Chapter 5.1
Business Relationships and Organizational Structures in E-Business

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INTRODUCTION

In today's e-business, context, technology, customers, competitors, and partners can change rapidly. Technology can become obsolete in the blink of an eye and customers can appear and disappear with a keystroke. There are practically no barriers to new entrants (competitors) in an e-business world. Likewise, e-business partnerships and virtual organizations become ephemeral and opportunistic in nature. This article explores the dynamics of the changing nature, process, and practice of business relationships and network form of organizations in the cyberspace. It also identifies and discusses a series of management issues raised in the processes of e-partnerships and virtual organizations.

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BACKGROUND

The virtual organization, which is actually a network form of organization, is a revolution in organizational design and has changed the definitions, boundaries, and forms of inter-organizational collaboration and partnerships.

The network form of organizations is the defining business transformation of this generation (Hagel & Singer, 2000; Jin, 1999; Malone & Davidow, 1994). Cisco, for example, is a network of suppliers, contract manufacturers, assemblers, and other partners, which is connected through an intricate web of information technology. Seventy percent of Cisco's product is outsourced to its e-partners through Cisco's network (McShane & von Glinow, 2000).

As previously shown, virtual organizations rely on IT network and e-partnership. Theoretically, e-partnership refers to a partnership relying on electronic (information) technologies to communicate and interact amongst partners. In practice, the term e-partnership is mostly associated with e-commerce or e-business partnerships. It may take different forms and involve various partners from or between virtual enterprises and brick-and-mortar companies depending on the nature of e-business activities. It flourishes in particular in e-supply chains through adding electronic components to the business partnership across firms (O'Toole, 2003, Zhao, 2006). For example, in the manufacturing industry, the e-partners may include raw materials providers, component manufacturers, final assembly manufacturers, wholesalers, distributors, retailers, and customers (Cheng, Li, Love, & Irani, 2001). This supply chain may involve a number of hundreds or thousands of suppliers and distributors. The use of Internet and other electronic media and the introduction of inter-organizational information systems are constitutive to e-partnerships and lead to the growth of virtual organizations.

E-partnerships share some common characteristics with traditional inter-organizational partnerships (Segil, 2004). But they are different in many ways and thus require different strategies and structures to manage them. Bell (2001) and de Man, Stienstra, and Volberda (2002) studied the differences and found that e-partnerships are generally entrepreneurial and less planned in nature, must move at Web speed, require flexible network structure, and have a short lifespan.

E-partnerships as "a new breed of online alliances are fast emerging as the result of an incredible amount of Internet business in recent years" (Trask, 2000, p. 46). Entering an e-partnership is no longer a soft option but a vital need for gaining a competitive advantage and customer satisfaction in the trend of economic globalization (by globalization it means an increasing trend of economic integration worldwide). On the other hand, globalization is pushing companies to build informal network organizations, such as virtual organizations, that are able to work in a faster, cheaper and more flexible way. E-partnerships and virtual organizations are products of the globalization and IT advancement over the past decade and they have fundamental synergy between them. They interrelate and interact with each other in this digital era.

ADVANTAGES

The greatest advantage of e-partnership and virtual organization lies in the fact that they eliminate the physical boundaries of organizations, and that cross-functional teams and organizations are able to operate and collaborate across space and time by communicating with each other via electronic channels. The Internet becomes the most important interface between participating organizations, teams, and individuals. E-partnerships and virtual organizations enable businesses to sell and deliver products and services across the world in a more efficient way in terms of speed and cost. Amazon.com, Priceline.com, and E*Trade are some of the successful e-businesses who have depended on, and maximized profits from, e-partnerships.

Other perceived benefits of e-partnerships and virtual organizations may include greater business opportunities, better integration of suppliers and vendors, better management information, lower operational costs, better market understanding and

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