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Link between E-Commerce and E-Business in the Context of E-Strategy

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Abstract: Strategic management is an important factor influencing the success of firms regardless of size. Couple this and technology and you have the need a paradigm shift in the way businesses are run. There is a plethora of information and articles written small business success and big business failures. This paper therefore puts forward the concept of e-strategy which it believes will ensure that the adoption of e-commerce and e-business is better understood and applied. These two forms of digital business are components of e-strategy which is presently not being discussed. The choice between the two forms (e-commerce and e-business) is very dependent on the nature and strategy of the firm irrespective of size. E-strategy means electronic strategy and its adoption, which is the choice between the aforementioned forms to realise firm objectives. As this is strategy the form of business to be adopted will be based on the market to be targeted but is restricted by the capital available to the firm or enterprise. This will ensure a better strategic fit between resources available to the firm and the manner it wishes to conduct its business venture. It would summate to say that the form of business by itself will be a competitive advantage as most market segment does overlap between the bigger firms and smaller enterprises. The core components of e-strategy include customer perspective, internal processes and competitive strategy.

Keywords: Internal Process, E-Strategy, Competitive Advantage

INTRODUCTION

E-businesses in general tend to focus on standalone business enhancement strategies and initiatives (Turban & King, 2012; Cunningham, 2002). This new form of business has been however it has also disrupted many an industry (Hamel, 2002). He was referring to the smaller Charles Schwab and Fidelity (which are smaller American banks) who altered means through which customers dealt with their savings (Hamel, 2002). This had resulted in the larger and more established US banks relinquishing near most one half of market share (Hamel, 2002). The significance of this is that the strategy adopted took into account the novel way that the smaller banks allowed their customers to interact with their accounts.

This alludes to the strategy that was adopted in the first place and effectively executed in the next. However, these banks were engaged in business per se. Where does e-commerce come into play is the question. When an enterprise intends to engage in the market place then the choice of form of business would be e-commerce as this would mean a much smaller capital outlay together with the inclusion of an e-payment mechanism. This strategy links firm capability and the objective it intends to achieve would be more effective. The incongruence between what is normal and actual practice steers digital commerce (Cunningham, 2002; Robert and Racine, 2001). When firms intend to transform their traditional business models to an e-business model, which are critically web reliant before understanding how ICT systems are built and used (Robert and Racine, 2001). When it is suitable and takes into account the capability of the firm then the choice between e-commerce and e-business becomes much clearer.

FINDINGS

The distinction between the associated costs and the form of digital commerce to be employed is a crucial one. Painfully, a huge number of products and services based on technology were unable to achieve their slated intentions, in most cases they were just discarded (Burton-Jones and Hubona, 2006). Adopting technology for the sake of it has seen an increase in the volume of organizations investing in it just to remain relevant without trying to match it to their capability and needs. Herein lies the problem, not well thought out investments in IT tend to fail more often than not (Laudon, K.J. and Laudon, J.P., 2014; Tiernan and Peppard, 2004; Robert and Racine, 2001). The issue of adoption failure tends to happen most commonly during execution (Tan & Sutherland, 2004; Umble, J., Haft & Umble, M., 2003) ranging from underuse to straight forward rebuttal (Venkatesh and Davis, 2000).

E-business or e-commerce can be said to be the realisation or execution of the e-strategy chosen by an organization as a means of achieving its stated objective. An e-business strategy cannot be implemented without studying the environmental factors affecting the business environment. Subsequently, the decision to electronically expand (e-strategy) may be achieved either by employing e-commerce or e-business. Any firm intending to widen their customer base digitally (using Internet infrastructure) need to appreciate the nuances of e-strategy and its implications (Cunningham, 2002). Electronic strategy is a means of building and transforming the way a particular firm functions by using tools and procedures associated with either e-commerce or e-business as its enabler (Cunningham, 2002).

E-commerce is conducted over the Internet especially utilising the web (Chaudhury and Kuilboer, 2002). However, this definition of e-commerce has since changed. A more extensive definition by Turban and King (2012), which is more in line with the OECD (2013) definition where e-commerce was defined as the mechanism of purchasing, retailing, or swapping products, services, or exchanging any information via a network whilst e-business can be said to be more holistic version which includes not only the purchasing and retailing of goods and services but is inclusive of the servicing of customers, collaborating with the firm's partners, and carrying out network based transactions within the firm.

E-commerce impacts the functional areas of many businesses as well as redefined the businesses core operations. E-commerce as a medium of conducting business is much discussed and researched presently. It has therefore drawn significant discourse. This situation requires a fresh look at strategies for firms intending to leverage the Internet (Afshar, Khaksar, Paghaleh & Kachardas, 2011: Varshney & Vetter, 2002). Presently, competitive intelligence is collected and used differently whereby small businesses can obtain advantages from such a mechanism has been forever altered by e-commerce (Cronin, Overfelt, Fouchereaux, Manzvanzvike, Cha and Sona, 1994).

E-business on the other hand, combines every process that a firm uses (based on computer networks) in conducting its daily business operations (Kroenke, 2014; Baltzan & Phillips, 2014; Stair & Reynolds, 2013). To add to this a further holistic definition includes the final outcome of an organization's transformational actions; the delivery by electronic means which will add value to consumers effectively enhancing the consumer experience in this new form of economy which is primarily digital in nature (Turban and King, 2002). E-commerce interconnects an organization with external parties such as suppliers and retailers; its customers, whereas e-business is more expansive whereby it enables the firm to operate by coupling it with an organization's internal processes (Haag and Cummings, 2013).

Information and communication technology (ICT) can be utilised to improve a firm's activities to meet or realise the objectives of the firm which is to provide added value to customers (Haag and Cummings, 2013). Previously, a comprehensive definition was given by Holsapple and Singh (2000), based on their collation from a multitude of sources including both hard copy and soft copy, academic and managerial sources, proposed five e-business perspectives such as trading, information exchanges, business activities and the firms value chain. This must obviously include payment mechanisms and electronic linkages between their suppliers as well as their retailers (Kroenke, 2014; Stair & Reynolds, 2013).

Gaining a competitive advantage is extremely important for businesses to become more sustainable. Haag and Cummings (2013) emphasised that in order to gain competitive advantage need to be able to clearly define the nomenclature of their products or services and instinctively recognise their customers including the ability to understand their needs. The adoption of e-strategy covers all business aspects, the different models of business as well as all forms of industries whether it is a small business or a large multi-national. A representation of these links is given in Figure 1 below.

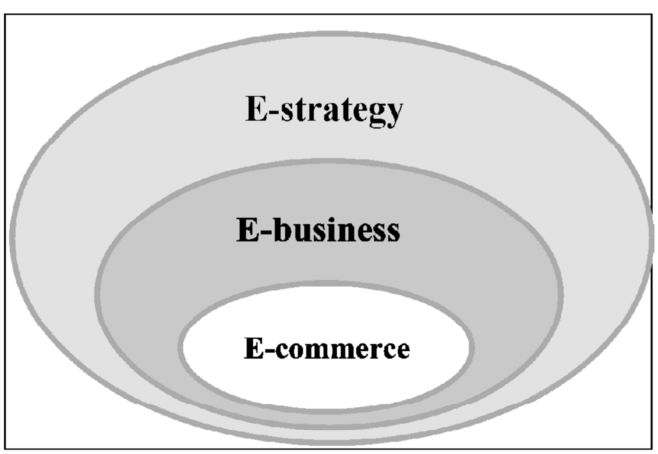

Figure 1: Interaction between E-strategy, E-business and E-commerce

Mintzberg, Lampel, Quinn & Ghoshal (2003), state that strategy per se is not only a plan but is a deliberate predetermined line of action upon which a firm will be able to take advantage of a situation or opportunity. They proposed two key components which are that it is made prior to the implementation and it is intentionally acted upon.

A graphical representation of the discussions above is provided in Figure 2 below. It presents an example of how a business organization may react to a given opportunity in the market. The strategic management process in practice is taken from Wheelen and Hunger (2010), Harrison and John (2008); Parnell (2008) and Abdullah (2006). A similar process in strategic management is also outlined by a host of prominent authors such as Hill and Jones (2012), David (2009), Pearce and Robinson (2009).

The actions and the inherent processes that a firm needs to is formulated by this author. Appropriate examples and the necessary actions that should be undertaken by the firm in order to achieve an increase in its sales or the growth strategy that needs to be adopted is presented by this author. The example

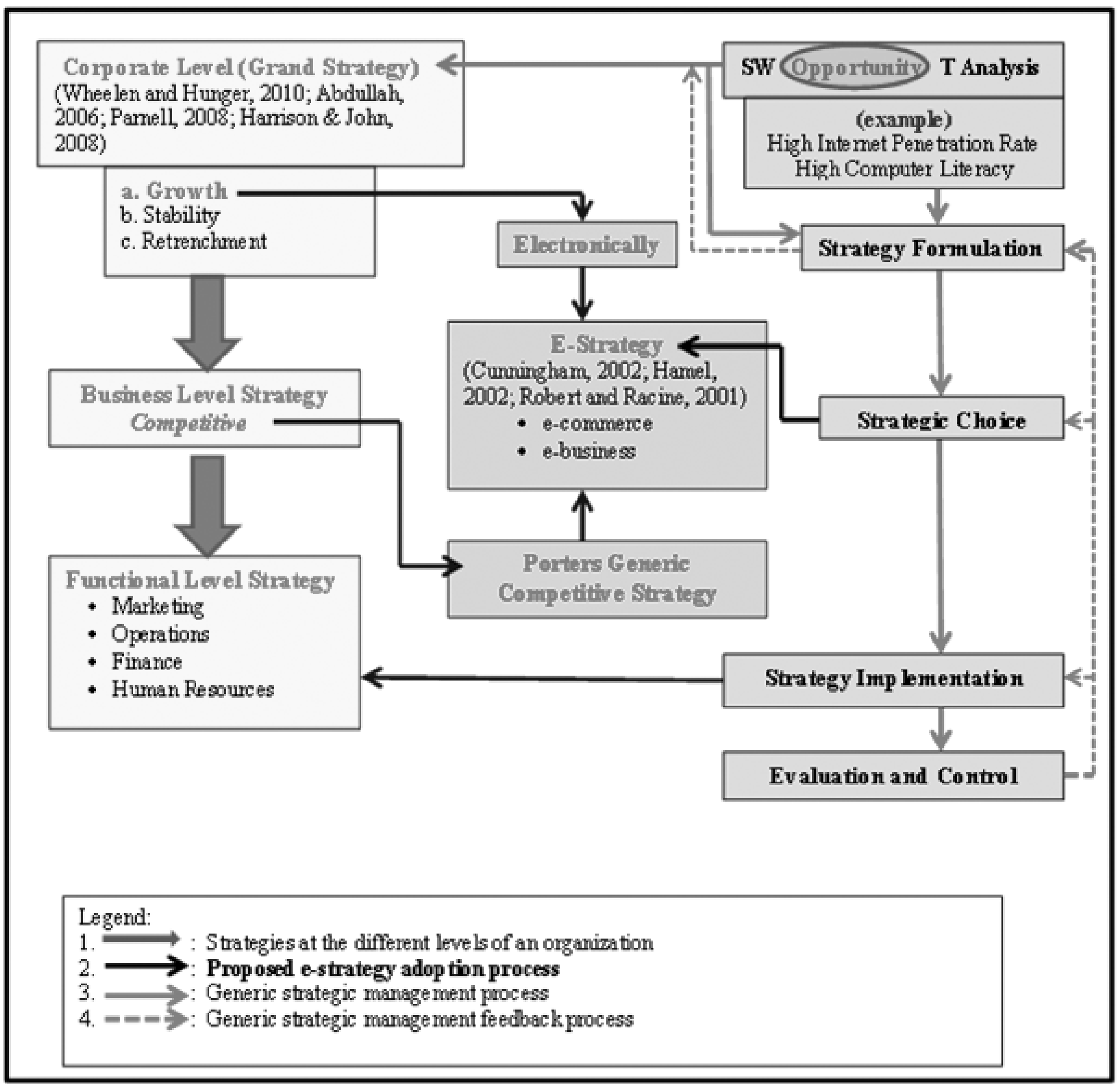

Figure 2: Proposed Guidelines for the Implementation of an E-strategy Initiative

highlights an avenue for growth on the part of the firm which is to be achieved electronically (thereby E-strategy). This should mean that the firm's business model can then evolve into an e-business model (either e-commerce or e-business). This form of action is however is dependent on the decision by its managers who must be mindful and appreciative of their firm's resource limitations.

High Internet penetration rates as well as high levels of computer literacy among consumers in the external environment are opportunities for the firm. An appropriate corporate level strategy (grand strategy) can therefore be formulated. In this case it should be a growth strategy that can be adopted by the firm. However, this form of growth for the firm can only be achieved digitally (e-strategy).

The alternatives when choosing the form of e-strategy would be centred on a choice between either e-commerce for smaller firms or the expansive e-business version dependent on the goals and the resources available to the firm. For example if e-commerce is chosen then customer experience is critical. There needs to be particular emphasis when attempting this on the resources available to the firm and how these need to be used to achieve their stated objectives. The differing applications or forms of e-commerce models like B2B, B2C or C2C can become choices for the manager. In this case it would be B2C (targeting the consumer). However, if e-business is chosen then the same modes can be utilized but the internal processes of the firm need to be enhanced.

Following this, a competitive strategy has to be adopted to realize its objective (Porter, 1998). This would mean that the firm has to decide whether to compete on cost or. Focussed strategy on cost or differentiation is another option. The choice or mode of e-strategy to be employed such as models based on either e-business or e-commerce may be employed. This however would depend on the ability of the firm to acquire and build the necessary infrastructure.

Finally, product or services need to be delivered by executing an effective operational strategy. Hereby, the firm needs to deal with customer-focused processes. This often includes the various aspects of marketing as well as all forms of promotional activities and the delivery of the product or the services being offered by the firm to the consumer over the Internet. The firm also needs to be able to provide payment and purchase order processing. The availability of online support for their customers may also influence purchase. It must be noted that the more expansive e-business model discussed above would require a higher capital allocation so that internal management actions and processes, the training of employees, information-sharing capability within the firm etc. could be acquired (Kroenke, 2014; Stair & Reynolds, 2013).

This paper further proposes that e-strategy as discussed above can be used as a variable in research to measure the performance of firms engaged in digital businesses. The three dimensions that constitute the variable include customer perspective, internal processes and competitive strategy. The role of e-strategy and its influence on the capability-performance of the firm cannot be disregarded (Slater, Olson and Hult, 2006). This was further confirmed by Leidner, Lo and Preston (2011) when they concluded that IS's strategy does impact firm performance in a profound way. Strategy tends to have a positive effect on the capability of the firm to achieve competitive advantage (Lim, Stratopoulos and Wirjanto, 2012). Their discussions centred on three main dimensions that comprise the effect of strategy i.e. customer perspective (Wu & Olk, 2014; Kaplan & Norton, 1996), internal processes (Lim *et al.*, 2012; Kalkan, Erdlib & Cetinkayac, 2011; Kaplan & Norton, 1996) and competitive strategy (Kalkan *et al.*, 2011).

CONCLUSION

The concept of E-strategy must be understood because it is critical to the ability of the firm to respond to a business opportunity in the correct manner. Doing this will enable the firm to focus its resources to achieve its objectives. It will also enable firms to better identify, plan and employ its available resources to achieve strategic fit. The proneness of firms to adopt electronic capabilities for the sake of just mirroring its competitors will lead to unfruitful and expensive IT investments. IT investments by their nature are capital intensive. Moreover, capital is a resource which is commonly very limited in organizations.

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