

# Markets and networks

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- **Markets**
  - Within the organization
  - Marketplaces between organizations
  - Based on economic rationality
- **Networks**
  - Flat structure
  - Fishnet metaphor
  - Dynamic behaviour

# Markets

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- **Main characteristics of perfect markets (Hirschleifer):**
  - **Perfect communication and access to information**
  - **Instantaneous equilibrium, “market clearing” price is executed**
  - **Zero transaction costs, no “friction” costs of any kind occur**

# Electronic markets

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- **Impact of IT on markets (Malone, Benjamin & Yates):**
  - **Electronic communication; more information is processed at a lower price**
  - **Electronic brokerage; more buyers and sellers can meet**
  - **Electronic integration; Value-adding stages are coupled more tightly across organizations**

# IT impact on market structure

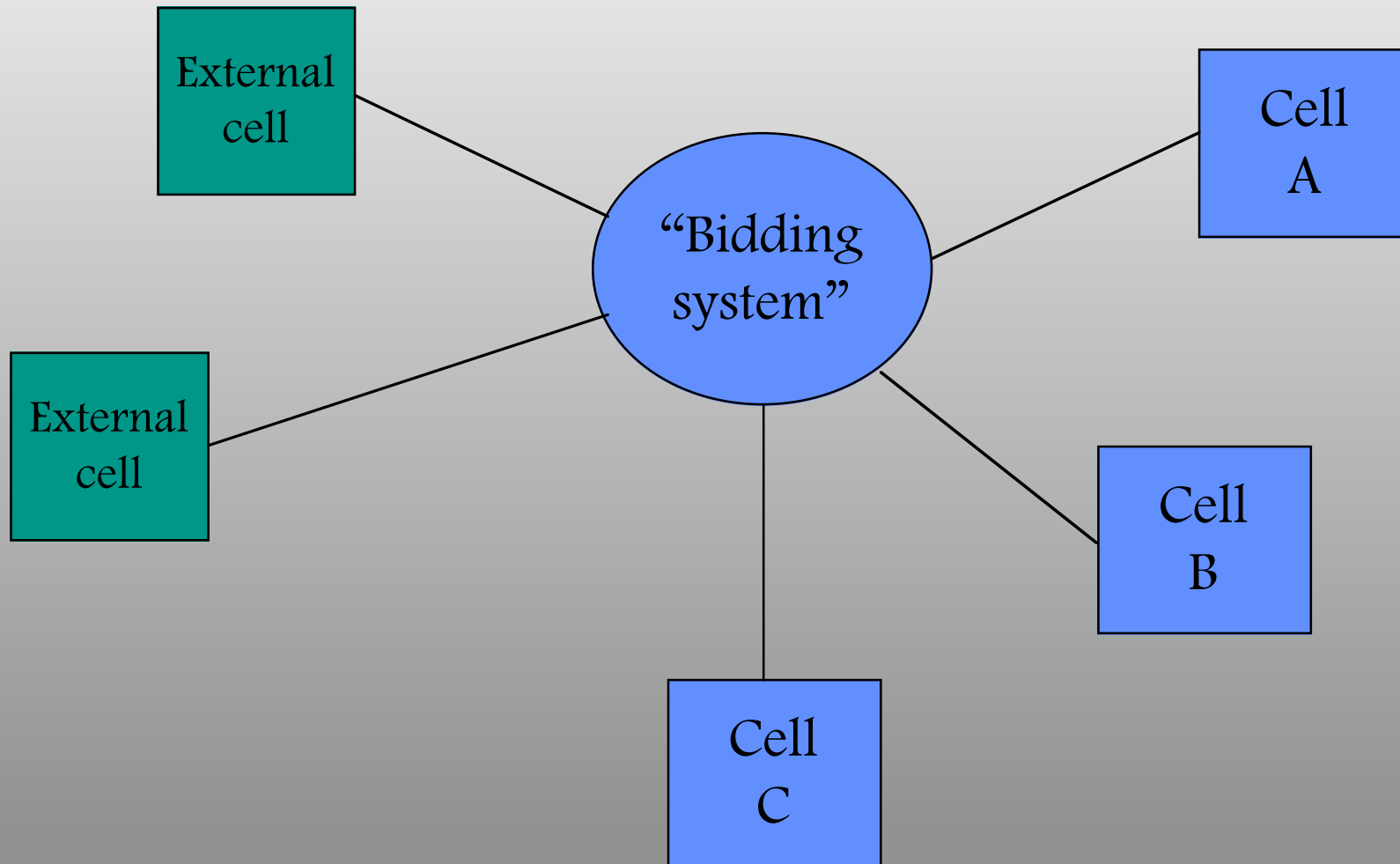
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- **Vertical integration without ownership**
- **Reconstruction of distribution channels**
- **Extended market reach**
- **Improved logistics**
- **Easier handling of product related information**
- **Better prices due to more competitors**

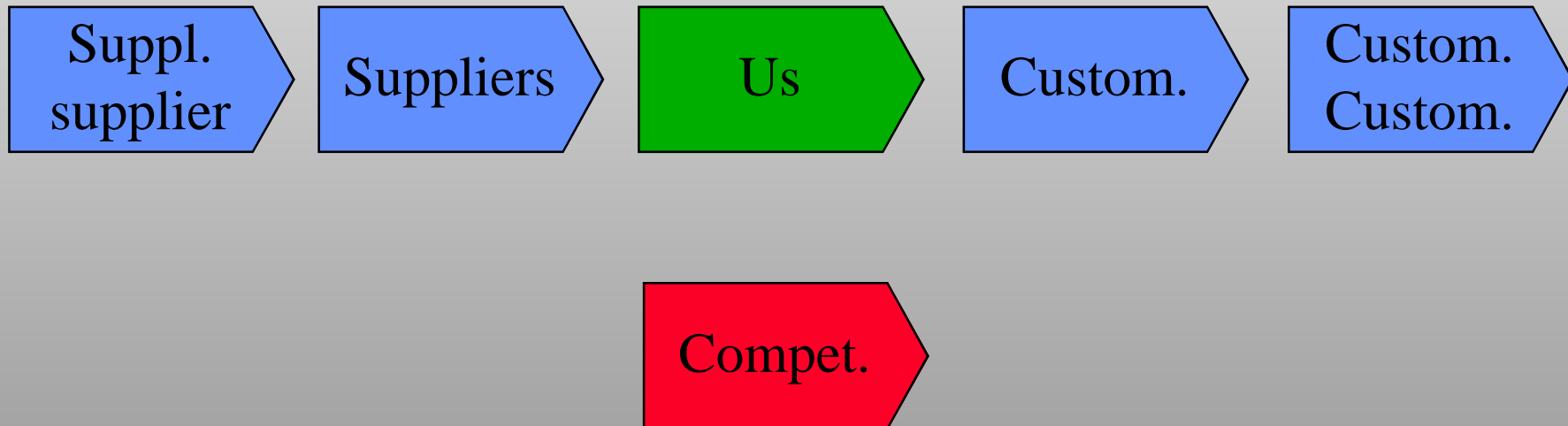
# Brokerage example: AMIS

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# Industry value systems

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# 3 strategies to increase margin

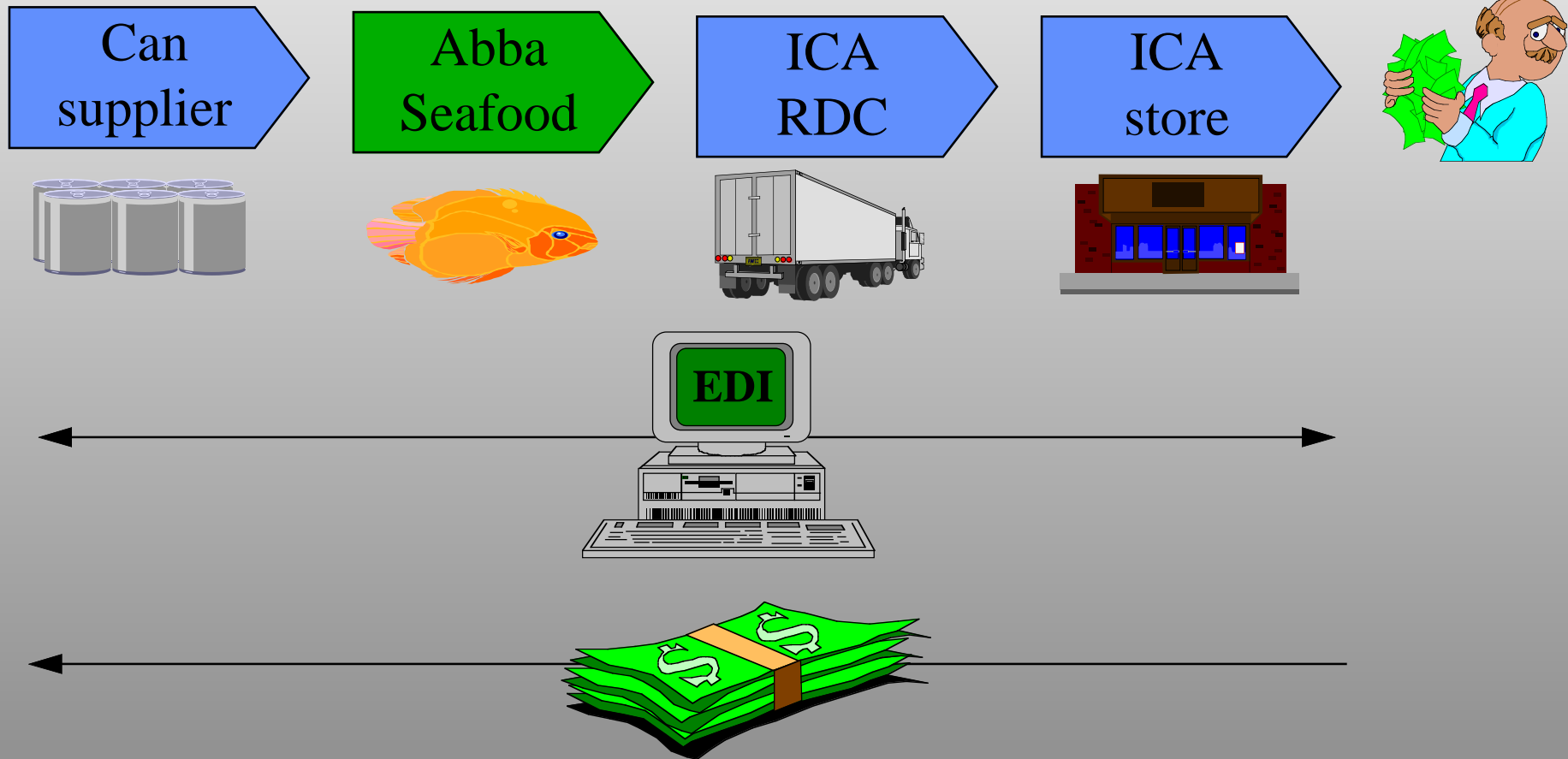
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$$\text{Margin} = \text{Value added} - \text{Costs}$$

- Increase the own share of the total value added while reducing the other's
- Reduce costs
- Increase the value added in cooperation with others and split the benefits

# Value chain example: Abba

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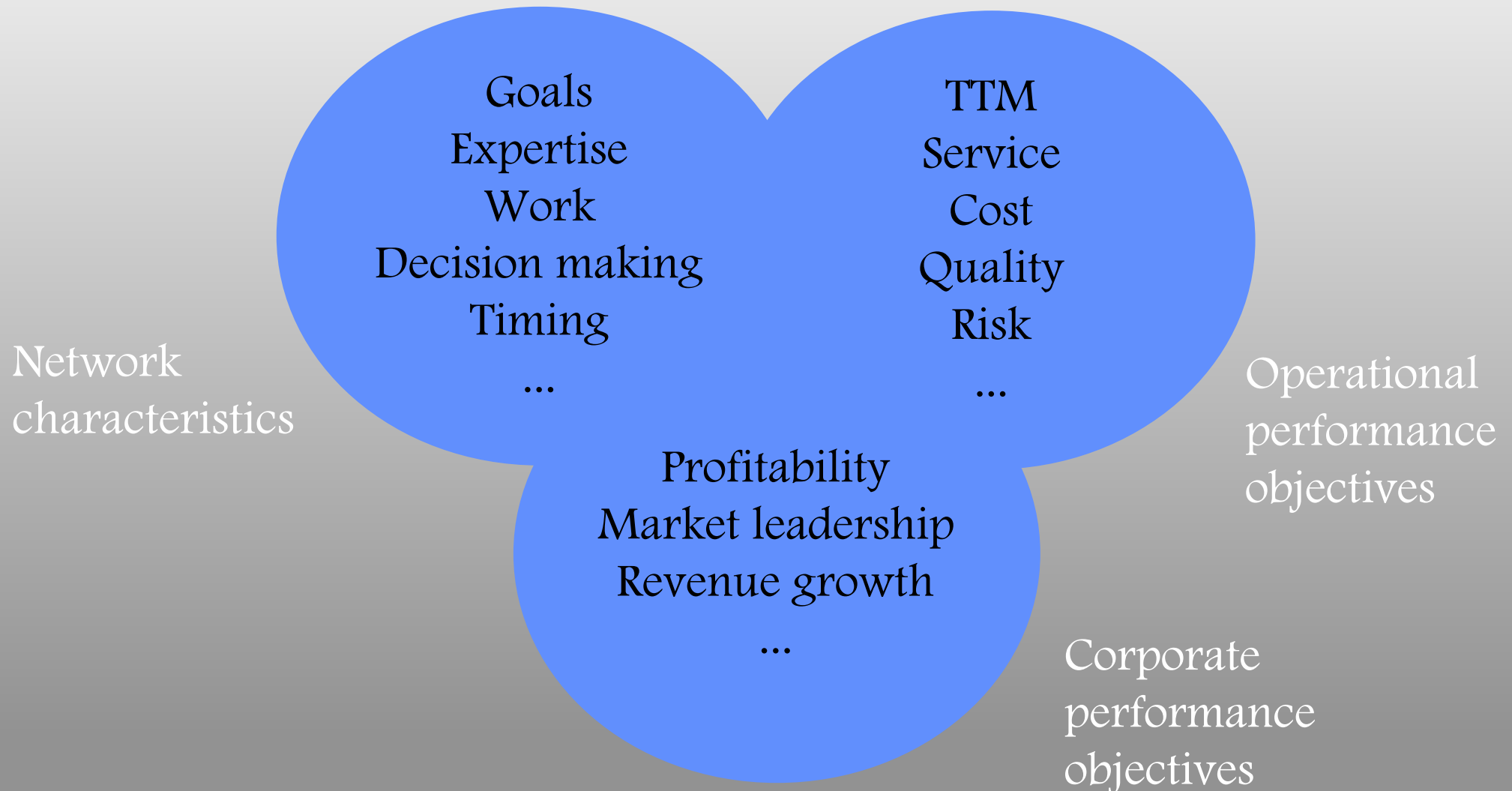
# Networks

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- **Flat, non-hierarchical structure**
- **Each part is depending on resources controlled by another part**
- **Exchange of assets, sharing of burdens and benefits**
- **Mutual orientation & exchange processes**
  - Trust, social processes
- **Adaption processes**
  - Technological, administrative

# Networks & performance

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# IT as network enabler

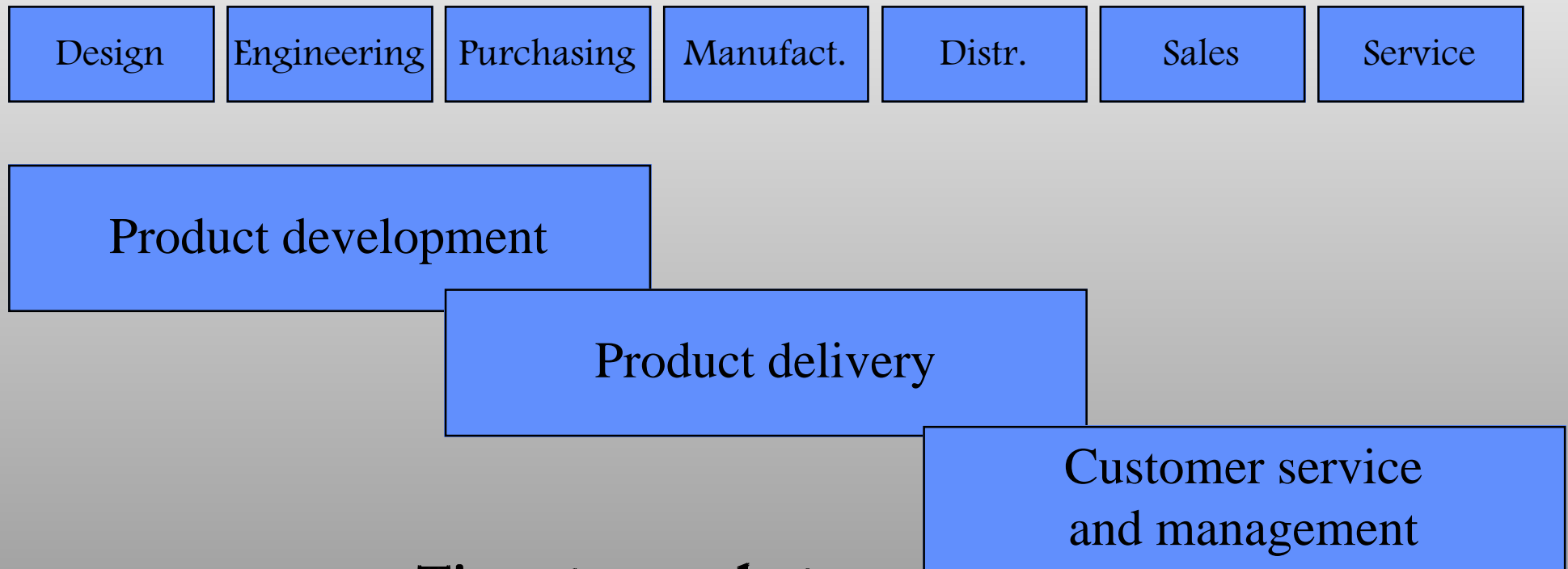
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- **Integration across the VAC**
- **Integration within functions**
- **Team support**
- **IT organization as integrated part**
- **Supporting virtual corporations**

# Collapsing the chain

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**Time to market**  
**Concurrent engineering**  
**Quality**  
**Cost reduction**

# **IT & virtual corporations**

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- **Opportunity based corporation, around a business idea**
- **Bridge time and space**
- **Shared resources**
- **Electronic communication**
- **Support multiple forms of cooperation**