A Case Study of Progressive Formation of Accounting Cloud Service in Japan: The Second Stage

Yutaka Mizuno, Nagoya Institute of Technology, Nagoya City, Japan
Nobutaka Odake, Nagoya Institute of Technology, Nagoya City, Japan

ABSTRACT

The purpose of this study is to clarify the best practice of marketing strategy in Japanese accounting cloud services. The authors examine platform development and ecosystem formation of an accounting cloud service in the second stage. As the results, the authors obtain three findings. First, the best accounting cloud service has been driving a spiral model of marketing strategy consistently. Second, customer groups of the cloud service, which are connected by chain composition with path dependence, constitute multiplex markets structure. Associated service groups, which are also connected chain composition, constitute multi-dimensions service structure. Third, the service provider has started new Open & Close strategy that involves formulating closure of network structure of associated services. These strategies realized its sustainable growth. Therefore, cloud service providers not only adopt Open & Close strategy, but also build up a spiral model of marketing strategy to formulate two chain compositions with path dependence for customer groups and associated service groups.

KEYWORDS

Accounting Cloud Service, Exploration and Exploitation, Finetech, Open & Close Strategy, Open Service Innovation, Two-Sided Markets and Freemium

INTRODUCTION

A cloud service is an information processing platform. It consists of end-users, players to supply resources complementary, and players to intermediate its services in a platform. Thus, a cloud service builds a business ecosystem and one of important social infrastructures. An accounting cloud service provides an accounting book service. In Japan, several accounting cloud services have started and have been growing rapidly. These new accounting services help their customers to create and keep accounting books. Users can register daily cash transactions and manages daily income and expenditure on the accounting cloud service. In addition, the accounting cloud services associate with the other cloud services. Therefore, customers can get their transaction records from other cloud services and keep accounting books automatically.

This paper studies one of these accounting cloud services in early stage of entrepreneurial activities. While the accounting cloud service has been building up its business ecosystem with other cloud services such as, including Internet-Banking, and E-commerce Sites, the service provider has been constructing its cloud platform. In October 2015, Japanese government will start a social security reform (nicknamed “My Number”). Every individual and company has to manage the social security...
and tax number. The service provider corresponds to this business chance and is growing than ever before. The accounting cloud service can be considered as promoting different strategy from previous.

The purpose of this study is to clarify how a high-tech start-up of an accounting cloud service formulates its business ecosystem and its cloud platform, and what is a success factor to drive the formation of its ecosystem and its platform in its new stage of ecosystem formation of Japanese accounting cloud service.

Outline of this paper consists as follow: literature review, research method, comparison of two accounting cloud services in Japan, identification of best accounting cloud service, comparison of entrepreneurial and progressive stage of the cloud service formation, discussion of ecosystem formation in progressive stage, and conclusion.

RELATED WORK

We fill key research gaps in the existing literature: organization management, social networks and social capital, marketing strategy, and open service innovation.

Organization Management

Gawer and Cusumano (2002) define that “Platforms are industry building blocks which attract other firms’ investment and innovation on add-on products or services analyzed the competitive strategy of major enterprises” in the viewpoint of the platform formation. Platform strategy discusses how to manage and how to integrate internal resources of enterprise. Iansiti and Levien (2004) examine competitive strategy with the framework of business ecosystem (Moore, 1993; 1996), which connects seamlessly with various enterprises. Business ecosystem discusses how to manage and integrate external resources of enterprises.

March (1991) discusses the relation between the exploration of new possibilities and the exploitation of old certainties in organizational learning. March (1991) defines that exploration includes things captured by terms such as search, variation, risk taking, experimentation, play, flexibility, discovery, innovation; and that exploitation includes such things as refinement, choice, production, efficiency, selection, implementation, execution. The exploration is in a trade-off relationship with exploitation and has vulnerability in comparison with the exploitation (March, 1991).

Social Networks and Social Capital

Granovetter (1973) indicates the strength of weak ties in interpersonal ties. Coleman (1988) defines social capital by its function that has a variety of entities with two elements in common: one is that they all consist of some aspects of social structure, and another is that they facilitate certain actions of actors -whether persons or corporate actors- within the structure.

There are two arguments of network structure that create social capital: closure of social networks, and structural holes of social networks. Closure of social networks as social structure facilitates social capital (Coleman, 1988). Structural holes are an opportunity to broker the flow of information between people, and control the projects that bring together people from opposite sides of the hole (Burt, 2000). Burt (2001) discusses that structural holes and network closure can be brought together in a productive way. Burt (2001) concludes, “while brokerage across structural holes is the source of added value, closure can be critical to realizing the value buried in the structural holes”. Aldrich (2005) reviews the concepts and principles of social capital and social networks as applied to entrepreneurship. Kim and Aldrich (2005) discuss not only the potential power of social capital accessed via social networks, but also the potential of social networks often cannot be realized because of various socio-cultural constraints: homophily, social boundaries, and bounded rationality.
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