

Evaluating how potential pool of partners can join together in different types of long term Collaborative Networked Organizations

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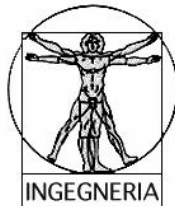


PRO-VE'10

11° IFIP Working Conference on VIRTUAL ENTERPRISES
Saint-Etienne, France, 11-13 October 2010

REBNET - Research on Business Networking

Interdepartmental research laboratory



Faculty of Engineering

Industrial Engineering
Department



Faculty of Economics

Accounting, Business
and Law Department

AGENDA

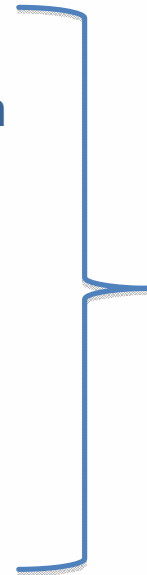


- ❖ ASSUMPTIONS
- ❖ RESEARCH QUESTION
- ❖ INSPIRING CASE STUDY
- ❖ METHODOLOGY
- ❖ GENERAL FRAMEWORK
- ❖ CONCLUSIONS AND FURTHER DEVELOPMENTS



ASSUMPTIONS:

- ❖ Importance of knowledge resources in the economic and social development
- ❖ Emerging of the “Knowledge Economy” and its main features
- ❖ Market failure and changes in the industrial structure



hybrid form of coordination

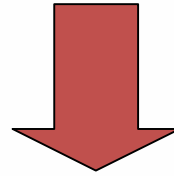
competitive
transactions

+

stability and the
performance control



Particularly important for SMEs



NETWORK VISION

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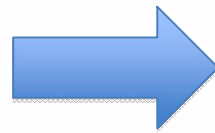
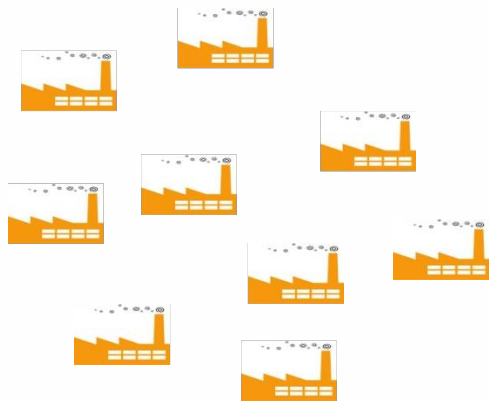
LABORATORIO RICERCA NETWORK AZIENDALI



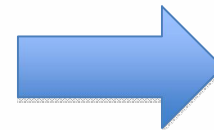
- ❖ The Lisbon Strategy: making Europe "the knowledge-based economy more competitive and dynamic in the world"
- ❖ Financial Support from National and local government
- ❖ Development of research contributions from different perspectives: social, managerial, economical, industrial, IT
- ❖ Increasing demand from Enterprises (including SME's) to explore collaboration opportunities strengthen their competitiveness

RESEARCH QUESTION

How investigate the conceptual steps leading to the choice of the most appropriate alliance or networked organization?



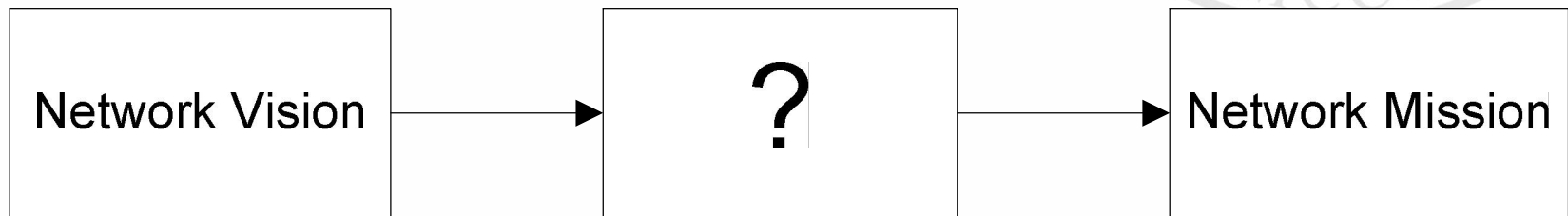
Which is the mission for the CNO?



Which form of strategic business networking model fits to the mission?

a group of SME's
sharing a Network Vision

RESEARCH QUESTION



Which is the process that guides a group of companies with a “network vision” to define the “strategic mission” of a business networked organization project?

INSPIRING CASE STUDY

STRATEGIC ANALYSIS TO CONVERT AN ENTERPRISES CONSORTIA IN AN
ENTREPRENEURIAL BUSINESS NETWORK

In collaboration with:



Supported by:



19 SME's INVOLVED

UMBRIA REGION – Terni Province

METHODOLOGY



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The background features a large, faint circular seal of the University of Padua. The seal contains a central figure holding a staff and a book, surrounded by Latin text: 'STUDIIUM GENOVENSIS PRORSUM' at the top, 'HER LAN' on the left, 'CV VS' on the right, and 'MCCCXVI' at the bottom.

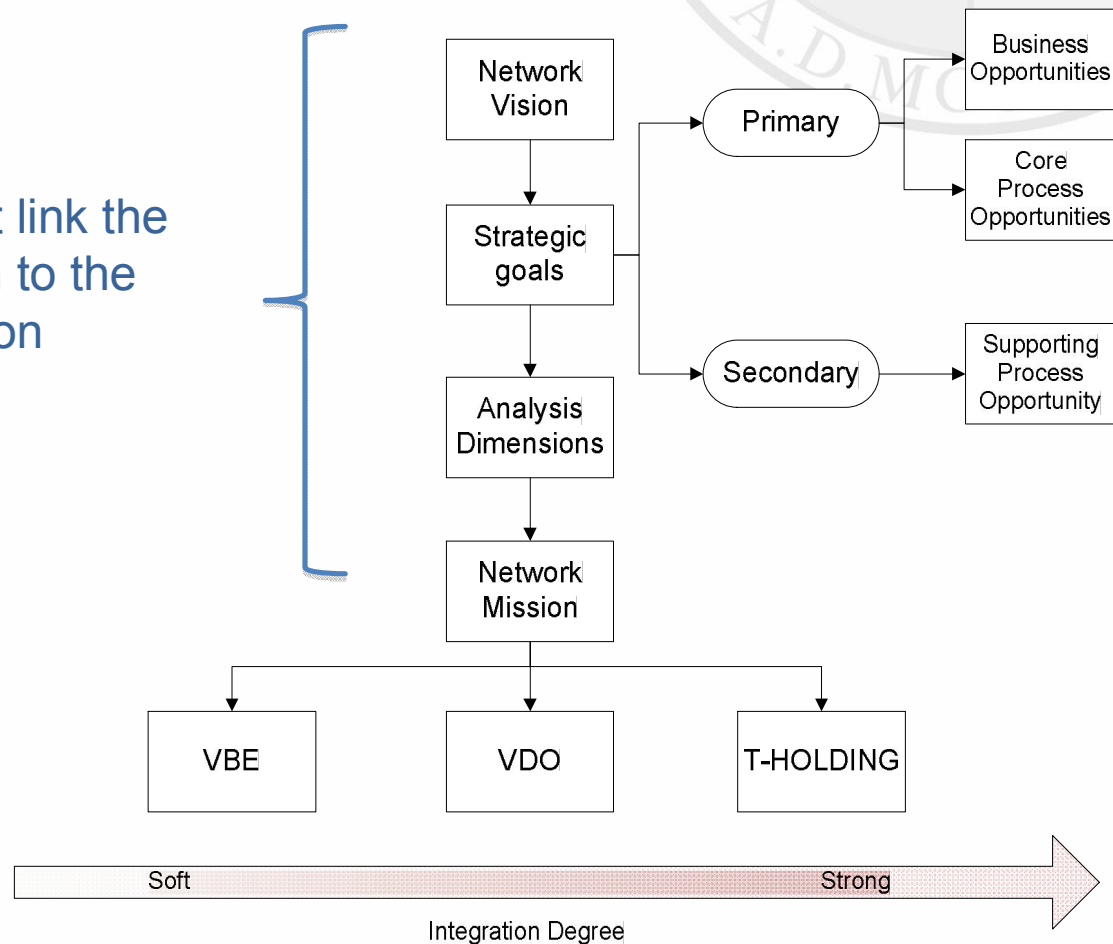
An interdisciplinary approach:

- 1) Brief description of three selected types of collaborative networks and combinations characterized by different degree of business and process integration, namely: VBE, VDO e T-HOLDING
- 2) Definition and classification of the strategic goals on which aggregation and collaboration forms can be based
- 3) Assessment of the three above mentioned forms on the basis of their capability to be aligned with the different strategic goals
- 4) Identification of the analytical tools that allow to evaluate which strategic goals are attainable by a potential pool of companies and how to chose the most appropriate collaborative form

GENERAL FRAMEWORK

The steps that link the network vision to the network mission definition

the choice of the appropriate aggregation form



VBE

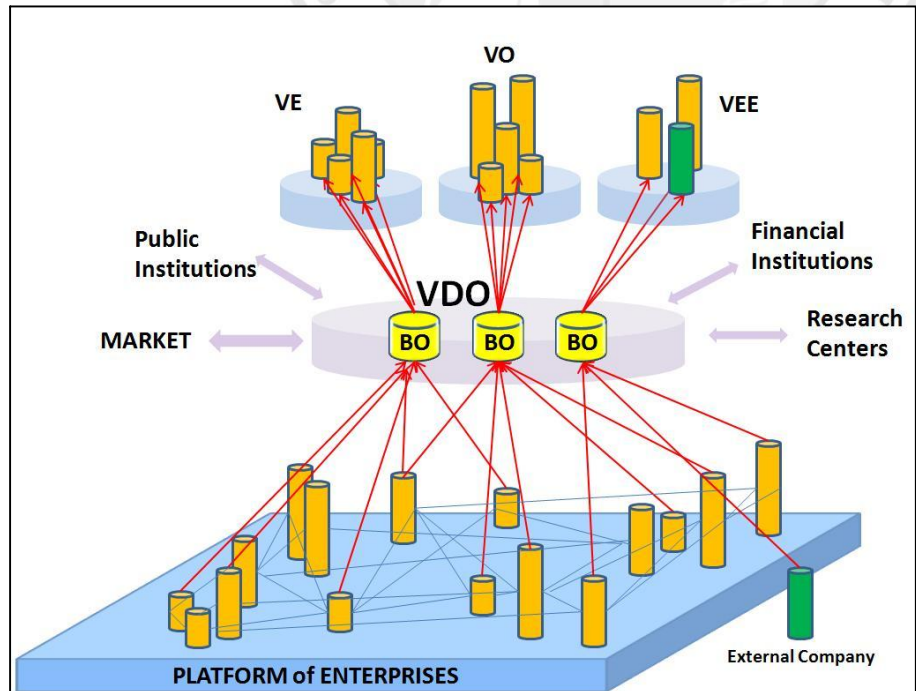
“A strategic association/alliance of organizations and the related supporting institutions, adhering to a base long term cooperation agreement and adoption of common operating principles and infrastructures, with the main goal of increasing their preparedness towards collaboration in potential Virtual Organizations”



The VDO model

“A strategic association/alliance of organizations and the related supporting institutions, adhering to a base long term cooperation agreement and adoption of common operating principles and infrastructures, with the main goal to create innovative BOs.”

This goal is accomplished by introducing a new for-profit company, the VDO, operating as a permanent network management/coordination entity. In pursuing these business opportunities the VDO realizes VOs and VEEs of network members and/or external partners



T-HOLDING

T-Holding is an aggregation model where the letter "T" stands for 'protection' (from the Italian word "Tutela") of small and medium enterprises that risk to lose their capacity of maintaining competitiveness and profitability in the new economic scenario.



The T-HOLDING Project

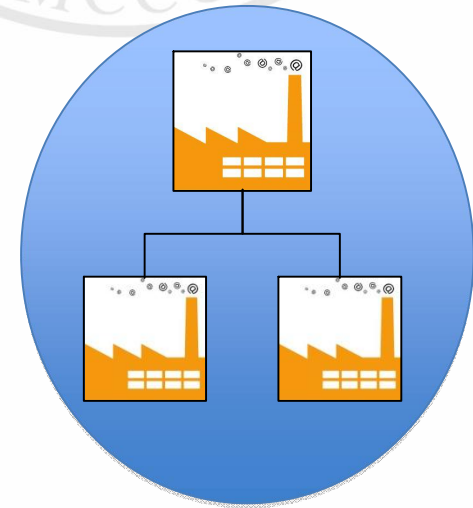


T-HOLDING

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- ❖ to avoid the collapse and the disappearance of these companies in crisis thanks to a strong push to the aggregation
- ❖ formation of a new company (namely the T-Holding) or business combination to guarantee the industrial continuity
- ❖ originally created in order to be applied to SMEs that are facing a deep financial and economic crisis.
- ❖ the model can be utilised also to aggregate companies that not necessarily are facing a crisis, and can be viewed as the model with the **stronger degree of integration** with respect to VBE and VDO



STRATEGIC NETWORKING

BUSINESS GOALS

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Strategic goals of Primary type:

Ability of the network to permanently increase the value added relate to business core competences

Business Opportunities (BOs)

New markets and new products development

+ network turnover

Core Process Opportunities (CPOs)

Increasing of efficiency and effectiveness of the core operational activities

- costs

Strategic goals of Secondary type:

All others synergies bringing increasing the efficiency and effectiveness of all the supporting activities

Supporting Process Opportunities (CPOs)

Example: finance, quality, human resources, education

Each kind of strategic goal (BOs, CPOs, SPOs) can be achieved on a **STABLE** or **OCCASIONAL** manner, depending on the persistence / intensity of the network effect

		VBE	VDO	T-Holding
Business Opportunities (BOs)	Stable	+	+++	++
	Occasional	++	+	+
Core Process Opportunities (CPOs)	Stable	+	++	+++
	Occasional	++	+	+
Supporting Process Opportunities (SPOs)	Stable	+++	+	+++
	Occasional	+++	++	+

ANALYSIS DIMENSIONS

BOs

Abel's definition "Segments of Business"

Served Customer Group: concerns the customer segments that can be interested to the products or to the services of the enterprise;

Served customer function: is finalized to underline the needs that the enterprise intends to satisfy;

Technologies utilized: suggest the alternative ways in which the need can be satisfied.

POs

Porter's Value Chain

Core activities

- Inbound Logistics:
- Operations
- Outbound Logistics:
- Marketing and Sales:
- Service

Supporting activities

- Procurement:
- Technology Development
- Human Resource Management
- Firm Infrastructure

ANALYSIS DIMENSIONS

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Critical Resources

Resource based view

assets, capabilities, organizational processes, firms attributes, information, knowledge, on which is based the competitive advantage of the company

Performance measurement and Financial structure

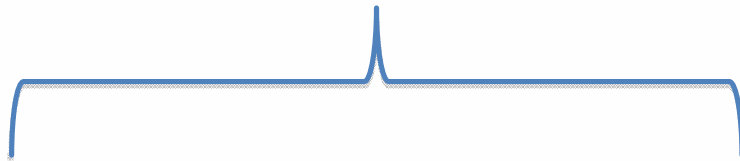
Financial statement analysis

to measure the economic performance and appraise the financial position of the company.



ANALYSIS STEPS

Single firm basis

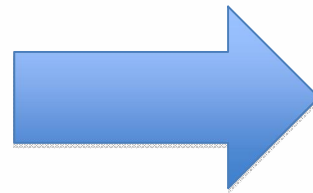


BOs

POs

Critical
Resources

Evaluation and
consolidation on
network basis



Strategic Network
Mission

Performance measurement
and Financial structure

CONCLUSIONS

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- The conceptual steps that link the network **vision** to the network **mission** have been defined
- Different CNO models have been evaluated in terms of **strategic** business network goals
- Four analysis dimensions have been identified
- The model has been applied to the real case study (SEE PRELIMINARY RESULTS)

FURTHER DEVELOPMENTS

(project financed by iTRUSTE)

- Enhancement of the data consolidation step (formalization)
- Informatization of the hole procedure



PRELIMINARY RESULTS OF THE CASE STUDY

Tools: questionnaire + financial statements analysis

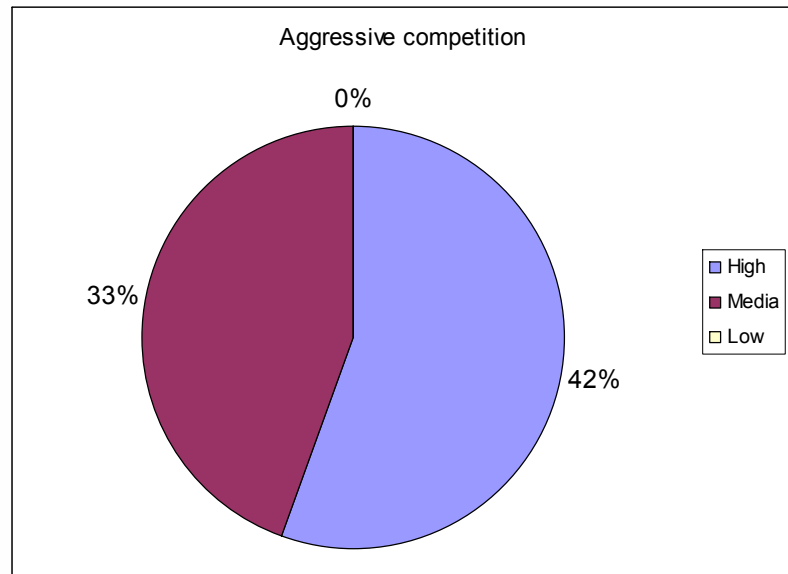
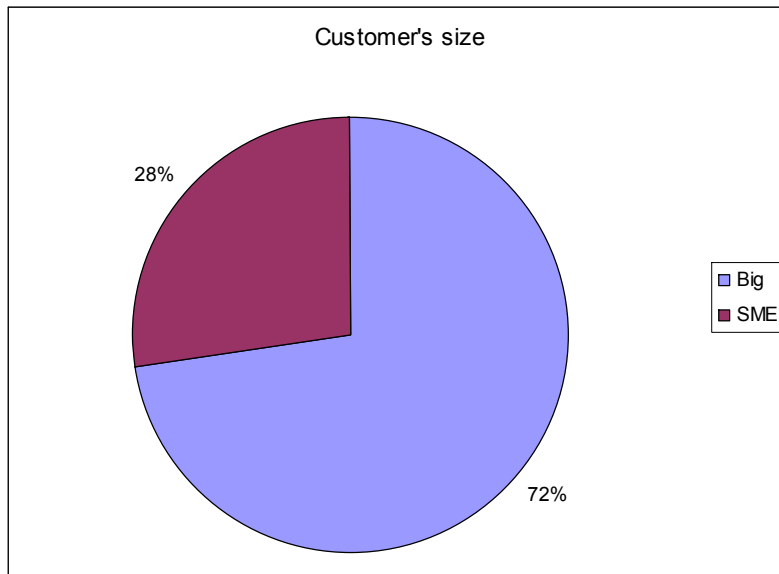
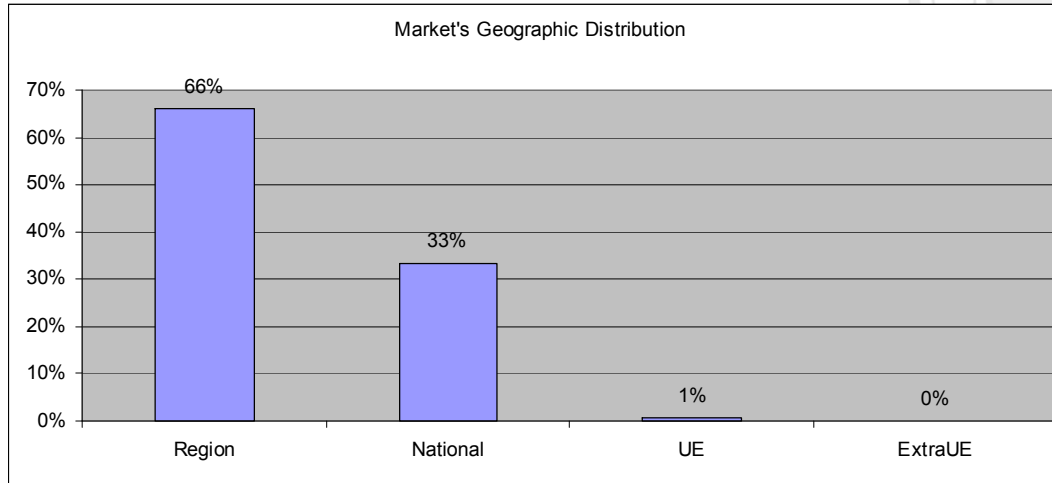


**THANK YOU FOR THE
ATTENTION**

Competitive Dimension

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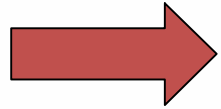
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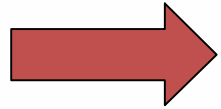
Organizational Dimension

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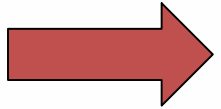
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Products purchased very different



High degree of diversification of products and services sold



Low incidence of transportation costs



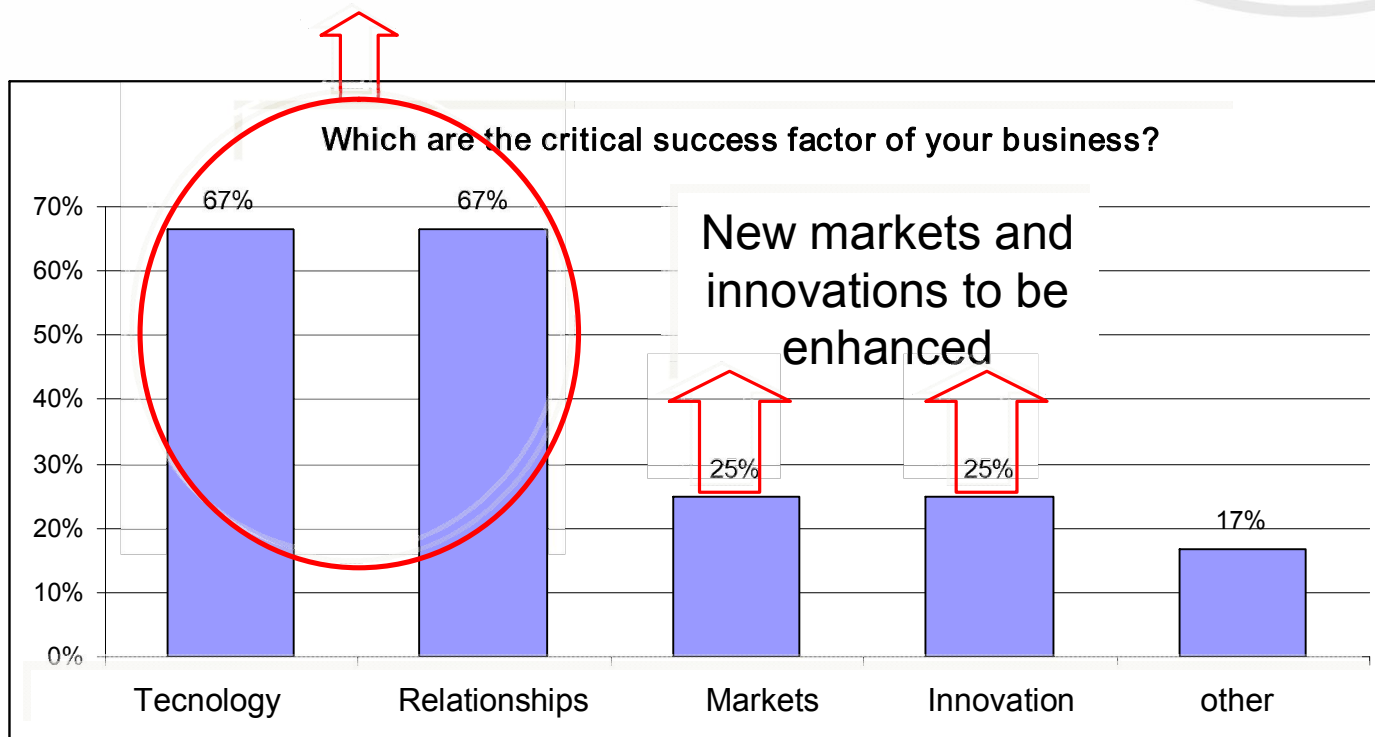
Limited number of common suppliers



Prevalence of the steel industry / engineering, but high degree of diversification

Critical resources and processes

Tecnologies and relationships the acutal strenghts, but their action is limited to the local environment



Single company based

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<i>Amount in €'000</i>	<u>2007</u>		<u>2008</u>		<u>2009</u>	
	<u>€ Mio</u>	<u>%</u>	<u>€ Mio</u>	<u>%</u>	<u>€ Mio</u>	<u>%</u>
<u>Dati economici</u>						
TURNOVER	1 263	100.0%	1 174	100.0%	1 096	100.0%
VALUE ADDED	628	49.7%	535	45.6%	497	45.3%
EBITDA	304	24.1%	196	16.7%	154	14.0%
EBIT	105	8.4%	139	11.8%	100	9.1%
FINANCIAL COSTS	(7)	-0.6%	(12)	-1.0%	(7)	-0.6%
NET PROFIT	98	7.8%	124	10.5%	102	9.3%
<u>Dati finanziari</u>						
NET INVESTED CAPITAL	477	100.0%	175	100.0%	335	100.0%
<i>coperto da:</i>						
NET FINANCIAL POSITION	126	26.4%	10	5.7%	192	57.3%
EQUITY	351	73.6%	165	94.3%	143	42.7%
<u>Profitability indicators</u>						
ROI = Ebit/Capitale investito netto	22.1%		79.5%		29.9%	
ROE = Risultato netto/patrimonio	28.0%		75.0%		71.2%	
<u>Financial indicators</u>						
Leva finanziaria = PFN/Patr.	0.36		0.06		1.34	
PFN/EBITDA	0.41		0.05		1.25	
OF/EBITDA	2%		6%		5%	

Network based

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<i>Importi in €'000</i>	<u>2007</u>		<u>2008</u>		<u>2009</u>	
<u>Dati economici</u>	<u>€ Mio</u>	<u>%</u>	<u>€ Mio</u>	<u>%</u>	<u>€ Mio</u>	<u>%</u>
TURNOVER	20 420	100.0%	23 897	100.0%	21 565	100.0%
VALUE ADDED	10 861	53.2%	12 673	53.0%	11 918	55.3%
EBITDA	2 578	12.6%	2 535	10.6%	2 126	9.9%
EBIT	1 227	6.0%	848	3.5%	741	3.4%
FINANCIAL COSTS	(408)	-2.0%	(582)	-2.4%	(481)	-2.2%
NET PROFIT	813	4.0%	425	1.8%	331	1.5%
<u>Dati finanziari</u>						
NET INVESTED CAPITAL	11 087	100.0%	10 932	100.0%	12 026	100.0%
<i>coperto da:</i>						
NET FINANCIAL POSITION	8 979	81.0%	7 243	66.3%	8 205	68.2%
EQUITY	2 108	19.0%	3 689	33.7%	3 821	31.8%
<u>Profitability indicators</u>						
ROI = Ebit/Capitale investito netto	11.1%		7.8%		6.2%	
ROE = Risultato netto/patrimonio	38.6%		11.5%		8.7%	
<u>Financial indicators</u>						
Leva finanziaria = PFN/Patr.	4.26		1.96		2.15	
PFN/EBITDA	3.48		2.86		3.86	
OF/EBITDA	16%		23%		23%	

Profitability Variance of potential partners

EBITDA/TURNOVER

