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Chapter IV

Dynamics of E-Business Infrastructure

The contingent and dynamic approach to information technology management is illustrated in this chapter by the case of business models for electronic business. The need for information technology services in an organization depends on e-business models. Furthermore, e-business models depend on value configurations.

Thus, e-business is about much more than just the use of the Internet. According to the resource-based theory, e-business is about developing and applying internal and external resources for competitive advantage. It is about applying an e-business model that supports the current or desired value configuration of a value chain, value shop, and/or value network. And finally, it is about making progress over time, as both technology and market conditions evolve. This requires an understanding of system dynamics, where feedback loops between company actions and market reactions create or destroy infrastructure initiatives.

The term "commerce" is defined by some as describing transactions conducted between business partners. When this definition of commerce is used, some people find the term "electronic commerce" (EC) to be fairly narrow. Thus, many use the term "e-business." E-business refers to a broader definition of

EC, not just the buying and selling of goods and services, but also servicing customers, collaborating with business partners, and conducting electronic transactions within an organization (Turban, King, Lee, Warkentin, & Chung, 2002).

E-commerce is part of e-business, as illustrated in Figure 4.1. The difference can be demonstrated using a business example. The business example is concerned with handling of customer complaints. As long as customers do not complain, then e-commerce may be sufficient for electronic transactions with customers. The front end of the business is electronic, and this front end is the only contact customers have with the business.

However, if a customer complains, then other parts of the business may have to get involved, as illustrated in Figure 4.2. For example, if the customer has received a computer that is found deficient, the customer gets in touch with the vendor. The vendor has to decide whether the complaint is justified. If it is, then the vendor has to decide whether to fix the product, replace the product, or refund the money paid for the product.

This kind of decision-making will typically involve other departments in addition to marketing and sales departments. These other departments may be the technical department, the production department, and the finance department. While the marketing and sales departments have electronic communication with the customer using information systems, other departments may not be connected to the same information systems.

Figure 4.1. E-commerce is part of e-business