



New quality of food, new quality of business: emerging challenges for the credit sector



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Introduction



The Italian excellences are exploring **new ways of doing business**, in order to compete on a global basis in terms of quality. These new ways of doing business imply **smart cooperation** among many actors: firms, associations, universities, banks, institutions, etc.

Then, it is important that **smart cooperation is encouraged and supported**, also by the **credit sector**.

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- But how can we **recognise the organisations that are actually capable of creating value through the new smart cooperation networks**? How can we activate, strengthen and fully exploit these capabilities?
 - **Pomorete** actively participates in a research project, launched by the **Banco Popolare** bank and the **University of Verona**, in order to seek answers to these questions.



Cooperation Networks: the POMORETE case



- According to traditional economic views, when businesses interact it is because they intend to control the environment by pursuing goals such as creating a cartel, taking possession of critical resources, lobbying, or making supply chain processes more efficient.
- Instead, **new expected outcomes of business relations are emerging** in the Cooperation Networks of the latest generation, like **Pomorete**, :
 1. Enhance knowledge sharing and mutual trust;
 2. Increase each partnering firm's market credibility and the value of its products / services;
 3. Strengthen the inclination to innovate and R&D capabilities;
 4. Generate, sense and seize new opportunities.

Cooperation Networks: the POMORETE case



1. ENHANCE KNOWLEDGE SHARING AND MUTUAL TRUST

The partnering firms of the **Pomorete** network have built a system of rules (the “contratto di Rete”, i.e. *Business Network Contract*), which commit them to sharing knowledge and collaborating in a spirit of fair play.

“**Networking**”, in this case, means building a cooperation niche, which creates favourable conditions for innovation.

Contributing to the Network Programs, **sharing** information and not breaking the partners’ **trust** are non-monetary investments that may prove crucial to face today’s competitive environments.



Cooperation Networks: the POMORETE case



2. INCREASE EACH PARTNERING FIRM'S MARKET CREDIBILITY AND THE VALUE OF ITS PRODUCTS / SERVICES

The firms of a Cooperation Network of the latest generation can enter the market with a much wider range of possible combinations of products and services.

- A network with a clear system of rules and stable relationships among carefully selected partners makes the partnering firms much more credible in the market. **Example:** product quality can be guaranteed and certified along the whole **Pomorete** supply chain.
- Each and every firm of the **Pomorete** network can present itself as a member of a system capable of offering all tomato-related products and services, ranging from farming systems to planting material and all types of canned products. The customers can have a single interlocutor, through which they can access a well-established service system.



Cooperation Networks: the POMORETE case



3. STRENGTHEN THE INCLINATION TO INNOVATE AND R&D CAPABILITIES

The **contratto di Rete** (business network contract) is an excellent opportunity to create a **clear institutional framework for tackling joint research projects.**

Mutual trust and knowledge exchange establish favourable conditions for successful R&D investments.

Single organisations, especially if small-sized, may have difficulties in incurring the costs and risks of R&D activities.

On the other side, **research and innovation are crucial to compete in terms of quality.**

Pomorete is developing an important research project, in collaboration with some **Kazakh** institutions, in order to explore the possibility of starting high-quality tomato production in that country.



Cooperation Networks: the POMORETE case



4. GENERATE, SENSE AND SEIZE NEW OPPORTUNITIES

In today's business scenario, people know just one thing about **the future**: it **is not going to be as expected**. The traditional approach to the future, based on forecasting and planning, is not sufficient any more.

- The **Business Networks of the latest generation** offer **vital alternatives**, which reduce firm fragility in the face of the future, since networks can:
 - multiply the “feelers out”, that is, the firm capabilities to perceive threats and opportunities;
 - multiply agility, that is, the firm capabilities to timely and effectively react to changes and unexpected situations.
- The partnering firms of a dynamic, watchful network, where many diverse and complementary skills are available, can seize **opportunities that they should have given up, had they been stand-alone businesses outside the network.**



Cooperative Business Networks: the support of Institutions



- Building a Network is, first of all, creating together a system of values, a common program, a shared vision, and a series of new rules of the game. It is a long and complex process, in which people are involved and challenged, and become protagonists.
- On the other side, building a Network has also **bureaucratic and legal implications**, which may be difficult to tackle without help.

Institutions may play a **pivotal role** by encouraging, **facilitating and driving the networking process.**

The Case

Pomorete acted as a trail-blazer in the Province of Piacenza (northern Italy). Thanks to Pomorete's know-how on business network agreements, disseminated through **Confapi** (a local association of small and medium enterprises), **Piacenza is one of the most dynamic areas today as for the creation of new *Contratti di rete*.**



Cooperative Business Networks: the support of the credit sector



Cooperative Business Networks

Emerging strategies are based on

- **collaborative adaptation** to change, and
- **logic of opportunities.**

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Banking Institutions

Instead, **traditional credit assessments** by banks are based on

- **risk predictability,** and
- **logic of control.**

Therefore, there can be a **contradiction** between the new ways of creating value and the traditional criteria through which banks evaluate businesses. Paradoxically, today it may be difficult for banks to justify lending to some of the most promising firms.

This research suggests that the **relationship between business networks and the credit sector may be renewed** on the basis of two concepts:

#1. NETWORK RE-STARTUP

#2. OPTIONAL CAPITAL



Two innovative concepts: Network Re-Startup



Even when businesses have been on the market for a long time, the strategic niches created by the Network Contract may result in the sudden emergence of genuine **«Network Startups»**: new projects and/or business models whose potential is delivered at the network level.

Therefore, it would be important to establish channels of communication between the innovation-oriented business networks and the **systems dedicated to funding innovation**, including not only banks, but also venture capitalists, business angels, EU programmes, etc.

Like startups, also business networks need to improve their ability to present their innovative projects, in order to build effective relationships with potential financiers.

The networks that successfully develop **smart collaborative relationships with the credit sector** allow a sounder and more sustainable development of all the partnering firms; moreover, these networks can **also provide newborn innovative startups** with excellent **ecosystems** to grow up in.



Two innovative concepts: Optional Capital



We define **an organisation's OPTIONAL CAPITAL**

as the **portfolio of the organisation's potential capabilities**, that is, the set of all the resources and capabilities that the organization can activate and deploy on an as-needed basis.

Optional Capital is what provides the firm with the **possibility to choose and develop alternatives** in the face of the threats and opportunities that may emerge, as and when they emerge.

Smart networking allows to multiply Optional Capital, providing the partnering firms with high-potential latent capabilities at sustainable costs. A couple of examples:

- The human capital that each firm can activate is not only its own, but also the human capital of all the others partnering firms.
- The entry barriers that each firm can activate include also the resources (such as patents, brands, first-mover advantages, reputational assets) of the other partnering firms and of the whole network.





INNOVATING THE RELATIONSHIPS BETWEEN BUSINESS NETWORKS AND THE CREDIT SECTOR

We are working to achieve two research goals:

Develop specific tools to recognise, manage and evaluate the **Network Re-Startup phases**



Develop specific tools to recognise, manage and evaluate the **Optional Capital** of the partnering firms

Final purpose: **improved access to credit**

for the best businesses at **cultivating a wide range of potential capabilities**, thereby likely able to **seize the emerging opportunities** in the unpredictable future.