



Vaasan yliopisto  
UNIVERSITY OF VAASA

# MUUTTUVIEN VERKOSTOJEN JOHTAMINEN

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*How to conduct firm  
boundary decisions, integrate  
and manage networks  
effectively?*



Marko Kohtamäki

il 26.36 · Ph.D. (econ.)

Overview

Contributions

Info

Stats

Scores

Research Interests

## About

I'm operating as a Professor at University of Vaasa. My current research focuses on servitization, strategy-as-practice, business intelligence, and strategic alliances. I've published in Strategic Management Journal, International Journal of Operations and Production Management, Industrial Marketing Management, Long Range Planning, International Journal of Production Economics, Strategic Entrepreneurship Journal, and Technovation.

### Skills and expertise (43)

Management

Strategic Management

Business

Marketing Management

87

Research items

8,839

Reads

676

Citations

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New

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[https://www.researchgate.net/profile/Marko\\_Kohtamaeki](https://www.researchgate.net/profile/Marko_Kohtamaeki)

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MARKO KOHTAMÄKI

## REAL-TIME STRATEGY AND BUSINESS INTELLIGENCE

Digitizing Practices and Systems



EDITED BY  
MARKO KOHTAMÄKI  
TIM BAINES  
RODRIGO RABETINO  
ALI Z. BIGDELI

## PRACTICES AND TOOLS FOR SERVITIZATION

Managing Service Transition



## Governance model

Government

Region

### Service integrators

Public-service  
company

Service company 1  
Company

Service company 2  
Company

Non-profit service  
provider 1

Non-profit service  
provider 2

### Service companies

Service provider  
company 15

Service provider  
Non-profit 6

### End-customer segments

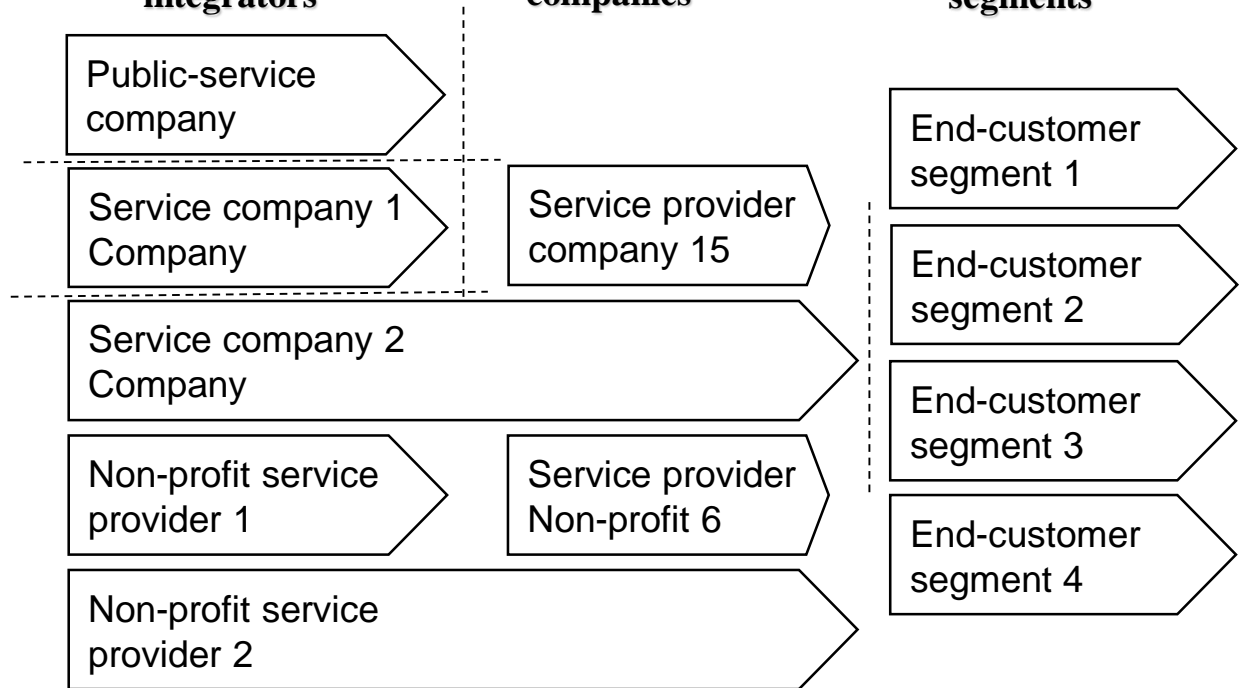
End-customer  
segment 1

End-customer  
segment 2

End-customer  
segment 3

End-customer  
segment 4

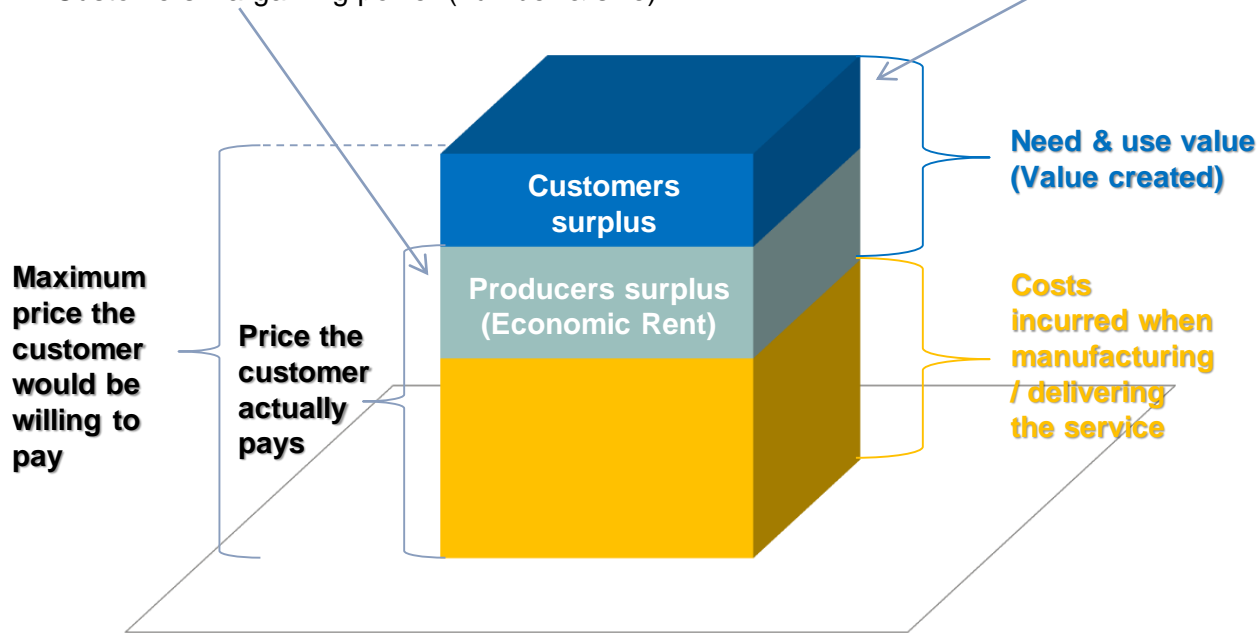
--- = Firm boundary /  
Organizational  
boundary



# Value, competition & relative bargaining power

1. Intensity of competition (number & size → Actual & Potential; Substitutes; differentiation)
2. Customers Bargaining power (number & size)

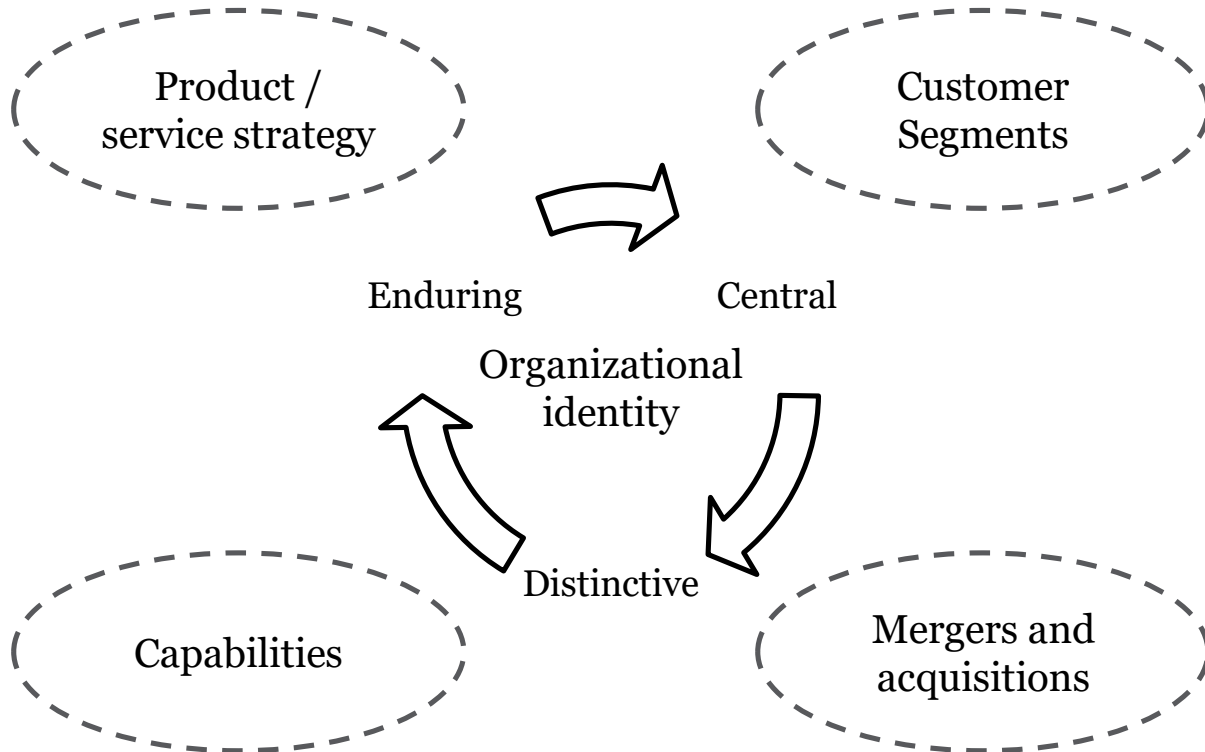
1. Differentiation



# Comparing theories

	Boundaries of efficiency	Boundaries of power	Boundaries of competence	Boundaries of identity
<b>Conception of organization</b>	Governance mechanism that relies on the advantages of fiat, monitoring, and incentive alignment	Institution that facilitates coordination to reduce dependence and exercise power	Bundles of resources configured for competitive advantage in product/market domains	Social context that enables sensemaking and inspires attachment
<b>Salient organizational boundary</b>	Demarcates the transactions undertaken within the organization	Demarcates the domains over which the organization exercises influence	Demarcates the resources possessed by the organization	Demarcates the dominant mind-set of "who we are"
<b>Central goal</b>	Cost minimization	Autonomy	Growth	Coherence
<b>Theoretical roots</b>	Law Institutional economics	Industrial organization economics Resource dependence	Structural contingency theory Resource-based view	Managerial cognition Organizational identity
<b>Unit of analysis</b>	Transaction	Strategic relationship	Resource	Identity attribute
<b>Driver of vertical and horizontal boundaries</b>	Minimize the governance cost of activities by minimizing the costs of exchange (i.e., transaction, measurement, or coordination costs)	Maximize strategic control over crucial strategic relationships by controlling critical dependencies and wielding market power	Maximize the value of the organization's resources by coevolving resource configurations with market opportunities	Maintain coherence of the organization by aligning organizational activities with the organizational identity
<b>Key tools of boundary management</b>	Hierarchical mechanisms such as acquisitions and divestitures  Market mechanisms such as outsourcing agreements	Ownership mechanisms such as acquisitions and hiring  Nonownership mechanisms such as collusion, lobbying, consortia, alliances, friendship ties, and board relationships	Externally oriented dynamic capabilities such as acquisitions, divestitures, and alliances  Internally oriented dynamic capabilities such as patching and product development	Conscious mechanisms such as explicit adoption of mental models from other settings and replacing the organizational elite Unconscious mechanisms such as conforming to image and to industry blueprints
<b>Unique perspective</b>	Market versus hierarchy	Ownership versus control	Possession versus deployment	Conscious versus unconscious

# Who are we as an organization?



# Who has the power?

## Entry Barriers

- Economies of scale/Experience/Network effects.
- Access to supply and distribution channels.
- Differentiation and market penetration costs.
- Legislation or government restrictions (e.g. licensing).
- Expected retaliation.
- Incumbency advantages.

## Industry Rivalry

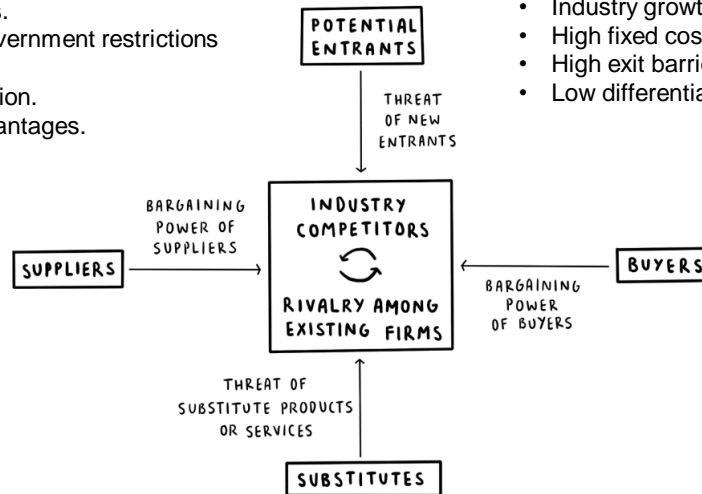
- Competitor concentration and balance.
- Industry growth rate.
- High fixed costs.
- High exit barriers.
- Low differentiation.

## Buyer Power

- Buyers are concentrated.
- Buyers have low switching costs.
- Buyers can supply their own inputs (backward vertical integration).
- Low buyer profits (under pressure to improve profits) and the purchased inputs have a low impact on quality

## Supplier Power

- The suppliers are concentrated (few of them).
- Suppliers provide a specialist or rare input.
- Switching costs are high (it is disruptive or expensive to change suppliers).
- Suppliers can integrate forwards



## Threat of Substitutes

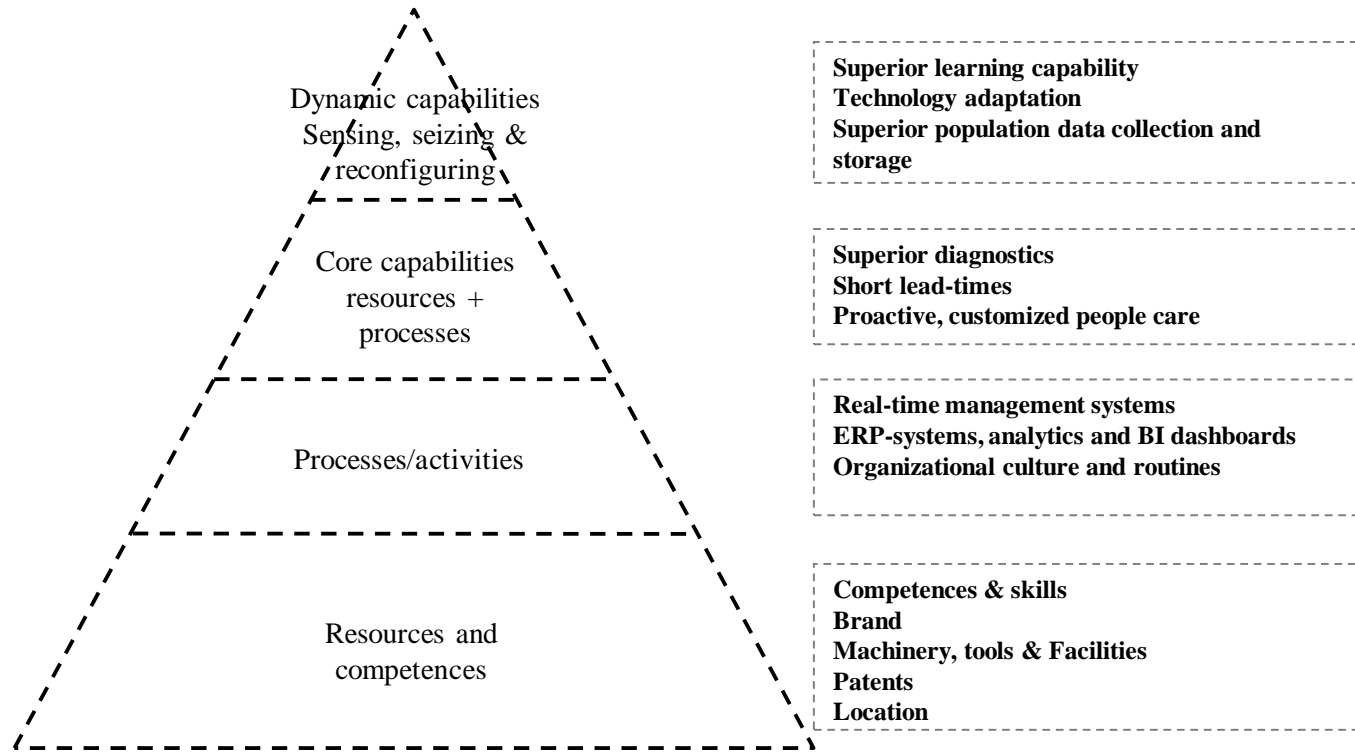
- The price/performance ratio
- The substitute benefits from an innovation that improves customer satisfaction
- Extra-industry effects.

Michael Porter on 5 Forces:

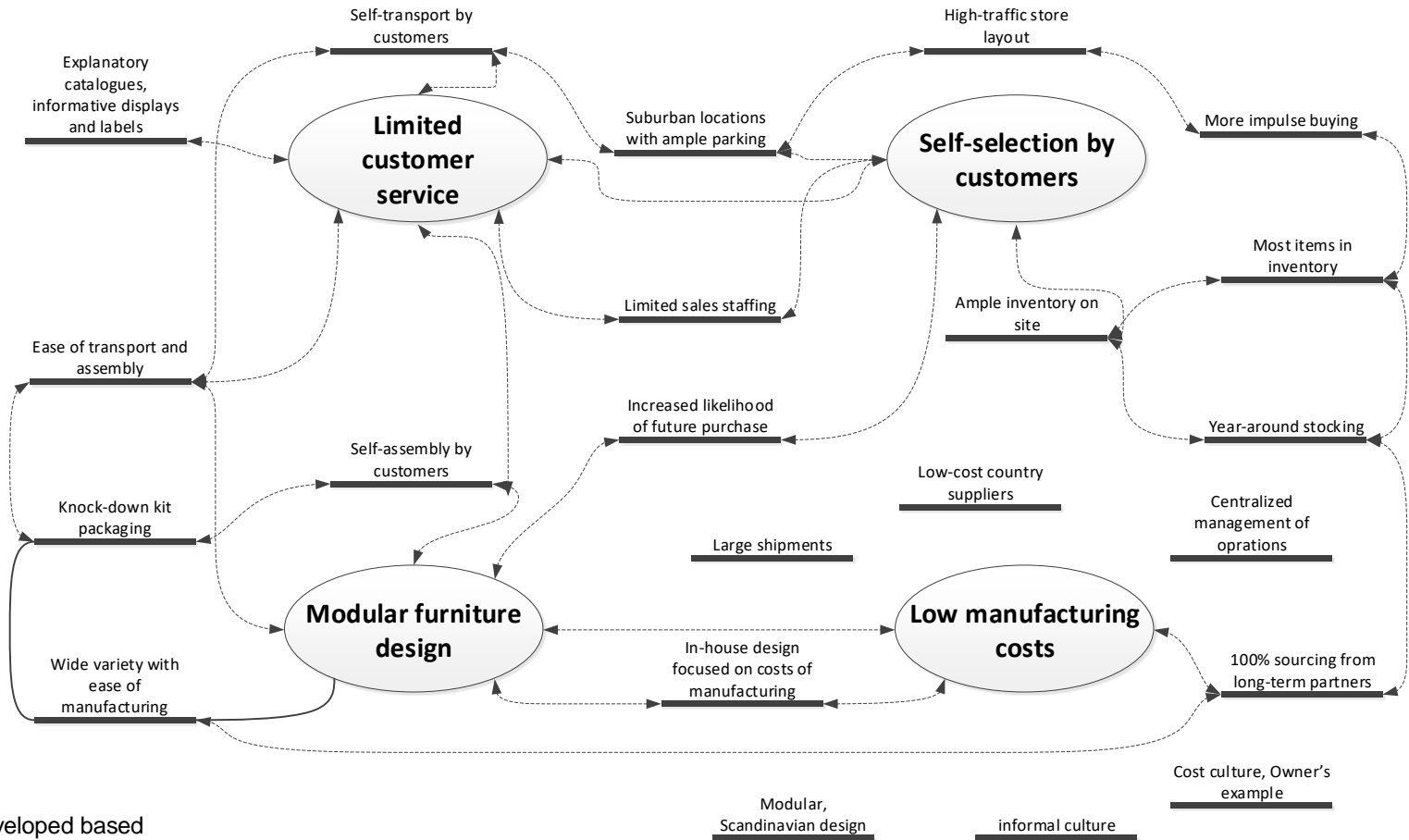
[https://www.youtube.com/watch?v=mYF2\\_FBCvXw](https://www.youtube.com/watch?v=mYF2_FBCvXw)



# Where are we best at?

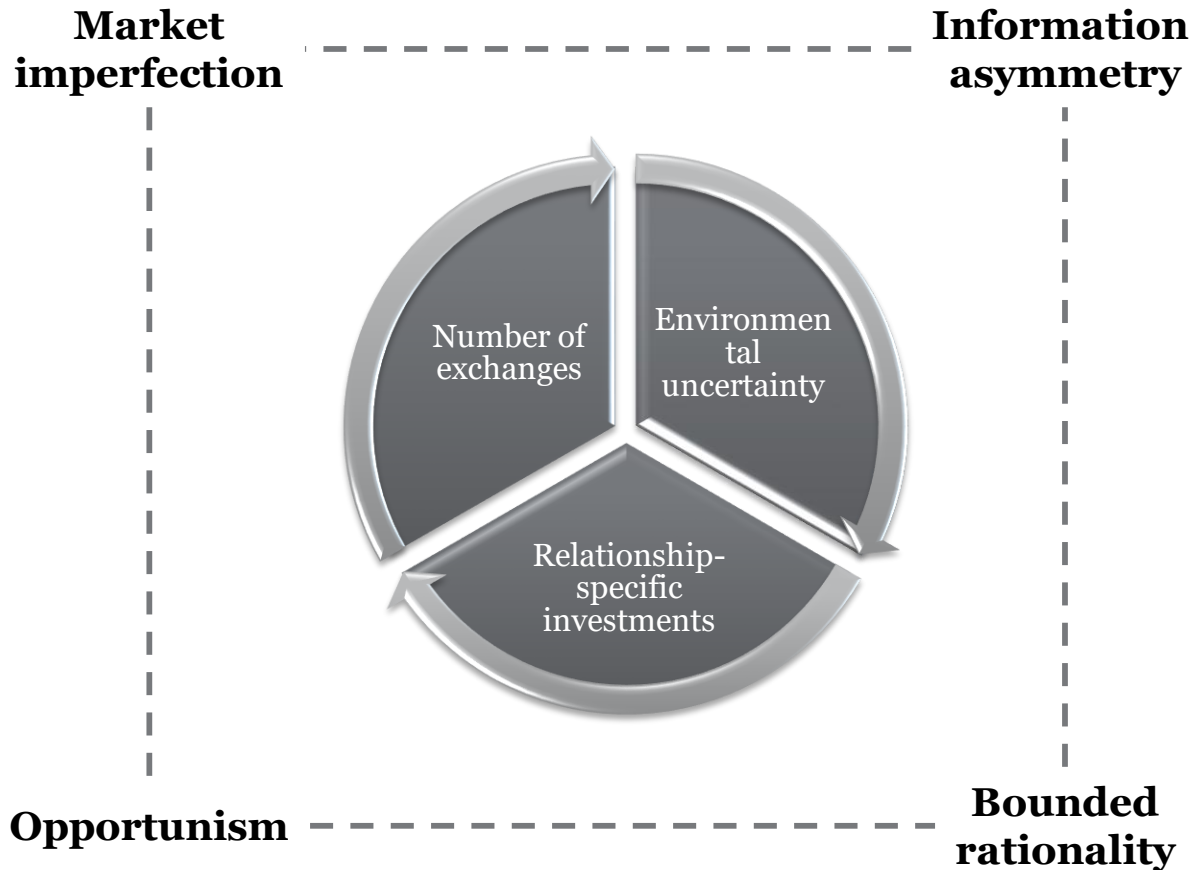


# IKEA



Developed based  
on Porter and others

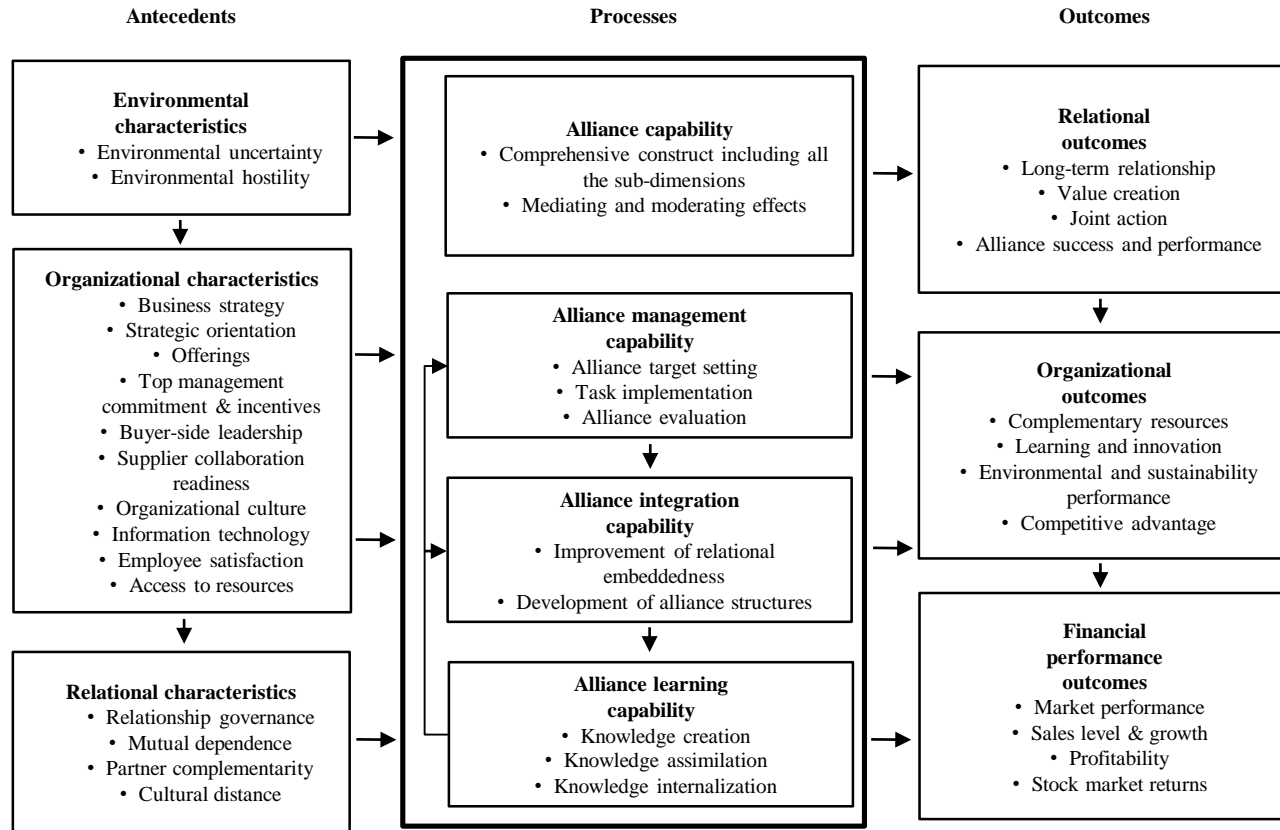
# Make or buy?



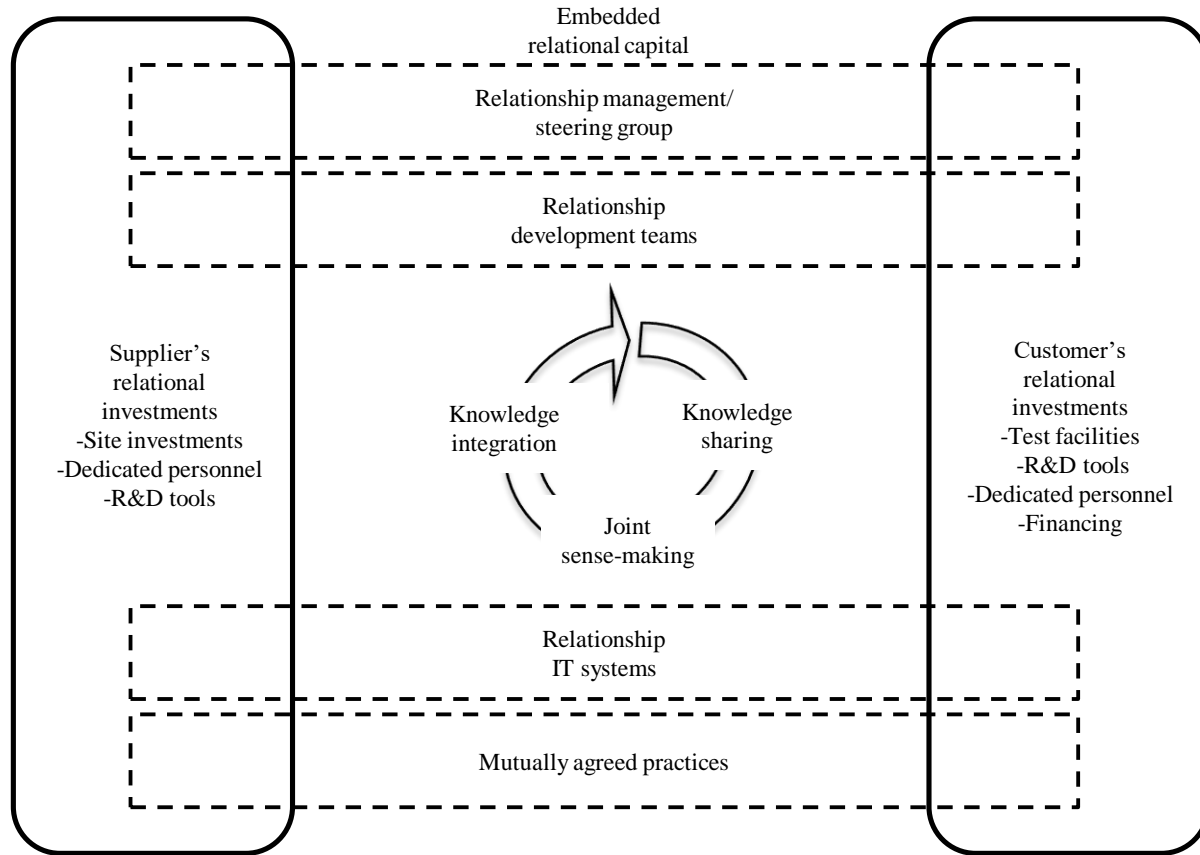
# Make (0) our buy (1)?

Questions to consider	Yes (buy) / No (make)
<b><u>Who we are as an organization</u></b> Can we outsource without endangering our unique identity?	
<b><u>Who has the power</u></b> Can we outsource without significant loss of power?	
<b><u>Where are we best at</u></b> Can we outsource without sacrificing our core capabilities?	
<b><u>Should we make or buy</u></b> Does the total costs ( $pc+tc < pc$ ) decrease as a result of outsourcing?	
Sum of points?	

# Antecedents, processes and outcomes in network management



# Managing network relationships



**How to conduct firm  
boundary decisions,  
integrate and manage  
networks effectively?**

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