An Empirical Analysis of an Organizational Continuum in a Japanese Accounting Cloud Service

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ABSTRACT

The purpose of this article is to clarify an organizational continuum of a technological platform development in a Japanese accounting cloud service. The authors continuously have been studying an accounting cloud service, which adopts two-sided markets structure and freemium business model. As the results, the authors obtain three findings. First, the Japanese accounting cloud service, which runs its business with regional banks in retail banking, has been exploiting its platform into partners’ customers. Second, it has been building up from a supply-chain platform to an industrial platform in four years since its entrepreneurship. Third, it has been transforming its cloud-to-cloud service connections from weak-tied interfaces to its own strong-tied interfaces. Therefore, starting-up cloud service providers should not only utilize weak-ties to establish a structural hole, but also should develop its own strong-ties and indirect ties to tighten upon its two-sided markets structure in its cloud ecosystem.

KEYWORDS

Fintech, Freemium, Organizational Continuum, Platform, Two-Sided Markets

INTRODUCTION

A cloud service is an information processing platform. It consists of end-users, players to supply complementary resources, and players to intermediate its e-services in a platform. Thus, a cloud service builds a business ecosystem and one of the important social infrastructures. High-tech and high-growth start-ups “unicorn”, whose corporate value break over $1 billion, has been developing a new type of industrial platforms utilizing cloud computing. The unicorn company such as “Uber” (taxi industry) and “Airbnb” (lodging industry) has been leading an industry reorganization.

In the global market, start-ups create new financial cloud services in the financial sector. The term “Fintech” combines two terms of “Financial” and “Technology”. The Fintech is the digital (r) evolution in the financial sector and algorithm-based banking with the human touch (Dapp, 2014). Some pieces of financial services are provided by high-tech start-ups. These high-tech start-ups have been developing niche and riche financial services rapidly on a service platform utilizing financial engineering and ICT technologies.
In Japan, a new type of accounting cloud services had started in 2013. These new accounting cloud services provide an accounting book e-service for individuals and enterprises. The customers of these services can manage their own daily income and expenditure on the accounting cloud service. One of Japanese accounting cloud service has been developing an industrial platform in retail banking in four years since its entrepreneurship. The company had gathered more than 5 million users in April 2015.

The purpose of this study tries to show an empirical testing of an organizational continuum of technological platforms in a Japanese high-tech and high-growth SME, which provides an accounting book e-service with multi-sided markets structure and freemium business model. Outline of this paper consists as follow: literature review; methods and materials; case study; discussion; and conclusions.

**RELATED WORK**

In this section, this paper fills key research gaps in the existing literature: social network, innovation, network economy, and technological platforms.

**Social Network**

Granovetter (1983) indicated the strength of weak ties in interpersonal ties. Coleman (1988) defined social capital by its function that has a variety of entities with two elements in common: one is that they all consist of some aspect 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 structures 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) discussed that structural holes and network closure can be brought together in a productive way. Burt (2001) concluded, “while brokerage across structural holes is the source of added value, closure can be critical to realizing the value buried in the structural holes”. Kim and Aldrich (2005) mentioned that entrepreneurs can apparently reap substantial returns on their social capital and boost their chances of commercial success. They offered a simple scenario in Figure 1 that entrepreneurs can reach out within two steps to one million potential resource providers by leveraging their direct ties.

*Figure 1. The potential of indirect ties (Source: Kim and Aldrich, 2005 p. 59)*
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