

BUILDING E-BUSINESS NETWORKS OF THE ENTERPRISES: MYTH OR REALITY

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Abstract. *In view of the more and more demanding requirements of the present-day globalization toward business processes of the companies, the UZ-OCZ portfolio model is offered for a choice of a strategic course when developing an e-business network design. The survey of companies from several branches made by means of this model has revealed that building and functioning of these networks, even though urgently needed, is still in the beginning, and what is more, only in few companies.*

1. GLOBALIZATION AND REQUIREMENTS TOWARD CONTEMPORARY BUSINESS PROCESSES

The processes of business globalization are developing on the basis of the objectively opposite processes of regionalization. In recent years, this regionalization has formed significant market spaces in the world business: unions, TNC (transnational companies), multi-national companies (MNC) The processes taking place in them are not of the traditional type, with fixed-date agreements on the subject of negotiation, but make up regional meta-spaces of a multifunctional status. On one hand, these formations are active subjects of globalization, on the other, they are main pretenders and opponents to the international economic organizations. It is clear that in this dichotomy the contention and struggle for a world leadership are implied, sometimes supported by certain international organizations, such as: UN, IMF and the local activities of the TNC and state authorities. Parallel to this, powerful peripheral structures can be observed of multipolar conglomerates formed out of small and medium companies on the basis of specific sub-contracts. Economic associations are being formed on the basis of which political alliances are built. Today, with development of the world informational market, financial groupings have "cut out" the principal model in the business, whereby working in the "money-money-money" correlation instead of in the "money-product-money" correlation no real economy stands behind their shares. The 50 largest companies in the world, 33 of which are located in the USA, hold 71.8% of all shares quotations. At the same time, the number of those large monopolies which act on the world market is becoming smaller

entailing a reduction in the number of the countries participating in the world business processes. Thereby, 90% of the two hundred leading industrial and financial companies belong to five countries in the world: the USA, Japan, UK, Germany and France. Their effective world position is ensured by created transcoordinating centers like, for example, Transatlantic Business Dialogue and the International Chamber of Commerce. A distinct tendency is emerging for the national governments to lose more and more from their decreasing possibilities to control the world economy processes [1]. The separately localized business units lose their independence, specialization and profile. The high rate of integrating processes in the conditions of fast changes in products, technologies and information objectively requires management of localized economic organizations located in many countries around the world.

It is clear that the globalization in the world economy is already objective reality. Prominent theoreticians and practitioners take various attitudes about its role and the future consequences of it. On the 53rd Session of the General Assembly of UN, the Secretary General Kofi Annan pointed out that the globalization is not a present of the destiny but a destructive force influencing material welfare and lifestyle. Most of the opinions on this issue take into account that this self-developing process is forming neo-liberal market world order both economically and politically. Some authors argue that this process brings about chaos and world disorder [2].

The starting positions of globalization influence the increasing dynamic changes in the world business processes. These establishing changes are connected with a qualitatively new age in the development of the international enterprise and specific *t r a n s n a t i o n a l* economy which is achieved on the basis of the principally new methods of competition and intra-relations between TNC and TNB, forming mega-blocs and meta-corporations of a holding or non-holding-type.

From this point of view, we join Scott M. Blaklin's opinion: "Globalization does not mean centralization and has nothing in common with it" [3]. Globalization is based on the contemporary developing inter-/intra-market relations – 'internal sales/markets', i.e. **Intranet/Internet** relations. Through applying the transfer prices mechanism, the global management ensures and accelerates globalizations in business. In this concern, we definitely believe that this global type of management is constructed on the basis of the successful use of the following key elements in the contemporary business:

- Replacement of the managerial verticals with the *market horizontals* between the economic subject in business;
- Developing and maintaining of the global element of business – the *intellectual potential* of the economic subjects with reference to new products, new technologies, new information;
- Systematic *reengineering* for a complex transforming of the business, taking account of and solving the incessant and dynamic problems between the companies and market, and changes connected with these problems.

A survey of the industrial society as a whole, and in particular a survey of the groups of the developing countries in transition, has revealed a tendency for them to keep colliding with a number of systematic constraints. Moreover, these countries are connected, more and more often, with decisions for a suitable outcome from the following basic situations: (1) The critical threshold of economic absorption of the biosphere; (2) Dynamics within the

limits of solvent demand; (3) Decrease in population and social problems in the developing countries; (4) The outcome of the profit being less and less formed by the industrial production and its specific association with certain groups of countries or territories; (5) Geo-economic processes directed toward the world circulation and re-distribution of the global resources with emphasis on the human, financial, organizational and transformational ones; (6) Decline in the significant economic connotation of traditional business categories, such as: GDP, sovereignty, domestic market and taxes, and introducing new evaluation systems such as index of human resources development or integral evaluation of the intellectual capital; (7) With the growing diffuseness of the national economies' borders, which are oftener and oftener viewed as components of global structures or out-of-system collections of economic and sociocultural regions, the disproportion between which is growing faster than are the processes of their adaptation to the global situation.

One of the ways for a successful solution of these problems, at least partly, is the designing and applying of e-business nets.

2. PREREQUISITES AND PROBLEMS IN DEVELOPING E-BUSINESS NETWORKS

Business networks are not a declared need in the management of companies. The changes in business positions of countries, companies, institutions, employers, unions, managers and executives pose the challenge of setting free the organizational levels and structures from their national 'jails' and confirming unlimited space where they could effectively contribute the achievement of globalization processes according to their responsibility for the development of the present-day society. Various types of business networks could be built on the basis of the positions occupied by companies or strategic business units, consolidated into concerns of industrial, commercial or other character, through the relations and versatile interactions between them [4].

We consider the business network as a functionally and purposefully specialized system which binds into one unit the numerous associations, groups and various other groups in the society by means of shared engagements and responsibilities in joint business activities. As a main product of the information technologies today the networks reflect the new tendencies in the business development among which the most important seem to be the following:

- Radical decentralization in the management of the organizations;
- Intensive level of inter-dependability between the economic subjects in business;
- Transparency and preciseness in establishing and controlling of designs and standards for actions;
- Formal and informal constructing and performing of leadership, equality and subordination between the economic subjects-organizations;
- Necessity for precise business positions and purposeful sets of reciprocal relations between the participants;
- Portfolio of tangible (resources) and intangible (time, symbols, visions, business credo) interests and relations between the economic subjects.

The compliance with the above mentioned tendencies necessitates the international business networks to be developed by means of a project design, in which the following

features are to be included:

- Agreements and constraints in the participants' conduct which should be unique in their objectives, composition and expected business results;
- Participants and periods of interactions in the process of exchange between the subjects in the network, specified in type and number;
- Profile abilities of the participants, included in the network through the medium of strictly coordinated and balanced contacts and interrelations;
- The business network should be constructed in a working mode of three levels of macro-subjects, that is: countries, TNC and merging into megablocs business organizations;
- Integration between the macro-subjects which could be achieved through *verticals* – relations of subordination in technological and logistic processes of reproduction in the direction of the international business markets and groupings because of the great business hazards and the conditions for merging and taking-over.

In order the conditions for inclusion of these features to be provided for when constructing business networks with different business-value systems in different countries and organizations, it is required the correspondent *mobility system programs* to be built.

Mobility system programs comprise methods and instruments which form certain working parts, the main of which are the following:

- *Economic methods* – for sinking the impact of taxes, duties, charges, interest rates etc.;
- *Administrative methods* – in forming optimal quotas, permissive and preferential regimes, international documentation, standardization etc.;
- *Legal methods* – for achieving compatibility of the legal acts and statutory instruments and regulations concerning investments, commerce, currency and customs control, etc.;
- *Marketing instruments* – for the price level, establishing contingents of market shares, distributional discounts and price escalations, bank agreements, etc.;
- *Financial and credit instruments* and factoring;
- *Anti-hazard strategies* in compliance with the specificity of the market spaces.

3. REALIA IN BUILDING E-BUSINESS NETWORKS OF COMPANIES

In the globalized world, therefore in the circumstances of establishing internet/intranet relations in the business processes of the companies, the design of their business networks is crucial. It is by the design that the existing value chains are transformed, complex system elements are developed for knowledge propagation and transmission of information on prices, products, consumers, distributors, factoring agents. But the main criterion when developing a successful design for companies' e-business networks is the condition that their business processes comply with the following 4 dimensions:

- Internet incomes, which means that over 60% of all the incomes are formed through the Internet;
- Dynamic estimates in the 'profit-losses' co-relation;
- Internet technology and infrastructure of business processes and documentation;

- Continuity of the communicative intra/extra processes in the management of the companies in the '24/7'-d/h working mode.

Unfortunately, in most of the existing companies of many countries in South-Eastern Europe, including Bulgaria, only one or two of these dimensions are available and only in a few of them. We believe that these dimensions are the real coordinates of the necessary self-organization of companies, whose realization in the circumstances of e-business is the only answer to the dynamic requirements of the global transformational processes, and the right way to provide conditions for the necessary transformational management today.

In order to start e-business, each company should determine the right course for planning the design of the network to which it will get access on the basis of preliminary evaluated positions. For this purpose we suggest using the following portfolio model for e-business networks – the UZ-OCZ model (utility zone-organization communication zone).

In developing this model we have taken into account the restrictive requirements of the above mentioned four e-business dimensions through ranging them into a ten-point scale (see Table 2). On the basis of internal and external parameters of company business, the choice of a relevant course is made for developing the business network concerning specific business market/products activity, going through the following phases: the first phase of this model comprises a classification of the relations between the parameters showing company economic benefits with regard to markets on one hand, and, on the other hand – between the parameters reflecting the organizational communications with regard to the correspondent markets (Tabl. 1, 3).¹ The second phase includes activities for determining four profiles contents, determining direction of developing the design of e-business network with regard to products, markets, partners.

Table 1. UZ-OCZ Portfolio Model

Phase 1	Phase 2	Phase 3
Determining evaluation parameters in the model.	Positioning of the portfolio contents within the chosen	Design planning and introducing four profiles of a
Classifying the dimensions of:	dimensions for four type of	course of business network in
- vitality – economic result/market;	communications by products,	direction of succession of
- adaptability – communications/market	markets and business partners	taking a decision about actions

It is in the third and final phase of the UZ-OCZ model, that analysis and final evaluation of the activities design profile are performed in the e-business network of the companies. This analysis is accomplished in direction of taking decisions for balancing the interrelations between companies concerning to "usefulness/communicativeness" requirements depending on their positioning in the matrix of the portfolio model (Tabl. 4).

¹ These parameters have been specified through a survey of 137 companies in the light and food-processing industries and in the construction industry. The survey took place in the period of 1999-2000 and embraced small and medium companies with managers of medium and high levels of management.

Table 2. Quantitative evaluation of the 'economic result/EU market' vitality scale

Parameter	0 points	10 points
Market potential (value, \$)	<1 mil.	> 10 mil.
Investments	> 5 mil.	< 1 mil.
Period of + money flow	> 5 yrs.	< 1 yr
Necessary personnel	> 25 pers.	< 10 pers.

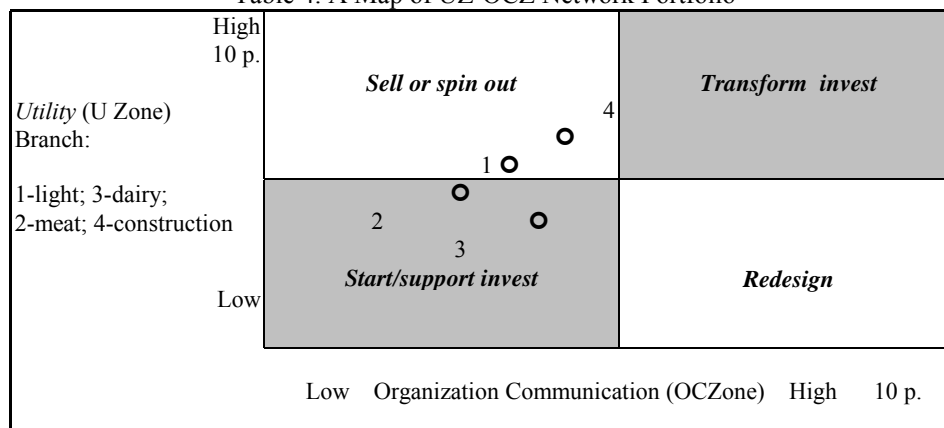
Ensuring the balance between the high appraisal of usefulness and the organizational communicativeness in the business of every company is the formula of a successful design in its e-business network.

Table 3. Qualitative evaluation of the "communications/market" adaptability

Parameter	Low	Medium	High
Capacity	×		
Organizational structure		×	
Technical and Technological level	×		
Company culture and values		×	

The company can use this matrix to determine its precise strategic course for its internet business processes. The potential values and internet activities of the company are indicated on the vertical axis of the matrix, whereas the investment potentials necessary for ensuring the business processes development are indicated on the horizontal axis. Without using it as a restriction when taking decisions for actions, the UZ-OCZ model enables the method to be revealed of strategic structuring of the main groups of investment processes when building companies e-business networks.

Table 4. A Map of UZ-OCZ Network Portfolio



To illustrate the model functioning we have evaluated the positions of the surveyed companies from three industries: light, food-processing and construction industries, when designing an internet B2C business for whole and retail e-sales. It can be seen from the matrix that construction companies (4) and those in the light industry (1) are in a better position while those in the food-processing industry – dairy (3) and meat-processing (2) – are at the very beginning in developing e-business network design. Thereby two basic trends are outlined for taking decisions when developing the design. One trend is related to the

investment development of the companies for a more successful business – so far, there exists an investment practice related to companies vitality (**start-support invest**), and the other basic trend is related to introduction of specialized transformational development and hazard of the companies through the so-called internet investments for ensuring their adaptability to the markets which these companies supply (**transf-invest**). The balance in taking decisions between these two basic trends in companies e-network development is contemporary "Achilles' heel" of the business processes. The transformational options in companies business including different B2B and B2C marketing transformational ideas and activities demand building new business model of companies especially in the elements related to the transformational management – the parameters of the market potentials, the requirements for adaptability through organizational communications and validation of the requirements to the contemporary personnel. Perhaps this is a feasible way to turn the companies e-business networks from myth into reality.

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IZGRADNJA E-BIZNIS MREŽE PREDUZEĆA - MIT ILI STVARNOST

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U pogledu sve većih zahteva današnje globalizacije ka poslovnim procesima kompanija, ponuđen je UZ - OCZ portfolio model za izbor strateškog kursa kada se razvija e-biznis mreža. Pregled kompanija iz nekoliko grana napravljen u smislu ovog modela pokazao je da stvaranje i funkcionisanje ovih mreža, mada hitno potrebno, još uvek je na početku, i šta više, samo u nekoliko kompanija.