



Chapter XII

Creating Virtual Alliances Through Value Chain Management: An Innovative Approach to eBusiness Strategy

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This chapter proposes a new approach to strategic planning for eBusiness systems which incorporates a three-stage investigation using value, supply and demand chain models. The resulting analysis can define the strategy and structure for an eBusiness enterprise as a value alliance network with a robust approach to evolutionary eBusiness development and the management of change. Initially an overview of the characteristics of virtual markets are presented and the opportunities for IT-enabled intermediation are examined. The chapter reviews the concepts of supply chain management (SCM), demand chains and value chains in the context of electronically networked organizations and then relates these to the evolution of a virtual value chain. The virtual value chain is used as a basis for the development of an effective organizational structure and the value alliance model in a virtual networked environment. Finally, this is reviewed in the context of the retail market and interactive home shopping systems (IAHS) and illustrated by a case study

within the e-grocery business.

INTRODUCTION

Driven by such phenomena as the World Wide Web, mass customization, compressed product lifecycles, new distribution channels and new forms of integrated organizations, the most fundamental elements of doing business are changing and a totally new business environment is emerging (Turban et al., 1999). This environment variously described as the Electronic Business Community (EBC) (Ticoll et al., 1998), electronic economy (El Sawy et al., 1999), electronic market (Wigand and Benjamin, 1995), electronic marketplace or space (Jansen et al., 1999; Rayport and Sviokola, 1995) and virtual market (Burn and Barnett, 2000) is characterized by rapid exchange of information within a virtual network of customers and suppliers working together to create value-added processes.

This virtual market brings with it new forms of IT-enabled intermediation, virtual supply chains, increasing knowledge intensity and information-based business architecture strategies. Core business processes may need to be rethought and redesigned, new organizational forms and inter-organizational forms may need to be developed and the emphasis will be on collaboration rather than competition within the virtual market. Eisenhardt and Galunic (2000) point out, however, that the new roles of collaboration in eBusiness are actually counter-intuitive and that collaboration does not naturally lead to synergy. Where synergies are achieved, the managers have mastered the corporate strategic process of coevolving. These managers routinely change the Web of collaborative links-everything from information exchanges to shared assets to multi-business strategies-among businesses.

Figure 1: Traditional Collaboration Versus Coevolution (Eisenhardt and Galunic, 2000)

	Traditional Collaboration	Coevolution
Form of collaboration	Frozen links among static businesses	Shifting webs among evolving businesses
Objectives	Efficiency and economies of scale	Growth, agility, and economies of scope
Internal dynamics	Collaborate	Collaborate and compete
Focus	Content of collaboration	Content and number of collaborative links
Corporate role	Drive Collaboration	Set Collaborative Content
Business role	Execute collaboration	Drive/execute collaboration
Incentive	Varied	Self-interest, based on individual business unit performance
Business metrics	Performance against budget, preceding year, or sister-business performance	Performance against competitors in growth, share and profits

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