

Chapter 28

Assessing Relational E-Strategy Supporting Business Relationships

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INTRODUCTION

As per the Census Bureau of the Department of Commerce, the estimate of U.S. retail e-commerce sales for the first quarter of 2009 was \$31.7 billion. For the same period, e-commerce accounted for 3.5 percent of total sales with a value of \$30.2 billion sales. As electronic business (e-business) has become essential in our economy, organizations have begun to demand a return on their investment in such endeavors (Damanpour and Damanpour, 2001). More recently, research indicates that web-based technologies enhance performance when the environmental pressures are high, the technical capabilities within the organization are well integrated, and the management team highly supports and sees value in e-business initiatives (Sanders, 2007).

An extensive and diverse body of literature has been produced regarding e-business. One research angle that lacked over the years is the definition and assessment of an e-business strategy (e-strategy). Some efforts were made in evaluating e-strategy through an electronic simulation (Ha and Forgiante, 2006). Another recent research observed that human, technological and business capabilities and e-business implementation influence the business performance at various levels (Coltman, Devinney, and Midgley, 2007). However, both studies did not develop an e-strategy construct empirically tested with managers.

The main objective of this paper is thus to develop an integrative construct of e-strategy, mainly focusing on the relationships built between and within companies. Various e-strategies related to the relationships built between a company and its business partners (B2B), consumers (B2C), and

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employees (B2E) are incorporated into a unified construct called relational e-strategy, which is measured as a second-order factor composed of these three different dimensions. Structural equation modeling using EQS is used to provide a preliminary test of the new model. Results obtained from 220 respondents suggest that the relational e-strategy construct and its three sub-constructs meet all the criteria for construct validation. To provide some indication of its predictive validity, the relational e-strategy is tested against business performance where positive and significant results are obtained.

The paper is organized as follows. The first section offers a brief literature review of the relational e-strategy. The methodology used to develop the relational e-strategy measurement tool and collect data is presented next. The findings are then depicted and discussed. The last section provides a discussion and addresses the limitations and implications of this study as well as future directions for research.

RELATIONAL E-STRATEGY

Chandler (1962) defines strategy as the “determination of the basic long-term goals of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals” (1962, p. 13). Strategy is also defined as “either the plans made, or the actions taken, in an effort to help an organization fulfill its intended purposes” (Miller and Dess, 1996, p. 38). Therefore, a business strategy is the outcome of decisions made to guide an organization with respect to its environment, structure and processes that influence its organizational performance (Croteau and Bergeron, 2001).

In the e-business context, the concept of e-strategy refers to how the web-based technologies can restructure organizations by providing them with a new competitive edge (Cagliano, Caniato, and Spina, 2003). The term “relational” is defined

as the way web-based technologies are being used to facilitate relationships (Murillo, 2001). Therefore, borrowing from previous definitions, we define “*relational e-strategy*” as *the way organizations use electronic means to facilitate their business relationships*.

Hoofst and Stegwee (2001) attach supplier and customer life cycles to Porter’s (1985) value chain. The value chain views a company as an entity, which transforms raw materials, through a value adding process, into a finished product or service. The supplier and customer life cycles outline the process of interactions with suppliers and customers to buy raw materials and to sell finished goods. Both processes have been revolutionized by IT. Hoofst and Stegwee’s model also suggests that a company’s relations with employees are within the company’s value chain.

Inspired by their model, the relational e-strategy construct reflects most of the relationships encountered by a company and comprises three dimensions: B2B, B2C, and B2E. This instrument captures how web-based technologies can support business relationships. Explanations for each of the three e-strategy dimensions follow.

Business-to-Business e-Strategy refers to the electronic means used to facilitate an organization’s relationships with other businesses. Inter-organizational cooperation can assist companies in deriving a competitive advantage. The e-commerce procurement life cycle outlines how technology is important in facilitating relationships between businesses (Archer and Yuan, 2000), which is an important aspect of successful B2B initiatives (O’Keefe, 2001; Galbraith and Merril, 2001). The perceived value of the relationship, inter-firm trust, and relationship commitment are indications of healthy business interactions (Hausman, 2001). Communication and collaboration are crucial parts of developing relationships between businesses (Olesen and Myers, 1999; Olkkonen et al, 2000) and can even enable supplier collaboration in developing products and specifications (Parker, 2000; Burgess et al., 1997).

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