Chapter 15

Implementing Virtual Organizing in Business Networks:
A Method of Inter-Business Networking

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Virtual organizations and knowledge management have been discussed on a very broad scale in literature. However, a holistic view and methods that support implementation of these concepts are rare. Based on the understanding derived from literature and the experience of many action research-based projects, a method is described that addresses these issues for business networks. This includes the dimensions of strategy, process and IS required for establishing and managing business networks. By providing a systematic and documented procedure model, techniques and results, this method aims to improve the efficiency of setting up business networks, thus improving a company’s networkability. In order to illustrate why this method is needed and how it can be applied, a project for implementing a business-networking solution for electronic procurement is described. It shows how a structured approach helps to identify the scenarios, aids implementation and applies previously as well as newly created knowledge. The outlook describes areas for future research and new developments.
INTRODUCTION TO BUSINESS NETWORKING

Essence of Business Networking

Business Networking (BN) has become one of the most powerful strategic business trends. A deconstruction of the economy is taking place, involving a move from vertically integrated hierarchies towards flexible network organizations, and the ability to quickly and efficiently setup, maintain, develop and dissolve partnerships with business partners—a competence we refer to as networkability (Österle et al., 2000) —is a critical success factor. Networkability includes the collaborative advantage termed by Moss-Kanter (1994) as “the propensity to be a good partner” and aims at pursuing common goals when applied to a specific relationship. Achieving networkability is at the heart of Business Networking, which describes the design and management of relationships between (internal or external) business units.

There are two main driving forces behind the need for Business Networking, which are highly interrelated. First, management is being confronted with trends such as globalization, shorter innovation cycles and deregulation leading to increasingly dynamic markets. This requires new strategies, such as core competence focus, outsourcing, and a stronger customer orientation. Business Networking is an inherent element of these strategies. Second, information technology (IT) allows for the efficient exchange of information among organizations and acts as a main enabler for networking among businesses. Wigand et al. describe the consequences as follows: “Classical corporate boundaries are beginning to blur, to change internally as well as externally, and in some cases, even dissolve” (Wigand, Picot, & Reichwald, 1997).

During the last decade companies have integrated their functional information systems (IS) in enterprise resource planning (ERP) systems which provide an integrated database for various functions, such as finance, marketing, and production. These ERP systems have emerged on a large scale and have become the backbone for Business Networking. ERP vendors such as SAP, Baan, Oracle or Peoplesoft are eagerly adding Business Networking functionality for electronic commerce (EC), supply chain management (SCM) and (customer) relationship management (RM). Enhancing and extending existing ERP systems as well as implementing Business Networking strategies is of foremost importance for companies and requires decisions concerning strategy, processes and systems.
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