Summary

- **Conventional Resource Based View theory** framework is not sufficient to examine competitive advantage in an industry in which business with partners is inevitable.

- “Opportunity advantage” brought by partners is able to be explained by introducing framework of Structural Embeddedness.

- This paper analyzes ERP package business as a case to confirm competitive advantage that is brought by the partner relationship structure.
The Limitations of Conventional Business Strategy Theories

- An assumption that resources and capabilities that become sources of heterogeneity among firms or differences of business performances are produced inside a firm in one way or another (Konno(2002), p.13)

- There exists **a few studies** of sustainable competitive advantage that consider **resources including partners’**.

- **Opportunity advantage** has been argued but **not clearly theorized**.
**Concept of Opportunity Advantage**

- “Opportunity advantage” refers to a state that a firm has a capability to obtain a lot of business opportunities in partner networks.

- “Opportunity advantage” can be changed by choice of partner.

- A partner network that brings more business opportunities has a possibility of enhancing a competitive advantage.

**A view of Structural Embeddedness**

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

- A industry that has a **typical horizontal business partnership** including hardware vendors, basic software (O/S) vendors, System development companies, and so on.

- **A collaboration with other players in IT industry is inevitable for Software package vendor**

- Business performance is directly affected by the quality of the partners’ strategies.

Considerations on Case Selection

- Focus on partner strategy of ERP Package vendors

- Focus on large business market of ERP Package business in Japan
  - Main battlefield
  - Easy to capture characteristics of the strategy of package vendors

- **Companies for Case Analysis**
  - **Focal company**: SAP Japan
  - **Compared company**: GLOVIA business of FUJITSU
ERP Package Market Share

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

<table>
<thead>
<tr>
<th>Company</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAP Japan</td>
<td>10.2%</td>
</tr>
<tr>
<td>Oracle</td>
<td>8.9%</td>
</tr>
<tr>
<td>IBM</td>
<td>7.8%</td>
</tr>
<tr>
<td>Microsoft</td>
<td>6.5%</td>
</tr>
<tr>
<td>PeopleSoft</td>
<td>5.1%</td>
</tr>
<tr>
<td>JDA Software</td>
<td>4.5%</td>
</tr>
<tr>
<td>Infor</td>
<td>3.8%</td>
</tr>
<tr>
<td>others</td>
<td>27.7%</td>
</tr>
</tbody>
</table>

The Characteristics of Partnership of SAP Japan

- A Company with a required conditions is able to be a partner

- **Diversity** is observed in partner types

- SAP Japan **focuses on** product delivery, sales activities, technical support services
The Partnership Characteristics of Glovia Business of FUJITSU

- Regardless of providing a partner system that is almost the same as SAP Japan, most of GLOVIA partners are FUJITSU group firms.

- Lack of diversity of partners

- Because FUJITSU delivers hardware products and basic software products, partnerships with competitors (hardware vendors, basic software vendors) are not observed

The Framework for Analyzing Partnership

This paper focuses on these 2 points.
Evaluation of “Isolation Mechanism”

- To acquire continuous competitive advantage, isolation of resource is necessary.

- Resource Isolation mechanism consists of “difficulty of acquisition” and “difficulty of substitution”.

- In this paper, “difficulty of acquisition” is evaluated as “immobility”.

Evaluation of “Isolation Mechanism”

- SAP Japan need to utilize external resources when it conducts sales and implementation activities.

- GLOVIA business of FUJITSU accumulates resources mainly internally.

- SAP Japan is supposed to be inferior to SAP Japan in immobility.

  => It doesn’t have good “isolation mechanism”
Evaluation of “Strategic Value”

- ERP packages require generally huge and long term projects for implementation because the functions of products are very complicated and the scope of application is very wide.

- Therefore customers should consider the vendors’ past implementation performance. Because customers think about uncertainty whether the package will work when they utilize the software.

- To evaluate the strategic value of the ERP package businesses, it is required to examine whether the partner resources contribute to reduce the uncertainty of implementation.

Evaluation of “Strategic Value”

- In the case of SAP Japan, the quality of partners varies and it depends on choice of partner whether the partner resources might contribute to reduce uncertainty of utilizing the software.

- In the case of GLOVIA business of FUJITSU, FUJITSU has much resources in itself and the equivalent way, it keeps certain level of capability. Therefore uncertainty is almost avoided.

- GLOVIA business of FUJITSU is comparatively superior to SAP Japan in “strategic value”.

Partner Member of SAP Japan

- Significant Partners
  - User Company, system development subsidiary of User Company’s group, Computer Vendors, Consulting Firms

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

Partner Member of GLOVIA Business of FUJITSU

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

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

- Furthermore, FUJITSU directly sells GLOVIA to customers in the large business market and it doesn’t have any resale system.
SAP Japan’s Partner Network Image

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

The Partner Network Image of GLOIVIA Business of FUJITSU

- GLOIVIA Business of FUJITSU has few possibility of structural holes.
Summary of Case Analysis

<table>
<thead>
<tr>
<th></th>
<th>SAP Japan</th>
<th>GLOVIA business of FUJITSU</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partner Resources</td>
<td>Isolation Mechanism</td>
<td>□</td>
</tr>
<tr>
<td></td>
<td>Strategic Value</td>
<td>□</td>
</tr>
<tr>
<td>Partner Network</td>
<td>Membership</td>
<td>□</td>
</tr>
<tr>
<td></td>
<td>Network Structure</td>
<td>□</td>
</tr>
</tbody>
</table>

Comparing both companies,
- GLOVIA business of FUJITSU is superior to SAP Japan in partner resources
- SAP Japan is superior to GLOVIA business of FUJITSU in partner network

Discussion (1)

- From the analysis result based on traditional RBV, SAP Japan’s partner resource does not contribute to the competitive advantage.

- On the other hand, the partner resources of GLOVIA business of FUJITSU have competitive advantage because most partners are group firms.

- From the framework of conventional RBV, GLOVIA business of FUJITSU that has superior to SAP Japan in partner resources can have competitive advantage.
Discussion (2)

- But SAP Japan keeps the top market share, GLOVIA business of FUJITSU just keeps 3rd rank.

- Therefore GLOVIA business of FUJITSU can not fully utilize its resources that have potential ability to acquire competitive advantage.

- This shows that there exists another factor that conventional RBV can’t fully explain.

Discussion (3)

- SAP Japan has diversity in its partner network – user firms, SI subsidiaries of user groups, many consulting firms.

- This is supposed to be a key factor of taking business customers that are difficult to be reached by SAP Japan itself.

- From the structural embeddedness view, it can be said that SAP Japan places itself in the position that connect structural holes.

- Therefore, SAP Japan has the possibility of having “opportunity advantage”.
A Possibility of Complement and Expansion of RBV with Structural Embeddedness Theory

- In the framework of conventional RBV, “access” brought by business partners has not fully been examined.

- By introducing structural embeddedness view, explanation of “opportunity advantage” brought by partner network become possible.

- In the explanation of competitive advantage brought by business partners, the structural embeddedness theory is positioned as a theory that complements and expands conventional RBV.

Future Research

- Examine the impact of software product to the differentiation regarding competitive advantage

- Examine using other mechanisms – e.g. first mover’s advantage, network externality, brand powers, etc.

- To generalize, examine the framework in other businesses / industries

- Quantitative approach
References

- Burt, R.S., (1992), Structural Holes: The Social Structure of Competition, Harvard University Press
- Yano Research Institute Ltd. (2003), 2002-2003 The Realities and The Strategy Outlook of Functionally Expanding ERP Market, Yano Research Institute Ltd. (*)
- Nikkei BP, (1998), Sales check of ERP: The Market is continuously expanding with SAP leading Domestic companies including Hitachi and NTT data increased their market share, Nikkei Watcher On IT Business, 1998.5.1 issue, Nikkei BP (*)
- Nikkei BP, (1999), Sales check of ERP: Pay Attention to SAP’s recovery from Rapid slowdown Has Vigour in Small and Middle Business Market, Nikkei Solution Provider, 1999.7.23 issue, Nikkei BP (*)
- Nikkei BP, (2000), Sales check of ERP: Stopped at 22% Increase in Revenue Amount in the Year 1999; Revision of Main Business System will grow and 75% Increase in the year 2000, Nikkei Solution Provider, 2000.7.21 issue, Nikkei BP(*)
- Yano Research Institute Ltd. (2003), 2002-2003 The Realities and The Strategy Outlook of Functionally Expanding ERP Market, Yano Research Institute Ltd. (*)
- Nikkei BP, (1998), Sales check of ERP: The Market is continuously expanding with SAP leading Domestic companies including Hitachi and NTT data increased their market share, Nikkei Watcher On IT Business, 1998.5.1 issue, Nikkei BP (*)
- Nikkei BP, (1999), Sales check of ERP: Pay Attention to SAP’s recovery from Rapid slowdown Has Vigour in Small and Middle Business Market, Nikkei Solution Provider, 1999.7.23 issue, Nikkei BP (*)
- Nikkei BP, (2000), Sales check of ERP: Stopped at 22% Increase in Revenue Amount in the Year 1999; Revision of Main Business System will grow and 75% Increase in the year 2000, Nikkei Solution Provider, 2000.7.21 issue, Nikkei BP(*)

(*) These are written in Japanese only.