Chapter 11

Explorative Actions in Search for a New Logic of Business Activity

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ABSTRACT
This chapter analyzes a Finnish ICT firm’s explorative actions after the firm’s predominant business logic based on technological product development had come to the end of its lifecycle. The explorative actions are seen here both as a means of learning to break out from the historically formed work routines and as a means for inventing a new ground for business logic. For this study, an analytical model was created for depicting explorative actions in the ICT firm’s marketing. The analysis of engendered explorative actions during the period of three years shows how new modes of interacting with the customers contributed to the managements’ strategic reorientation. The explorative actions intertwined aspects of exploration and exploitation in a dialectical unity of opposites. The study also highlights the role of everyday experience of problems and the role of intellectual understanding of an aggravating contradiction in activity as stimuli to take explorative actions.

ORGANIZATIONAL BACKGROUND
This is a study of a small-sized and semi-independent Finnish ICT firm (labeled hereafter FICT). The business activity of the firm emerged some thirty years ago with an invention of a new software application (later in the text ‘basic product’). In 1996, FICT was incorporated to become a daughter firm of an internationally operating ICT company. The vision of the firm was to innovate within new emerging technologies. However, product development in neither the internet nor mobile technology succeeded financially well enough. Therefore, in 2005 the parent company split the FICT’s business activity into three small business firms. The main part of product development was now in the hands of the parent company. Since then, FICT’s business was again based on the basic product. At this point, an internal developmental project was introduced in FICT to solve practical challenges of upgrading the basic product. Six months later, this developmental activity in the firm turned to

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the management team’s strategic planning activity to appraise business sustainability. The outcome of these developmental efforts materialized in two respects. First, to upgrade the product a list of improvements for work practices was produced. A series of workshops were organized to collectively interpret and prioritize what needed to be improved. Additionally, the management team created a suggestion for alternative strategic options (termed as alternative business models) in order for the board of directors to gain mandate for new business openings (Virkkunen & Ristimäki, 2012). The FICT’s management team expected to create a partner network and gain growth as a dealer of technology-related services of partner firms. However, as this study indicates, more developmental actions were needed to interpret and trace a sustainable and adaptable solution for business activity.

INTRODUCTION

The era of information and communication technology embodies techno-socio-economic transformation processes triggered by profound technological innovations. Perez (2002; 2005) portrays technological revolutions as surges of development in two phases. In the first, the installation phase, new potentials for productive activity are created through the evolution of applications of the inventions. The groundbreaking product development in this phase is supported by financial investors expecting high revenues by taking high risks. According to Perez (2014, p. 7), “technology-push” characterizes the mode of development in that period. After the bubble of overinvestment in the new technologies bursts out in a financial crisis, a new period starts in which the development is based more on “demand-pull” and broad deployment of the new technologies in all areas of the society. The deployment phase of the information and communication technological surge has been characterized by the development of dedicated, industry-oriented applications and the production of comprehensive ICT architectures providing largely shared, dynamic and networked ICT ecologies and enabling new service concepts (Prahalad & Krishnan 2008; Perez 2014). Cusumano, Suarez & Kahl (2008) have described the spreading of the use of new information and communication technologies with the help of a business lifecycle model. According to them, business activities are predominantly engaged in products through new technological innovations. Experimentation in the markets with various product concepts leads to a standard solution and turns the focus on competition and cost efficiency in the production of the standard solution. After the broad use of the standard product, the focus of competition moves on technology-related services and the support of the implementation and use of technological applications.

Cusumano (2004, p. 5-7) states that in this phase a firm has to tackle simultaneously both the requirements of software as an expanding and integrating technology and the requirements of the competed business of its use. This can be interpreted to indicate that in the lifecycle of the markets of new technology two profound expansions in the object of the business activity take place: one from product development to mastering also the production and distribution of the product and another from that further to mastering also the use contexts of the new technology. These expansions and the changes in the market conditions of new technology-related businesses call for major changes in the logic and model of the business of the firms whose activity depends on new technologies.

According to March (1991), there is a trade-off in business strategy between exploitation of existing and exploration of new resources and knowhow. Exploitation means extending the limits of the prevailing activity by choosing from existing alternatives or by creating new options on the basis of the prevailing premises. Exploration means breaking away from the predominant activity and
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