



Chapter XIV

Impact of E-Innovation on Corporate Procurement Control: Electronic Marketplaces and Broad Spectrum Changes

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Abstract

This research addresses the very important question of the impact of e-innovation, namely, Web-based global electronic procurement systems and marketplace on corporate governance in relation to organizational purchasing — the organizational structures and processes for procurement control. This is undertaken through an action research case study of the failures and successes of competitor global organizations cooperatively establishing and utilizing a global electronic marketplace. Specifically, the research investigates how electronic procurement contributes to the adaptation and evolution of control structures — from highly structured, bureaucratic and rigid to flexible, adaptable, free flowing, and profitable, and these can result in substantial reductions in transaction costs.

Introduction

This chapter explores and analyses the complex **electronic procurement marketplace** architectures and their inherent uncertainties, as well as broad spectrum changes. An **electronic procurement governance model** is placed in an electronic marketplace context. The electronic marketplace case studied comprised more than 25 major global mining, minerals, and metals organizations who were not only competitors in the marketplace but also were the collusive and cooperative founding shareholders of a vertical, direct, global electronic market. These marketplace competitors collectively invested more than US\$100 million in the electronic market venture.

The objectives of the study were to research how organizations in hyper-turbulent conditions (McCann & Selsky, 1984) comprehend electronic procurement broad spectrum changes cross-sectionally and longitudinally in terms of adaptation at the organization level, and governance models at the industry level (Meyer, Goes, & Brooks, 1993; Huber & Glick, 1993). The multi-level nature of electronic procurement change processes occurs at the industry level where boundaries shift and are breached as rivalry intensifies; at the inter-organization level where competitors are drawn into networks of symbiotic relationships that overlay competitive relationships with collaborative and collusive ones; and at the organization level where top management teams formulate corporate governance strategies intended to align the organization with industry conditions (Huber & Glick, 1993).

This study addresses the following research questions which include:

- Must organizations adopt radically new procurement governance strategies in order to survive in hyper-turbulent environmental conditions? (Meyer et al., 1993)
- Are electronic procurement transaction costs important? (Williamson, 2002a)

Conceptual Framework

Organizational Hyperturbulence

In the 1990s and early 2000s, rapid technological changes created organizational environmental turbulence which peaked around the time of the dot-com crash (Figure 1).

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