4 Strategies for Business Networking

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4.1 Introduction ........................................................................................................ 90
  4.1.1 Strategic Relevance of Business Networking ............................................. 90
  4.1.2 Overview of Strategies .............................................................................. 91

4.2 Organization Strategies ......................................................................................... 92
  4.2.1 Outsourcing – Externalizing Non-core Competencies ................................. 93
  4.2.2 Insourcing – Strengthening Existing Competencies ................................... 94
  4.2.3 Virtual Organizing – New Segments with Cooperation Partners ............... 95
  4.2.4 Developing New Business Segments .......................................................... 96
  4.2.5 Summary of Organization Strategies ......................................................... 98

4.3 Networking Strategies ......................................................................................... 99
  4.3.1 Electronic Commerce – Transaction Perspective ....................................... 101
  4.3.2 Supply Chain Management – Flow Perspective ......................................... 104
  4.3.3 Customer Relationship Management – Relationship Perspective .......... 107
  4.3.4 Summary of Networking Strategies ............................................................ 108

4.4 Interaction of Business Networking Strategies ............................................... 109

4.5 Conclusions ......................................................................................................... 110
4.1 Introduction

4.1.1 Strategic Relevance of Business Networking

As the networking scenarios in Chapter 3 revealed, Business Networking provides a strategic concept enabling new and/or more efficient processes to be introduced by extending the application of IT to relationships a company has with its partners. A broad variety of strategies are under discussion, such as outsourcing, virtual organizing, electronic commerce or supply chain management. Apart from clarifying the value added of each conceptual approach, differentiation of strategies helps in deciding how strategic goals, such as strengthening an existing market position, can be achieved.

This is shown by the example of Diamond Multimedia Systems, Inc., which was acquired by S3 Inc. in September 1999. S3 is a USD 350 million manufacturer of multimedia devices for home and business computer systems located in Santa Clara (CA), USA. In 1998, Diamond introduced the ‘RIO’ music player, a portable device able to store and play back 60 minutes of music using the MP3-format which is typically downloaded from the Internet. At that time Diamond only possessed an Internet store which was managed by Diamond’s customer service [cf. Diamond 1999]. The company knew that same-day shipments and near flawless execution would be critical for successful selling on the Internet. Since Diamond recognized that it would be unable to provide the necessary response times it turned to Skyway, a well-established logistics provider who also serves Dell, Cisco Systems, Compaq, and Hewlett Packard. With their ‘Concerto suite’, Skyway offered electronic support for demand planning, warehousing, order management, and fulfillment [cf. Skyway 1999]. Concerto provided Diamond with a system to handle the high-volume, one-at-a-time orders which were expected for RIO without having to invest in modifying their existing internal system. The savings in manual labor estimated at between USD 250,000 to USD 500,000 are marginal compared to the advantages in terms of time and quality.

The Diamond example highlights the various strategic elements that have to be addressed within a Business Networking strategy: (1) What are the company’s core competencies today and what are future business segments, (2) What are the partnering characteristics (number of partners, closeness of cooperation), and (3) which are the processes to be addressed with a Business Networking strategy?

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1 Before introducing the RIO, Diamond distributed its products primarily through indirect channels via system integrators, value-added resellers, distributors and retailers.