Managing Service Networks’ Success

Heiner Evanschitzky, Dieter Ahlert

Department of Trade Management and Network Marketing Münster, Department of Retailing and Distribution, Germany

1 Introduction

2 Theoretical Framework and Derivation of Hypotheses
   2.1 The Resource-Based View Approach
   2.2 The Industrial Organization Approach
   2.3 The Market Orientation of Networks (MONW) Approach

3 Methodology
   3.1 Sample Selection
   3.2 Measures

4 Results

5 Discussion, Limitation, and Further Research

References
1 Introduction

Managing Service Networks’ Success is one of the key challenges in the service economy nowadays. Services constitute the fastest growing industry in Europe in the 21st century. They account for roughly 70% of gross value-added and employment. Also, services continue to be offered through ‘service networks.’ In order to successfully manage service networks, one has to analyze factors explaining the sustained competitive advantage of networks. Strategic Marketing and Management Theory offers theoretical explanations for that. But, before discussing that, the object of analysis (service networks) must first be defined.

There are many approaches towards classifying services (e.g. Chase 1978; Kellogg and Nie 1995; Lovelock 1983; Rathmal 1974; Schmenner 1986; Wemmerlov 1990) and towards classifying networks as well (e.g. Hakansson and Snehota 1995; Iacobucci 1996; Jarillo 1988; Miles, Snow and Coleman 1992; Powell 1990). This paper defines service networks as relating to the provision of a service-oriented cooperation of more than two legally independent partners which, nonetheless, are not independent in terms of economic cooperation. The relationships between enterprises which provide the services go beyond pure market aspects (‘spot contracts’). That is, they continue for a specific time frame and are not ‘one off’, but ongoing in the market. Likewise, there is an exchange of resources between the participating network partners (Pfeffer and Salancik 1978) resulting in mutual resource dependency (Ahlert and Evanschitzky 2003; Evanschitzky 2003).

The rationale behind engaging in a network-like form is the search for the exchange mechanism that minimizes the sum of service ‘production’ costs and transaction cost deriving mainly from negotiating the contract and controlling agreed-upon rules (for a summary: see Rindfleisch & Heide 1997). Potential inefficiencies of arms-length transaction and the rigidity of hierarchy have led firms to explore the continuum between these two extremes (O’Driscoll, Carson, & Gilmore 2000). Adding to this essentially transaction-cost-based approach towards networks, a more managerial approach leads to the question of which type of configuration best fits the relatively resource-induced power between the service-central (‘back-office’) and the service-provider (‘front-office’). The rationale behind this resource-based approach towards networks is not to minimize costs, but to maximize value through gaining access to other firms’ valuable resources (Das & Teng 2000: 35). Resource Dependency Theory proposes three factors (resource importance, availability of alternatives and degree of discretion) that determine the degree of dependency between two units (Pfeffer & Salancik 1978). Maximum dependency occurs when one unit has unfettered discretion over an important resource to which no alternatives exist (Medcof 2001).

Based on this reasoning and the definition of service networks introduced above, the main objective of this study is to ‘break down’ and explain the success of service networks. By means of resource theory and industrial organization economics, two generally recognized but competing views that explain success are presented. Through the construct of network marketing, the authors attempt to de-