ASYMMETRIC INTERFIRM RELATIONSHIP MODES

This paper presents a typology of asymmetric interfirm relationships, relationships between a central firm and niche firms in an ecosystem. Three primary modes are identified: outsourcing, third party, and entrepreneurial. The typology is designed to reveal the multidimensional value creation logic of each mode of relationship.

Introduction

There is a resurgent interest in the environment in which the firm operates. While a firm must create and nurture dynamic capabilities (Teece, Pisano, & Shuen, 1997) it must also work to ensure that the ecosystem in which it operates is healthy and that its role within the ecosystem allows it to capture sufficient value to sustain its value creation trajectory. A business ecosystem is a large, loosely connected network of organizations that interact with one another (Iansiti & Levien, 2003; Moore, 1996) and a healthy ecosystem is one that is productive, robust, and capable of sponsoring diversity or niche creation (Iansiti & Levien, 2003). Industries that operate as healthy ecosystems are more productive than those that do not, and thereby offer greater opportunities for the firms that participate in them (Baldwin & Clark, 2000; Chesbrough, 2003).

This paper develops a typology of relationships between a central firm and its niche firm partners in a ecosystem. Three types of relationships are identified: outsourcing, third party, and entrepreneurial. Outsourcing and third party partners have capabilities that are complementary to those of the central firm. Outsourcing partners have capabilities related to product design or manufacture, whereas third party complementors have capabilities that allow them to augment the value of the central firm’s offering for a specific customer group. The capabilities of entrepreneurial partners are similar to the present or future capabilities of the central firm, making entrepreneurial partners potential competitors. Entrepreneurial partners create value by pursuing highly uncertain or ambiguous opportunities (Bhidé, 2000). Through the pursuit of highly uncertain opportunities, entrepreneurial firms create unique dynamic capabilities that make them valuable partners or disruptive competitors (Christensen, 1997).

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