

Collaboration and networks: What's in it for me?

LM Stangl

College of Business, Massey University, Private Bag 102904, North Shore, Auckland

Alone we can do so little; together we can do so much" - Helen Keller

Segmentation and target marketing

No business can be all things to all people. To succeed, businesses need to identify what needs they are satisfying and which segment of the market has those needs. Does your organisation attempt to service all veterinary needs?

- Companion Animal Services.
- Large Animal Services.

Does your competition? Would a more focused portfolio allow specialisation? Would this benefit your organisation given your current and/or future customer needs?

In New Zealand 96% of businesses are classified as Small and Medium Sized Enterprises (SMEs) and have less than 20 employees (NZ-MED 2007). For the New Zealand Veterinary industry, the percentages are higher (Stats NZ, 2014). Approximately one quarter of all vets in New Zealand work as sole operators (Stats NZ 2014). All businesses have limited resources but this is much more the case with SMEs. Smaller businesses need to maximise their available capitol:

- Financial capitol
- Human capitol
- Social capitol
- Reputational capitol

Identifying, nurturing and leveraging reliable networks allow for enhanced collaboration opportunities and facilitate specialisation and efficient utilisation of limited resources.

Networks versus networking

What are networks?

According to Håkansson and Snehota (1989) 'no business is an island' because business takes place in a network context and an interdependency exists amongst network members.

The term network is a metaphor referring to the long-term, dyadic relationship between two actors (e.g. a firm and customer, or a firm and an individual). A network also includes the actor's interconnected relationships (e.g. customer's customer, customer's suppliers, and customer's competitors). The dyadic relationship between two actors may be constrained or facilitated by the other network relationships (Anderson, Håkansson and Johanson 1994, Grabher 1993). This interpretation of networks originates from the business network approach expressed by Johanson and Mattsson (1987, 1988) and various scholars from the Industrial Marketing and Purchasing (IMP) project (Anderson *et al.* 1994, Håkansson and Snehota 1989). The definition recognises that networks

include direct and indirect relationships that are interdependent, cumulative, and reciprocal. This interpretation of networks differs from the business network approach in that individuals are also considered actors in the network. Social network relationships are important to SMEs as a media through which information, finance, access to other networks, and reputation assets flow (Chetty and Wilson, 2003, Hite and Hesterly, 2001, Lechner and Dowling, 2003)

Networks can be classified in a variety of ways. Granovetter (1973, 1983) uses a tie-based approach to classify networks in his seminal 1973 study "The Strength of Weak Ties". Granovetter's theory asserts that the strength of a tie is a function of time spent, emotional intensity, intimacy and reciprocal services in a relationship (Kozan and Akdeniz 2014). Therefore family members and close friends are considered to be part of a strong tie network whereas acquaintances qualify as weak tie networks. "Weak ties provide people with access to information and resources beyond those available in their own social circle; but strong ties have greater motivation to be of assistance and are typically more easily available," (Granovetter 1983).

Network types can also be grouped into four categories: social, vertical, horizontal, and institutional. Social networks include relationships with family, friends, and colleagues whereas vertical networks refer to suppliers, distributors, and customers (Chetty and Wilson, 2003). Horizontal networks comprises relationships with firms not classified as being in the vertical networks such financial, competitor, or industry related associations. Institutional networks refer to relationships with universities, research institutes, and government agencies.

Networks are important for innovation (Powell 1990, Powell, Koput and Smith-Doerr 1996). In their review of 174 studies linking innovation and network behaviour of firms, Pittaway *et al.* (2004) identify six innovation benefits that firms receive from their networks namely: risk sharing, access to new markets and technologies, commercialisation speed, accumulation of complementary assets, protection of property rights, and the role networks play as avenues to external knowledge. The innovation process relies on the firm's ability to acquire knowledge and other resources from external organisations such as customers, suppliers, competitors, business support organisations, trade bodies, and public institutions (Möller *et al.* 2005). SMEs tend to work closely with their customers to obtain ideas for new innovations which they cannot develop on their own (Tödtling and Kaufmann 2001). Tödtling and Kaufmann (2001) find SMEs tend to collaborate mainly with customers, resulting in an abundance of incremental innovations. Suppliers and consultants also are important in SME innovation; however, comparatively few firms collaborate with competitors (Tödtling and Kaufmann 2001). The close interactions with customers and distributors provide a feedback loop to the firm about performance improvement and new innovations (Kline and Rosenberg 1986)

Networks help small businesses with limited resources to maximise their available financial, human, social and reputational capital (Nahapiet and Ghoshal 1998)

What is networking?

Networking is the act of identifying, pursuing and actively building your network. Ngaio Merrick, former manager of business growth North at Auckland Tourism Events and Economic Development (ATEED), simplifies the act of networking into three steps similar to a Snakes and Ladders board game. The first set of moves is designed to build a relationship. Once that connection has been made, the next set of moves is dedicated towards bridging the relationship-business gap. Following the introduction of business related commonalities, the next step is to grow the relationship based on trust and professionalism.

Why collaboration?

By collaborating, small businesses can overcome scarce resource limitations to better service customers and ultimately grow their business (Lechner and Dowling 2003, Lorenzoni and Lipparini 1999, Macpherson and Holt 2007). Collaboration can help to reduce risks, deliver times, and synergies. Whether the collaboration is formal or informal, the relationship will benefit from trust, shared vision, clear communication, defined responsibilities and identified target results. The issue for New Zealand organisations is to overcome their independent operator nature and learn to collaborate (Quinn 2014, Stangl 2012)

"Coming together is a beginning, staying together is progress, and working together is success" - Henry Ford

References

- Anderson JC, Håkansson H, Johanson J.** Dyadic business relationships within a business network context. *Journal of Marketing* 58 (4), 1-15, 1994
- Chetty SK, Wilson HIM.** Collaborating with competitors to acquire resources. *International Business Review* 12 (1), 61-81, 2003
- Grabher G.** *The Embedded Firm: On the Socioeconomics of Industrial Networks*. Routledge, London, England, 1993
- Granovetter M.** The strength of weak ties. *American Journal of Sociology* 78 (6), 1360-1380, 1973
- Granovetter M.** The strength of weak ties: A network theory revisited. *Sociological Theory* 1, 201-233, 1983
- Hite JM, Hesterly WS.** The evolution of firm networks: From emergence to early growth of the firm. *Strategic Management Journal* 22, 275-286, 2001
- Johanson J, Mattsson LG.** Interorganizational relations in industrial systems: A network approach compared with the transaction-cost approach. *International Studies of Management and Organization* 17 (1), 34-48, 1987
- Johanson J, Mattsson LG.** Internationalization in industrial systems: A network approach. In N Hood and JE Vahlne (Eds.), *Strategies in Global Competition*, pp287-314, Croom Helm, London, 1988
- Kline SJ Rosenberg N.** An overview of innovation. In R Landau, N Rosenberg (Eds.). *The Positive Sum Strategy*, pp275-305, National Academy Press, Washington, DC, 1986
- Lechner C, Dowling M.** Firm networks: External relationships as sources for the growth and competitiveness of entrepreneurial firms. *Entrepreneurship and Regional Development* 15, 1-26, 2003
- Lorenzoni G, Lipparini A.** The leveraging of interfirm relationships as a distinctive organizational capability: A longitudinal study. *Strategic Management Journal* 20, 317-338, 1999
- Macpherson A, Holt R.** Knowledge, learning and small firm growth: A systematic review of the evidence. *Research Policy* 36 (2), 172-192, 2007
- Möller K, Partanen J, Rajala A, Westerlund M, Rajala R, Svahn S.** Role of partnerships and networks in SME innovation and growth. Paper presented at the IMP Conference, Rotterdam, Netherlands. 2005, 3.9, 2005
- Nahapiet J, Ghoshal S.** Social capital, intellectual capital, and the organizational advantage. *The Academy of Management Review* 23 (2), 242-266, 1998
- NZ-MED.** *SMEs in New Zealand: Structure and Dynamics*. New Zealand Ministry of Economic Development, Wellington, 2007
- Pittaway L, Robertson M, Munir K, Denyer D, and Neely A.** Networking and innovation: A systematic review of the evidence. *International Journal of Management Reviews* 5/6 (3&4), 137-168, 2004
- Powell WW.** Neither market nor hierarchy: Network forms of organization. In B Staw, LL Cummings (Eds.), *Research in Organizational Behavior* 12, 295-336, Greenwich, CT: JAI Press, 1990
- Powell WW, Koput KW, Smith-Doerr L.** Interorganizational collaboration and the locus of innovation: Networks of learning in biotechnology. *Administrative Science Quarterly* 41 (1), 116-145, 1996
- Quinn M.** Does our independent nature get in the way of better innovations? Callaghan Innovation <https://www.callaghaninnovation.govt.nz/does-our-independent-nature-get-way-better-innovation>, 2014

Statistics New Zealand. Industry Profiler-Veterinary and other professional services. <http://businessstoolbox.stats.govt.nz/IndustryProfilerViewProfile.aspx?ProfileID=MN114>, 2014

Stangl LM. Network relationships in international entrepreneurship: *A multilevel analysis: Doctoral Dissertation*, Massey University, 2012

Tödttling F, Kaufmann A. The role of the region for innovation activities of SMEs. *European Urban and Regional Studies* 8 (3), 203-215, 2001