The Extended Enterprise as a Different Business Model

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The key success factors (adapted from Giesen and al. 2010)

- **Aligned**
  - Financial objectives supporting long term supplier relations
  - Culture of cooperation

- **Analytical**
  - New measurement tools
  - Knowledge as a currency (Allen 2000)

- **Adaptable**
  - Supplier management adapted on ability to defend supplier contribution within a dyad

The path to successful change: Exploring BM studies

- **Reassess the business boundaries**
  - Chung et al., 2004

- **Walk away from the dominant logic**
  - Sarah Philipson, 2016

- **Break the cognitive barriers**
  - Chesbrough, 2010

- **Fight resistance to change**
  - Andrew Hargadon, 2015

- **Encourage risk taking**
  - Johnson et al., 2008

Business models offer a new opportunity to understand the challenges of transition from the traditional “firm centric” supply chain structure to the competitive extended enterprise. Building and managing an extended enterprise is a different model than a traditional supply chain. The inherent logic, the strategic choices, and the way value is created and protected differ in fundamental ways.

Many corporations have generated significant efficiency by negotiating with suppliers based on the 1980’s models like Porter’s 5 forces, or Williamson TCE. Their business model is built on the assumption that you cannot buy a competitive advantage. Reducing costs is an objective deeply embedded in their culture. When they realize the benefits of a more collaborative approach, they try to adapt to replicate the benefits of the likes of Toyota or Frito-Lay, but do not create an internal consistency between all the functions as they review alternative choices.

Business model innovation is important, and yet very difficult to achieve. The research builds upon the studies that have explored how successful business model changes have occurred and where other attempts have failed and leverage those findings to apply them to supplier management change initiatives. Still in “α” state.

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