



## **Chapter XV**

# **An Integrated Model of E-Business Strategy: The Case of Haier from China**

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## **ABSTRACT**

*This chapter proposes a conceptual framework of e-business strategy. It argues that such a framework must be holistic, dynamic, and dialectical. This framework will assist both researchers and practitioners regarding the key issues of e-business strategy. Further, a case study of Haier from China reveals that all firms need to learn how to design effective e-business strategies that should be built on a sound organizational form or business model. The case of Haier also suggests that the local firms from the developing countries need to be creative in formulating e-business strategies in order to operate effectively in the underdeveloped e-business environment. Strategic alliance is especially critical for the local firms with regard to their e-business success.*

## **INTRODUCTION**

Although many doubters regard it as a fad, we are convinced that e-business, as the convergence of digital technology, intellectual property, and customer supremacy, has the potential to transform our society as much as the Industrial Revolution did. This conviction is based on our belief that e-business is facilitating a new business paradigm—the paradigm of network capitalism, which emphasizes the central role of

interconnectivity in both configuration and coordination of business activities between various partners in an open network across interlinked value-adding chains, thus transcending the traditional boundaries of space, time, individuals, and organizations (Afuah, 2003; Afuah & Tucci, 2003; Brews & Tucci, 2004; Dunning, 1995; Kalakota & Robinson, 2002; Li, 1998, 2001a, 2001b; Porter, 2001).

## THE CONCEPTUAL FRAMEWORK OF E-BUSINESS

### The Components of E-Business Framework

Four key developments occurred in the past few decades, and they seem to have been accelerating in recent years (Economist, 1999, 2000a, 2000b; Kalakota & Robinson, 2002; Li, 2001a, 2001b): (1) digital technologies (e.g., the Internet); (2) intellectual properties (e.g., information/knowledge); (3) consumer supremacy (e.g., customization and reduced cycle time); and (4) productivity growth (e.g., long-term economic growth without inflation). The first three elements can be viewed as the *antecedents* of e-business because they jointly define the conditions or drivers for the emergence and development of e-business, while the last can be viewed as the *consequence* of e-business because it defines the long-term effect and result of e-business. We argue that e-business (defined as the integration of digital technology, intellectual property, and customer supremacy with business activities, which alters and often replaces the conventional rules at both industrial and corporate levels) is one of the core components and the primary drivers of the so-called “new” economy (defined as the macro-economy undergoing a paradigm shift due to the convergence of digital technology, intellectual property, and customer supremacy). E-business seems to have the capability to change the competitive landscapes in the traditional industries, create new industries, and affect the configuration and coordination of firm-level business activities, especially such external activities as customer relationship management (CRM), which is about developing close cooperative relationship with key customers by applying new technologies and sticking to long-term goals, and supply-chain management (SCM), which is about developing close cooperative relationship with key suppliers by applying new technologies and sticking to long-term goals), and such internal activities as business process reengineering (BPR), which is about streamlining and integrating internal execution processes for more efficient and effective operations, and enterprise resource planning (ERP), which is about streamlining and integrating information flows for better coordination of all internal resources (Afuah & Tucci, 2003; Kalakota & Robinson, 2002; Li, 2001a, 2001b; Porter, 2001).

### The Central Theme of E-Business

The central theme shared by the above issues lies in the core concept of network (Afuah, 2003; Afuah & Tucci, 2003; Brews & Tucci, 2004; Kalakota & Robinson, 2002; Li, 2001a, 2001b; Rayport, 1996; Shapiro & Varian, 1999; The Economist, 2000c). The digital network technology is at the core of digital technology, which is the enabler of e-business. The social network of intellectual contributors is critical for the creation and

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