7 Network Enterprise Management

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Abstract Network enterprise management can be viewed as an extension of traditional enterprise management theory and practices, therefore, most of the traditional management theories and practices can be applied on e-enterprise. Yet, network enterprise itself has its own characteristics, and these characteristics are embodied by supply chain management, logistics management and human resource management within the network enterprise. These characteristics appeal unique management theory and practice so as to manage network enterprises efficiently. We must extend traditional enterprise management theory or develop new management theory. This chapter investigates the characteristics that a network enterprise posses, hoping that they can attract the attentions of management researchers. It is very important for the researchers to explore new management theory and practice for network enterprise.

Key Words e-commerce, network enterprise, virtual enterprise, supply chain management, logistics management, human resource management.

Network enterprise management is the natural extension of enterprise management theory applied to network enterprise. Because network enterprises have their own characteristics, the management theory and methodology of traditional enterprises cannot be completely introduced into this new field. This chapter mainly narrates how to effectively manage network enterprises and expounds strategic management, supply chain management, logistical management and human resources management of network enterprises.
7.1 Overview of Network Enterprises

7.1.1 Background and Basic Characteristics of Network Enterprises

Various descriptions about virtual enterprise had appeared since the notion of “Virtual Organization” was promoted in *Virtual Corporation*, the first monograph published by Kenneth Preiss, Steven. Goldman and Roger.N.Nagel in 1992. John. Byrne pointed out in February, 1993 that the virtual enterprise is a temporary organization made up of human and capital by means of modern information technology, and disbanded when a mission is completed. Without clear organization architecture, it is a temporary organization constituted of individual corporations connected through information technology instead, sharing technology, cost and market of the partners. In March of 1994, Micha Malone from America pointed out that a virtual enterprise is a temporary alliance based on common trust by associating individual units in a “transformed enterprise”, as a common corporation does. It consists of manufacturers, suppliers, retailers and customers without formal organization chart, saying nothing of multilayer organization structure as traditional enterprises. According to Taiwan *Economic Times*, the basic spirit of virtual enterprises lies in breaking through enterprise limitation, extending enterprise intention, conforming to exterior resources and advocating managers to distribute his/her affairs to other members as much as possible. Enterprises should become miniaturized and decentralized. The internal investment should be as lowest as possible in order to respond quickly to market, thereby having an edge in global competition. Some scholars in China were of the opinion that virtual enterprise referred to a union of two or more enterprises or projects with core capability achieving common benefits by sharing core capability together relying on information network resources, in the form of full business responsibility to complete part mission of the strategic alliance individually. Share of the core capacity was achieved by strategic alliance and business outsourcing. This core capacity is a kind of competitive, distinct and inimitable capability owned by enterprises in the knowledge economy and is the organic amalgamation of enterprises technology or capitals such as production, technology, management, sale, service, trademark and patent.

After World War II, Japan surpassed USA in manufacturing in the form of “Lean Production” and was in the van of manufacture. In the late 1980s, USA endeavored to regain the advantage in manufacturing and keep its international competitiveness. Therefore, the US Congress and Department of Defenses entrusted Iacocca Institute in Lehigh University with the task to establish an infrastructure of long-term program for manufacture technology in 1991. In the report *21st Century Manufacturing Enterprises Strategy: An Industry-Oriented Viewpoint* submitted by scholars Goldman, Nagel and Preiss in the institute in 1994, they put forward the new Agile Manufacturing pattern on the basis of