

Chapter 1.12

Web Initiatives and E-Commerce Strategy

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INTRODUCTION

Business use of modern computers started in the 1950s. Since then, IT has progressed through a series of hardware, software and applications improvements, delivering more value to individuals, firms, and organizations for lower cost. Productivity improvement (efficiency), at both the individual and organizational levels, has been a major focus. As well, firms have learned how to gain competitive advantage from IT.

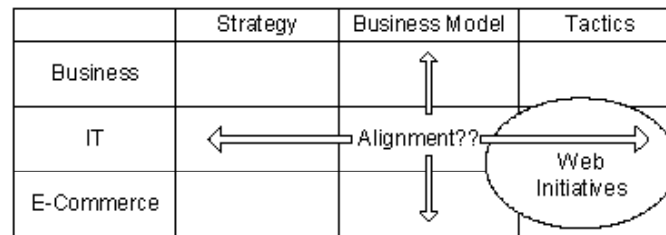
While historical roots of the Web go back several decades, it was only in the last two that business really started to embrace the Internet, and in the last one that commercial opportunities on the Web grew rapidly. Business use has gone from simple operational efficiencies (e-mail on the Internet, replacement of private EDI networks, etc.) to effectiveness, enhanced services, and virtual products. Information and information products available in digital form, and the ability to quickly transfer these from one party to another, have led to a paradigm shift in the way many organizations operate. While the transition

has followed the automate, infomate, transformate progression of historical IT, the pace has been unprecedented. There have been successes and failures, with fortunes made and lost.

Paralleling the improvement in IT and the Internet has been a series of economic shifts including globalization, flattening of hierarchical organizations, increasing emphasis on knowledge work (contrasted with manual labour), plus growth in the service sector and information economy. IT has both hastened these economic shifts, and provided a welcome means of addressing the accompanying pressures. E-commerce, which now inevitably includes Web initiatives, has most recently been at the forefront among these economic shifts.

To consider Web initiatives and e-commerce (EC) strategy, one needs to first understand strategy, and then extend this to the organization's business model and tactics. A firm's general business strategy includes, but is not limited to, its IT strategy (Figure 1). Similarly, EC strategy is a subset of IT strategy. Strategy should drive actions (tactics) through an appropriate business model.

Figure 1. Strategic alignment



When strategy (business, IT, and EC) and tactics are closely aligned, and tactics are successfully executed, desirable results are obtained.

In addition to commercial use of the Web, there are many non-commercial uses and non-commercial users (governments, educational institutions, medical organizations, etc.). The term e-business is often used to include both commercial and non-commercial activity on the Internet. In this article, the focus is on commercial activities.

BACKGROUND: BUSINESS STRATEGY, IT STRATEGY, AND WEB INITIATIVES

Business strategy and IT strategy have been extensively studied. The strategic alignment model of Henderson and Venkatraman (1993) identifies four domains of strategic choice: business strategy, IT strategy, organizational infrastructure and processes, and IT infrastructure and processes. This model recognizes that a firm's IT operates within, and supports, a larger environment. As well, a firm's IT strategy can lead, lag, be independent of, or be aligned with a firm's business strategy. When alignment exists, there are significant payoffs (Tallon & Kraemer, 2003).

On the business strategy side, Porter provides several frameworks to guide firms in selecting their strategy and business model. His five-forces model, value chain network, and generic strategies (Porter, 1996) are useful frameworks when

considering both business and IT strategies. In response to the question of whether or not the Internet renders established rules of strategy obsolete (as some have proposed), Porter answers that it makes strategy more vital than ever (Porter, 2001). He shows how the Internet has both positive and negative effects on industry structure, and identifies six principles of strategic positioning: (1) start with the right goal – superior long-term return on investment; (2) a firm's strategy enables it to deliver a value proposition, or set of benefits, that differentiates itself from competitors; (3) a firm's strategy is reflected in a distinctive value chain; (4) effective strategies require trade-offs; (5) strategy defines how all the elements of what a company does fit together; and (6) strategy involves continuity of direction. Porter concludes, "In our quest to see how the Internet is different, we have failed to see how the Internet is the same."

An extension to Porter's value chain is the virtual value chain (Rayport & Sviokla, 1995). Just as the physical value chain identifies the value-adding stages through which physical goods flow, the virtual value chain identifies the value-adding steps for information (gathering, organizing, selecting, synthesizing, and distributing). For virtual products and services, EC strategy and Web initiatives are especially important.

Hence, firms need to consider their IT and EC strategies as part of their business strategy. None of these should be developed or implemented independently. Decisions within any firm are made

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