

# Mapping network champion behavior in B2B electronic venturing

Samir Gupta<sup>a,\*</sup>, Jack Cadeaux<sup>b,1</sup>, Arch Woodside<sup>c</sup>

<sup>a</sup>Monash University, Department of Marketing, Faculty of Business and Economics, 26 Sir John Monash Drive, Melbourne, 3145 Australia

<sup>b</sup>University of New South Wales, School of Marketing, John Goodsell Building, UNSW 2052, NSW, Sydney, Australia

<sup>c</sup>Boston College, Carroll School of Management, Department of Marketing, 450 Fulton Hall,  
140 Commonwealth Avenue, Chestnut Hill, MA 02467-3808, USA

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## Abstract

This study examines the concept of a new venture, B2B e-market in the light of participants who are involved in its innovation and diffusion processes. Our assessment results in the development of two key working propositions. The first proposition attempts to explain the relationship of the participants in the network and their contribution to innovation and diffusion processes over time. The second proposition attempts to explain how network champions (NC) contribute by bringing suppliers and buyers together in an electronic marketplace over time. In particular, this research adds to the industrial marketing literature by applying a case research method that is particularly useful for operationalizing theory development in business-to-business environments.

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## 1. Introduction

The main focus of this paper is the mapping of the behavior of participants in the diffusion process associated with the creation of start-up firms in business-to-business e-markets. In so doing, the paper demonstrates how working propositions derived from literature can be refined using case data in order to develop theory.

The growth in the adoption of B2B e-markets has been revolutionary in the last decade, in particular in industrial markets (Kaplan & Sawhney, 2000; Mahadevan, 2003; Sharma, 2002). As the concept of such start-up firms is new and focuses on process related activities, a longitudinal mapping of activities has dominated this work. In general, limited research exists on the role of the participants in the diffusion process in networks (Gulati, Nohria, & Zaheer,

2000) and mapping how networks evolve over time is the first step in the progression towards its understanding (Madhavan, Koka, & Prescott, 1998).

Rogers (1995) claim that, in process research, data gathering and analysis, seek to determine the time-ordered sequence of events. This is in contrast to variance research where data gathering and analysis consist of determining the co-variance among a set of variables, but not their time-ordering as a sequence. Further, Rogers (1995) claims that most diffusion research is a variance-type investigation that uses highly structured data gathering and quantitative analysis of static data. Consequently, a variance research method cannot probe backward in time in order to understand how the process evolves from its inception to its final launch or who in the network influences the process. Research in this area of B2B e-marketing is important simply because of projected growth. For example, both the Boston Consulting Group and the Forrester Group predict trillion dollar revenues for e-market businesses by 2004 (Kafka, 2000), a prediction supported by the academic literature (Evans & King, 1999).

\* Corresponding author. Tel.: +61 3 9903 2492; fax: +61 3 9903 1558.

E-mail addresses: [samir.gupta@buseco.monash.edu.au](mailto:samir.gupta@buseco.monash.edu.au) (S. Gupta), [j.cadeaux@unsw.edu.au](mailto:j.cadeaux@unsw.edu.au) (J. Cadeaux), [woodsar@bc.edu](mailto:woodsar@bc.edu) (A. Woodside).

<sup>1</sup> Tel.: +61 2 9385 1436; fax: +61 2 9663 1985.

This report begins by providing a background to the research, following which it develops a conceptual framework identifying a number of working propositions from the literature. It then focuses on operationalizing these working propositions based on scholarly work by Huff, Narapareddy, and Fletcher (1990) and Nath and Newell (1998). The data set is unique as it follows the evolution of a network of organizations from the pre-birth stage to the launch stage.

## 2. Background

New firms or industries emerge when individual entrepreneurs and innovators discover a new technology that provides a superior product platform to that provided by existing technologies (Schumpeter, 1932). In a process of creative destruction, a new product development (NPD) based on the superior technology can not only replace the prior dominant product forms but may also lead to the replacement of existing firms in the industry (cf. Tellis & Golder, 2002). Unlike price competition, where firms compete by attempting to offer standardized products at lower and lower prices, in creative destruction, firms compete by searching out new markets with new products, thus developing new processes on both the buy side and sell side (Kaplan & Sawhney, 2000). What are unclear is how such processes are developed in networks and how the roles played by the participants in developing these processes evolve over time. Such is the case of B2B e-market firms. For the purpose of this paper, a B2B e-market is defined as a new venture where business buyers and sellers perform marketing and logistics activities via the venture firm offering electronic exchange services using an embedded technological innovation (Woodside, Gupta, & Cadeaux, 2004). Operationally, the study focuses on one independently owned and operated B2B e-market firm and its network of buyers and sellers.

The research question posed here is as follows: how do business network participants and, in particular, champions, contribute to the diffusion process of new venture firms that use embedded technological innovations? This report offers a number of working propositions and demonstrates how these propositions can be refined by direct research (Mintzberg, 1979). This report focuses on a single case, that of Bizmarket.com, an on-line firm through which small- and medium-sized businesses can tender for supply contracts. However, this study is not a conventional static description of a single case instance because it not only tracks a development process over time but also because uses data from a network of participants. Bizmarket.com was launched in 2000 as a start-up venture. The mechanics of the process for the creation of such new venture 'dot com' firms remain poorly understood. This lack of knowledge probably arises because development processes in such firms have been hurried in their rush to

get online, resulting in a volatile and uncertain future (Wise & Morrison, 2000). Many practitioners seek guidance in this environment (Symonds, 1999). In particular, they may not understand the contribution of champions in networks in the creation process of such new ventures (Symonds, 1999). Furthermore, researchers have investigated organizational participation in B2B e-markets (Grewal, Comer, & Mehta, 2001). However, longitudinal empirical studies on the creation process and the impact of champions on the creation process are limited.

## 3. Conceptual framework

### 3.1. From lead users to network champions

The diffusion of innovation literature proposes that dynamically new innovations such as B2B e-markets are likely to be evaluated differently by different members of the population. Lead users are more likely to benefit from such innovations and are more likely to feel a need for them relatively earlier (von Hippel, 1986). Lead users are defined as those who "face needs that will be general in a marketplace but face them months or years before the bulk of that marketplace encounters them and are positioned to benefit significantly by obtaining a solution to those needs" (von Hippel, 1986). In contrast to von Hippel (von Hippel, 1986), Biemans (1989) claims that third party participants are the drivers of innovation. In addition to lead users and third parties, this study invokes the concept of the network champion (NC) (see Woodside, 1994).

As the internet creates network communities which share news and expertise, the activities of the participants become important (Sharma, 2002). In particular, the role of champions in NDP has been a topic of discussion since 1963 (Schon, 1963). Network champions arguably have a profound positive impact on the NPD process, yet empirical support for this broad proposition is limited (Markham, 1998). The concept of champion is documented in the product innovation management literature where a product innovation champion is defined as an individual who is spirited, almost independent and fully capable and willing to pursue the risk of creating a new venture (Calish & Gamache, 1984). Further, Burgelman's (1983) case study on innovation reveals that champions influence top management's acceptance of a project by making apparent the strategic importance of such projects.

In the new venture creation process, a number of champions are involved. They include new venture champions, network champions, product champions, and organizational champions. For the purpose of this study, the new venture creation champions (NVCC) are those who are directly involved with the creation of the new venture at a management and entrepreneurial level.

The concept of NC extends work on the product champion concept (Burgelman, 1983; Maidique & Zirger,

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