

## Chapter 7.2

# E-Business and the Resource-Based View: Towards a Research Agenda

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### ABSTRACT

The article provides a review of the adoption of a resource-based view of the firm (RBV) in eBusiness literature and, then, suggests directions for future research. First, a distinction is drawn between Internet resources and eBusiness capabilities. Second, the relationship between Internet resources and eBusiness value is emphasized. Third, the relationships among Internet resources, eBusiness capabilities and firm performance are argued and, finally, the complementarity of Internet resources and eBusiness capabilities is proposed as source of business value. In this regard, a set of propositions is advanced to help guide future research.

DOI: 10.4018/978-1-61520-611-7.ch033

### INTRODUCTION

The resource-based view of the firm (RBV) has been reflected in the information systems (IS) literature since the mid-1990s and is increasingly being used by business researchers to identify the characteristics of, so called, eBusiness. In particular the RBV provides guidance on identifying the contribution of these various technologies which may impact upon organizational performance (Santhanam & Hartono, 2003).

There is considerable debate about the value of eBusiness in this respect due to the gap between investment and the lack of empirical evidence for business enhancement. Case studies on firms such as eBay and Amazon demonstrate how to create

business value, but there is a question as to whether the lessons learned from these “Internet giants” are more widely applicable. In this sense, the RBV has been offered as an explanation of how eBusiness overcomes its paradoxical nature and to what extent it is actually enabling increased organizational performance and value. Existing research (Zhu, 2004; Zhu & Kraemer, 2005) has found a significant relationship between eBusiness capabilities and firm performance. However, very little work has been undertaken to identify Internet resources and eBusiness capabilities. Similarly, although the complementarity of eBusiness capability has been studied (Zhu, 2004), little effort has been directed to assessing their fundamental impact. Moreover, the direct influences of Internet resources and eBusiness capabilities on performance has received very little attention. In this regard, the paper outlines how the RBV may augment research in eBusiness and its consequent added value.

The paper is structured as follows: The next two sections offer an overview of RBV in eBusiness research. Following that, Internet resources and eBusiness capabilities are described. Then, eBusiness value is discussed from a process perspective and a set of propositions are advanced to help guide future research.

## **BACKGROUND**

The RBV has its origins in the management strategy literature and has been used to answer one of the most extensively researched questions in the field, related to understanding the sources of sustained competitive advantages (Porter, 1985; Rumelt et al., 1991). The RBV is based on two underlying arguments: resource heterogeneity and resource immobility. Resources and capabilities possessed by competing firms are heterogeneously distributed and may be a source of competitive advantage when they are valuable, rare, difficult to imitate, and not substitutable by other resources

(Barney, 1991; Wernerfelt, 1984). At the same time, resources and capabilities are a source of sustained competitive advantage, that is, differences may be long lasting (resource immobility) when protected by barriers to imitation (Mahoney & Pandian, 1992) or isolating mechanisms such as time-compression diseconomies, historical uniqueness, embeddedness and causal ambiguity (Barney, 1991; Dierickx & Cool, 1989; Peteraf, 1993). Consequently, the RBV suggests that the effects of individual, firm-specific resources and capabilities on performance can be significant (Mahoney & Pandian, 1992).

The RBV provides a solid foundation to differentiate between eBusiness characteristics and their separate influences on performance (Santhanam & Hartono, 2003). In this respect Internet resources are not difficult to imitate as multiple firms can purchase these systems and thereby implement multiple strategies (Barney, 1991).

However, firms may obtain competitive advantages from exploiting their physical technology in a better (and/or different) way than other firms, even though competing firms do not vary in terms of their Internet resources. A differentiating factor for improved organizational performance is strategic intent rather than simple technological deployment. Clearly, Internet resources are necessary, but not a sufficient condition, for competitive advantages (Clemons & Row, 1991). They rarely contribute directly to competitive advantage as they mainly form part of a complex chain of assets (eBusiness capabilities) that may lead to better performance (Bhardwaj, 2000; Bhatt and Grover, 2005; Mata et al., 1995; Ross et al., 1996; Santhanam & Hartono, 2003). For instance, Ross et al. (1996) provided illustrative case examples to underscore the notion that eBusiness capabilities can enhance the performance of firms.

The eBusiness literature suggests a significant positive relationship between eBusiness capabilities and firm performance (Zhu, 2004; Zhu & Kraemer, 2005; Ravichandran & Lertwongsatien, 2005). However, very little work has been under-

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