



Chapter XIII

IT-Enabled Integration of Business Relationships in the Steel Industry Context

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Abstract

Companies engage in many business relationships; however, the number is decreasing constantly, so existing relationships are increasingly valuable. The purpose of this chapter is to highlight how inter-organizational relationships can be seen as a source of competitive advantage and how, in order to survive in a hyper-competitive landscape, key relationships are integrated with new information technology solutions, such as ERP. This chapter focuses on the changes brought about by technology integration in the context of the steel industry with the help of a longitudinal case study. The chapter sheds some light on factors affecting the changes occurring in business relationships and illustrates how those alterations can be managed. It seems that information technology integration within a business relationship is a complex process that depends on characteristics of the adopted technology as well as the relationship. Subsequently, implications are discussed together with suggestions for future research. Lastly, the limitations are briefly stated.

Introduction

Information technology (IT) has changed the way a business operates (Dertouzos, 1997; Kaufman, 1966); new business models are being created both in the business-to-business (Raisch, 2001; Timmers, 1999) and consumer markets (Timmers, 1998). In addition, electronic marketplaces are seen as a source of competitive advantage by many respectable companies, such as IBM and Cisco Systems, who participate as buyers in many electronic marketplaces and provide the technology for these and other marketplaces. Moreover, companies like GE and DaimlerChrysler have their own marketplaces to drive down procurement and other costs, but the business logic of these marketplaces still runs counter to the best recent thinking on business relationships (Wise & Morrison, 2000). Because the number of electronic marketplaces has shrunk both globally (Jap & Mohr, 2002) and in the steel industry (Candell, 2000), instead of electronic exchanges we study business relationships as a source of new value creation in the context of the steel industry.

Moreover, different networking technologies, from the Internet to the extranet, have caused managers to rethink individual businesses (e.g., book shops), but these technologies have also impacted tremendously on whole industries (e.g., the insurance and banking industries). Thus, IT-enabled integration of business relationships is a vital area for research. Furthermore, there is a gap in the area of strategic business relationship management from the IT perspective (see Leek, Naudé, & Turnbull, 2003). First, we briefly define the concepts used in this chapter:

Information technology is a term that encompasses all forms of technology utilized to create, capture, manipulate, communicate, exchange, present and use information in its various forms (business data, voice conversations, still images, motion pictures, including those not yet conceived). (Ryssell, Ritter, & Gemünden, 2004, p. 198)

To continue with strategy, Walker, Boyd, and Larreche (1992) suggest that *a good strategy* from a business perspective should have the objective of gaining a competitive advantage. Thus, from the business relationship perspective, a good strategy is one that aligns business relationship types and relationship management to form the optimal relationship portfolio (see Johnson & Selnes, 2004; Krapfel, Salmond, & Spekman, 1991). Since there are many types of business relationships, from those at arm's length to those that are almost hierarchical (Webster, 1992), different relationships require different managerial actions; therefore, optimal performance is hard to achieve.

A research void, which is both managerially and academically interesting, has been identified in the intersection between the business relationship discussion and the IT discussion. To elaborate, there is a growing interest in IT-enabled integration of business relationships, and the expanding body of literature is highly inconsistent and fragmented (see Holland & Naudé, 2004; Johnston & Mak, 2000). Furthermore, it is noted here that IT and electronic commerce literature to date have addressed market and hierarchy governance mechanisms (e.g., Alba, Lynch, Weitz, Janiszewski, Lutz, Sawyer, & Wood, 1997; Grewal, Comer, & Mehta, 2001; Malone, Yates, & Benjamin, 1987, 1989) rather than

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