the connected company. Connected companies do not avoid dependence on their business partners. On the contrary, this dependence is a prerequisite for exploiting the benefits that can be provided through activity adjustments and resource adaptations across ownership boundaries. Synchronisation of material flows and production operations are as significant for the connected company as for the integrated hierarchy. This means that activity coordination and resource combining no longer are restricted to the internal operations of firms. They have to be handled through collaborative arrangements in which intense and frequent interaction in business relationships is significant. The interaction in these relationships widens the influence boundary of the connected company. This modification offers opportunities to impact on the resources and activities of the business partners, in the same way as these organisations can affect the connected company.

In the strategic shift from integrated hierarchies towards connected companies, most firms started with outsourcing of uncritical manufacturing operations, while central production activities and technical development remained in-house (Engardio and Einhorn, 2005). Over time, however, the benefits of relying on suppliers' activities and resources became increasingly evident and firms narrowed their corporate boundaries further. What was perceived the 'core' of the company was reduced and even advanced operations were moved to suppliers. Concerning activities in design and development, some suppliers became involved in design-engineering tasks (Pisano and Shih, 2008). Later on, sophisticated operations were moved to suppliers and around the year 2000 companies like Dell, Motorola and Philips were buying complete designs from suppliers (Engardio and Einhorn, 2005). In such efforts it is crucial for a company to maintain internal capabilities in order to avoid becoming overly dependent on suppliers. These internal capabilities are important because they help firms "to make the best use of other people's knowledge" (Loasby, 1999:88). In relation to the concepts suggested in this paper, firms must avoid too narrow awareness boundaries.

Specialisation is one of the main advantages of the connected company. Specialisation improves the efficiency in the undertaking of individual activities and the effectiveness in the exploitation of single resources. In this respect the relationship between specialisation and performance is quite simple: the greater the specialisation, the better the performance. But for the connected company the interdependences to other activities and the interfaces to other resources are crucial. Individual activities have to be coordinated with other activities and single resources combined with other resources. The requirements on these integrative efforts are contingent on the extent of specialisation. The greater the specialisation, the more integration is needed. The challenges related to this trade-off are illustrated in a new model of innovation – "one that employ global networks of partners that can include U.S. chipmakers, Taiwanese engineers, Indian software developers and Chinese factories" (Engardio and Einhorn, 2005:2). Such loosely tied network organisations provided crucial benefits through the specialized knowledge of the firms involved, but required substantial integration across boundaries.

The core competence concept is a common and useful device for determining what is vital to a company at a particular point in time. But core competence is problematic when the concept is used for decisions concerning the future of a firm. Pointing out what activities and resources to keep within the firm and for

Table 1 Central features of boundaries in integrated hierarchies and connected companies

Type of firm	The integrated hierarchy	The connected company
Basic strategy	Buffering	Bridging
Boundary movement	Widening	Narrowing
Interdependencies and boundaries	Strong internal interdependencies. Weak in relation to the outside	Substantial Interdependencies cross owner-ship boundaries
Interfaces and boundaries	Limited interfaces to the resources of others. One-sided adaptations.	Mutual adaptations provide joint interfaces with business partners.
Interaction and boundaries	Buffering constrains the interaction with external actors	Intense and frequent interaction in long-term business relationships
Impact of the influence boundary	Internalising solves the problems with influencing others.	Interaction with partners provides opportunities for influencing others
Impact of the awareness boundary	Limited awareness of what is on-going outside the hierarchy	Knowledge sharing with partners widens the awareness boundary

which to rely on business partners is difficult and dangerous, because in the long run "no firm can predict what will become the particular competence required" (Gadde et al., 2010:183). If the focus on the core is combined with a narrow awareness boundary, major difficulties can be expected. Another problem in this respect is that the focus on core capabilities not only improves specific learning but also "constrain future learning and action" (Nonaka and Toyama, 2002:1003). In a similar vein Leonard-Barton (1992) claimed that core capabilities can turn into core rigidities, since they tend to lock the company into particular paths for the future. Lei and Hitt (1995:836) share this view and argued that this approach "can erode the firm's potential for organisational learning and development of new technologies".

There is thus an obvious risk that companies may narrow their boundaries too much through outsourcing. Several authors argue that this situation is already at hand. For example, Cohen and Young (2006) claim that outsourcing has become a victim of its own success, while the view of Broedner et al. (2009:144) is that outsourcing "has been pushed much too far". Similarly, Chesbrough and Teece (2002:27) concluded that "the virtues of being virtual have been oversold". Consequently, firms have started to move in the direction of insourcing (Araujo and Gadde, 2009). For example, Drauz (2014) report six cases where automotive firms have reconsidered the approach regarding make-or-buy and re-insourced activities. The reasons mentioned for this strategic shift related to unexpected costs of outsourcing and anticipated benefits that never materialized. Some of the firms also reported that they wanted to reduce the dependence on suppliers. Furthermore, General Electric has opened three new assembly lines in their Louisville industrial park that was "largely dormant for 14 years" (Fishman, 2012:2). This manifested a new approach to strategizing and the CEO concluded that "outsourcing is quickly becoming mostly outdated as a business model for GE".

The strategic approach of the connected company, to narrow its ownership boundary, solved several of the problems identified in the integrated hierarchy. The main impact occurred from permeable boundaries that widened the influence boundary, which provided opportunities for handling of the activity interdependencies and resource interfaces in relation to suppliers. However, too strong focus on the core of the company narrows the awareness boundary, which is problematic when technology expands. The awareness boundary of the connected company must be wide enough to keep in touch with these developments.

6. Discussion

The two narratives show that the features of boundaries impact considerably on the performance of firms. Strategic changes of boundaries, concerning widening and narrowing, provide substantial opportunities for operational improvements. These modifications concern both the location and the permeability of boundaries. Relocation of ownership boundaries affects interfaces, interdependencies and interaction, as well as influence and awareness boundaries. Some of these effects are planned and desired, "but boundaries also evolve more unconsciously" (Hernes, 2003:51). These conditions characterised both the integrated hierarchy and the connected company. The study also confirms the relevance of the arguments that the boundaries of firms are multidimensional.

Below we bring up four issues for further discussion. First we summarise the main differences in the features of the two strategic approaches. This is followed by two subsections dealing with the interplay between strategizing at the boundaries of firms on the one hand, and dynamics and variety on the other. Finally we discuss some implications for strategic boundary-setting.

6.1 Comparing the two approaches to strategizing

In reality, firms are neither integrated hierarchies nor connected companies – they represent mixes of the two archetypes. However, for analytical reasons it is meaningful to compare the basic characteristics of the two approaches. Table 1 provides an overview of the main differences between strategizing in the integrated hierarchy and the connected company with regard to the features of the boundary issues in the framework.

The integrated hierarchy relies on a buffering boundary that "essentially becomes a device of internal ordering and external protection" (Hernes, 2003:35). This conception of the boundary represents "the traditional notion of boundaries as fixed barriers or unyielding separators" (Ashkenas et al., 1995:3). A management consultant characterised this type of boundary as "a thick opaque barrier [that] marks the transition from the firm to the outside world. The barrier is very impermeable… informal communication does not flow readily across it" (Peters, 1988:105). The buffering barrier protects the company´s operations from disturbances from the outside and provides freedom from dependency on individual business partners, because activity interdependences and resource interfaces are handled internally. The limited interaction with other actors makes the company depen-

dent on its own knowledge and provides limited opportunities for influencing.

Bridging, on the other hand, features quite other boundary characteristics. Bridging builds on intense interaction with other firms to enable adaptations and adjustments across permeable borders. These conditions imply a situation where "the traditional boundaries of organizations are being decomposed into intricate clusters of relationships [where] the image of organizations as absolutely bounded entities is replaced by the language of nodes, hubs, and connections of varying density, duration, and intensity" (Marshall, 2003:62). Peters (1988:108) pictured this boundary as a thin, permeable and wavy barrier to the outside world where its "thinness and the imprecision are meant to suggest that there will be regular movements across it". Interaction in business relationships also serves as mechanisms for knowledge exchange with particular consequences for awareness and influence boundaries. All these conditions imply dependences in relation to individual business partners. Without this dependence the firm would not be able to reap the benefits residing in close relationships embedded in the business network.

6.2 Strategizing and the dynamics of boundaries

Boundaries are dynamic – they are "constantly created and recreated, drawn and redrawn, constructed and reconstructed, negotiated and renegotiated" (Paulsen and Hernes, 2003:303).

In these processes the movement of one type of boundary impacts on other boundaries. For example, relocation of ownership boundaries is the outcome of attempts to improve performance through modifications of boundaries among activities and among resources, sometimes combined with changes of permeability. This study shows that such relocation have both positive and negative consequences for the influence and awareness boundaries. Another sign of momentum in boundary shifting is that both the widening and the narrowing of boundaries seem to have been overemphasised in certain situations. Concerning the integrated hierarchy, Langlois and Robertson (1995) claimed that integration was driven too far. The authors raised this issue in relation to some of Ford's later extensive integrations into fields that were only loosely connected to car manufacturing (for instance glass, rubber and railroads). They concluded that some of these integrations had no particular efficiency rational and were undertaken only because Ford wanted to control important resources and that the profits of the company made this possible.

The initial attempts to narrow the boundaries of the connected company were unproblematic, because they concerned non-critical activities and resources. Since this relocation improved conditions considerably, the narrowing of boundaries became further accentuated. One outcome is that several authors claim that decisions to outsource are taken without adequate analysis. These conditions make it relevant to conclude that outsourcing may have been driven too far. For example, it is argued that expectations of performance improvements "tend to be taken for granted, but detailed analyses of actual outcomes and potential side-effects are hard to find" (Berggren and Bengtsson, 2004:211).

The tendency to overemphasise a particular strategic approach follows from too strong reliance on a prosperous 'business recipe'. A business recipe is a particular way of "organizing, controlling and directing business enterprises that become established as the dominant form of business organization" (Whitely, 1992:125). The integrated hierarchy once represented this dominant form, later replaced by the connected company. Strict atten-

tion to a particular business recipe causes problems when basic business conditions change. Owing to new circumstances the relative advantages of organisational forms change over time, making it important to modify the approach to strategizing. In these situations, companies sticking to the traditional recipe run into trouble and the biggest problems may concern "those who have been most effective in exploiting the existing structure" (Loasby, 1999:96).

The relevance of dynamic strategizing is illustrated by the boundary-setting applied by General Electric. From being one of the major integrated hierarchies, the company evolved towards a connected company through massive outsourcing. When the disadvantages of too strong reliance on this recipe became evident, GE adjusted their strategic approach by bringing back some of the operations within their ownership boundary.

6.3 Strategizing and the variety of boundaries

Above we identified a general pattern in the organising of firms: from a strong position of the integrated hierarchy towards a similar state for the connected company. Despite the timely dominance of the respective strategy, the variety of organisational forms and boundaries are striking in both cases. Concerning the integrated hierarchy, Piore and Sabel (1984:20) concluded that "the victory of mass production never proved so complete as its early triumphs suggested it would be". On the contrary, they argued that "some firms in almost all industries and all firms in some industries continued to apply craft principles of production". Other researchers share this opinion arguing that "only some industries were affected by gigantism and that small firms continued to operate in many sectors of the economy" (Langlois and Robertson, 1995:146). As expressed by Whitaker (1992) it can be questioned whether the 'Fordist' model actually became the dominant form of social and economic organisation as popular belief suggests. The conclusion to draw is that mass production and specialised systems "always demanded the existence of firms organized along completely opposite principles" (Hollingsworth, 1991:50). Not even car manufacturing contained only fully integrated companies. While Ford and General Motors internalised manufacturing and design in the 1920s, the Chrysler Company continued to rely on an extensive network of suppliers to obtain production efficiencies and cooperative relationships for effective product development (Schwartz, 2000).

Lamoureux et al. (2003) claim that environments tolerate a variety of organisational forms that 'wax and vane' depending on specific socio-economic patterns. Håkansson et al. (2009) extend this conclusion in the argument that the business landscape requires variety in this respect since there is considerable diversity in the business conditions of firms. This claim offers particular consequences regarding both boundaries and strategizing. In today's business landscape firms exist in a wide variety of forms with various combinations of external and internal resources, depending on their particular problems, previous experience and expectations concerning the future. This variety in strategizing is illustrated by the diverse boundary-setting approaches of firms in the mobile handset industry where "Nokia at the high-value end and Samsung at the low-cost end of the industry remain vertically integrated while Apple, Motorola and Ericsson have largely outsourced the middle of the value chain" (Mudambi and Venzin, 2010:1518). Also for the individual company, boundaries feature variety, exemplified by the results from a study of technology acquisition, where the central finding was that "some technologies were purchased from other companies, others were

acquired through licences and still others were developed internally" (Chesbrough and Teece, 2002:133).

These examples illustrate a common claim that a firm is neither a fully integrated hierarchy, nor a completely connected company. The features of the two archetypes need to be mixed into a blend that fits the particular conditions of the individual company. For General Electric the recent attention to insourcing is directed towards specific components used in their assembly of dishwashers. However return to an integrated hierarchy is not expected since the industrial park "will likely never again make its own compressors and motors" (Fishman, 2012:10).

6.4 Strategic implications for boundary-setting

A significant distinction between the two basic strategies is their approaches to integration and specialisation. On the basis of an empirical study, Chesbrough and Teece (2002), recommended a balanced approach with regard to these issues, to avoid the situation that one of them (and thus one principle for boundary-setting) is over-exploited. As mentioned above, there are certain tendencies that both archetypes for boundary-setting have been driven too far because they evolved to strong business recipes. Business recipes are important in the formation of organisations and their boundaries, because they heavily influence the social construction of the world. According to Fligstein (1990:34) managers' "social construction of the world is as important as the 'objective' character of the world". The business recipe of the integrated hierarchy constructed *the* view of efficient business that was widely spread. Perrow (1981) questions whether managers were sufficiently aware of the actual effects of vertical integration; rather they adopted the idea because recipes prescribed this medicine.

Fligstein (1990:302) goes one step further in arguing that managers rely on business recipes because they "rarely know what is economically efficient". Both Perrow and Fligstein claim that the main interest of managers is to preserve their organisations and further their individual and collective interests. In these efforts they require ideas and models about what constitutes efficient action and often managers "tend to go with what has worked in the immediate past or with the conventional wisdom guiding their organizational fields" (Fligstein, 1990:302). In the dissolution of the integrated hierarchies the conventional wisdom concerned with performance improvements through outsourcing, made the company specialised and 'lean'. This initial use of outsourcing as a means of 'efficiency-seeking', over time changed to 'recipe-following' of an ordination that "was applied uncritically since it was perceived as the way to improve performance" (Araujo and Gadde, 2009:16). This conclusion is in line with Berggren and Bengtsson (2004), who claim that the fundamental query 'to outsource or not to outsource' has been beyond the scope of any analyses, and the view that "many companies have outsourced because of 'groupthink' rather than because careful investigation showed that it made sense" (Kuwahara, 2006:74).

The above findings call for more systematic analysis of the prerequisites and consequences related to strategizing at the boundaries of firms. Rather than relying on conventional wisdom, and on what has worked in the immediate past, firms have to explore the present conditions at their boundaries. They have to identify the features of the current boundaries in the activity, resource and actor layers and then figure out whether these conditions are appropriate for the future. When changes are called for, potential movements of these boundaries need to be examined also with regard to the consequences for the influence and awareness boundaries.

There are two logics that can be used in boundary-setting (Gadde et al., 2010). The focal company may apply either an inward or an outward perspective in the analysis of its boundaries. The inward logic takes the point of departure in internal capabilities and skills. A typical illustration of this inward perspective is the core competence concept. In this case the firm defines what is most critical to its operations and secures these resources and activities in-house, while non-core issues are handled through business partners. With an outward perspective the firm investigates what useful resources and competencies outside the own company that are possible to access. The outcome of this analysis determines what activities and resources that needs to be located in-house as complement to the external resources.

Both the integrated hierarchy and the connected company rely on the inward logic. In the integrated firm all important resources and activities are located within the ownership boundary. The connected company is based on a narrower boundary, but still locates core resources and activities inside its ownership boundary. An alternative logic would be to apply an outward perspective. With this logic, the starting point for the firm would be to investigate what skills and competences reside at suppliers. The second step then is to analyse whether these potential resources are possible to access via relationships with suppliers. Sometimes it might well be that a supplier is the most suitable provider, even for resources of the utmost strategic importance for a firm. A similar analysis is required for the undertaking of activities. Resources and activities unavailable outside the company then have to be located and handled in-house. This logic makes internal resources a complement to external ones – an opposite situation in comparison with the arrangements in the integrated hierarchy and the core of the connected company. Also in this case a balanced approach is recommended to avoid overexploitation of one of the strategic alternatives.

7. Concluding remarks

This study set out to "explore prerequisites and consequences related to strategizing in terms of widening and narrowing the boundaries of firms". The analysis of the integrated hierarchy and the connected company with regard to boundary modifications relied on a framework based on the industrial network approach. The alternative boundaries identified through concepts from this approach enabled analysis of the features of static and dynamic conditions of the two archetypes.

In the current business landscape there has been a claim for the "emergence of a borderless world with boundaryless corporations" (Marshall, 2002:63). This study provides no support for this argument. On the contrary, this research shows the relevance of incorporating additional boundaries. This conclusion is in line with the opinion of Marshall (2002:64) that today's organisational reality "actually involves the formation of new boundaries based on new criteria rather than the disappearance of boundaries altogether". We do not fully agree with this formulation since our analysis indicates that these 'new' boundaries concerning influence and awareness are actually relevant also for the understanding of the conditions in the integrated hierarchy. A central finding is that activity interdependencies, resource interfaces and actor interactions impact on the influence and awareness boundaries with particular implications for the connections between what is inside and outside of the firm.

The study illustrates the consequences for strategizing owing to the variety and dynamics of the boundary contexts. These

conditions make it necessary for a firm to continually analyse the appropriateness of its current boundaries. This is an onerous task since the paper shows that firms are affected by a variety of boundaries. The identification of what boundary is relevant in a specific situation therefore "depends largely on the aims and purposes of the observer" (Araujo et al., 2003). Much work remains before clear recommendations can be proposed regarding the consequences of various strategies for boundary-setting in the multi-dimensional connections among firms in the complex business landscape.

On the basis of this explorative study two significant implications can be derived. First, firms should forget to think about the boundary of the organisation. For any firm there are several borders of relevance to consider. These boundaries are dynamic and changes in one of them will impact on the other. The second implication is that firms should avoid becoming too loyal to the prescriptions of a specific recipe for boundary-setting. Business conditions are dynamic and continually changing. Modifications in relation to such dynamics are required since too strict adherence to a successful recipe may cause problems, because "the tools of victory for one transformation (widening or narrowing) may become liabilities at a later time" (Portz, 1991:29).

As concluded above, further research is needed for enhanced understanding of the static and dynamic conditions of the boundaries in the business landscape and the associated consequences for strategizing. Some creative ideas for such research have been suggested that may shed some light on the provocative question raised by Nonaka and Toyama (2002:1006), concerning "what actually is a boundary of a firm". In this respect Ashkenas et al. (1995:4) advocate "an organic, biological, view of boundaries as permeable, flexible, moveable, membranes in a living evolving organism". Such a perspective seems highly relevant on the basis of this study. Moreover, Carlile (2004:566) suggests a framework where the firm instead of being seen as a bundle of resources, "can be more completely described as a bundle of different types of boundaries". Obviously, the findings of this study support this claim.

Finally, when it comes to research on boundaries, Abbot (1995:857) suggests a revolutionary approach that makes a lot of sense, but also features considerable complexity. The main argument is that it is not appropriate to look for boundaries between pre-existing social entities. Rather one should start with boundaries and investigate how entities are created through the linking of these boundaries to units. Abbot's claim is that "we should not look for boundaries of things, but for things of boundaries".

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New Venture Acquiring Position in an Existing Network

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Abstract

This paper deals with a small Italian company in the automotive business attempting to enter an existing business network in order to sell cars in the Italian market. The analysis focuses on the process of embedding the new venture in an existing business network and on the interaction strategies such embedding requires between the businesses involved. We identify and discuss the critical issues a new venture faces as a new entrant in developing a position in the relevant network. Drawing on an empirical case regarding the development of a distribution network, we discuss how firm's development strategy is always contingent on the involvement of external actors and their resources and activities. This paper contributes to the discussion on strategizing by analysing the interactive nature of strategizing at the actors level and by focusing on an overlooked case of strategizing, namely when a new venture tries to acquire a position in an existing network. We argue that strategy development in business networks is dependent on other actors co-operating in creating new solutions and conceding space to the new entrant.

Keywords: New business venture, position, distribution networks, business relationships, strategizing

1. Introduction

According to the "traditional" view the design of a distribution channel as well as a change in the distribution system are determined by the decisions that manufacturers take when they select an appropriate distribution format to reach their market (Stern & Weitz, 1997; Kotler & Keller, 2012). This means that manufacturers lead the development and changes in their distribution channels (Anderson & Rangan, 1997) and a "channel design model" supports manufacturers' channel decisions (Rangan, 1987). A related issue has been that management that has to design and develop a distribution system should start making distribution decisions by analysing the product's role in the company's product portfolio (Cespedes, 1988). This body of literature, as observed in a recent study (Gadde & Ford, 2008), interprets distribution channel design as an outcome of the manufacturers' decisions assuming two things: 1) that the company has the ability to decide unilaterally what the design of the distribution system will be; 2) that the company is well established in the relevant network.

However, research applying a network perspective on distribution (Andersson, 1992; Gadde & Hulthén, 2007; Hulthén, Dubois, & Gadde, 2000) has shown that a single company can rarely design, control and/or manage a distribution network. The features of the distribution network are the outcome of the choices made by all the companies involved at any one time (Ford, Gadde, Håkansson, & Snehota, 2003; Stern & Reve, 1980) and a new business, whether it is entirely new to the network or a spin-off with a previous history and connections, always has to acquire a position which means in turn changing the network itself. That makes the development of the initial distribution network a strategic issue for the new venture also because of the consequences it has for its operations and organisation. Most new businesses face this problem and little has been offered in the extant literature (La Rocca, Ford, & Snehota, 2013).

Against this background, we aim at exploring the issue of strategizing when developing a position in the network. More precisely, our goal is to focus on how a new company develops its initial business relationships and how it structures itself as its network evolves. In particular, the research questions addressed in this study are: What are the critical issues that the business has to address when developing its initial relationships, when acquiring a position and becoming embedded in an existing business network? What strategic actions are taken by the venture and by counterparts? What are the managerial implications of addressing these issues?

Based on an exploratory case study of a new car business (assembly and distribution), we analyse how a new venture develops a network for distribution, identifying the critical issues it addressed during this processes and we examine the implication for company operations and management.

The main contribution of the paper lies in addressing the issue of strategizing in business networks. By presenting and discussing a case study in the automotive industry, we show how a new firm in a network acquires its position by developing a set of new business relationships. By addressing the case of a new venture we contribute to an overlooked but emergent topic in the IMP research in particular in relation to how a venture develops its initial relationships (Aaboen, Dubois, & Lind, 2011; La Rocca, Ford, & Snehota, 2013). Indeed, while research on the reasons why new small firms need to rely on other partners is quite extensive, research on the "how", that is strategic actions and counter-actions, is more limited. The importance of carrying out such a study is also related to the potential implications for managers when coping with how to face the barriers and tensions that emerge in the strategizing process.

The paper is organized as follows. In the first part of the paper we review research on strategizing when developing a position in the network at the early stages of the venture development. We then employ a case study methodology to explore how the need to develop business relationships in an ever-changing business network affects the new company. The case set in this report ex-

amines an Italian automobile company (DR Motor) that started selling its own brand of cars in the Italian market in December 2007. The case embraces the formation of DR Motor from 2004 to 2009 (using empirical material collected from 2007 to 2013). We conclude by discussing the findings and considering the implications for management practice and research.

2. Developing a position in the network

New businesses always start in an existing context and in a network perspective developing a new business amounts to establishing a new node in the existing – or pre-existing (Snehota, 2011) – network. However, at the same time, the context in which the new business emerges is itself in change, and the very development of the business, if successful, leads to further development of the business network. The process of embedding in the existing network takes place through the development of business relationships with different partners in the network. Relationships between previously unrelated or loosely related businesses, organizations and actors involve integrating knowledge and ideas from different fields and confronting different logics (Gadde, Hjelmgren, & Skarp, 2012; Håkansson & Waluszewski, 2007). From a strategic point of view, these relationships affect the nature and outcome of the firms' actions and are the potential source of efficiency and effectiveness (Håkansson & Snehota, 1995; Johanson & Vahlne, 2011; Wilkinson & Young, 2002). In such a network context, strategizing is about "identifying the scope for action within existing and potential relationships and about operating effectively with others within the internal and external constraints that limit that scope" (Håkansson & Ford, 2002, p. 137).

Operating with others for a new business implies first of all being recognized and accepted by some of the parties in the network. While the importance of being embedded in a network is often noted, the specific relationships that constitute the first steps towards developing or becoming part of such networks are seldom addressed in research (Aaboen, Dubois, & Lind, 2011). If "the existence of business relationships is a condition for the very existence of a business" (Snehota, 2011, p. 6), we need first to better understand what makes it possible to develop initial relationships in order to become embedded in the surrounding network and acquire position(s).

Relationship development is complex as companies are not fully free to decide which relationships to develop (Håkansson & Ford, 2002). Companies are never free in choosing their strategies within a relational context as the formation of business relations involves to choose but also being chosen (Wilkinson, Freytag, Young, & Chery, 2003) and this mutual dependence means that the "strategy process is interactive" (Håkansson & Ford, 2002, p. 137). Ford et al. (2006) have shown how managers in practice act by reacting to initiatives of other actors which means that strategizing involves continuous adaptations. Hence, the strategy development – strategizing - is interactive, evolutionary and responsive. Interaction strategies in business relationships have been described as series of choices faced by the parties as they interact (Ritter & Ford, 2004; Ford et al., 2010; Ford, Gadde, Håkansson, & Snehota, 2011). These choices can be described as "six Cs of networking" (confronting vs. conforming, creating vs. consolidating, conceding vs. coercing) and represent choices that are related and affected by the surrounding network in which companies are embedded (Ritter & Ford, 2004).

The first choice a company faces is about what facets of the re-

lationship the company should seek to *confront* a counterpart and for which aspects it should *conform*. The purpose of confronting is seeking specific changes within existing relationships, while conform aims at keeping the status quo in specific aspects of existing relationships. The second choice a company should address concerns whether and when to *create* a new offering or set of relationships and when to *consolidate* the existing solutions and relationships. The option is between consolidating current relationship, maintaining network position by developing involvement in existing relationships, or *creating* new relationships or altering the balance to the existing ones in order to develop network position. Finally, the third set of choices regards when and on what aspects to attempt to *coerce* the counterpart in a certain direction based on own intentions and when to *concede* to the counterpart's will. Such choices are related to the position of the company with regard to combinations of relationships. Coercing means directing specific aspects of interaction in accordance with own intent, on the contrary conceding involves following the intents of others in specific aspects of interaction.

Recently, the interactive strategies of the aforementioned model have been discussed in relation to developing the initial relationships of a new venture (La Rocca, Ford, & Snehota, 2013) arguing that "a company engaged in a new venture is likely to lack clear organisation, expectations, experience and intentions in its interactions" and therefore in relation to choice of confronting or conforming a new venture "will be limited in its ability to confront issues in its emerging relationships" (p. 1030). These companies are also limited in relation to the available relationships and for this reason they become likely "committed to their earliest relationships because of the relationship investments they have already made, their lack of knowledge of available alternatives and the insecurities they bring to their interactions" (p. 1030). Finally, the new business is unlikely to coerce in its initial relationships and it is rather more often influenced by its counterparts for the experience they have in particular in other than the technical aspects of the relationship (Johnsen & Ford, 2007).

Against this theoretical background, and in line with the concept of the strategy process as an interactive one, our study aims to identify the critical issues in acquiring a position in an existing network through the development of initial relationships of the new business. We will look at the strategic actions of the new company in the network, analysing the actions undertaken by the newcomer and by the counterpart since "the position of the company is determined more from outside than from the inside, and is contingent on how the company relates to the firms with which it actually is involved in business exchanges" (Gadde, Huemer, & Håkansson, 2003, p. 362). In order to answer the question of managerial implications for how to handle these issues we will analyse how and where strategizing and organising is actually done (Whittington, 2003) in a "strategy-as-practice" approach where strategising is seen as a "chronic feature of organizational life" (Johnson, Melin, & Whittington, 2003, p. 5).

3. Method

Given the exploratory nature of this research, a case study method seemed appropriate. Case studies are the preferred strategy when the focus is on a contemporary phenomenon within some real-life context (Eisenhardt, 1989), when the aim is to "pinpoint aspects concerning the evolution of corporate processes which are otherwise difficult to grasp in their entire complexity" (Guercini, 2004, p. 466). The case study represent a good meth-

odological choice when the object of the study revolves around complex process (Dubois, 1998). Moreover, it has been recently emphasized "the ability of case study to generate contextualized explanation" despite the discussion about the "trade-off between the strengths of "internal validity on the one hand and the thick description on the other" (Welch, Piekkari, Plakoyiannaki, & Paavilainen-Mäntymäki, 2011, p. 2).

We collected data with the explicit aim of identifying the key aspects of DR Motor's emerging network to provide a detailed description of the activities carried forward by DR Motor in relation to the company's counterparts. We collected information about early events related to the emergence of the new venture to better understand the impact of the evolution of the distribution network on DR Motor's position. Between 2007 and 2009 in Italy, we collected the primary data through eight semi-structured, face-to-face interviews, ranging from one to several hours. The informants included personnel from the Dr Automobiles Group (DR-AG) and DR Motor: DR Motor's CEO, its sales manager, marketing and communications manager, distribution manager and after-sales manager, who were all informed of the research purpose prior to the interview. The interviews focused on three central themes: (1) evolution of the automotive business network; (2) the development of key business relationships including failures to develop relationships and possible back and forth in the development; and (3) the relationship between internal organizational solutions and the set up of the distribution network. An interview guide was prepared prior to every interview. The guide was adjusted according to the outcomes of the previous interviews, as many features only emerged along the way. We stopped interviewing once we felt our level of understanding was satisfactory for the purposes of the research. Most interviews were tape-recorded and transcribed. Besides the formal interviews, we also conducted numerous informal conversations and e-mail exchanges, as one of the researchers has continuously been involved in the evolution of the company's business even since 2009. When necessary, we followed up the interviews with e-mails and phone calls. The last follow-up interview was conducted by phone in June 2013 to resolve unclear issues that arose after writing the first version of this study.

Data were also gathered in the form of documentation, which included internal reports, brochures, internet material, business publications and information our informants provided. This empirical material for the case study was collected over the duration of the study. Moreover, one of this paper's authors followed and studied DR Motor intensively even after 2009 and beyond the aim of this project, to acquire a broader understanding of the context. In developing the case, we have combined and shifted between analysis, without using software because of the topic's complexity, and interpretation on one hand and the evolving framework of the study on the other hand.

Guided by our initial frames of reference (Siggelkow, 2007) on interaction strategies, we analysed the case in order to provide insights, and a "coherent story" (Pratt, 2009), on how the relationships between DR and its counterparts developed overtime by emphasizing strategic actions and counter-actions (our unit of analysis) taken by the actors and the outcome of these. The observations and the framework became mutually interdependent through corroboration (Denzin, 1978) and systematic combining as we adopted a constant interactive process between data analysis and theoretical framework (Dubois & Gadde, 2002).

4. The case of DR Motor

In this section we present the first years of development of DR Motor, and focus specifically on how it gradually acquired a position in the relevant network. We examine the issues involved in developing a distribution network to reach end users of the new line of cars DR Motor intended to bring to the Italian market.

4.1 DR Motor and the development of the new product

DR Motor Company can be seen as a new venture or a spin-off of the DR Automobiles Group (DR-AG), a large car-dealer business owned by Massimo Di Risio, who in 1984 took over the management of a car dealership (Lancia, a Fiat group brand) from his father. In 2009 DR-AG was one of the largest multi-brand car dealers in Italy, with more than 200 employees and a total turnover of more than €300 million.

Di Risio started to develop a strong presence as a car dealer on the Italian market, selling both new and used cars. Between 1985 and 2004 the company became an authorized dealer for almost every major international car brand, including Fiat, Ford, BMW, Nissan, Mercedes Benz, Opel and Toyota, running several separate dealerships. At the same time, DR-AG was rather active and gained a good market position in the used vehicles market. As part of its used car business it has made several unorthodox moves. In 1985, for instance, DR-AG bought large stock of second-hand cars from several branch offices of the Fiat Group and sold these to private customers and small car dealers, and repeated this business in subsequent years. DR-AG consolidated its position in the used car market in 1997 when it bought and re-sold the entire car fleet of a large utility company, Enel Spa. Actions like these increased the company's turnover and established DR-AG as one of the leading car dealer businesses in central and southern Italy.

The early 2000s were pivotal years for the company's growth, and Di Risio thought that DR-AG was ready for the big "leap". Due to the good market results and profits from its traditional dealerships, the company considered importing cars directly from emerging car producers, exploiting their lower manufacturing costs. After examining various possibilities, the company decided to import cars, particularly SUVs (Sport Utility Vehicles) from China. A strong trigger for this new business was that despite rather vigorous demand the national car producer, Fiat, did not offer a SUV in its product portfolio and no other car manufacturer was offering SUVs in a mid-price range in Italy. This was a time when a substantial demand for SUVs in the lower-priced segments of the market existed in Italy.

The DR-AG's management team visited most of the Chinese car manufacturers but the outcome of these scouting activities was rather disappointing. While several Chinese producers had models that were like SUVs, none was considered suitable for importing to Italy because they did not meet European safety regulations. Furthermore, the SUVs were of rather low quality and the design was too rudimentary for European customers' tastes.

DR-AG's management team then started to consider the idea of configuring a new car, based on existing low-cost Chinese models, but adapted to meet European standards and regulations. The company aimed to adapt existing Chinese motor vehicle models and propose these as new brands on the Italian market. DR Motor would thus become the manufacturing business division of DR-AG, offering the Italian market low-priced SUVs based on Chinese models. DR Motor would operate as

an "assembler", putting together Chinese car chassis and bodies and fitting these with other mechanical and electrical parts that produced a car complying with EU regulations. At the same time, it intended to re-style the vehicles to meet Italian tastes. As these ideas were taking shape, DR-AG continued scanning the Chinese market for other suitable models to import to Italy so it could ultimately offer a small range of models apart from SUVs.

In 2005 DR-AG prepared the first prototype of a SUV vehicle to be produced and marketed under the brand, DR5. It took some time to design the model and in the autumn of 2007 assembly of the DR5 started and the first sales were recorded in December.

The production of the new car consisted mainly of assembling parts and components produced by several suppliers with whom DR Motor started to work. The Chinese automaker Chery supplied the main part of the DR5 model[1]. The DR5 was conceived on the chassis, mechanics, engine and body of the TIGGO, a model produced and sold in China by Chery. When the TIGGO arrived in Italy, it underwent some external changes to the car body – the bumpers and hood, the brand stickers, and a few components in the vehicle's interior (e.g., the carpets, a fifth safety belt, and the steering) – to make it market ready and compliant with safety norms. The DR5 was, however, to be offered in both gasoline and "diesel" versions (cf. Ciabuschi & Perna, 2008). The diesel version, which was more in demand than the petrol version in Italy because of tax concessions for diesel fuel users, required major adaptations. While the DR5 gasoline SUV has the same engine and gearbox as the TIGGO, the diesel version required some more changes. The TIGGO model was fitted with a diesel engine, gearbox and transmission supplied by the Italian Fiat Powertrain (FPT) and other electrical and control systems from Bosch and Siemens VDO.

Some of the competences and knowledge necessary to organize the industrial activities were available in DR-AG as it had an internal business unit – DR Sport Equipe – that was created in 2000 for the preparation of cars for the Gran Turismo Rally Racing League. It turned out that this unit was essential for the birth of DR Motor and the design of the assembly operations. Accordingly, in 2005, DR Sport Equipe and all of its resources (equipment, facilities and personnel) became part of the DR Motor venture team. Other competences were acquired in the form of consultants from the automotive sector with expertise in logistics and line assembly. These consultants were hired to complement the necessary know how for assembling the new DR brand. DR Motor unit was incorporated as a limited company in 2006 and became a business entity legally distinct from DR-AG.

4.2 Developing the distribution network

As the features of the DR5 model were being defined and the processes and activities concerning the production of the DR5 were set up, the problem became how to commercialize them. Management had no clear plan but, because of the background in the dealer business, they understood that they had to act fast to find a solution and to organize a suitable way of selling the cars, both the DR5 model and other models they considered to market in the future. Di Risio knew very well that selling the new car was not simply a matter of transferring the DR5 to end

users and would require organizing multiple activities, including not only promotion but also logistics and technical assistance in the aftermarket. One solution would have been to adopt the existing dealerships of DR-AG but this alternative was discarded because DR-AG only owned few other dealers besides the headquarter in Macchia di Isernia and these would not permit to cover much of the Italian market, and Di Risio had also the ambition to show to its main strategic supplier Chery that DR was able to organize an independent network of dealers dedicated to the DR Motor brand.

The management thus faced the dilemma of developing a new dealer network for the brand or to find some other solutions for organizing the distribution of the new car. It was clear that developing a new dealer network for the DR brand would require time and considerable investment. At the same time DR Motor management was aware that the new brand had to be brought to market quickly and that a failure to act immediately on this issue could endanger the success of the venture.

4.2.1 Partnering with the Finiper Group (Finiper)

Convinced that developing a new dealer network would require substantial effort and investments and take some time, DR Motor management came up with an imaginative solution. They decided to sell the cars through the Finiper Group[2], a large retail business with 25 superstores in various parts of Italy, which Di Risio had previously done business with. Another reason Finiper was considered as a distributor was because of a rather close personal relationship between Di Risio and the owner of Finiper, Marco Brunelli. Accordingly, DR-AG started cooperating with Finiper when some of the large stock of "demo" cars bought by DR-AG from Fiat were exposed and sold in Finiper stores during the last weeks of 2000. In the years that followed, similar deals were made, and so, DR Motor opted to expand and extend this "old" relationship in order to solve the distribution problem. In late 2006, the company signed a contract with Finiper to sell the DR5 through Finiper's 25 large hypermarket stores.

Di Risio had several reasons for considering Finiper as an alternative to developing a traditional dealer distribution network from scratch, which would require considerable investment and managerial effort. The costs of using Finiper for distribution and promotion and the necessary investments were expected to be lower. Furthermore, selling the DR5 in hypermarkets was believed to be the best way of reaching numerous potential customers fast. Both parties were keen and welcomed the solution. In 2007 Di Risio declared to the press that: "The agreement with Finiper allows us to reach a vastly greater number of potential customers. We bring the dealership to the customer instead of waiting for him to come to the dealership. This is the novelty of our retail strategy." At the same time, Marco Brunelli, President of the Finiper Group, claimed: "We are going to make easy what is difficult, accessible what is not. This is the thought that led us to define our hypermarkets as spaces where families can find everything they need."

The agreement with Finiper legally mandated the sale of the car through the hypermarket outlets that would be regarded as exclusive dealerships. In every store – half of which were in Northern Italy – a dedicated space was prepared for the DR5,

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1. Chery was founded in 1997 in Wuhu, Anhui Province, China. Today, Chery is the fourth-largest passenger vehicle manufacturer in China and exports products to more than 60 countries. Chery has two automotive manufacturing plants, a transmission plant, an automotive engineering research institute and an automotive planning and design institute.

2. Finiper is a retail group comprising 25 superstores in seven Italian regions with 650,000 m[2] of sales area. In 2007, Finiper's revenue was around €2 billion and it had 8,000 employees. It was founded in 1974 when Marco Brunelli opened the first hypermarket in Montebello della Battaglia (PV).

where potential customers could inspect it as in a dealer's showroom. According to the partnership agreement, Finiper would buy about 3,000 DR5 vehicles from DR Motor between 2007 and 2008, which would make Finiper the major customer. The intention was that DR Motor would invoice Finiper, which would be selling the cars to the public with some limited promotional support from DR Motor.

Following up on their decision, both parties started to put the solution into practice. This involved various issues, some of which had been anticipated but others arose as the business got underway. Selling through Finiper required developing a network of repair and service workshops to assist the new brand, which was a major responsibility for DR Motor that started to identify and authorise about 100 workshops as the technical assistance network spread all over Italy. It also entailed developing a service manual and a spare parts stock and delivery scheme to fit the appointed authorised technical assistance shops. Another major issue for DR Motor at the time was to find logistical solutions in order to stock the assembled vehicles and to distribute these to the various Finiper stores for delivery and registration. For the logistics DR Motor actually developed collaboration with a mid-sized logistical service provider, Motive Service, from the same region in which DR Motor's HQ was located. It embraced both the delivery of vehicles to Finiper stores and spare parts distribution to the technical assistance network of repair shops. As the logistics provider had no previous experience of car transport and spare-part shipments it has taken some time to develop effective routines. Early mistakes that resulted in "scratched" cars and unnecessary delays irritated some of the partner shops and the DR team.

Among the problems that were not anticipated but emerged and had to be handled, one important issue turned out to get the Finiper staff to perform according to the standard of service customers expected of car dealer salespersons. DR Motor designed the format of the "showroom space" in the store and worked out various procedures for technical and administrative routines. But, since the Finiper personnel had no experience of car sales they had only limited understanding of the importance of some situations; for instance, they would not be careful enough to check if the car interior and body were clean and polished when picked up by the customer. They would hesitate when answering some questions customers expect a car salesperson to answer competently (e.g. a host of minor technical details). These problems persisted, even though DR Motor invested a great deal in developing manuals and in training the Finiper sales staff. Developing effective routines for how the showroom staff should handle customers turned out to be more difficult and more costly than expected. DR Motor management gradually became aware of the investment needed to ensure effective sales through Finiper, yet both parties were keen to advance the business further.

But the contrast in how the two partners conducted business kept emerging. A major issue was the financial conditions under which the DR5 would be delivered to Finiper. Initially it was agreed that DR Motor would deliver the cars only after receiving payment from Finiper. While Finiper accepted this solution, it led to various tensions, especially in the early stages of the relationship, and it took several meetings to find a solution that resulted in Finiper receiving a further reduction in the car's purchase price if pre-payment was made. It could also pay after delivery.

Some of the unexpected problems even irritated customers and risked tarnishing the DR brand's image. Even though Finiper and DR Motor stipulated specific delivery terms and service levels in the showrooms and despite the training support DR Motor personnel provided, a high standard of delivery service to the end user could not be guaranteed. Cars that became dirty when transported to Finiper's retail stores continued not to be cleaned before delivery and some of the Finiper personnel continued to show limited understanding of the need to provide a certain level of service to customers. As a result, customers had negative perceptions of the service provided and had some difficulty understanding that Finiper would not be the agent providing maintenance, spare parts and in-house repairs, and that these would work through third parties.

At the same time that DR Motor was developing the relationship with Finiper, there was growing interest in finding other models to complete a whole DR line. As a result, two other models (DR3 and DR1) were proposed, based again on models offered by Chery and another Chinese producer. As the business developed, the Chinese supplier appeared to trust DR Motor more and became interested in extending the co-operation with DR Motor; the supplier also became increasingly interested in the potential of entering the European market.

Under the circumstances, DR Motor management reviewed its past experience and considered further developing distribution for the current models and those on the drawing board. DR Motor acknowledged that the distribution solution based on co-operation with Finiper required considerable investments (largely to train Finiper's staff to the car business). It also became aware that Finiper's customer base remained the same all the time, which limited the value of promotion through exposition of the DR models in Finiper stores.

4.2.2 Developing a dealer network

Although the relationship between DR Motor and Finiper was to continue in smaller projects – such as the occasional sales of "demo" cars – both parties agreed to end the exclusive distribution arrangement. As the agreement was terminated, DR Motor had to develop a more traditional dealer network for the brand that would cover the whole Italy. This network was estimated to require some 80 points of sale and DR Motor started to identify and to appoint suitable dealers in various areas of Italy.

DR Motor believed at the time that developing a dealer network (by relying on some existing multi-brand dealers) would improve the level of service for the final customer and lead to an increase in the number of units sold. Using traditional dealers was now seen to have several advantages, such as professional selling competencies, better territory coverage and more reliable delivery, and would possibly make the customers feel more comfortable with sales practices with which they were accustomed.

A point in question was also that Chery, increasingly interested in investing in the European market, could rely on a traditional solution such as a dealer network in co-operation with DR Motor. Chery saw the dealer network under construction as a spearhead for introducing more models to the European market and was ready to use DR Motor's capacity of organizing a good distribution network. DR Motor negotiated with Chery to increase the number of cars to be delivered to Italy by adapting its production plans. DR Motor, in turn, increased the capacity of its assembly line and also set the logistic operations in a different way to ensure delivery to the 70-80 dealers. Increasing the number of produced cars would also affect the management of the spare parts and additional technical assistance post sales. DR Motor hired new people to cope with the higher car production and dealer sales.

Table 1. Strategic actions in acquiring an initial network position

CREATING	
Phase 1	- Developing new distribution solutions - Mutual interests in setting up new solutions
Conforming	*Conceding*
- DR Motor searching quick solution to bring cars to the market - Adapt to existing hypermarket infrastructure	- Finiper concedes space and adapts to DR Motor - Expects benefits of new business

CONSOLIDATING	
Phase 2	- Teaching and learning - Implementing solutions to make the relationship work (logistics, payment, sales promotion)
Confronting	*Confronting*
- DR Motor know-how of service and sales - Investment in training Finiper's staff	- Finiper negotiation about payment conditions - Finiper commitment to "learn" how to sell cars.

CREATING	
Phase 3	Creating a dealer and technical assistance networks system and logistical support
Conforming	*Conceding*
- DR Motor increases production for Chery's new models - DR adapts to traditional dealers system (IT, ordering system, etc.)	- Dealers take up the opportunity of selling "low-cost" cars - Acceptance of DR Motor as new brand

Searching for new dealers was not an easy task. It was important to identify and nominate dealers able to meet specific requirements such as showroom facilities, other brands offered, sales staff competence, and the dealers' working capital. For instance, the potential dealer had to have at least 150 square meters of showroom space for the DR5 SUV, and more for the coming line. Dealers interested in selling the DR5 could self-nominate through DR Motor's website, or apply by contacting DR Motor's headquarters. Hundreds of such applications were received in 2008. In parallel, DR Motor's marketing and sales department began to search for potential dealers in various regions, especially in geographical areas from which there had been no applications. Slowly, contacts were developed between DR Motor's marketing department and the dealers' sales offices. DR Motor's staff made numerous visits to the dealerships to discuss in-store advertising and promotion, and also to inform dealers of the DR5's characteristics. There were numerous contacts between DR Motor sales staff and dealership owners to discuss sales conditions and the dealers' margins on the DR line.

DR Motor developed software to handle the information exchange between DR Motor and its dealers, and the support system was ready by the end of 2008. DR Motor also acquired an IT system to manage and coordinate logistics on multiple levels. The IT solution allowed dealers to be constantly in touch with DR Motor and to schedule deliveries. Developing these systems and the organization to handle the contacts with the dealer network required considerable financial investments. Further investments were made by DR Motor, which covered the cost of training the dealers' sales staff to use the data systems.

By 2011, more than 80 independent dealers throughout Italy sold DR Motor's vehicles. Only one of the dealerships was owned directly by DR Motor – a single-brand DR dealership and show-room in Rome – that was meant to represent a flagship dealership to promote the DR brand. Customers could buy the DR5 from dealers who provided after-sales service, either on site or from a dealer linked to authorized repair shops. While de-

veloping the new dealer network, DR Motor made use of some of the investments it had made previously while constructing the distribution solution with Finiper. The existing network of repair and service workshops made it easier to appeal to suitable dealers. Also, prospective dealers were impressed with the logistic systems and training that had been developed for Finiper.

Sales of the DR5 model peaked in 2011 and have been contracting because several competing models of "low-cost" SUVs have been introduced by major European brands. DR Motor intensified the relationship with Chery to speed up the introduction of the other two brands (the DR1 and DR3) and also convinced Chery to make some changes to the TIGGO model during production in China, rather than when assembling the cars in Italy.

5. Analysis

The analysis focuses on the main theme of our research questions: What are the critical issues that a business has to address when developing a position and becoming embedded in an existing business network? What are the strategic actions undertaken by DR Motor and by the counterparts ?

The DR Motor case shows several strategic issues that arose when the company tried to become embedded in a pre-existing network targeting potential customers. DR Motor, in order to be able to commercialize its vehicles, had to develop various relationships that were, in turn, dependent on developing others relationships. So, for instance, the relationship with Finiper depended on that with the logistic provider and those with technical assistance network as well as with Chery.

Looking back at the company's development, we can identify different approaches in the process of embedding the new venture in the network that can be framed in a relational strategy logic (see table 1).

The first phase of development was characterized by a conforming approach of DR Motor's, combined with Finiper's conceding approach, which resulted in developing the first relation-

ship as both parties were interested in creating a new solution. In the second phase of the case the prevailing interest of both parties in the focal relationship – DR Motor and Finiper – was that of consolidating the relationships that meant confronting logics and opinions on both parts of the relationship from which new solutions had to be found. In the following phase, again, the intent was creating and enacting a new solution in other relationships. But for that it was necessary that DR Motor gained acceptance as an actor in a broader network horizon compared to the relatively narrow horizon (Håkansson & Snehota, 1995; Holmen & Pedersen, 2003) of the first phase of the relationship with Finiper. On part of DR Motor that meant to conform with the situation while for the network and for some of the new partners this implied to concede space for the entry of the DR Motor.

5.1 The first phase: creating through "conforming", "conceding"

The first aspect to consider is the fact that DR Motor was trying to enter a network in which it had no previous business relationships. Despite its knowledge about the distribution system DR Motor was not "identified" by others as an actor in the network (Snehota, 1990) which led the entrepreneur (Di Risio) to fall back on his previous business and personal relationships to find possible partners who would accept DR Motor as a new actor and thus enable his business to get started. In the first period, DR Motor would not get existing dealers involved unless it showed that the new DR brand of cars could be sold. Moreover, initial volumes were not enough to sustain a dealer network of its own and DR did not have enough resources to invest in such a development. The partnership with Finiper was a creative solution, dictated by DR Motor's need to quickly connect to the existing network. The propensity of DR Motor to conform with the existing arrangements in the network could offer was very high, but the availability of actors to become involved in a relationship with DR Motor – and thus to concede a space in the network – was limited, not the least because they did not know about the existence of the new company. The relationship with Finiper did not start, thus, as an intentional, planned decision of Di Risio; rather, it emerged as the only feasible solution because of the readiness to concede the new solution and changes in the own business by Finiper. More precisely, the DR Motor strategy was to find a quick and "low cost" solution for selling its vehicles, whereas Finiper's initial approach was to stretch its business by offering a new and unusual product.

The relationship DR Motor-Finiper was clearly favoured by the willingness of both parties to create new rather than to consolidate previous solutions. Other initial business relationships were developed and adapted to the one with Finiper (e.g. the logistics provider, technical assistance shops), which played a "mediating" role (Holmen & Pedersen, 2003) in the development of these relationships.

5.2 The second phase: consolidating through "confronting"

The relationships with Finiper did not develop smoothly; rather, it presented various problems that could not be anticipated. Consolidating the relationship with Finiper required an extensive investment by DR Motor in terms of tangible resources (e.g. showroom areas, logistical facilities and promotional material), activities (e.g. logistics, ensuring after-sales service) and also in terms of teaching and learning (e.g. training Finiper's personnel

to live up to professional car selling). Indeed, a major problem appears to be that Finiper was not competent at selling cars. The attempts to find solutions to the problems signalled the second phase of the development. To consolidate the relationship both parties were confronting their respective business cultures and logics in trying to overcome the difficulties encountered in combining two very different business models. An important observation is that this process required time to accomplish all the relevant adaptations (both at the technical and social levels) and each adaptation was carried out in an uncertain conditions. DR Motor could not know whether Finiper would be the right choice to launch the DR5 SUV but considered it as an opportunity to take a first step toward organizing the distribution network.

From this confrontation and from the activities carried out to solve the problems, new opportunities emerged, including changes in relationships with other parties such as Chery.

Through the relationship with Finiper, DR Motor became aware of the business and its dynamics and acquired a certain position in the network; accordingly it became more visible to others. Indeed, by building up the relationship with Finiper, DR Motor established effective business relationships with repair shops, Motive Service, and transportation companies that would later become strategic assets in developing further the relationship with Chery and in building the dealer network in Italy.

5.3 The third stage: "creating" through conforming and conceding

In 2008 DR Motor, relying on the competences and solutions developed with Finiper, was able to enact a new solution in the existing network by developing relationships with the dealers and suppliers. As DR Motor acquired the status of a recognized actor, management's attention shifted to creating new solutions that could guarantee an efficient delivery system of cars to final customers and to develop the offering, completing the range offered and opening other avenues of development with Chery as a partner in the European market. Compared to the previous phase, in which DR Motor and Finiper expended a lot of effort confronting their respective business logics to connect and operate together and to consolidate the relationships, in this phase DR Motor's main focus is on creating and constructing a system to support and coordinate activities with dealers and other business partners. Although DR Motor network's position became at that point more established than in the previous two stages, new issues also showed up. On one hand, these issues were related to the further development of the business relationship with Chery. More vehicles were produced in order to let Chery increase its presence with new models such as the DR3 and DR1. The complexity of producing those new models affected the management of operations such as the in-bound logistic activities, the setup and the change of the production lines, and the management of new spare parts. On the other hand, DR Motor shaped the structure of the distribution network by forming new relationships with dealers and logistic companies. Both in relation to Chery and to the new dealers, DR was mostly conforming to the existing practices and strategies adapting to these. New problems occurred due to the creation of such new relationships. Even though DR Motor started to be a recognized actor, most of the dealers did never experience the selling of "low-cost" cars and this turned out to be an issue for DR Motor's management. Sometimes, intense negotiations and discussions had to be carry out in order to define economical and technical conditions concerning the vehicles' commercialization. Conforming

to the existing practices for DR Motor meant some sacrifices that the Italian automaker had to support. For instance, although all the actors conceded the space as they gained something from the commercialization of DR Motor vehicles, DR Motor had to dedicate large resources to conform such as for instance investments in equipment such as the IT tool for allowing dealers to place their orders.

6. Conclusions

This paper has dealt with the initial phase of development of a new business which, in a business network context, can be conceived of as becoming a new node in a pre-existing network. Becoming a new node in the relevant network requires that key business relationships are developed, that the new company is accepted as a partner in the relationships and acquires an identity and status in the relevant business network. Although it sounds like a natural process, developing the initial relationships for a venture is anything but linear. In this paper we have explored what are the critical issues that the business encounters in trying to acquire a position in the network. Acquiring a position in the network requires creating new solutions and new relationships which is a relational process, and thus the business strategy of a new firm also depends on what the counterparts are willing to concede; it is a matter of "balancing the interplay between influencing others and being influenced" (Gadde, Huemer, & Håkansson, 2003, p. 358). It is thus definitely not a unilateral and planned process of strategy development. It confirms that the best company can do under the circumstances is to engage in strategizing which always involves others, balancing the conforming to the existing and requires that others concede on several issues.

The case shows how opening up the network to change implies reshaping the existing network to a new one, and to some extent destabilizing parts of it. Creating a new node is not neutral for the network and this is a likely reason for the resistance by the incumbents to newcomers. The new company seeking to enter must create new but is obliged to conform to some extent to practices of established actors. Creating the new is contingent on the "acceptance" – conceding – of the established actors. This implies that for the venture trade-offs and sacrifices are necessary to bring actors together, so to accommodate diverging interests, and start to operate in the desired direction of creating of the new. Creating the new, however, requires consolidating which entails developing effective solutions in the new relationships which appears to require that different logics and strategies of the relationship partners are confronted and new ones emerge. At the same time, newcomers are necessarily myopic (Holmen & Pedersen, 2003), as in a complex business environment they can only act on "a minor portion of the opportunities" (Håkansson & Snehota, 1995, p. 200). The newcomer moves in a narrow horizon, zooming into the network to find a feasible solution that likely leads to a lock-in effect. The counterpart's dependence on the newcomer is not only necessary but beneficial – and this is likely the reason why coercion is not considered as a worthy strategic action in this context – as it makes possible the activation of significant counterparts in the development of the strategy.

The case illustrates in particular two aspects of the initial embedding of the new business in the network: 1) the unpredictability that exists in developing new relationships, which reflects the complexity of their content and 2) the absence of a clear beginning and end.

6.1 The unpredictability

Numerous issues must be addressed and solutions devised on how to combine and interface various resources, how to configure and organize activities and how to connect various actors in the relationship (Baraldi, 2008). While some upcoming issues can be foreseen, most cannot be anticipated and need to be dealt with as they arise and solutions are enacted between the parties to the relationship as they deal with problems that arise. What happens then between the parties is a series of mutual confrontations and concessions that are nicely illustrated by the changing relationship interaction strategies in the development of the relationship between Finiper and DR Motor. This aspect makes relationship development costly and risky for both sides. For the incumbents (e.g. Finiper), admitting new relationships can disrupt existing operations, which explains resistance to admitting new actors. There are also various occasions in which no solution can be found for problems that arise. This aspect may also explain why network incumbents may be reluctant to concede to the new entrant the status of an actor and to engage in doing business with the new entrant. At the same time admitting the new entrant can bring to some of the incumbents significant economic benefits (e.g. the development of the logistics provider). What is illustrated in the DR Motor case is how these different outcomes in different relationships developed by the new venture need to be balanced and how the change in the perception of costs and benefits by the involved opens new possibilities while it precludes some others.

6.2 No beginning, no end

A second important aspect of the initial embedding of a new business in the existing network is that there is neither a given beginning nor a given point of arrival. It appears that there is always a history to which the processes are connected and the process is never fully accomplished. Relationships and solutions within relationships can become temporarily stabilized, but they will always be exposed to pressures for change that may come both from within the relationships and from the network at large. Effective solutions in a certain relationship in a certain situation become a problem in other relationship as the situation changes. Disappointing developments can turn to important building blocks on which the future new solutions are built that lead to other relationships in another context and time. The process of acquiring a position in a business network is thus never over, and has no given beginning or end. It requires persistency by the new company to "learn about the capabilities and skills of the other party over time" (Gadde, Hjelmgren, & Skarp, 2012, p. 216) and the ability to activate and connect past action to construct future strategic action, namely how to influence the position in the network (Mattsson & Johanson, 1992).

Acquiring a position in a network for a new company is not instantaneous; rather, it is a painstaking and gradual process. It is never a linear process of identifying strategy, making strategic decisions and implementing them (Gadde, Huemer, & Håkansson, 2003); rather, it has all the features of continuous coping with emerging circumstances. The set of relationships being developed reflects the set of resources the venture needs to activate and influences the "boundaries" of the new venture in terms of resource control. Since the relationships cannot be imposed but need to be negotiated the new venture is likely to experiment with different "relationship combinations" that are likely to develop over time as effective solutions are found in each single

relationship. That supports the idea of strategizing, rather than strategy management and also supports the idea of "strategy as practice" (Whittington, 1996), implying that the practice of strategizing needs to be continuously exercised. The idea of strategy as practice in a business network context resonates well with what comes out of the case as the sequence of relational moves and approaches we have seen in the DR Motor case. Strategizing can be seen as shifting between creating and consolidating new relationships and solutions which involves, within the relationship, an alternation of conforming and confronting on the new entrant side and acceptance that means conceding and confronting on the incumbents side.

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Strategic reversal: The network as reason, means and end

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Abstract

This paper describes and discusses strategic reversal in a network context. Strategic reversal here refers to how a company implements a strategy and, with a lapse of time, decides to undo that strategic change. The paper discusses strategic reversal in terms of being: (i) driven by the network or changes therein; (ii) using the network to accomplish the reversal; and (iii) affecting network parties. It contrasts this with the initial strategy, and discusses the initial strategy and reversal in terms of company-centric and network-driven strategy. Two case studies illustrate this. The paper concludes that the reversal may be company-centric to as high an extent as the initial strategy. The reversal is not complete in the sense that it does not bring the parties, or their network connections, back to what they were before the initial strategy. For the firms reversing their strategies, new parties need to be invited to direct relationships, while present network parties may inhibit the reversal. These findings contribute to previous research through describing post-implementation reversal of strategy, and relate it to the network in its formulation, implementation and as affecting its outcome.

1.Introduction

Research on networks has questioned the traditional understanding of strategy (Håkansson & Snehota, 1989). Rather than describing strategy as company-centric, it suggests how companies are unable to act without considering the surrounding network. Strategy becomes the balance between challenging present structures and adjusting to them, or as described by Håkansson and Ford (2002): to confront or conform, but also to create or consolidate, and coerce or concede. In the general strategy literature, ideas on strategic renewal (Baden-Fuller & Volberda, 1997; Floyd & Wooldridge, 1999), strategic flexibility (Zheng Zhou & Wu, 2010), and the network society (Castells, 2000) have impacted the theoretical development in similar directions. Strategic management literature points to how development is embedded in the company context, and the emphasis on internal and external stakeholders is one way to describe how strategic decisions are not taken in isolation, but affected by other parties (Freeman, 1984; Mintzberg, 1978).

In the on-going adjustment between a company and its network, strategic intentions may be changed or cancelled. Attempts may be placed at turning back time and undoing decisions; this is referred to as strategic reversal. More precisely, strategy reversal here points to how a company implements a strategy and, with a lapse of time, decides to undo that strategic change. Such reversals could well result from changes or increased understanding of the network, but they could also "use" the network as a means to accomplish the reversal, or – as would many strategic decisions (Havila & Salmi, 2000) – have implications for the network. The purpose of the paper is to describe and discuss strategic reversal in a network context. The paper discusses strategic reversal in terms of being: (i) driven by the network or changes therein (the network as a reason); (ii) using the network to accomplish the reversal (the network as a means); and (iii) affecting network parties (the network as an end). It contrasts this with the strategic initiative, and discusses the initiative and reversal in terms of company-centric and network-driven strategy.

Strategic reversal has been given very limited space in the strategy literature (Mantere, Schildt & Sillince, 2012); those few studies that describe reversal tend to refer to it as a pre-implementation strategy cancellation, while the present paper discusses the reversal of an implemented strategy. The discussion of strategic reversal in relation to networks specifically contributes to the understanding of networks in strategy formulation and implementation, and as affecting its outcome. The strategic reversal, that itself may be network-driven or result from company-centric decisions, illustrates how the network impacts the ability to actually reverse a strategy, where previous research on strategic reversal has only discussed it from a company-centric, capability point of view. Empirically, the paper focuses on corporate acquisitions and the later divesture of the acquired parties (cf. Cartwright & Cooper, 1993) to illustrate strategic reversal. The paper thereby adds to present understandings of strategic reversal (Mantere et al., 2012), divesture (Bergh, 1997; Capron, Mitchell & Swaminathan, 2001; Chow & Hamilton, 1993), and network-related strategies of firms (Baraldi, Brennan, Harrison, Tunisini & Zolkiewski, 2007; Håkansson & Snehota, 1989).

The paper is structured as follows. The next section introduces and discusses the concept of strategic reversal. To analyse the network implications on strategy, the section then continues by describing and sorting present literature on strategy and networks into whether it deals with networks as reason, means, or end. The description is sourced from a literature review on the combination of networks and strategy. A discussion on reversal of implemented strategy follows. This unfolds into a table of indicators for company-centric and network-driven strategy in the reason, means, and end dimensions. Following the theory section, the method is described. The empirical part of the paper is based on two case studies. The data collection and analysis of the cases is described in the method section, and the case presentations follow thereafter. The cases are then analysed in terms of how the strategic reversal is driven by the network and uses it to implement the reversal, and the network effects of the reversal. This is done by comparing the reversal with the initial strategy and

by reflecting on reasons, means and ends as company-centric or network-driven. The paper ends with a concluding discussion, managerial implications, and ideas for further research.

2. Theory

2.1 Strategic reversal

There may be many reasons for a company to change or cancel a strategy. Foresights may mean that the strategy is cancelled before it is put into practice (Greenwood & Hinings, 1988; Mantere et al., 2012), or experiences in the implementation process or beyond it may cause companies to reconsider those activities put in motion. Lofquist (2011) notes how certain strategies may not allow for themselves to be implemented, and points to such issues as cultural distance and its mismatch with the chosen implementation method.

Shao and Ji (2008) describe how cancellation may be connected with time, through describing postponement strategies, thereby referring to temporary cancellations of strategies. In a similar manner, Schellinck (1983) describes how it is really the buyers that reverse their preferences, and thereby create a fit between offerings and acceptance of them. A lapse of time of adaptation may hence include customers' changing their preferences, and indicates how reversal may be a matter of meeting strategies of others rather than turning away from them.

Greenwood and Hinings (1988) describe strategic change as a continuum of intentions and adjustments, where cancelled or reversed strategies would be a non-surprising ingredient. Scherrer (2003) discusses organisational decline as the motive for a company to reverse its strategy, and connects such discussions to management turnover. Rivkin and Siggelkow (2006) indicate how shifts in time may lead to companies taking new strategic paths, thus indicating that what might be experienced as a strategic reversal may simply follow the shifts in strategies of a firm: from centralisation to decentralisation, for instance. This also points to how a strategic reversal may potentially be company-centric rather than rooted in the changes of others. Miller and Friesen (1980) indicate how companies tend to stick to current paths and make "revolutionary" reversals, rather than step-wise and incrementally change their strategies.

A reversal could hence result from failure, follow from changes in a firm's strategic intentions, or be the consequence of adjustments of the firm to external circumstances (Greenwood & Hinings, 1988; Rivkin & Siggelkow, 2006). It may follow from changes that occur before the strategy is put in practice, which is how it foremost has been depicted in previous research. The idea to reverse a strategy would be to turn the company – partially or in full – back to what it was before the strategy was initiated. But what role does the network have for strategic reversal? The strategic reversal would follow from decisions made by managers of the firm, but would take more or less notice on the network. It might follow from company-centric decisions potentially intended to change or challenge the network, be entirely internally driven in its implementation, or be pursued without considering the network effects. It might also, as described in this paper, be driven by the network, have consequences for the network, use the network as a means to implement the reversal, or be based on a combination of company centrism and network considerations.

2.2 Strategy and networks

Research on networks and strategy has moved from two mutually exclusive spheres to one of greater interconnection of interests. The fields' integrations into each other's domains are not uncontroversial, but contain many opposing viewpoints. This section elaborates on how networks and contexts are considered in strategy research, and strategy in network studies.

Strategic management research has to varying degrees emphasised the company's surrounding. The perhaps most company-centric viewpoints stress planning aspects, resource bases, and core competences of firms (Barney, 1991; Payne, 1957; Prahalad & Hamel, 1990). Influences that consider how the company has to be adjustable – strategic renewal, strategic flexibility, and dynamic capabilities (Baden-Fuller & Volberda, 1997; Teece, Pisano & Shuen, 1997; Zheng Zhou & Wu, 2010) – point to how strategy is impacted by external conditions and the company's ability to adapt to such new circumstances. Stakeholder theory (Freeman, 1984) specifically relates external circumstances to other parties and indicates their impacting power on the company, as well as the company's effects on these organisations (Sharma & Henriques, 2005).

In the strategy literature, external conditions – represented by other firms or by changes in economic developments or related – rarely seem to be described as "networks". Networks instead, and at large, refers to an accomplishing unit of collaborating parties (Gulati, Puranam & Tushman, 2012). Such networks, or alliances, become a means to accomplish strategic intentions (Garrette, Castañer & Dussauge, 2009; Lavie, Haunschild & Khanna, 2012; Silverman & Baum, 2002). Secondly, networks describe the web of social (personal) ties among individuals that impact opportunities (Burt, 1992) and may potentially function as sourcing mechanisms (Mahmood, Zhu & Zajac, 2011; Vissa, 2011).

The network approach (according to the IMP tradition, Ford, 1980; Håkansson, 1982; Johanson & Mattsson, 1994) circumstances strategy as something that may not even be accomplishable for firms (Håkansson & Snehota, 1989). The opposition lies in the viewpoint of strategy as company-centric, possible to plan by the individual company, and based on internal resources of the firm. With this said, the network approach has taken increased interest in researching strategy. The description of strategy targets how companies manage in the network, and relates to strategy as challenging or adjusting to the network (Ford, Håkansson & Johansson, 1986; Håkansson & Ford, 2002). Munksgaard (2010) as well as Ramos and Ford (2011) describe perceived network options as decisive for strategic decisions for relationships, and thus point to the adjusting, network-driven strategy of firms. Harrison, Holmen and Pedersen (2010), Harrison and Prenkert (2009), and Holmen and Pedersen (2003) illustrate the opposite approach – the deliberate strategising of firms that suggests how they may introduce changes and take their consequences in terms of network reactions. Forkmann, Wang, Henneberg, Naudé and Sutcliffe (2012) point to how attempts to induce change on relationships may cause instability, and Halinen, Salmi and Havila (1999) describe changes that may follow from a strategy as either changing the relationship content (what activities are pursued, frequency and closeness of interaction) or causing a relationship dissolution.

Studies that integrate ideas from the network approach with those of strategic management include descriptions of strategic nets as part of business networks (Möller & Rajala, 2007; Möller, Rajala & Svahn, 2005), and those that describe company

Table 1: Company-centric and network-driven strategy

	Company-centric	Network-driven
Reason	Based on a company's resources. Potentially aimed to change the position of a company.	Adaptation or adjustment to (changing) network.
Means	To implement the strategy, the network needs to provide resources or comply with intentions of the firm, i.e., some kind of change is asked for and the network is expected to follow this.	The strategy is conducted together with the network.
End	(Unexpected) network reactions that may call for new adjustments or mean that the strategy does not meet its expectations.	Based on initial considerations, reactions would be minimal and foremost follow from parties not considered, or result from the lapse of time between the initiation and realisation of the strategy.

strategising in networks as consequences of external macro-level conditions (Andersson & Mattsson, 2010). At the other end, the influence of the network society (Castells, 2000) and the embeddedness of parties (Granovetter, 1985), as well as the adaptation/renewal/flexibility/dynamic capacities of firms (Baden-Fuller & Volberda, 1997; Teece et al., 1997; Zheng Zhou & Wu, 2010) and the attention to stakeholders (Freeman, 1984), point to strategic concerns that are not entirely apart from those of the network approach.

Different studies on networks and strategy point to how the network may be understood as the reason for strategic actions, a means to pursue a decided strategy, and to what extent the imprint on the network is calculated. These items are somewhat differently described and emphasised in the strategy and network literature, and also refer to different understandings of networks. The network as a reason refers to how the network is taken as the motivation for the strategy. It describes how external conditions may provoke the company to change its path, how opportunities may be considered and grasped in strategy formulations, and in the network approach, how perceptions of the network are formulated into strategic decisions. Available resources from the network and combined activities of networking parties would then allow for the strategy to be implemented, and describes the network as a means for strategy. The use of networks in the form of alliances to realise strategies (Garrette et al., 2009; Lavie et al., 2012; Silverman & Baum, 2002) in a similar way points to how the network becomes a strategic means. The network effects seem to foremost be discussed in the network literature. The deviation between intentions and outcomes, reactions among network parties (Halinen et al., 1999), and strategies aimed to confront, create or coerce to challenge current network compositions (Håkansson & Ford, 2002), indicate how a company cannot act on its strategy without considering the network consequences of its activities. The strategy literature here only relates networks to performance, and describes how well the company or network (alliance) executes.

2.3 Strategic reversal – The network as reason, means and end

The literature – despite its origin in network studies or strategy research – hence seems to suggest a company-centric strategic view (Barney, 1991), or strategies based on adjustments and adaptability (Baden-Fuller & Volberda, 1997; Munksgaard & Freytag, 2011). Network studies that describe how a company confronts the network indicate a company-centric strategy, while

strategy research on renewal and flexibility points to network (or contextual) concerns. The company-centric strategy would, as foremost described in the network studies, have consequences in terms of network reactions. Such reactions may in turn mean that the strategic plans of the firm are not realisable, or may require new or changed routes for the firm.

How does this relate to strategic reversal? The reversal of a strategy to potentially eliminate its existence may be driven by the network, and constitute a reply to events or circumstances of the network. It may also be based on company-centric strategic decisions, potentially with the intention of challenging present structures. In its conduct, the strategic reversal may rely on network parties, or the firm may pursue the reversal together with them. As effects, the strategic reversal may have impact on network parties, or if conducted on the level of a network/strategic alliance, have consequences to measure on that level.

Mantere et al. (2012) show how it is not an easy task to cancel a strategy. They base their conclusions on the reversal of a strategy that had yet to be implemented. Its implementation would not make the reversal an easier task, and hence, reactions are expected. In this paper, strategic reversal is discussed in terms of being: (i) driven by the network or changes therein; (ii) using the network to accomplish the reversal; and (iii) affecting network parties, and whether the reversal is company-centric or network-driven. This is then compared to the initial strategy of firms to conclude whether the reversal might be the response to reactions from an initially company-centric strategy, if it follows a similar line of adjustment or company centrism as the initial strategy, or if it is really more (or less) company-centric than the initial strategy. To grasp the meaning of strategy as company-centric or network-driven in the reason, means and end, Table 1 summarises some indicators based on previous research.

The company-centric or network-driven strategy does not intend to capture different theoretical perspectives, but rather practices of firms. A company may also shift between the two in, for instance, being company-centric in its reasons, while later having to deal with network reactions. Furthermore, a reversal may be different than the initial strategy in terms of its orientation to the network or the company alone. The indicators exemplified above are used to judge the initial strategy and the reversal in the case studies in the dimensions of company-centric and network-driven reasons, means and ends.

In this paper, the strategic reversal is empirically illustrated by a demerger and the divesture following an acquisition. In general, it seems strategic reversal (in its rare mentions in the research) is often connected to acquisitions (cf. Mantere et al.,

2012; Öberg, 2012). Mantere et al. (2012) describe failed mergers and acquisitions, and how cancellations may follow from legal restrictions and re-evaluations of targets, but also the consequence of how buying a company may really be acquiring more than you aim for (cf. Moliterno & Wiersema, 2007). A partial divesture following an acquisition is not rare, where companies divest company functions or branches that overlap or do not fit with the acquirer's business. Kaiser and Stouraitis (2001) describe the strategic reversal of Thorn EMI in terms of its divesture of non-core business units. Capron et al. (2001) describe partial divesture following horizontal acquisitions, and indicate how they are natural consequences of reconfiguration processes following an acquisition. However, and as described by Duhaime and Schwenk (1985), Chow and Hamilton (1993), and as illustrated here, a divesture may be complete and thereby constitute a reversal of an entire merger or acquisition.

3. Method

The empirical part of the paper is based on two case studies. Their role in the paper is to illustrate the phenomenon of strategic reversal (Siggelkow, 2007) through the (entire) divesture of previously acquired firms (cf. Chow & Hamilton, 1993; Duhaime & Schwenk, 1985). The particular cases were chosen since they describe companies in different settings – one acting as the manufacturer of foods, the other developing high-technology solutions. They also differ in how the first case describes the merger and demerger between "equals": companies of similar sizes and maturity, but with different, yet overlapping geographical foci. The second case refers to an acquisition of a small-sized technologically advanced firm by a company acting in a (potentially) synergic technological sphere. The cases hence reflect somewhat polar settings to enable the capturing of similarities in spite of case differences, which means that shared findings, to a lesser extent, would be case or situation-specific (Eisenhardt, 1989).

The cases represent both retrospective and real-time data capturing and practice complementary, yet overlapping data collection methods (Eisenhardt & Graebner, 2007; Leonard-Barton, 1990). The first case is foremost based on observations during a multi-year period of consultancy. The second case is based on interviews as a primary data source. Both primary data collections span over several years, and were complemented by secondary data scanning. The first case company was followed on a semi-weekly to monthly basis from 2008 to 2012. This included contacts with different parts of the company and close cooperation with the finance department. Interviews for the second case were conducted with initial contacts at an acquired firm in 2003, with the most recent interview with the acquirer being performed in 2012. Interviewees included previous and present owners of the acquired firm, as well as representatives of the acquirer and the acquired party. The secondary data consisted of annual reports, press releases, and new items systematically collected from a newspaper database (AffärsData). The intention was that these items would complement the primary data with supporting documents, provide clarity in timelines and illustrate events as described at the time of their occurrence (Huber & Power, 1985; Welch, 2000). They thereby intended to provide triangulation of data sources, while minimising retrospect effects (Eisenhardt, 1989; Huber & Power, 1985; Patton, 1987).

In the analysis procedure, provisional case studies were produced to capture descriptions of initial strategies and their reversals. The case studies were then analysed through the contrasting of company-centric and network-related decisions in terms of

reasons, means and ends. The inclusions of the network in the descriptions were labelled based on the handling of the initial strategy and the reversal, and whether such descriptions indicated the assumption that the network would adjust to the firm, included considerations on network reactions, needs to adjust to the network, or shared activities on the network level, or whether it described reasons, means and ends as company-centric. The analysis was conducted in several cycles, moving between theory and empirical findings, so as to deepen the analysis and produce findings that added to present understandings (Dubois & Gadde, 2002; Dubois & Araujo, 2004). The cases were then compared, initially in terms of changes between the initial strategy and the reversal (i.e. within-case analysis), and secondly a comparison was conducted between the two cases (Eisenhardt, 1989). While the cases were chosen based on several differentiating parameters of the firms and the acquisitions, the intention was not to conclude whether differences appeared as a consequence of these parameters. Rather, the reason was to capture additional aspects and verify findings between the cases (Eisenhardt & Graebner, 2007).

4. Case studies

4.1 Case I – The demerger of equals

In 2001, the merger between SwedishFoods and Norwegian-Foods was announced. Both companies were active in the production and marketing of fast food, while having different home bases. They were also well represented on each other's geographical markets and throughout the northern European region. The reason for the merger was to create a strong actor in the product niche and, from SwedishFoods' point of view, ensure that the company would not be acquired by one of the major food actors in Sweden or elsewhere in the world. NorwegianFoods had, in addition to the product range that matched SwedishFoods, a broader scope of offerings, while it was only the fast-food division that was merged with SwedishFoods. SwedishFoods and NorwegianFoods had both strong family-ownerships. SwedishFoods was listed on the Swedish stock exchange, and the combined company obtained that status as well. Following the merger, SweNorFoods became the largest actor in its niche of business on the Nordic market. To avoid the feeling of a takeover, the firms' head offices were relocated to a third location, Stockholm, while the production sites remained as before the merger. Sales to customers (in this case, retail stores and their wholesalers) were integrated so that sales representatives sold both parties' products. This, in turn, meant that SwedishFoods' previous representation on the Norwegian market was closed down, and vice versa. Production became partially shared, as the companies produced each other's products based on a division of duties (certain types of products fit better with the production site of one party, although they might had been previously manufactured by the other company), and as the result of overcapacity and efficient use of machinery. Product brands were kept but co-labelled with the SweNorFoods logotype. As for procurement, much of the ingredients were bought on spot markets at world market prices, which meant that only very limited synergies would have been expected had purchase been integrated. The separate production sites also limited such integration.

The integration worked seemingly smooth on management and operational levels. Customer and consumer reactions were few, and the wholesalers foremost saw the advantage of reducing the number of sales contacts. Keeping brands and products

meant that end customers (that bought the fast food from the stores) did not perceive that their options had changed much. The products manufactured were heavily connected with the product brand names, and as a consequence, the change of the corporate labelling was not a determining factor in the consumers' decisions. The changed routes of distribution between the manufacturing sites and the wholesalers partially coincided with the wholesalers' overall change of distribution. One of the major actors implemented a strategy which meant that it increasingly aimed to take control over transportation not only to the stores, but also from suppliers. This in turn had effects for the other wholesalers and manufacturers, as they had to change their distribution plans to run them as effectively (optimise use of vehicles in terms of loading and kilometres).

While the integration of companies ran without any major unforeseeable effects on the management, operational or network levels, conflicts became increasingly evident between the owners. Both owner families had remained partial owners following the merger. They were represented on the board of the merged company, and board meetings became increasingly inflicted by disagreements between the parties. The strong family ownership meant that when the board members no longer agreed on matters, and they eventually decided to reverse the merger.

In 2008, SweNorFoods declared its demerger: SwedishFoods would return to what it was before the merger, as would NorwegianFoods. In this attempt, it was also decided that the firms would obtain what they had brought with them to the merger. SwedishFoods would own its original production site and continue to produce and sell its previous product brands – as well as any products that had been added in terms of brand extensions of these brands. NorwegianFoods would similarly continue with its products and brands and produce them on its original production sites. SwedishFoods kept its headquarters in Stockholm, while moving most of its management staff back to the location of its production site.

The demerger caused some reactions among the employees, especially so for the management staff. Several of them decided to leave SwedishFoods as a consequence of the scope of business now being smaller, and how they did not feel as intellectually challenged as with the merged company. This also applied to staff that had been around since before the merger. In addition, the demerger and the rearrangement of production led to the lay-off of production staff as the production volumes decreased. For SwedishFoods, however, the largest change happened in its interaction with wholesalers. The merger had integrated the sales organisations into a single, shared organisation. Sales representatives had represented both companies' products in their sales contacts, and distribution had been coordinated. SwedishFoods had gained direct access to the Norwegian market through NorwegianFoods. The demerger, and thus division of the sales force into those representations they had had before the merger, meant that SwedishFoods lost its entire distribution and sales representation in Norway. For a time, no one ensured that SwedishFoods' products were sold to the Norwegian stores. To meet this requirement, SwedishFoods later signed a partnership agreement with another Norwegian firm. This mutual partnership agreement allowed for that company to distribute SwedishFoods' products, while SwedishFoods' would represent that company on the Swedish market. The product assortment of this other company had less of an overlap with SwedishFoods than NorwegianFoods had, and also meant overall sales losses for SwedishFoods compared to the representation during the merger.

For NorwegianFoods, changes were somewhat less evident

following the demerger. Since NorwegianFoods was part of a larger company group, it became much closer to that group as the demerger took place. Excessive staff and those that found it less intellectually stimulating to work for the demerged company found new positions in the larger company. The larger organisation also recruited some management staff from SwedishFoods. The production site effects were similar to those of SwedishFoods, with the consequent lay-off of production staff and with production going back to those brands that NorwegianFoods had produced and sold previously. As for the sales and distribution of NorwegianFoods' products in Sweden, these were integrated with the distribution of other products of the larger firm. Hence, NorwegianFoods did not lose any of its geographical sales representation following the demerger. The representation as such changed however, with different people now representing the company in Sweden and these also selling other food products. As a consequence of the demerger, the wholesalers in Sweden met with SwedishFoods' sales representatives to reach their products, and the larger organisation of NorwegianFoods to reach their products. The demerger also had consequences for their physical transportation planning that however still was in the phase of being reorganised, with different parties advocating different alternatives.

4.2 Case II – The divesture of business

In 1997, MilitaryEquipment acquired TechnologyAdvancement. MilitaryEquipment was established in the 1930s, and based its business on the development of advanced technology to fit with the requirements of the domestic defence authority, while also exporting military solutions to countries that were approved by the government. The advancement of technological solutions continuously required the sourcing of ideas to the company, while it also resulted in several spin-offs. TechnologyAdvancement had started off as a university spin-off. The company, which based its business on a screening technology, had struggled to find appropriate practical applications of its idea. The difficulties of determining the products' applicability, along with a technological interest rather than a customer orientation, put TechnologyAdvancement in a situation of continuously searching for new financial sources through engaging with venture firms and public support bodies. It struggled financially, and also had problems reaching complete functionality for its solution. Military-Equipment's acquisition partly solved these problems for Technology-Advancement. TechnologyAdvancement could now focus on its long-term development without the imminent search for new funding. However, the acquisition also had other consequences. For MilitaryEquipment, the acquisition was a means to reach a technology that was considered to be of interest in its offerings. The idea was that screening could be used as part of solutions aimed at capturing information on foreign areas and for military purposes. These ideas would be integrated with MilitaryEquipment's other offerings and offered to the defence authority. MilitaryEquipment also had a second goal on its agenda: to create offerings for customers outside the defence area. The interaction with such customers would allow for the spread of risk and lead to the development of new solutions, and the defence authority had for some time pressured MilitaryEquipment in that regard, as this was assumed to lower the costs for the authority.

Following the acquisition, TechnologyAdvancement was integrated into the report structure of MilitaryEquipment, and guidelines were provided for further innovation processes. Fi-

nancial resources were provided to TechnologyAdvancement to enable the further development of its solution. The acquisition, however, had other consequences as well. Many of those parties that TechnologyAdvancement had interacted with when developing its idea and testing it ultimately decided to dissolve their relationships with TechnologyAdvancement. The reasons were that they now thought that MilitaryEquipment would fulfil their previous roles, and that the acquisition did not allow them to interact as freely with TechnologyAdvancement as before, while TechnologyAdvancement was also increasingly restricted in its development projects. The integration of TechnologyAdvancement into MilitaryEquipment's routines did not harmonise with how they wanted to interact with TechnologyAdvancement. TechnologyAdvancement lost much of its development capacity during the ownership of MilitaryEquipment.

MilitaryEquipment continued to expand its business through additional acquisitions aimed at increasing the market scope of the company and adding solutions to its product portfolio. This all took place during the dot-com boom, and many companies were acquired in the IT sector that later turned out to be overpriced. At the turn of the millennium, MilitaryEquipment had ran into financial problems and had to refocus its business. It had not been very successful in attracting customers outside the defence sector, and while it had the technological skills to deal with the advanced technology of acquired parties, the structures provided, and how acquired parties became disconnected from their collaboration partners and potential customers, meant that MilitaryEquipment had not been able to take advantage of them. These parties also lost development pace and capabilities. Decisions were made that MilitaryEquipment would focus on its core business and divest those companies it had acquired to expand its business scope. Among those companies that were to be divested was TechnologyAdvancement.

For MilitaryEquipment, the divesture meant that the company gave up its focus on the private business markets to once again solely work with military solutions and the defence authority. The acquirer had not been successful in establishing relationships with collaboration partners of the acquired firm, and this disbanding was fairly unproblematic. Financially, the experience was costly, and had not led to much input that could be transferred into new solutions for the company. In the divesture of acquired parties such as TechnologyAdvancement, MilitaryEquipment disbanded from some of its staff as these became managers of the divested units. The decision to only focus on its core competence meant that other ties between the acquirer and the acquired party were dissolved, as MilitaryEquipment did not see any business opportunities in turning the previous ownership into a business relationship. From MilitaryEquipment's point of view, the divesture mainly entailed expected network effects: it lost its connections to the divested party and those solutions it represented. The defence authority had not benefitted much from those solutions that had been obtained through the acquisitions; hence the divesture had very limited impact on the relationship between MilitaryEquipment and the defence authority.

For TechnologyAdvancement, the divesture meant that the company had to look for sources anew to allow it to continue to develop its technology; these sources were both financial and relational. The company started to look for and establish relationships with venture capital companies, and also approached new and old potential customers. The company was not very successful in regaining connection with previous collaboration partners, customers, or venture firms, but instead had to find new ones. Hence, the divesture basically sent TechnologyAdvancement

back to the situation it had been in not before the acquisition, but at its start as a company. Although TechnologyAdvancement was now about ten years old, it had to look for support as a start-up company and search for customers. In terms of its solution, TechnologyAdvancement had managed to develop it further through the financial sponsorship of MilitaryEquipment. Moreover, competitors had at the time of the divesture started to appear on the market, meaning that TechnologyAdvancement no longer had the technological edge as before, but which also allowed easier customer access. As present suppliers to those customers that TechnologyAdvancement intended to target started to introduce similar solutions, the chasm for potential users to turn to TechnologyAdvancement's solution decreased, and its solution became interesting for them. TechnologyAdvancement thus needed to focus on the establishment of new relationships following the divesture, while such establishments were largely enabled due to how the company was considered free to act as an independent innovative force again, and as the consequence of how the market had matured in the meantime. This second consequence also allowed the company to push for customer contacts where previous connections had largely been test environments with no or very few real customer contracts.

5. Analysis

Looking at the two cases of strategic reversal, the companies aimed to undo a strategy that had been implemented years before it was reversed. The intention in both cases was to turn back time, and the demerger/divesture aimed to bring the individual companies back to where they were before the merger or acquisition. Each company involved would regain the products/brands, production sites, and relationships with external parties that they had before the merger/acquisition. But while the parties were to return to what they had been before the initial strategy, changes had occurred in the meantime that disabled such complete reversals. The cases indicate that the explanations to why the reversals were not complete were found in relation to alternatives external to the companies, and in their relationships with other parties. The SweNorFoods case points to how reversing interactions with external parties was not an easy task. This relates to how SwedishFoods had abandoned its previous sales and distribution net, and also to how the wholesalers had changed their approach to physical transportation. The MilitaryEquipment/TechnologyAdvancement case similarly points to the difficulties of returning to relationships that had been dissolved as a consequence of the initial strategy. Here, it was the network parties that decided to dissolve their relationships following the acquisition, and TechnologyAdvancement had problems reconnecting to these parties, although it could point to how it was no longer owned by MilitaryEquipment. This case further indicates how the time that passed between the acquisition and the divesture opened the market to competitors, but also meant that customers were increasingly interested in the technology provided (cf. Moore, 1999; Rogers, 1962).

Looking at the strategic reversals from a reason, means, and end point of view, both cases combine company-centric strategising with network-driven activities. Table 2 summarises the reasons, means and ends of the case studies in their initial strategy and the reversal; this section then goes on to discuss to what extent the initial strategies and reversals were company-centric or network-driven, and how these different orientations may appear combined or follow one another.

Table 2: Reasons, means and ends in the case studies

	Case I – Merger	Case I – Demerger	Case II – Acquisition	Case II – Divesture
Reason	To meet the threat of being acquired by another party. To create a strong party.	Owner conflict is the cause of demerger.	For the acquirer: to diversify to meet a customer's requirements. For the acquired party: to gain long-term financial support.	Financial problems of acquirer and inability to generate new customer relationships and extended offerings.
Means	Changes to sales interaction (disbanding and banding), while brands and purchasing maintained. Coincident with changes among wholesalers.	The Swedish company lost its distribution in Norway. Had to find new distributor to reverse to a distribution similar to before the merger.	Internal integration, no focus on integrating interaction partners.	For the acquired party: new network parties to be able to reverse into a similar position as before the acquisition.
End	Effects mainly internal to organisation for reorganised and overlapping staff.	Loss of staff and some recruitment between the companies. Changed interaction with customers. For the Swedish company: distribution not as effective as before.	The acquired party's relationships were dissolved as a reaction to the acquisition. Financial losses for the acquirer.	The lapse of time allowed for the market to mature. The reversal enabled the acquired party to associate with network parties, however new ones.

As indicated by Table 2, in terms of reasons, means, and ends, several items acted in parallel. Decisions may have been made by the parties involved and impacted by network parties. Swedish-Foods' reason for the merger was a means to avoid being acquired (network-driven), while it would also allow for the creation of a large market actor (company-centric). MilitaryEquipment's acquisition followed from pressure from the defence authority (network-driven), while TechnologyAdvancement saw it as a solution to its difficulties in finding customers and long-term financing (company-centric). In the first case, the reversal focused on other actors (the owners) than did the initial strategy, and was in that aspect also more company-centric. In the second case, the reversal was related to the financial problems, that in turn could be sourced to customer reactions to the acquisition: the inability of MilitaryEquipment to attract new customers and produce broadened offerings to the defence authority, and the acquisition's negative impact on the relationships of the acquired party, leading to dissolution of that party's relationships. Hence, the reason to reverse a strategy may be both company-centric and network-driven. It may also shift regarding what parties were the reason for the strategy/reversal (from competitors to owners, for instance). Or, it may be the result of the attempt to meet external requirements, but where these were never followed by expected activities of the network parties (the defence authority asking for but later not buying additional products, for instance).

In the implementation of the initial strategy, the companies were hugely internally focused. Here, the reversals indicate how the companies had to rely on external parties to be able to reverse the strategies. Rather than finding such solutions in their present and previous relationships, the companies had to establish new relationships. This applies to how SwedishFoods had to find a new distributor in Norway, and to how TechnologyAdvancement had to build relationships anew with financial bodies, collaboration partners, and customers to be able to re-

turn to a situation similar to before the acquisition. Without these relationships, the companies would have returned to how they appeared long before the merger/acquisition, rather than to their states at the time of the initial strategy.

As for the effects, these were partly a consequence of the companies' conscious plans, and partly followed from unforeseeable reactions among staff or network parties. As for the latter, the unplanned reactions (cf. Anderson, Havila & Salmi, 2001) among network parties seemed to follow from how network effects were disregarded in the reasons for the initial strategy and reversal. Network parties' reactions also partly explain why the initial strategy was not completely undone by the reversal (the other explanation being that network parties changed in the meanwhile). While the reactions potentially created a link to the reversal, specifically in how the reactions required adjustments or indicated the failure to meet strategic intentions, the reversals did not manage to undo the strategy entirely. Moreover, strategic reversal might, as illustrated by the cases, follow although no reactions were seen, and might be as company-centric as the initial strategy. A strategy that starts as network-driven may well be
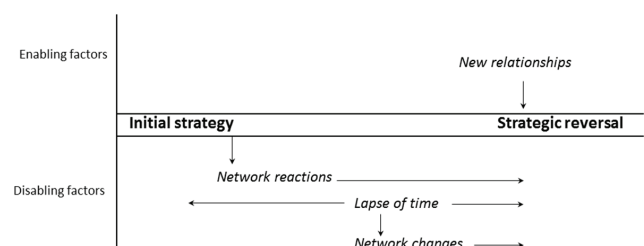

Figure 1: Factors impacting the strategic reversal.

reversed for company-centric reasons (as in the SweNorFoods case), as would the reverse be expected; a strategy that is company-centric may be reversed for network reasons. Furthermore, a company-centric strategy may be followed by a company-centric decision to reverse, as may a network-driven initial strategy be followed by a network-driven reversal. Figure 1 illustrates factors impacting the strategic reversal.

Figure 1 indicates how the difficulties of reversing a strategy that has been implemented follows from network reactions, and the lapse of time between the initial strategy implementation and the reversal, and in turn how it increases the risks for further network changes. New relationships enable the reversal for the focal firms, while previous network parties may inhibit it and cause friction or inertia. This further indicates that although the reversal may happen for the firms reversing their strategies, it does not occur on the network level, where it is seen as a new activity causing new reactions and network constellations. The idea of strategic reversal is thus in that sense a matter of decision makers' ideas rather than an activity accomplishable on the network level, as it does not enable the reversal of previous relationships.

6. Concluding discussion

This paper describes and discusses strategic reversal in a network context. Findings indicate that the reversal is either an attempt to correct a "mistake" that has not been received well by network parties, constitutes a response to changes in the network that have occurred since the initial strategy was formed, or is driven by ideas of the company. It points to how the reversal may be company-centric to as high a degree as the initial strategy, how the network as a mode to achieve the reversal requires the invitation of new parties to direct relationships, and how the reversal may have as much an impact on the network as the initial strategy implementation. Network effects, in turn, relate to whether the reversal is company-centric or network-driven. The reversal is not complete in the sense that it does not bring the parties, or the network connections, back to what they were before the initial strategy. The lapse of time between the initial strategy and the reversal forms a sequence that itself impacts network parties, company representatives, and the ability to actually undo the strategy. The longer the lapse of time between the initial strategy and the reversal, as well as the more radical changes (cf. Halinen et al., 1999) the strategy implementation caused to the network, the harder it is to repair or undo a strategy through reversing it.

Mantere et al. (2012) explain the difficulties of strategic reversal in terms of organisational memory (sensemaking and the inability to reverse it). This paper points to how network parties and external circumstances disable the complete reversal. Furthermore, it illustrates how the establishment of new relationships is what eventually completes the reversal. This produces new ideas on networks as a means to accomplish a strategy (or its reversal), where network studies primarily have discussed network considerations in strategising and the consequences of strategies on networks and relationships (Baraldi et al., 2007; Håkansson & Ford, 2002).

6.1 Practical implications

For managers, it is important to consider any strategic activity – may it be the implementation or the cancelation of it – in terms of its network effects. The managers will then need to calculate potential risks for changes on the network level towards the gains of introducing the strategy. In the situation of a reversal, this paper indicates how such a reversal does not take the companies or the network back to the way they were before the strategy implementation. Hence, strategising according to a trial-and-error approach may prove unfeasible.

6.2 Future research

This paper constitutes an initial attempt to grasp strategic reversal through the lens of strategising in networks. As such, it produces insights for further exploration and testing. Additional empirical studies are needed, however, as are comparative studies to reveal case-specific/non-generalisable findings (Hirschman, 1986). The paper points to how the network awareness of firms may shift between an initial strategy and its reversal, and not become more profound at later stages. Future studies could focus on how companies grasp network awareness (cf. Mouzas, Henneberg & Naudé, 2008), treat it, and whether and how it may potentially increase. Discrepancies in the understanding and inclusion of the network between reasons, implementation and actual outcome could also be further elaborated on.

As for strategic reversal, this remains a field of research for further exploration. It empirically represents a frequent phenomenon, but as a research object, strategic reversal has been explored only to a very limited extent (Mantere et al., 2012). The lapse of time between the strategy implementation and reversal, comparisons between pre-implementation and post-implementation cancellations/reversals as well as the activity, and resource and actor changes (cf. Håkansson & Snehota, 1995) that follow from the reversal would be of interest to compare and explore further.

A corporate acquisition that is followed by a demerger or divesture points to a shift in perspectives in decision making. As the acquisition is initiated, it is a choice of two parties (the acquirer and the divesting party, or the merging units) that may or may not consider network parties. As the demerger/divesture takes place, they are a shared unit in regard to integration, but more often decisions seem to be those of one of the companies, not both. Moreover, following the demerger/divesture, the companies act on their own again, with their own network connections – or not – in mind. Hence, the decision making and network awareness of actors that are separate, then integrated (or more or less so) and then separated again, are of further interest to study.

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An Innovation Success – But Who Gets the Revenues? Opera Software in Nigeria

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Abstract

The case giving the base for this article is a very rich network case, i.e. it describes the importance and the function of direct connections for a business highly embedded into a business environment. All the important existing business relationships in the case are directly connected to other business relationships. What the company is doing with a counterpart in Finland influences what it can do in Nigeria or other parts of the world. This is due to the fact that products and technical solutions are highly interrelated – embedded into each other. These connections give two different types of possibilities or restrictions for involved companies. First, it results in a specific network structure in each moment, which in the short run makes room for certain networking processes to exploit the given structure at the same time it excludes others. Second, it also makes room for a certain number of networking processes trying to exploit changes in the specific structure. Together these two types of networking processes create some room for each of the involved companies to maneuver while simultaneously creating very distinct restrictions. One special restriction is that all relationships and the value creation they represent can not be transformed into money! The specific structure and how it affects the chance to make money points to an extremely important feature of all (?) networks. The division or distribution of monetary rewards is not directly related to value creation. There are two different processes taking place at the same time. One is the value creation and the other is the division of rewards. These processes are probably related, but in a much more complicated way than we usually have assumed in earlier research. It is an aspect of the networks that we have to give much more attention in future studies.

Keywords: Network, value creation, monetary rewards, money, internet, mobile phones.

1. Prologue

When doing research, perhaps once in a life time you find something special, like the perfect diamond, or the perfect case. This diamond, or case, has some special properties that, when you see them you know you have been looking for them without knowing it. The case presented in this article – the development of the Norwegian company Opera Software especially in relation to Africa and Nigeria - is such a perfect case, at least for the more senior researcher. It is a perfect example of a company within a business landscape dominated by network processes. One specific network feature is the existence of specific connections due to embeddedness and this is at the centre of the development of the case. The company we will follow is both very lucky and successful in its networking processes dealing with these connections. One basic reason for the existence of embeddedness and specific connections is that the involved resources are heterogeneous, making the interfaces between them important for their use. The involved actors are constantly trying to develop these interfaces, in order to better use all resources. This is what makes this company so lucky. The existing specific connections influences both the acting itself as well as the outcome of the acting. First, the development of a company in such a business landscape directly depends on the success of its related partners. Second, it is also dependent on the company's ability to get close to the basic dimensions behind the embeddedness, which often, as in this case, are technological features and connections. A third factor is how these specific connections can be economized

from the focal company's point of view. There are only some of the dimensions in the totality that can be transformed into the financial dimension.

All three of these aspects are central issues in the Opera Software case. First we will briefly describe the theoretical and methodological approach used when investigating and designing the case before presenting it in sections 3 to 8. In section 9, we will come back to the central features of the case and the strategic situation of a company in a world dominated by network processes.

2. Theoretical and methodological approach

The industrial network theory will be used here to analyze the development of Opera in Africa. This theory argues that innovation and growth are the result of complex and substantial interactions among firms leading to business relationships (Håkansson 1987; Håkansson et al. 2009). These business relationships can be analysed using the Activity-Resource-Actor (ARA) model (Håkansson and Johanson 1992). The model illustrates the complex content and inter-connectedness of a relationship by dividing it into layers of actors, resources and activities. Often a relationship is dominated by one of the layers, but it is the interplay among these layers that defines the relationship. The model also illustrates how an actor, activity or resource always exists in several contexts on different levels; within the company, in a business relationship and in the wider network (Håkansson et al. 2009; Håkansson and Snehota 1995). It is a framework that can be applied in order to clarify how certain qualitative aspects

of networks, such as embeddedness, relatedness and interdependence, are influencing the way actors can behave or how products and services are assessed. It is a way to identify critical relative dimensions and their effects. This model was used to structure the data collection regarding the development of Opera and its context.

The research has been carried out as an explorative and empirically grounded case study. We have aimed at describing, understanding and explaining the process behind Opera Software's massive growth in some special countries in Africa – especially Nigeria. We wanted to learn about the interactions, relationships and networks that led to, and were subsequently created and continued to play out in, the process. Based on this approach the purpose of the research was to document and analyze the case based on rich empirical, context-dependent data. Our aim is to provide qualitative and semantic explanations by taking an interpretive and narrative approach.

Interviews are the main data source. Nineteen informal and semi-structured interviews were conducted with Opera employees, previous Opera employees, users of Opera's products and others knowledgeable about Nigeria, such as natives, expats, and experts. The interviews were carried out face-to-face when possible, and through video conferencing, utilizing Skype and Opera Software, when practical circumstances such as distance and time dictated it. See appendix A for a detailed list of the interviews performed and how, where and when they were conducted. The interviews were primarily recorded and transcribed, with only a few exceptions where detailed notes were taken instead.

The case has guided us in selecting informants through snowball sampling (Berg and Lune 2012, 52). When an interview was completed, the informant was asked to suggest other relevant interview subjects. In this way, the informants helped us map out the network and led us to other relevant informants in the context of the case.

To understand the case context, we based our study on a mix of informants. Some are Nigerians or Africans who can explain regional matters and affairs with the insights and limitations of their native backgrounds and local presence. Others include Nigerian expats who relocated to Norway and have been abroad long enough to see their own country from the outside, and some Norwegian experts.

We also used user statistics provided by Opera Software. We studied the numbers documenting user uptake and growth in Nigeria, the most popular web sites visited by the users, handsets used and data consumption. These served as useful data for understanding, analyzing and framing the use of Opera's solution in Nigeria.

Secondary data and documents were used to complement and verify the primary sources. To gain an initial overview of Opera Software, we studied the annual reports, financial reports, quarterly reports and press releases from 2000 - 2012. Opera also publishes a monthly report called the State of the Mobile Web (SMW), which also proved valuable to verify facts. All of these reports helped us understand the basics of the organizations, their history and growth, and served as useful background data when interviewing employees from Opera HQ. In addition, official reports and statistics served as a supplement to help us understand more of the context and details of the case.

Annual reports, financial reports and press releases were used with care. These are conducted for very specific purposes and within strict frameworks, and are created for investors and PR purposes. The same applies to reports issued by organizations

such as the United Nations (UN), McKinsey, the International Monetary Fund (IMF) and the International Telecommunication Union (ITU). They represent only a small part of the case, and were used mainly for an initial understanding of the company and the company context. We found it particularly important to rely on Nigerian respondents in describing the context, to avoid the stereotypical and often very simplified version of reality.

3. Introduction to the case

In the wake of the Arab Spring of North Africa and the Middle East in 2011, it is plain to see that the Internet can be a catalyst for change. The populations of Egypt, Tunisia, Libya and several other nations were able to better communicate, organize activities and talk to the outside world through social media and mobile Internet access. The Norwegian company, Opera Software, played a significant role in the midst of these events and experienced a 900% increase overnight in Egypt during the most intense phase of the revolution. Opera also immediately climbed to become one of the ten most popular brands in the country (Interview with Opera's marketing manager).

Africa may be its own continent, but it is still part of the global world. This was the experience of Opera, which suddenly, without any effort, became an important supplier in Africa. Their mobile web browser solution currently has a major share of the African users.

Opera Software originated from a research project that was initiated in 1994 at Telenor, a telecommunications company in Oslo. Despite interesting results, Telenor decided to terminate the project as it did not fit with their priorities at the time. Jon von Tetzchner and Geir Ivarsøy, who had worked on the project, decided to leave Telenor and founded Opera Software as an independent company in 1995. They continued to develop the technology and launched a web browser in 1996 (Annual report 2000). A web browser, also simply referred to as a browser, is a software application necessary to display, locate, navigate and search for content on the Internet.

In 2000, Opera experienced their commercial breakthrough with the browser Opera 4.0 for Windows. This browser was downloaded more than 1 million times the first month after launch, and Opera soon became the third largest browser after the well-established American competitors, Microsoft's Internet Explorer and AOL's Netscape Navigator, in terms of users (Annual report 2000). This did not go unnoticed and Time magazine commented in 2001:

"It has to be one of the strangest business plans in the history of the Internet. A small software company based in remote Norway takes on two of the biggest powers in computing, Microsoft and Netscape. Odder still, this tiny firm enters a market – Web browsers – in which the competition gives away its products for free. Are these guys crazy? (Time magazine 2001)"

Also in 2000, approximately eight percent of the world's population had access to the Internet, mainly through PCs. But Opera expected that users would access the Internet in several different ways in the future and increasingly access the Internet through convenient handheld devices. With this as a backdrop, Opera acquired the Swedish company Hern Labs AB in 2000. This was a company that specialized in cross-platform technologies, located at the heart of the Swedish cutting-edge area for development of mobile communications technology (www.opera.com). This strengthened Opera's possibilities for developing solutions not only for computers, but also for a range of new devices such as feature phones, smart phones, tablets and TVs.

Early on, Opera decided to invest in HTML and Web technology, including handheld mobile Internet devices. This decision was made when it was highly uncertain whether the World Wide Web or the Wireless Application Protocol (WAP) would survive and become the industry standard. WAP was initially intended for mobile phones and was a simplified, alternative technology compared to the web. Neither WAP nor the Web could provide a satisfactory user experience on mobile phones in the early days. WAP was too simple, and the Web was too big to run on the available mobile handsets. Because Opera had invested heavily in its Web-based desktop platform, it never implemented WAP technology. Opera strongly believed WAP was inferior, and implementing it would go against the company DNA. History has shown that 'the best solution' is not always the one that will survive, and at the time WAP was a real threat to the future existence of the Web. Instead, Opera developed Opera Mini, a small and fast proxy-based web browser. That way, it could deliver the full Internet and an improved user experience to a range of new devices, including basic feature phones (Interview with Opera's former CTO).

By the end of 2011, Opera had 777 employees, 897 MNOK in revenue, and 142 MNOK in profits, and could offer a selection of free web browser products for the end-user (Annual report 2011). The four main browser categories were:

Opera for Desktops, first launched in 1996, intended for personal computers. Reached 60 million users in Q1 2012.

Opera Mini, first launched in 2005, intended for basic feature phones with Java script technology. Reached 169 million users in Q1 2012.

Opera Mobile, first launched in 2008, intended for smart phones. Reached approximately 25 million users in Q1 2012.

Opera Devices Software Development Kit (SDK), was delivered as a solution for Original Equipment Manufacturers (OEMs) of devices since 2005, intended for a variety of Internet devices, such as TVs, game consoles and tablets (Annual report 2005).

For the last 2-3 years Opera has become a particularly interesting actor within mobile web browsing in Africa and other emerging markets. To begin with, the Norwegian browser company found itself operating in Africa more or less unintentionally. That is to say, more to its surprise than as a conscious strategy, a rather large user group was discovered in certain African nations, such as Nigeria and South Africa. These were areas where Opera had made no marketing or PR efforts (Interview with Opera's CTO). In these emerging and less-developed regions, the majority of people had limited access to PCs. Landline phone infrastructure was poorly built or absent in many regions. Mobile phone penetration, however, was widespread and there was a great desire to access the Internet. The mobile phone was an opportunity to connect. In January 2012, the mobile browser Opera Mini had a market share of 73% in Africa (Statcounter 2012a), and was growing the market exponentially.

4. Opera Mini - The Technical Solution

The mobile web browser Opera Mini has become particularly popular in Nigeria and other emerging markets, where most users rely on feature phones as their only device for accessing the Internet. Opera Mini is a product with properties that allow for compression of data traffic, making it possible to access Internet content and services on relatively poor and unstable networks (Interview with Opera's former CTO).

4.1 Product features and technical details

The development of Opera Mini is described as a bit of a co-incidence. In 2004, Opera competed for a contract to develop an application for a producer of mobile phones (OEM). But the application developed and offered by Opera was too technically advanced at the time, and the contract was awarded to a competitor. Opera used advanced C++ programming language, whilst the OEM's phones could only support C programming language. The CEO explains that two Opera employees had to work from the OEM's office during the development period. They spent a great amount of time and effort to make the solution work on the OEM's phones, and eventually managed it, although by that time it was too late and another solution was selected for the contract. However, in working this way, disconnected from HQ activities and daily operations, the two Opera developers had to wait a week for deliveries from a subcontractor. Because they were not satisfied with the user experience from the mobile applications that existed at the time, they decided to spend the waiting time experimenting with a new proxy-based web application for mobile devices. In fact, Opera had considered this solution a few years earlier, but because of an intense industry discussion about whether the web or WAP would survive in the end, Opera's management decided not to follow this path. They feared a proxy-based solution would position Opera closer to WAP technology, and that over time it could cannibalize their existing portfolio. However, when the two developers called the HQ in 2004 asking for permission to develop a proxy-based mobile application in their idle time, they received approval. Soon they shipped a small prototype to the HQ. It worked very well for a week, and everybody was enthusiastic and agreed it looked very interesting. Because Opera was not awarded the contract for the OEM, there were no other plans or projects intended for the two Opera developers, and the management decided to let them continue experimenting with the proxy-based prototype. This project resulted in the release of Opera Mini in 2005 (Interview with Opera's CTO).

This unique technology differentiated Opera Mini from other proxy-based solutions at the time, and was the result of Opera's underdog position and financial situation in the early years. Compared to large and immensely rich competitors like Microsoft and Netscape, Opera was financially weak. While the competitors could hire an abundant number of developers for programming tasks, Opera had to make do with only a few. The former CTO explains how this became an advantage:

When you only have a few developers, the source code, which is what you are programming, will necessarily become smaller than if written by many developers. Imagine, if you have many construction workers, you can build a large house, right? If you have only a few workers, you have to rely on building a smarter and smaller house. Therefore, when it became clear that devices other than computers would be equipped to do more than simple dedicated tasks, the Opera source code was already small enough to run on such devices. The fact that Opera had been poor became one of our strongest competitive advantages. Opera was lean and mean. (Interview with Opera's former CTO).

Because the source code was small, Opera could take the full web browser, initially developed for personal computers, and make it available for mobile phones. In fact, Opera Mini functioned like a full web browser, while other solutions merely pretended to be web browsers. When users type in a uniform resource locator (URL), web browsers request the various content of that web page. The content then comes in a number of pack-

Figure 1: Illustration of Opera Mini 7 Smart Page

ages that contain elements such as HTML, which is the structure of the page; CCS, which is the visual presentation; JAVA Script; pictures and maybe plug-ins. The information is delivered in chunks to the device that requested the web page and the browser puts it all together by calculating where the different elements should be positioned on the screen and how it should be presented. The Opera former CTO uses the analogy of assembling and connecting many Lego bricks for describing the functionality of a browser. The main difference from running a browser intended for personal computers is that, when using Opera Mini, the data processing takes place on one of Opera's servers, rather than on the device (see Figure 1). The server compresses and translates the web page into a very limited language that Opera Mini understands and displays it on the screen (Interview with Opera's former CTO). This makes Opera Mini lightweight in terms of memory consumption and efficient on a basic feature phone. In 2012, Opera Mini was compatible with over 3000 different mobile phone handsets. The browser provides up to 90% data compression that leads to a corresponding reduction of cost for both mobile operators and end users. In addition, it offers

higher speed on weak or unstable networks.

Opera Mini is continuously updating and improving with new functions, designs and technology. The software is known for being easy to use and can load several web pages at the same time. An address bar and a Google search bar are easily accessible at the top of the browser window. Further, users can customize and edit the menu at the front page, allowing them to individually define an unlimited number of direct URLs, also referred to as speed dials. Opera Mini emphasizes a user-friendly experience, and formatting technology has been used to avoid impractical horizontal scrolling of web pages. Recently Opera launched the Opera Mini 7 Smart Page. It enables a smartphone feel on basic feature phones (Interview with Opera's business controller).

4.2 Combinations and interdependencies

Opera Mini is only relevant if used in combination with content on an operator network and on a device (see figure 2). The success of any web browser depends on the Internet for content that is interesting from a user perspective. The browser is simply the medium for accessing information, and without interesting content no one would need the features the browser provides.

It is in Opera's interest to improve the way content is displayed and presented. Therefore, educating developers who create, design and provide content has been a priority. For example, Opera has worked to spread knowledge about web standards and the newest technology amongst students on campuses all over the world through their Education Program. Opera employees have attended and arranged various seminars and events for developers to encourage them to use the latest standards as well as test content on Opera platforms (Interview with Opera's marketing manager). Because the formatting and availability of content
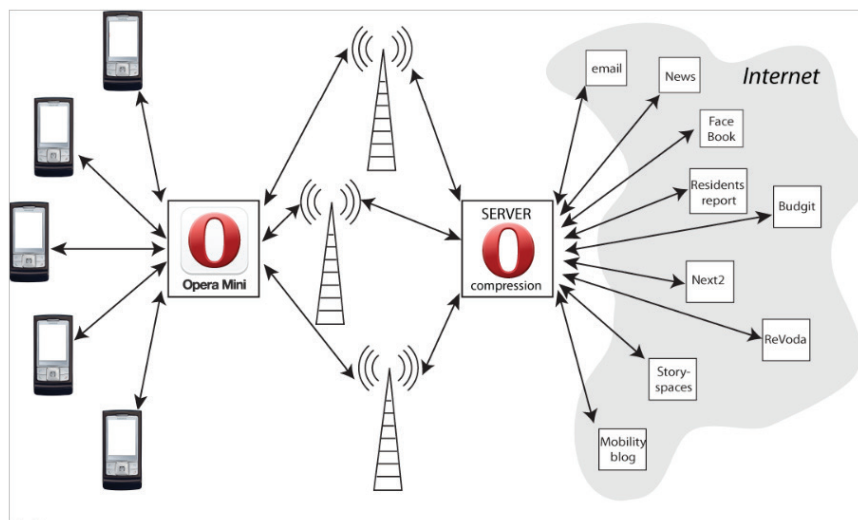

Figure 2: The structure of the mobile web in Nigeria and Opera's role in it.

is fundamental, Opera benefits from an Internet with common, open standards and has been an active member of organizations working towards this as its chief goal, such as W3C and OMA (www.opera.com).

The use of Opera Mini also depends on infrastructure, and must be used in combination with a mobile operator's network for accessing the Web. Cooperation and development of relationships with operators has been emphasized because they can influence the number of users that choose Opera Mini as their preferred web browser. Similarly, Opera Mini must be used with a device; a mobile phone handset. For obvious reasons the quality of the handset, the size, design and resolution of the screen display and the general usability of the phone will influence the experience associated with Opera Mini. It has been a priority to make Opera Mini compatible with as many handsets as possible, including basic feature phones. Further, cooperation with mobile OEMs and agreements about pre-installation of Opera Mini on the devices before they reach the end user, have been important for growth of the user base (Interviews with Opera's former CTO, education manager and senior account executive).

The solution is activated whenever the end user intends to access Internet services or content. In this process, Opera Mini generates traffic on operators' networks. And as it interacts directly with the end users, Opera is also in the position to influence the amount and type of data, services and web sites they choose to access or download (Interview with senior account executive).

The user base is Opera's most important asset and forms the basis for Opera's ability to establish commercial deals and generate revenue from its customers. Because Opera Mini is free, the paying customers are not the end users, but rather Opera's partners. Therefore, the main priority is distribution and users first, establishing widespread activation of the solution, and then finding ways to monetize from them (Interviews with the former CTO and business controller).

4.3 Partners as part of distribution

The Opera Mini browser can be downloaded by the end user directly from Opera.com, from partners' web sites or other third party online application stores, such as the iPhone App Store, Google Play, Blackberry App and Nokia's Ovi Store.

Another important distribution source is pre-installation of Opera Mini on handsets developed and sold by mobile OEMs. Traditionally, OEMs have paid a license for offering Opera Mini as an integrated solution on their devices, but lately Opera has changed its focus from OEMs as a source of revenue towards OEMs as a key source of distribution. In the annual report for 2011 it was reported that 40% of all Opera Mini users were related to OEM pre-installations and distribution. Important OEM partners include companies like Nokia, Samsung and Huawei.

Opera Mini is either distributed as an Opera-branded, co-branded or operator-branded product. The co-branded version, typically branded as an operator-Opera product, is prioritized and represents an important source of revenue. The distribution of these various browser versions can be easily managed from the HQ through identification of end users' IP addresses. When distributed as a co-branded product, Opera Mini also benefits from various forms of local marketing and PR activities carried out by the operator (Interview with senior account executive).

4.4 Partners as customers

Opera's revenue stream, and its ability to monetize from end users, depends on partnerships, and particularly the number of deals signed with mobile operators. Opera's focus has been to grow the user base on Opera Mini first. When there are adequate levels of user activity Opera will partner with mobile operators and convert the users into a co-branded version of Opera Mini as a way of generating license revenue. In August 2011, Opera signed a deal with AfriCom Group, including AfriCom Nigeria. Later the same year it signed a deal with YoungCom Nigeria. Both have implemented the co-branded version of Opera Mini. These two represent the main source of revenue for Opera in Nigeria (Annual report 2011, and interviews with Opera's former CTO and business controller).

Operators benefit from cooperation with Opera because the data compression technology allows Opera to offer cheaper data plans, while keeping its margins. Further, in a co-branding partnership, the operators are given the opportunity to present their own portal services through Opera Mini. They will normally have three or four reserved speed dials where they can distribute content and promote services. These links represent strong distribution power, and have proven capable of more than doubling traffic to the selected sites. This helps operators increase the average revenue per user (ARPU), and that is one of the key selling points when promoting Opera Mini (Interview with senior account executive).

In addition to mobile operators, Opera has also entered a partnership with Google and earns revenue from displaying and promoting the Google search bar. Search revenue is generated every time an end user conducts a search through Google (Annual report 2011, and interview with former CTO).

Table 1: Summary of important aspects of the solution

Features	Combinations	Priorities
Data compression		Open standards, W3C, OMA
High speed on unstable networks	Content	Educating developers
Low-weight/ memory capacity		Advertising revenue
		Opera Mobile Store
Compatible with >3000 handsets	Network/access	Partnerships with mobile operators, licensing revenue from co-branding
User friendly interface		
Smart phone feel		
Speed Dials/ direct links	Devices and handsets	Partnerships with mobile OEM's, distribution through pre-installation
Google search bar		
Load multiple web pages		

4.5 Other sources of revenue

Opera is increasingly focusing on advertisement as a future source of revenue. According to the former CTO, the mobile advertisement market is currently underdeveloped, mainly due to the difficulties of converting ad impressions into transactions. But at Opera the development of the market has been perceived as appealing for a while, and in 2010 the company bought the ad mediator AdMarvel. Revenue from advertisements is based on impressions or clicks (Interview with former CTO).

Opera has also launched its own Mobile Store, and expects to generate revenue directly from the end users through downloads of various applications. The app store was the 5th largest in the world in February 2012, and offered more than 55,000 free or pay-to-download applications.

5. The specific context of the case: Nigeria

The wild, wild West. Anarchy put into system. A cultural mega bomb with an energy for business that knows no limits.

The descriptions of Nigeria are colourful. The country has been described as extremely complex, maybe the most complex nation in Africa. It is the most populated nation in Africa and as diverse as a continent. Rich from oil and with more than 165 million inhabitants, Nigeria has been described as the prime economic engine of the entire African continent. Nigeria is also a country of vast differences. There are 250 languages and 400 dialects, numerous tribes and people groups, conflicts and deep social inequalities. The dominating ethnic groups, Yoruba, Hausa and Ibo, are very large and comprise many millions. In geographical terms diversity is also present with the Sahara desert and the Sahel in the north, to the savannah, tropical rain forest, swamp, and the Atlantic coast in the southwest (Interviews with Opera's project leader, Kristiansen and Rønning).

The social inequalities and differences create unrest. On the surface the conflict appears religious, but underneath there is a social conflict that is neither simple nor streamlined. Differences between the north and the south have torn the nation for decades, and are related to natural resources and the status of people groups. The coastline with the Niger Delta is in the southwestern region and is known for its extractive industries in oil and gas. The north is inland, partially desert, but people here have had the privilege of controlling the army. A power balance between the south and the north has been an issue for a long time and Chi Nwosu (project leader in Nigeria) finds that Nigerians never have had a sense of unification or nation building. Nigerians are known for engaging in fellowship from a social standpoint. There is brotherhood, not nationhood. It is more important to take care of oneself, the family and the tribe (Interviews with Opera's project leader, Kristiansen and Adegboye).

5.1 Infrastructure

In terms of infrastructure, the heavily populated country is experiencing underdevelopment and instability in many forms. The electrical grid has been poorly maintained, meaning that each household must acquire a generator to secure a reliable supply. The same goes for sewage and water. The government has not delivered on its obligations and is perceived to be largely corrupt. Although the government spends almost 40% of the GDP, according to Chi Nwosu, it has relatively little to show for it in terms of benefits to taxpayers. The only exception is subsidized

fuel (Interviews with Opera's project leader and Kristiansen).

5.2 Growth and employment

In Africa, Nigeria was amongst the 10 nations with the highest growth of GDP during 2010 and 2011. According to the African Development Bank (2012), Nigeria's economic growth was robust in 2011. While being dominated by its extractive industries, growth was mainly driven by non-oil sectors such as telecommunications, construction, wholesale and retail, hotel and restaurant services, manufacturing and agriculture. But despite economic growth, poverty is widespread. Unemployment rates rose from 21.1% in 2010 to 23.9% in 2011 (IMF 2012), and are especially high amongst the young: 37.7% of 15-24 year olds are outside the labour market; one of the highest unemployment rates in sub-Saharan Africa. Social indicators in health and education also remain weak (African Development Bank 2012).

5.3 ICT and Mobile networks in Nigeria

The mobile phone in Africa is a wonderful story. What Africa needed was to jump over all the traditional ICT stages and go straight to the latest one. (Interview Kristiansen)

The majority of African nations have never been spoiled with infrastructure, regardless of category. Fixed phone lines have been weakly deployed. And with regards to ICT infrastructure, statistics from 2011 still showed single digit percentage numbers for Internet and mobile broadband penetration. Mobile broadband had reached a penetration of 4% and less than 1% of the population was served with fixed broadband (ITU 2011). Still, much can happen within the ICT sector in the near future. With large mobile operators such as AfriCom and Crosscom, and with China's activities on the African continent, things point in the direction of acceleration.

The GSM network was introduced to Nigeria in 2001 with 400,000 lines (subscriptions or phone cards). By 2011 this number had grown to more than 100 million lines. This makes Nigeria the largest and fastest growing telecom market in Africa, and one of the top ten fastest growing worldwide. Leading national operators are AfriCom, Airtel, YoungCom, Globacom, Starcomms, Mtel, Visafone, Zoommobile and Multilinks (Interview with Longe, Nigerian Times 2011).

Several individuals have two or three phone lines, so say probably 40-60 million of Nigerians have access to a mobile phone. That means there are still about 100 million Nigerians who don't have a phone. There is still much room for growth. (Interview with Longe)

The lack of a fixed infrastructure in Nigeria makes the mobile network all the more significant. Mobile is the default mode of communication, and also the sole point of Internet access for many (Interview with Adegboye). Mobile phones can be affordably purchased compared to a laptop, and at a wide price range. A basic phone is priced at about 12 USD (1800 NGN), and those with Internet browsing capabilities start at 30 USD (4500 NGN). Mobile handsets have become readily available to the large middleclass (Interviews with Oyetimein and Chi Nwosu).

Recently, in June 2012, the four major operators in Nigeria were fined by the Nigerian Communications Commission (NCC) for poor quality of service.
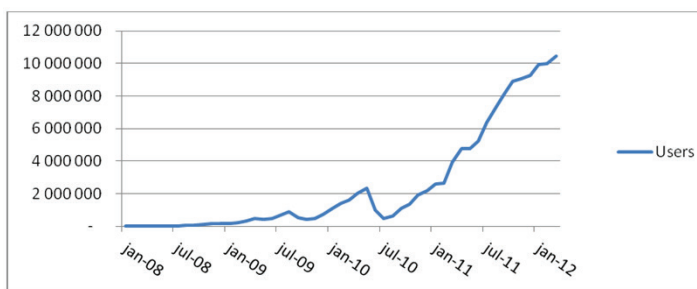
Figure 3: Growth of Opera Mini users in Nigeria, from 2008-2012

5.4 Cybercrime

Nigeria is heavily associated with letter scams, so-called 419 letters. These scams and criminal online activity are stopping legitimate Nigerians from engaging in international trade. PayPal, for instance, has blocked the whole nation. The account used in London by Co-founder of CcHUB, Femi Longe, was blocked in Nigeria without explanation:

Imagine stopping 160 million people from engaging in buying and selling on the Internet because they happen to be located in a specific country. That's apartheid if you ask me (Interview with Longe).

Several respondents claim the stigma of Nigeria as a nation of cybercriminals is old and fading. They recognize criminals are there, but argue that in recent times there has been a trend towards using mobile technology for good ends. Besides, Nigerians are taking active measures to stop letter scamming. The crowd-sourced repository Wayopedia (Wayopedia.org) is currently being developed by a team of developers at the CcHUB in Lagos and has been designed to detect and prevent email scams (Interviews with Adegboye and Longe).

6. The growth of Opera Mini in Nigeria

6.1 User growth first

I wish I could say that we had a long-term and systematic plan prior to entering a market like Africa, but it was not exactly like that. (Interview with former CTO)

Opera had developed Opera Mini, a product that could be used on networks with low or variable quality and capacity, and was able to provide a better user experience compared to other solutions on the market. The former CTO at Opera explains that when Opera Mini was first released in Norway in 2005, it achieved moderate success with a few thousand downloads. In 2006, it was released globally and grew slowly but steadily for a while. Then it suddenly exploded in such geographical areas as Russia and Indonesia, and later Nigeria and other emerging markets. Employees at the HQ describe the uptake and growth in these emerging markets as surprising because Opera had no employees working in these areas, nor any marketing campaigns or other activities directed towards these users. In fact, these potential markets were not even on the radar at the time; Opera had its hands full elsewhere. The US was a particular area of focus and investments, and resources were poured into this region. But it proved difficult to gain a strong foothold there. All the strong competitors, Chrome, Safari, Internet Explorer and Mozilla, were located like pearls on a string along

the US West Coast from Canada in the north to Mexico in the south, making it difficult for Opera to enter. Success evolved more naturally in other parts of the world, in regions where competitors had no technologically suitable solution or local presence (Interview with former CTO).

In 2008 (SMW 2009/01), Opera discovered something spectacular was going on in Africa without having lifted a finger to achieve it. Nigeria stood out:

At one point we heard about a guy in Nigeria who had opened a local store, offering people Internet on their phone for one dollar. All he did was download and install Opera Mini. We knew something was going on! (Interview with former CTO)

A few Nigerian users had already discovered Opera Mini back in 2006, but in 2008 the number of monthly active users began growing rapidly, from 10,684 in January to 189,000 a year later. In January 2010, more than one million users were registered (Opera user statistics – See figure 4). Similar growth was seen earlier in Indonesia, and the former CTO explained how Opera could now make use of their experiences from that region:

We knew what to do. When it took off in Indonesia, we immediately hired staff dedicated to the development of the area, and immediately started to identify mobile operators and opportunities for doing business. And, because Opera Mini had become immensely popular, partnerships and commercial deals could be established quite rapidly. We did the same in Africa! This method of user growth first, and then business development, has become one of Opera's most powerful business models. It means to first establish a consumer product with many dedicated users and then seek potential partners who are already doing business based on these users, proposing: Why don't we do something together? (Interview with former CTO)

Several factors were mentioned by Opera employees as contributory to the unexpected uptake and popularity of Opera Mini in Nigeria. First, a partnership with Nokia dating back to 1999 (Interview with former CTO) resulted in an agreement in 2006 about pre-installing Opera Mini on their high volume Series 40 (Annual Report 2006) and Series 60 handsets. Completely out of Opera's control, these phones were distributed in Nigeria and other African nations, and as of 2008 Opera began registering Opera Mini users on these handsets (SMW 2008/09). Opera could monitor this data as it is registered on its servers (Interview with Business Controller Opera). With Opera Mini pre-installed as Nokia's default browser, the ability to activate Opera Mini was easily available for end users. Based on numbers from Opera's SMW report from September 2008, it seems evident that Opera Mini was particularly popular when used in combination with S40 and S60 Nokia phones.

The second factor driving user activity in Nigeria is associated with the illegal hacking of the browser, particularly in 2010 and 2011. According to Opera employees, some Nigerians found technical loopholes in the system that allowed them to browse

Table 2: List of the top 10 handsets used for accessing Opera Mini in Nigeria, September 2008 (SMW 2008/09).

No	Handset	Series	No	Handset	Series
1	Nokia 311c	S40	6	Nokia 3230	S60
2	Sony Ericsson K750i	N/A	7	Nokia 6300	S40
3	Nokia 2626	S40	8	Nokia 5200	S40
4	Nokia 6070	S40	9	Nokia 2600c	S40
5	Nokia N70	S60	10	Nokia 2630	S40

for free. This was apparently very easy to do, and Opera Mini quickly became extremely popular. Usage boomed, but local operators were not pleased as they were losing profits, and Opera found ways to stop the exploitation (Interviews with business controller and CTO). It is uncertain exactly how influential this has been for long-term user growth. Opera's statistics show that when the technical loophole was closed the number of users immediately dropped, but soon recovered. Some employees explain the loophole as important, and argue that the users had gotten acquainted with the browser (Interview with business controller). Others, such as the former CTO, are of the opinion that this has been a neutral factor over time, that booming growth would happen anyway, and that the hacking just made the graphs more volatile. He adds that the exploitation of operators' networks through Opera Mini has been a more pronounced problem in Nigeria than other regions (Interview with former CTO).

Third, the emergence of social online networks is pointed to as a possible influential factor. The former CTO explains that his impression is that Facebook, Opera Mini and several other service providers simultaneously diffused and gained popularity. Because Facebook was dependent on a carrier, and Opera Mini was dependent on content and services, the two are seen as complementary. It is believed that they mutually reinforced the usage and diffusion of each other (Interview with former CTO).

A fourth factor points to the fact that mobile phones became relatively cheap and that mobile infrastructure had improved as a result of Chinese actors in Nigeria. Lately, they have subsidized construction of mobile towers and distributed cheap handsets as a part of their strategy to acquire resource extraction rights. The mobile handset producer, Huawei, is mentioned as influential. This is a complex value chain that contributes to favourable conditions for mobile services, such as Opera Mini (Interview with former CTO).

The last and most important factor mentioned by Opera managers in determining user growth is the unique technology behind Opera Mini. It is strongly believed that the compression feature that helps users save up to 90% on data traffic and improves speed has created a strong word of mouth effect (Interviews with former CTO, education manager and marketing manager):

I believe Opera became big in Nigeria independently of what Opera employees did to systematically grow that market. Opera Mini became a success because it is a fantastic product, and because there is a good fit with the market characteristics in Nigeria. Opera succeeded because of the product, not because Opera implemented a clever market strategy. (Interview with former CTO)

We will come back to this statement in the discussion of the case.

6.2 Business development, staff allocation and early work in the region

When user growth was recognized as substantial and interesting in Nigeria, a handful of people within sales and marketing were allocated to the development of this region. There already were employees at the office with experience from Africa, and they could now make use of their aptitude and network in the region (Interview with former CTO). In the beginning, employees dedicated to the African markets were located at the HQ, but later Opera could also recruit employees locally.

Early work in the region focused on establishing deals and partnerships. The former CTO explains that to be able to generate revenue from the rapidly growing Opera Mini user base, Opera had to develop relationships, and eventually partnerships, with mobile operators in the region. A Scandinavian based in South Africa was hired in January 2011 to focus on sales in the Middle East and Africa. He initiated several new deals in Africa, but left after only one year. Today, Africa is the place with the highest concentration of new Opera deals in the world, and the Scandinavian was replaced by a local person to keep the heat up in these markets (Interviews with former CTO and education manager).

The senior account executive at Opera, responsible for two global operator agreements, explains that signing an operator deal can take from one to three years. If it is a group deal the process can be especially lengthy, as those deals are more complex, include more stakeholders and numerous other aspects that need to be considered before a deal can be signed.

In Africa, the major mobile operator, AfriCom Group, was interesting as a potential partner, being one of the largest operators on the continent, with operations in 21 African and Middle East countries and more than 150 million subscribers. An agreement with the AfriCom Group about offering the co-branded Opera Mini browser was signed in August 2011, including the Nigerian AfriCom subsidiary. The senior account executive explains how this deal came about:

In this specific case we actually signed a deal with the AfriCom South Africa subsidiary first, in December 2010. This partnership turned out to be a success, creating hype internally in the organization. We had a parallel dialogue with the group before we launched with South Africa, but this was the trigger needed to progress with the group deal.

When there were enough users and revenue to support it, the deal with AfriCom Group was signed and several new employees were hired (Interview with business controller). Shortly after the AfriCom Group had signed, Opera, in the fourth quarter of 2011, signed a deal with YoungCom Nigeria (Interviews with education manager, PR and communication manager, and market coordinator).

Both the senior account executive and the marketing manager pointed to the fact that, though a global frame agreement was signed with an operator group, there is no automatic implementation of this agreement by the subsidiaries. But there is a mandate from the group that cooperation is favoured. The structure of the deal, and consequently the revenue potential, are based on the number of end users of the co-branded browser. Therefore, the team of people dedicated to the African market work to make sure the agreement is operationalized.

The account team develops deployment plans, technical and practical plans describing how to introduce the co-branded version of Opera Mini, and the education manager sets up a go-to-market package and assists the partners in marketing the solution. The Norwegian managers travel extensively to meet with product managers and marketing representatives in these companies. Often specialists from various parts of the organization and the colleagues on the ground are also consulted (Interviews with senior account manager and the education manager).

The education manager's main responsibility is to assist the operators in growing the user base and data traffic on the browser. She describes her role interacting with partners in Nigeria as a type of consultant, and spends her time advising partners on how to best market Opera Mini. Important activities include suggesting new tactical strategies or marketing campaigns, and advising on how to grow mobile internet penetration in general. She emphasizes the importance of finding ways of aligning their goals

with the partners' priorities. But, it can be challenging at times:

You really have to be aware of your position. We're not there to demand anything from the partners, we are there to make their job of making the Opera Mini co-branded project a success as easy as possible.

…we have to come up with other ideas. I think we have to keep in mind that we always have to provide value. Opera Mini is just a part of their portfolio and there are other projects that might take priority at times. So what we do is that we try to stay relevant. We can provide useful research, in terms of who the users are, or we can come up with some interesting strategies that they hadn't thought about. And, we understand that they will get back to us when the time is right for them, which is not always immediately. If we keep pushing too much it is bad for the relationship. (Interview with education manager)

The group deals regarding establishing common goals with partners are particularly important. When Opera has secured buy-in from the group, the local Op-Cos will automatically have incentives to invest in marketing and promotion of Opera Mini. Still, it often requires huge amounts of time and effort to make partners implement recommended campaigns; it can take six months or even a year. But when it eventually goes live in the market it can be highly valuable. A recent example from one of the African group partnerships is:

The AfriCom Group is currently running a campaign where they promote a co-branded version of Opera Mini, It runs on CNN and MTV and all sorts of TV and radio channels. This is the result of one of our marketing plans that were defined in September last year. It has slowly materialized. (Interview with senior account executive)

The partner marketing initiative is not only focused on how to promote the product, it is also about advising the partners on how to package and price the solution. In certain African countries data pricing is still very high, which hinders mass-market adoption. This is the case in a lot of markets worldwide, and the partner marketing department strives to share good case studies from markets that have adopted affordable and successful pricing strategies. A data plan or data package could imply that the operator offers, for example, 100 MB of data traffic, 100 SMS and 100 minutes of calls or limitless browsing monthly at a fixed price. Nigeria is a market with much potential regarding implementation of data packages. Opera's experience is that strategic pricing is essential to increase penetration, and operators in developing regions are often interested in exploring these possibilities. The Opera partner marketing team attempts to accelerate this process by discussing the operators' current pricing strategies and suggesting adjustments based on successful case studies in other markets:

I always focus a lot on suggesting these data packages, and I see that they often get picked up quite quickly. It helps that we can provide examples from other markets with similar situations and shows the success of pricing strategies there. I believe that this is often perceived as very valuable input, especially when the operator is only beginning to discover the possibilities of growing their mobile Internet user base. (Interview with education manager)

Through offering dedicated data packages, meaning that the data package is only valid when used with the Operator-Opera Mini browser, the operators can lower their prices, keep their margins and increase the number of users. This is good for the operators because both traffic and revenue increase. It is good for Opera because license revenue increases with the number of users, and for the users it means better and cheaper access to the Internet. This is only one example of the pricing strategies that Opera proposes for its partners (Interview with senior account manager, education manager and marketing manager).

The former CTO explains that he believes Opera's business model is strong when it comes to establishing operator deals, but that it is hard to monetize directly from users. This particularly applies to emerging markets like Nigeria, but it is also widely known in the industry that monetizing directly from users is a challenge in any market. Still, the users are what make Opera interesting to business partners, and therefore it is always about users first. Finding ways to monetize and generate business comes second.

The cooperation between Opera and its partners in Nigeria offers several practical and cultural challenges to overcome. First, it is geographically distant from the HQ and since Opera does not have an office in the region a lot of travelling is required to ensure smooth implementation of technical and marketing solutions. Very often the operators require considerable support and guidance, which is provided through the Partner Marketing program. Opera managers sometimes travel more than 40 hours just for one meeting! Another natural consequence of the distance is that local knowledge is limited at the HQ and cultural issues can arise in the interface between employees at Opera and partners in Nigeria (Interviews with senior account manager and education manager).

The environment in general is tougher in Nigeria: In Nigeria life is just tougher. It's a culture where you have to be strong to make it! It's an environment where nothing comes easy. Electricity is unstable and traffic in Lagos is hell, which makes everyday life much more difficult. You really have to be a strong person to succeed. It's not a quiet culture. And of course that translates into business as well. It's very straightforward, (Interview with education manager)

The operators are very different. Doing business with an established operator that has been in the market for a long time is very different from working with a younger and smaller company. It also depends on their target audience. An operator that targets the youth market is going to respond to ideas differently than an operator that targets a broader group of the population (Interview with education manager).

6.3 Creating personal relationships

Creating personal relationships is seen as important for the success of partnerships with operators. Previously Opera found that it signed deals in many countries, but implementation of the deals proved difficult. Companies were interested, signed the deal, and the product was launched, but often other projects took priority. The operator saw the need for the product, but they needed to be supported, engaged and inspired. This was the backdrop for the creation of the partner marketing department more than three years ago (Interviews with education manager and marketing manager).

Meeting in person makes it easier to convey certain difficult technical or marketing solutions, and Opera employees get a better sense of the local market conditions. The tone and relationships with different contacts vary; often there is an informal tone, but it is important to adapt to the situation:

You can sense how valued you are. There are people you feel very comfortable to contact on Skype, for example, just to bounce ideas back and forth, and in other cases the relationship is more formal. You simply adapt your communication style to the type of relationship that you have with the partner. It's about

awareness and common sense, really. (Interviews education manager, marketing manager)

When working with a partner on a campaign there is often frequent contact between the manager and the contact person at the partner company, and the relationship develops. The relationship might be significantly strengthened, especially if the campaign is successful. But if the contact person moves on to another position, the relationship with the new contact has to be built from scratch (Interviews with education manager and marketing manager).

You work with individuals and it all depends on the relationship with that person. In the long term that means that you have to build relationships over and over again, and you have to make yourself relevant over and over again to different people.

6.4 Knowledge sharing and learning

Opera provides its partners with a lot of information and data. In particular, it collects and provides statistics from Opera's servers, such as user reports, handsets used or the most popular web sites. These are highly valuable data for the operator who can use it for targeted promotion and as a means to better understand their users. In addition, because Opera works with many operators around the world, it can also share knowledge about strategies and tactics that have worked in other markets. The senior account executive explains that it has been a great advantage for him to work as an account manager for two major operator partners, as he can pick up best practices from one partner and implement them for the other partner. Opera does not share operator-specific intelligence with its competitors, but uses best practice sharing within group deployments to a great extent. By documenting success and learning from each marketing campaign and deployment plan, Opera can effectively share them with other operator companies within the groups. This has proved highly valuable for Opera's partners (Interviews with senior executive managers, education manager and marketing manager).

Opera also uses the operators' statistics, experience and knowledge about the user base to adapt and develop the product. The recent Opera Mini 7 Smart Page was created with emerging market users in mind. It is a product version that takes into consideration that Opera has many users in markets where feature phones are still widespread, such as Nigeria and Africa (Interview with education manager).

6.5 Opera in Nigeria - Playing the intermediary role

There is only one person operating out of Lagos for Opera. Four areas of particular focus are:

1. Attend local events and develop relationships with users and developers.

2. Work with local content providers, and enter partnerships to have local content available by default on Opera Mini.

3. Work with local OEMs, for example the regional Samsung office, and encourage them to push phones with Opera Mini pre-installed.

4. Build good relationships with mobile operator partners. They have big marketing budgets and the scope to do major campaigns on TV and radio. Encouraging them to promote the Opera Mini partnership is important, because it is good for the Opera brand to be associated with the big brands in local markets.

The person has an intermediary role and interacts greatly with

both Opera HQ and Opera's partners in Africa (Interview with market coordinator).

Although the market coordinator has no formal responsibility for sales, he gets involved in the partner deals from the very beginning, despite the fact that the deals can be very technical. With new deals it is important to build trust, and he describes his role in this setting as 'to manage cultural nuances'. By playing the intermediary role, he can step in and prevent misunderstandings and miscommunication or clean up if the deed is already done (Interview with market coordinator).

6.6 Building a local business network

From previous work and experience, the market coordinator was able to bring to the table a broad professional network in Kenya, South Africa and Ghana, in addition to his home country Nigeria. Despite the fact that his contact network was not primarily related to the ICT industry, he claims these contacts have been very valuable:

The market coordinator lists four arenas where he builds his professional network and at the same time can display a local presence for Opera. The two first arenas are online resources; (1) Linkedin.com is used extensively for professional contacts, (he has more than 500 business contacts); (2) Twitter is another platform extensively used for similar purposes; on the ground in Lagos, (3) the CcHUB has been an important physical place to make contacts within the ICT industry; (4) technology events and conferences are important opportunities to network with content providers and nurture the relationship with developers and end users. He makes sure to attend as many events as possible and quickly counts participation at six events during the first five months of 2012: Mobile Web in South Africa, Conference on Mobile Web East Africa in Kenya, Conference on Mobile Web West Africa in Nigeria, AfriCom events in Nigeria and South Africa as well as a Safaricom event in Kenya (Interview with market coordinator).

6.7 Perceptions about the future

Nigeria is seen as an important market for Opera. It was the fourth largest nation in April 2012 in terms of Opera users worldwide, and is rapidly growing. In 2012, Opera had a goal of reaching 500 million monthly active users globally within a couple of years (nearly doubling their number of users), and therefore fast growth rates are even more interesting than the actual number of users. It is important to have local people on the ground that contribute with local knowledge and can pick up market trends quickly. It is especially valuable for Opera to have local employees attend partner meetings. And it can mean a lot for the users.

If you can give people Internet it is fantastic! When MIT for instance made the 100 dollar computer, we were supportive, but we knew that we could give people the entire Internet on their phones for free. What do you need a 100 dollar computer for then? We felt what we did for welfare was much greater than many other initiatives. And that felt good, it was a good fit with the company values and DNA. (Interview with former CTO)

But, in the end Opera must depend on making money. And several challenges are in the pipeline, namely increased competition and maintaining high levels of distribution. The old partner, Nokia, launched its own browser (Interview with business controller). Another challenge is the flow of Chinese mobile handsets into emerging markets. This is important for Opera
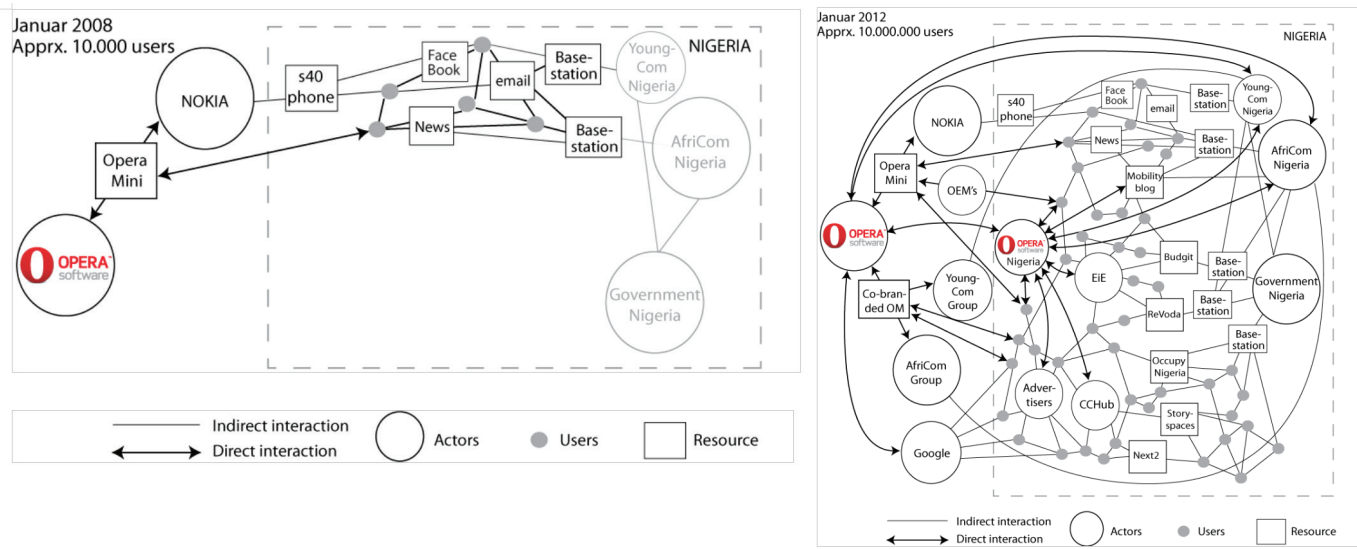
Figure 4: Development of Opera's network in Nigeria from 2008 – 2012, with Opera as the focal unit of analysis.

because it needs to make Opera Mini compatible with all these new handsets. There is a large grey market in Africa. In addition, there are Chinese companies that deliver browsers that are quite similar to the Opera Mini set up, some of which are growing their market shares in certain African countries, and Opera is closely following the development (Interview with senior account executive).

7. Analyzing three specific relationships

The case illustrates how Opera has pursued opportunities in Nigeria. More as a coincidence, rather than from strategically focused efforts, user activity began to rapidly emerge. Figure 4 illustrates how the network evolved in Nigeria from 2008 to 2012. Clearly, the network is much more complex than rendered in this graphical representation, but it serves as a simplified picture of how the network developed. During this period Opera became increasingly involved in various activities and relationships in Nigeria, and the network has become more organized and intertwined due to all systematic efforts.

Here we will analyze three different relationships within the case from a network perspective; each has been selected so that together they explain technical, economic and social dimensions. The three layers of the ARA model will be discussed, and dominating layers will be identified for each of the analyzed relationships.

7.1 Opera HQ ←→ Opera in Nigeria: The technical dimension

The relationship between the Opera HQ in Norway and Opera in Nigeria is heavy with actors, resources and activities on both sides. The relationship is mostly about coordinating and fine-tuning Opera's local presence, relevance and economic interests. In this section we will analyze in particular how the relationship came about and how it has developed by analyzing resource ties and constellations (see figure 5).

Opera in Nigeria is primarily represented by the technical solution Opera Mini, and it was initially made available online. Besides investing heavily in the Opera Mini and making it available for free, almost no activities or investments by the HQ were made to announce this to Nigerians. Resources and

activities were allocated and prioritized elsewhere. To the HQ's surprise, activation of the Opera Mini by users in Nigeria began to emerge, and escalate. The solution had been pre-installed on a number of Nokia phones, and out of Opera's control or without its knowledge, they were distributed across Africa. Nigerian users found Opera Mini useful; it was compatible with the equipment they already had available and gave them access to attractive Internet content and services. Furthermore, Opera Mini worked well with the existing infrastructure, improving efficiency and speed on local mobile networks. Because of reduced Internet costs, data traffic significantly increased as more people could now afford it. Opera Mini was quickly embedded and became part of the business landscape. To a large degree one can point to a surprisingly good initial fit between Opera Mini as a technical solution and the existing resource constellation.

It seems obvious that the technical dimensions related to the solution were significant to Opera's growth in Nigeria. But because of interdependencies in the network, the technical solution itself was not the only resource of importance. We will look deeper into three specific resource ties to understand more of the substance in the relationship; (A) investments by others in relation to the solution, (B) user activity in relation to mobile operator's revenue model and (C) HQ experience in relation to the 'new' co-branded Opera Mini (see figure 5).

Investments in technical equipment and infrastructure already made by others were fundamental for the existence of Opera's solution (A), and Opera could never have made these investments itself. The existing infrastructure created opportunities for Opera; its Opera Mini could run on top of and take advantage of the large investments made by others. Making Opera Mini
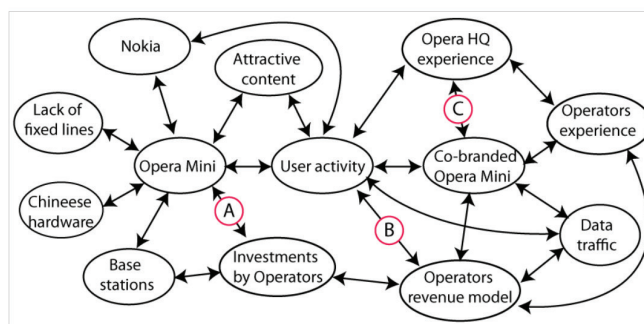

Figure 5: The resource constellation affecting Opera's solution in Nigeria.

available to users in Nigeria, therefore, required few resources from HQ. But a technical fit with the existing business landscape and high user activity were not enough to be of economic significance. Rather it was necessary for Opera to search for revenue opportunities within the constellation of resources. This process is characterized more by constraint. Because the investments in the network were made over a long period of time, and because of their scale, they enforced a certain amount of path dependency. The solution had to be adapted and modified to fit with the needs of local mobile operators. The co-branded Opera Mini, a 'new' solution with the capability of elegantly transferring existing users from the 'old' solution, was developed to fit the needs of both Opera and the mobile operators, enabling mutual economic benefits. This brings us to the next resource tie, user activity in relation to the operator's revenue model (B). One can argue that the technical solution only serves to facilitate what can be seen as Opera's actual solution – user activity. Data traffic generated by users is the core of the solution offered to Opera's business partners – the mobile operators. Mobile operators face daily struggles to generate revenue from usage, and data traffic is becoming increasingly important. Therefore, user activity must be seen as an important business resource from a HQ perspective. One can then point to how the technical dimensions of the solution simply are fundamental pre-requisites for creating business and developing actor bonds and activity links to selected partners.

The third, and final, resource tie is the HQ's experience as a resource in relation to the new co-branded solution (C). The operators do not have to partner with Opera; users of the solution will generate traffic on the operator's network regardless. But together they can achieve increased use and make their respective resources more economically valuable. Opera HQ provides its partners with much experience and empirical evidence from other markets, as well as specialized knowledge and statistics. The introduction and modification of mobile data plans serves as an example of how this knowledge is used by partners. The HQ experience can be seen as a resource of both technical and more intangible character and is an integrated part of the co-branded solution. There is clearly a mutual adaptation and learning process, and consequently this resource tie is one that requires a great deal of interaction on the two other layers: activities and actors. Thus, it is one of the resource ties in which Opera invests the most time and effort.

Although tied together in a complex and interdependent constellation of resources, it is not obvious that all parties will value each resource tie on the same scale or have the same perspective on how resources best fit together. As a consequence, development and adaptation that has the potential to increase the accumulated value in the network may take a long time to be implemented or might never be implemented at all.

7.2 Opera ←→ Partners: The economic dimension

The relationship between Opera and its partners is dominated by interaction between actors. When technical embeddedness of the solution was established, Opera had to search for opportunities to create revenue streams. By providing the solution for free, it was still unsure how to transfer user activity into positive revenue streams. In this case, economic value was created from interaction and cooperation with other commercial actors in the market. This part of the analysis will deal with how revenue streams flow (see Figure 6) and how network interaction affects economic dimensions.
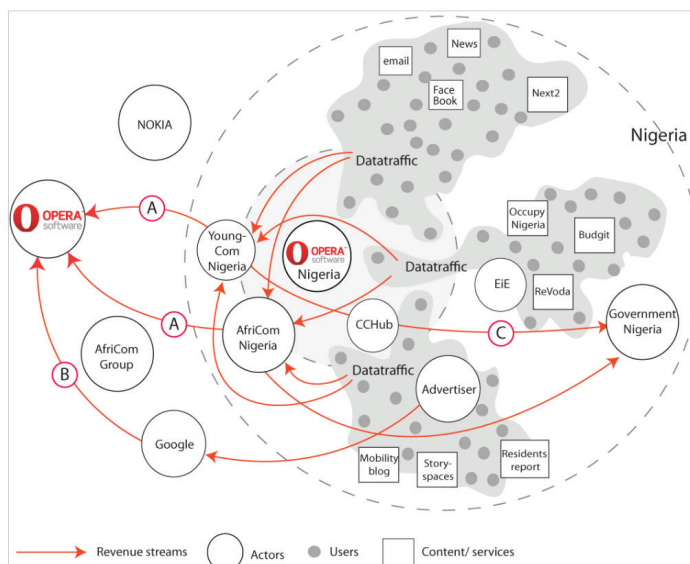

Figure 6: Revenue streams in Opera's network in Nigeria in 2012.

There are currently two direct revenue opportunities for Opera in Nigeria; from partnerships with local mobile operators (A), and from advertisements through Google (B). The first generates the largest revenue stream and is particularly important. Because the operators can increase their own revenue streams by cooperating with Opera, the relationship brings about mutual benefits, and the overall goals of growing users and data traffic are largely aligned. But, because the relationships with the two mobile operators are relatively new (officially both have lasted less than a year at the time of the study) they contain some level of uncertainty. Opera employees explained how learning by doing is part of these actor bonds, and that building trust among individuals is critical for developing strong relationships and reaching economic goals. But as in most firms, employees come and go at both Opera and the partners' organizations. If bonds with individuals are crucial, turnover of employees may cause serious stress to the actor bonds. So, what effect will this have on the relationship? Can it offset the relationship as a whole? In some cases maybe, but if that were the typical pattern, there would not be many partnerships or collaborative efforts in business. In this case, the breach of an individual actor bond causes some delay or may slow down progress temporarily, but due to a number of individual actor bonds among the partners, the relationship as a whole is relatively unaffected. It is the individual actors' collective efforts that define the relationship and facilitate the revenue streams in the network. In addition, activity links and resource ties further contribute to stabilizing the relationship.

This does not mean that interaction between individual actors is of marginal importance. The process of adapting and growing the solution together, creating mutual value and a shared perception of success, makes the relationship more interdependent and stable. In this case it seems beneficial to facilitate for more frequent interaction by moving actors closer together. For example, the physical location of Opera employees, close to the partners' offices, allows for new forms of activities, communication and cooperation, and a deeper understanding of cultural and contextual factors.

However, the revenue stream does not depend only on the bond between Opera and the mobile operators. The operators themselves are dependent on other actors, particularly on a license controlled by the Nigerian government. As such, their relationship with the government will indirectly affect the po-

tential revenue streams directed towards Opera in this market. But, in turn the government is dependent on cooperation if it wishes to maintain and increase the license income (C), while simultaneously making basic goods available to the general public. This interdependence makes the network more stable than at first glance, and threats from the government about closing down base stations are not overwhelmingly credible.

Opera also seeks to generate revenue from advertising through its browser start page and the Google search bar, but this revenue stream is more difficult to stabilize. One reason could be contextual factors; whereas the mobile industry was somewhat developed at Opera's point of entry, mobile advertisement has only recently begun to emerge. It is reasonable to assume that Opera can have an impact on the direction of this development by taking an active role, interacting with related actors early on and influencing the web of actors. Presumably, it will take time to develop the network and find a strategic place in it, and it will coevolve with the choices and decisions by others. Again, it will be a matter of learning, trial and testing.

7.3 Opera in Nigeria ←→ Users: The social dimension

Finally, we will discuss the relationship between Opera in Nigeria and the users. Although consumers are not normally included in the IMP business network analysis, we find it relevant for this case. Activities by users are of fundamental importance because it creates commercial business opportunities for Opera. One can argue that the users in fact 'produce" and 'supply' activities and data traffic for Opera. From a conceptual point of view users can therefore be seen as suppliers, collectively supplying a key business resource. The relationship between Opera and users is dominated by the activity layer, and we will look specifically into social dimensions of the activity patterns of the case.

Opera in Nigeria, particularly represented by the solution, has become an integrated part of users' activity patterns. Apparently, there is a good fit between the technical features of the solution and the Nigerian context. Initially, uptake and diffusion were enabled by users who needed to communicate more, with greater cost efficiency and over larger distances. Being able to contact and communicate easily with friends and family were basic social needs and activity links have become particularly important with regards to social media platforms.

The growth and gradual development of commercial and institutional networks has emerged alongside social networks, although this development seems more challenging and uncertain. As of now, young technology entrepreneurs are taking advantage of the solution, particularly for political purposes. Social media has brought increased transparency and political awareness. It is interesting to observe that when the solution has become embedded in the existing activity pattern it seems to accelerate user activity and development of networks. Hence, it contributes to exponential growth of the value created and supplied in the network from a business perspective.

A number of activities are also performed by Opera as an actor. Local presence and direct online communication with users were emphasized. The solution has constantly been improved and updated based on user feedback and interaction. Activities related to supporting development of local content, as well as influencing data packages offered by the operators, has strengthened the relationship between Opera in Nigeria and users. The relationship is highly interdependent; Opera is dependent on the supply of activities and the mobile web has become an integrated part of users' daily lives. Adaptations made to improve the

social dimensions of user activity made the solution even more relevant and embedded in the local web of actors, resources and activities.

8. Crucial network features

This case is a very rich network case, i.e. it describes the importance and the function of direct connections for a business highly embedded into a business environment. We all know that people have personal connections and this case is just another example of that. But this case shows much more. All the existing business relationships in the case are also directly connected to other business relationships. What Opera is doing with Nokia in Finland influences what it can do in Nigeria or other parts of the world. This is due to the fact that products and technical solutions are highly interrelated – embedded into each other. The use of the mobile phone is dependent on the possibilities of reaching the internet and the latter is dependent on both technical solutions and content sources. In this way Opera is related to mobile operators as well as content providers such as Facebook. These direct connections give two different types of possibilities or restrictions for involved companies. First, it results in a specific network structure in each moment, which in the short run makes room for certain networking processes to exploit the given structure at the same time it excludes others. Opera is actively trying to do this in Nigeria through its marketing activities as well as undertaking complementary activities in some other countries. However, second, it also makes room for a certain number of networking processes trying to exploit changes in the specific structure. This is also a track followed by Opera, for example in the development of Opera Mini, where the company is trying to develop a new way to reach the internet from mobile phones. Together these two types of networking processes create some room for each of the involved companies to manoeuvre while simultaneously creating very distinct restrictions. Any actor must constantly adapt to the existing structure as well as continuously deciding what changes to support. If finding a positive solution, as Opera has done with the Opera Mini, it can quickly improve its position and if less successful, it can quickly go in a negative direction.

The case is also interesting as it offers possibilities for identifying the main reason for the existence of these direct connections. The resources used and developed are all systematically interrelated and embedded. The reason is that more or less all of them are 'heterogeneous' from an economic point of view, which means that their value is dependent on the resources with which they are combined. The value of the web browser is directly dependent on the features of the mobile phones as well as the development of Facebook. In the same way the characteristics of the Opera Mini were, as the former CTO explains, also a consequence of Opera's existing resources. The heterogeneity offers a large number of possibilities for developing single products or facilities to increase their value. This is also one main activity in which all the involved companies take part. One consequence is that the actors develop the resources by designing specific interfaces with other resources; the resources become more or less embedded into each other. They become more productive in certain combinations and this creates a specific structure in terms of value creation. The technical solutions, such as a product like Opera Mini, are not just "fantastic" in general as the CEO claimed, but it was "fantastic" in relation to the features of some of the existing resources. If these had developed differently, which perfectly well could have happened, the result

would have been quite different.

It is important to note that this does not only regard technical resources. The interface between technical and social as well as the interfaces between social resources can be developed in the same way (Baraldi & Strömsten 2006). This is also what Opera tries to work with in Nigeria in a general sense. The company is trying to become more closely connected to important dimensions of the Nigerian society.

Consequently, resources are never developed in a neutral way in relation to other resources. They will always be developed in relation to each other – some in a positive and others in a negative way. This is the case for products such as the web browser and mobile phones as well as the web browser and Facebook. As a result, the involved companies develop in relation to each other, while some get closer, others move in opposite directions. Opera Software and the mobile operators in Nigeria move closer toward each other while Opera and Nokia have a more problematic development – some parts getting closer and some parts going in different directions (Nokia developing its own web browser).

These connections can be used over time as when Opera earlier learnt about connections in Indonesia and later uses this knowledge in Africa. The connections can also be used in relation to place; what Opera learns about connections in South Africa is connected to and affects the development in Nigeria,

The case is especially interesting in terms of how a network affects the distribution of wealth in relation to economic returns. All relationships and the value creation they represent can not be transformed into money! The end users of the web browser are not paying for using it. Opera had many users in Nigeria before the company made any money from that, and then did so indirectly. Connections between end users and mobile operators could help Opera gain revenue from the operators. It means that in many ways the money-making relationships are dependent on other relationships that are not money producers.

This specific structure and how it affects the chance to make money points to an extremely important feature of all (?) networks. The division or distribution of monetary rewards is not directly related to value creation. There are two different processes taking place at the same time. One is the value creation and the other is the division of rewards. These processes are probably related, but in a much more complicated way than we usually assume. It is an aspect of the networks that up to now we have neglected in our studies.

9. Conclusions

From a strategic point of view the case gives reasons for some specific conclusions. Succeeding in Africa has been a troubled goal and difficult journey for many western companies, but in the case of Opera Software it initially came more or less unintentionally. We described the growth of Opera in Nigeria, and from the analysis of the empirical data it seems clear that the main explanation builds on the characteristics of the network. It is not single events or single individuals that have been successful but some important network factors:

(1) Fit with the old: The strong initial adoption and growth of the solution in Nigeria can be accredited to its excellent fit with existing networks in terms of technical resources, investments made by others and social needs of users, rather than Opera's role as an active business actor or its strategic plans. Embeddedness within the existing resource constellation in Nigeria facilitated for a larger, more complex business network and rein-

forced future growth and development.

(2) Interacting factors: The story of Opera in Nigeria illustrates how growth strategies cannot be determined or controlled by individual business actors, but that much of the important factors for growth of innovations are co-created in networks of interrelated resources, actors and activities. The ability to both act on and react to events and processes in the network becomes particularly important.

(3) Economic exploitation: Embeddedness and a good fit within the user context was not enough for an economically interesting innovation or exploiting the opportunity. Opera also had to find a position within the existing business network to turn users into profit. The main feature of the network is that all actors are dependent on each other if they seek to increase their individual revenue streams. The accumulated value is greater when working together.

Time Magazine asked if the small browser company was crazy to give out their product for free. But by doing so, Opera could pursue alternative innovation paths and explore opportunities impossible to foresee or plan in detail.

Finally and in summary, this business case is rather special from an IMP point of view as it deals with a business situation where

- no physical product is exchanged
- distribution is electronic rather than physical
- the product is given for free and someone else than the user has to pay
- the crucial role of end-users/consumers
- the value creation process is different from the division of rewards process.

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Overview of Interviews

No.	Date	Duration (min)	Collection method	Data processing	A4 pages of data material	Language	No. of respondents	Who	Position
1	20.03.2012	90	Interview, HQ	Notes	1	Nor	1	Opera employee	HR specialist, Opera
2	29.03.2012	50	Skype Interview	Notes	2	Eng	1	Opera employee	Consumer Marketing, Middle East and Arabic Speaking Countries, Opera
3	30.03.2012	50	Skype Interview	Notes	6	Eng	1	Opera employee	Market Coordinator, Sub-Saharan Africa, Opera
4	03.04.2012	40	Skype Interview	Notes	2	Eng	1	Opera employee	PR and Communications, Opera
5	12.04.2012	10	Skype Interview	Notes	1	Eng		Opera employee	Market Coordinator, Sub-Saharan Africa, Opera
6	04.05.2012	110	Interview, Opera HQ	Transcribed	17	Eng	2	Opera employees (x2 with same title)	Partner Marketing Manager, Africa and Middle East, Opera
7	07.05.2012	80	Interview, NRK	Transcribed	7	Nor	1	Tomm Kristiansen	Former foreign reporter in Africa, NRK
8	08.05.2012	180	Interview, Holmlia Kulturhus	Transcribed	19	Eng	1	Elvis Chi Nwosu	Project leader: African Cultural Awareness. Originally from Nigeria
9	14.05.2012	60	Interview, UiO	Transcribed	9	Nor	1	Helge Rønning	Professor in "Medier og Kommunikasjon" at UiO
10	23.05.2012	53	Skype Interview	Transcribed	8	Eng	1	Yomi Adegboye	Tech Blogger and Entrepreneur. Founder of www.mobility.com.ng
11	23.05.2012	64	Skype Interview	Transcribed	8	Eng	1	Pelumi Oyetimein	Student at Yaba College of Technology, Lagos. Opera Volunteer
12	24.05.2012	60	Interview, Opera HQ	Notes	2	Eng	1	Opera employee	Business Controller, Opera
13	31.05.2012	45	Interwiew, Opera HQ	Transcribed	12	Eng		Opera employee	Partner Marketing Manager, Africa and Middle East
14	01.06.2012	104	Skype Interview	Transcribed	13	Eng	1	Emeka Azuka Okoye	CEO Vikanti, Creator of ReVoda
15	04.06.2012	40	Skype Interview	Transcribed	8	Eng	1	Femi Longe	CEO, Co-Creation Hub Nigeria
16	05.06.2012	102	Skype Interview	Transcribed	16	Eng		Opera employee	Market Coordinator, Sub-Saharan Africa, Opera

No.	Date	Duration (min)	Collection method	Data processing	A4 pages of data material	Language	No. of respondents	Who	Position
17	06.06.2012	58	Interview, Waynes Vika	Transcribed	14	Nor	1	Opera employee	Previous CTO, Opera
18	07.06.2012	74	Interview, Opera HQ	Transcribed	14	Nor	1	Opera employee	Opera, Senior Account Executive, Selected T1 Accounts, Opera
19	21.06.2012	N/A	E-mail	Written answer	1	Eng		Opera employee	Market Coordinator, Sub-Saharan Africa, Opera
Total		127 0	Minutes		160		16		
		21,2	Hours						

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