



Demand supply network opportunity development processes in emerging markets: Positioning for strategy realization in Russia

Harri Lorentz ^{a,*}, Pervez N. Ghauri ^b

^a Turku School of Economics, Department of Marketing, Rehtorinpellonkatu 3, FIN-20500 Turku, Finland

^b King's College London, Department of Management, 150 Stamford Street, London SE1 9NH, United Kingdom

ARTICLE INFO

Article history:

Received 11 June 2007

Received in revised form 15 April 2008

Accepted 24 August 2008

Available online 4 October 2008

Keywords:

Supply chain management

Industrial networks

Opportunity development

Internationalization

Emerging markets

Russia

ABSTRACT

This paper aims to shed light on the management of supply chains, or rather, demand supply networks (DSN) in emerging markets by foreign companies. According to our definition, specific DSN opportunity development processes are directed towards better functionality and coordination of product, finance and information flows across the DSN. As a consequence, improved performance of the DSN may be achieved, in order to support and realize competitive business strategy and facilitate value creation for customers. To illustrate the concepts and the model, empirical evidence is presented that establishes the role of changing network structures and incumbent capabilities as constraints for DSN opportunity capture, especially in emerging markets. Our results show that DSN positioning strategies designed to overcome these constraints and facilitate opportunity capture, must be proactive, well-timed and innovative.

© 2008 Elsevier Inc. All rights reserved.

1. Introduction

International trade and investment statistics point out profound changes in the global economy: production and consumption of most products has become international in nature (UNCTAD, 2005). In line with this phenomenon, multinational enterprises (MNE) are constantly changing their location and ownership strategies to better fit the changing characteristics of environments and markets. Optimum locations are sought after for each economic activity in the global factory that spans international borders and continents (Buckley & Ghauri, 2004).

There is thus a great need to understand the management of supply chains internationally and in specific foreign markets (Narasimhan & Mahapatra, 2004). Logistics and the supply chain management (SCM) are emerging as the critical success factors for companies operating in the international arena, as increasing complexity arises from a wider range of products, technological development, market growth and the number of supply chain actors (Braithwaite & Christopher, 1991).

This paper aims to shed light on the management of supply chains, or rather, demand supply networks (DSN) in emerging markets by foreign companies, in order to capture value creation opportunities. By using the network metaphor in describing the structural properties of the research target, we want to emphasize the true nature of the phenomenon and the complexity involved. On the aggregate level,

companies are experiencing expanding network-like structures both on the up- (supply) and downstream- (demand) sides (Christopher, 1998). However, the supply chain term may be descriptive of the actual structure in the case of an individual stock-keeping-unit (SKU).

The design and management of a DSN may be essential from the firm's business model point of view in both a domestic and foreign market environment. In the internationalization process aimed at achieving a strategic position in the target market DSN, logistics flows and supplier/customer relationship related considerations may therefore be extremely important. Generally, understanding the nature and implications of factors that affect the firm's ability to exploit and develop perceived business opportunities in dynamic and uncertain EMs is crucial (Ghauri, Hadjikhani & Johanson, 2005). This understanding may be especially relevant from the DSN point of view, as the firm's sustainable competitive advantage due to, for example, strong customer orientation may be based on supply chain strategy being aligned with the firm's business strategy (e.g. Fisher, 1997; Kumar, Scheer & Kotler, 2000). Without carefully analyzing and addressing the factors that set limits or create new opportunities for supply chain strategy implementation in the changing emerging market DSNs, business strategies may turn out to be next to impossible to implement. The paper therefore aims to address some of the challenges of establishing operations in emerging markets, with some insight into the implications for the internationalization of the firm. The research questions to be considered are as follows:

RQ1: What are the characteristics of DSN opportunity development processes in emerging markets?

* Corresponding author. Tel.: +358 2 4814 244.

E-mail addresses: harri.lorentz@tse.fi (H. Lorentz), pervez.ghauri@kcl.ac.uk (P.N. Ghauri).

RQ2: What are the major constraints for DSN opportunity development processes in emerging markets?

RQ3: How can companies establish and manage competitive DSN positions in emerging markets?

With these aims, this paper addresses some of the challenges for international business (IB) research in the Central and Eastern Europe (CEE) context identified by Meyer and Gelbuda (2006) by addressing the interaction of environmental change with the firms' internationalization process (IP), as well as operational issues such as sourcing. Furthermore, this study relates to the analysis of resource (SCM capabilities) adaptation and transfer from mature markets to emerging markets (Meyer & Peng, 2005).

2. Literature review

The following literature review aims to facilitate the formation of an interdisciplinary logic model (Yin, 2003) for the DSN opportunity development process, with particular relevance for the analysis of issues in emerging market contexts. The model draws on several theoretical streams, namely the industrial network theory (Håkansson & Johanson, 1992), the internationalization of the firm (e.g. Johanson & Vahlne, 1977), opportunity development in business networks (Ghauri et al., 2005), as well as the emerging and multidisciplinary domain of supply chain management (Croom, Romano & Giannakis, 2000; Harland et al., 2006). The DSN opportunity development process is described in general, with two focal elements of the model, namely DSN constraints and the DSN positioning process, defined and elaborated separately.

2.1. DSN opportunity development process

The essence of the industrial network paradigm is to take a holistic view on the economic exchange landscape and sensitize the practicing managers and academics to the broader perception of the firm, its dyadic relationships, and the focal network of which it is a part (Ford, 1990). Essentially, the industrial network theory is about relationships and links that connect actors, activities and resources (Håkansson & Johanson, 1992). It is also about gaining a competitive position in the network¹ (see e.g. Crespin-Mazet & Ghauri, 2007), and therefore the main strategizing issue becomes one of interaction. Strategic action is taken to influence the firm's position in the network of business relationships towards a more favorable one (Gadde, Huemer & Håkansson, 2003).

In the literature on the internationalization of firms, the internationalization process (IP) model of Johanson and Vahlne (1977) has been particularly influential, with the argumentation of firms internationalizing in gradual steps by acquiring, integrating, and using knowledge of the foreign market, increasing commitment in an incremental manner. A stream of internationalization literature has drawn on the network approach (Hadjikhani & Ghauri, 2001; Johanson & Vahlne, 2003), for example Ghauri and Holstius (1996) presented a model of the foreign market entry process, where the outcome of three entry phases and the matching activity on global, macro and micro levels lead to a business network position in a foreign market.

Further, the dynamic nature of business networks has been underlined by the advances in the area of opportunity development (Ghauri et al., 2005). Pahlberg and Thilenius (2005) define opportunity development as a continuous process in the context of ongoing relationships to exploit discoveries of value in the market. From the IB perspective, MNE subsidiaries are the vital vehicles of opportunity discovery and development in a foreign market: as actors in local business networks they serve as sources of market knowledge (Pahlberg

& Persson, 2005). Research on international entrepreneurship (IE) provides insight to the antecedents of international expansion and the exploitation of opportunities in foreign market business networks (Mcdougall & Oviatt, 2000). International entrepreneurial culture consists of six elements; international market orientation, international learning orientation, international innovation propensity, international risk attitude, international networking orientation and international motivation (Dimitratos & Plakoyiannaki, 2003), and may therefore be considered as a driver for opportunity development in foreign markets.

In this respect, the entrepreneurial process of opportunity development in networks is relevant also from the supply chain management (SCM)² point of view. The aim of the DSN opportunity development process is to overcome restricting network constraints via network positioning and consequently achieve better functionality and coordination of the supply chain flows of products, finance and information (Mentzer et al., 2001), in order to realize supply chain strategy. Further insight to network oriented perspectives on SCM is provided by Mills, Smith and Frizelle (2004), who categorize approaches to static and dynamic. The static perspective views both upstream and downstream network incumbents in static positions, and leans towards comparing performance in the focal firm's multiple supply chains, identifying problems and opportunities and potential overall process improvements. Analysis based on the static perspective may lead to the dynamic perspective, where the restructuring of the network is included in the agenda, either through evolution of existing supply chains or the creation of new ones (Mills et al., 2004). As will be argued later, dynamism is a relevant consideration in the management of emerging market DSNs, as the rate of change is high in these environments.

The perceived DSN opportunities to be developed may be in the form of creating, combining or utilizing more effectively new or existing resources, and the coordination of their flows, through new or enhanced activity links with suppliers, distributors, or other supporting actors such as logistics service providers, and consequently reaching performance related goals.

Perception of opportunities serves as the starting point for the DSN opportunity development process, emphasizing the role of imperfect information and limited cognitive capabilities of managers in making correct assessments of the available opportunities and current state of affairs (Sørensen & Sorenson, 2003). Opportunity perception is also closely related to expectations, which as the suggested fifth dimension of the IP-model, drives internationalization and further market commitment in the form of an active opportunity search and market knowledge accumulation process (Hadjikhani & Johanson, 2002).

According to Ardichvili, Cardozo and Ray (2003), the factors influencing the perception of opportunities specifically in the case of business venturing are entrepreneurial alertness, information asymmetry, prior knowledge and social networks. Dimitratos and Jones (2005) on the other hand propose the relationship of international entrepreneurial culture and organizational context to international opportunity perception. Additionally, Nummela, Puumalainen and Saarenketo (2005) make a distinction between a firm's growth orientation and international growth orientation, of which the latter can be demonstrated as a drive to seek international presence. International entrepreneurial culture is integrated into the model as a relevant moderating antecedent to the DSN opportunity perception in emerging markets (see Fig. 1).

The DSN positioning process is seen as the vehicle from opportunity perception to opportunity capture or in some cases to failure, ultimately affecting DSN performance. Operational DSN performance measures

¹ Wilkinson and Young (2002) define network position as "the role a firm plays in a network and how it is linked directly and indirectly to other firms in the network".

² While consensus on SCM definition seems to be lacking (Burghess, Singh & Koroglu, 2006), we endorse the view of the Council of Supply Chain Management Professionals (<http://cscmp.org/aboutcscmp/definitions/definitions.asp>), in which the role of inter-firm relationships and their coordination are at the forefront, and thus the traditional logistics management point of view is expanded to the extended enterprise or the DSN (Harland, 1998; Kaipia, Korhonen & Hartiala, 2006).

متن کامل مقاله

دریافت فوری ←

ISIArticles

مرجع مقالات تخصصی ایران

- ✓ امکان دانلود نسخه تمام متن مقالات انگلیسی
- ✓ امکان دانلود نسخه ترجمه شده مقالات
- ✓ پذیرش سفارش ترجمه تخصصی
- ✓ امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
- ✓ امکان دانلود رایگان ۲ صفحه اول هر مقاله
- ✓ امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
- ✓ دانلود فوری مقاله پس از پرداخت آنلاین
- ✓ پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات