

# Chapter XVII

## Strategic Use of the Internet and Organizational Structure for E-Business: “Celta” Case at GM Brazil

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### ABSTRACT

*The Internet provides a global network infrastructure that is shifting business models, strategies, and processes. Many authors reflect on the importance of incorporating e-business into the firm's global strategy. This chapter deals with these issues in discussing the introduction of e-business activities by General Motors Brazil, specifically in connection with the launch of the Celta car, an entry-level car designed to be sold on the Internet. A historical examination of e-business strategy shows that many organizations have formulated excellent conceptual strategies for e-business but failed to deliver sound execution. A key to successful Internet strategies is the leadership shown by senior management. Technological demands may also conflict with the successful implementation of e-business initiatives, requiring greater interaction between the CEO and CIO. The organizational structure implemented for the launching and sales of Celta car warranted the integration between employees on the business side and in IT in the context of GM Brazil's strategic objective of growing the market share for lower-priced cars.*

### INTRODUCTION

According to a study by McKinsey (2003), in the next 10 years, the automotive industry will be shattered by a third “revolution,” following

the invention of the assembly-line production by Henry Ford and the lean production of Toyota. Customers expect “more car” for the same money, which means continuous cost pressure and innovation for OEMs. This fact leads to a range of

transformations in the structure of the automotive supply chain. For example, in order to improve customer satisfaction and increase revenue growth and shareholder value, large OEMs and their suppliers are forced to build large automotive networks.

Cars are developed and manufactured by OEMs and their supplier networks, which produce as much as 70% of the value of a vehicle. Consequently, the cost and quality of a vehicle are a function of the productivity of a network of firms working in collaboration. As far as the tendencies in the **automotive industry** are concerned, Benko and McFarlan (2003) explain that the automotive industry is transforming itself, from the design studios of Germany to the modular assembly of cars in Brazil to the new relationships with suppliers in Detroit to the factory floors of Japan. Three trends stand out: (1) the manufacturer's changing relationship with its customers; (2) new partnerships with suppliers; and (3) the reinvention of the factory floor. They represent a convergence of progressive thinking from major players around the globe.

Perhaps the biggest change in the auto industry is its **relationship with its customers**. Increasingly, customers are being given the opportunity to customize their purchases, including everything from the exterior shape to the interior features. In addition, as manufacturers and dealers build stronger relationships with their customers and better understand their needs, they can personalize their interactions with them. For both the manufacturer and the dealer, this opportunity is substantial.

The **Internet** has been a driver of change in business relationships. **Electronic business** enables consumers to interact directly with corporate information systems through the public infrastructure of the Web. The interconnectivity and interactive nature of the Internet make it a unique medium in a strategic context that differs from previous applications of information technology to business communications, such

as electronic data interchange (EDI), which in its traditional form is based on rigid standards of information exchange over private networks between preexisting business partners.

According to Dutta and Biren (2001), the manufacturing sector, dominated by the **automotive industry**, has embraced the Internet as a new medium for growth and customer expansion. Customers purchasing a new vehicle spend a large amount of time researching the various models and making price comparisons among similar companies. Typically, approaching a car dealer to inquire about car features, or worse to negotiate price, is viewed as an unfavorable, often dreaded, experience. By providing consumers with the ability to shop and even finance a new purchase online (excluding actual signing of the final papers), the companies have managed to turn purchasing a car into a fun and interesting experience.

In this context, the Internet is able to provide an enormous amount of information about the client to the industry: persuasive evidence has described the strategic use of information resources in organizations; information systems are strategic to the extent that they support a firm business strategy.

**Strategy** can be defined as a "quest to match a firm's resources and capabilities to the opportunities and risks created by its external environment" (Grant, 1991). During the 1980s the dominant Porterian *competitive forces* approach (Porter, 1980) emphasized the relation of a company to its external environment, while more recently the resource-based view (RBV) highlighted the need to consider the firm's internal resources and capabilities. Barney (1991) adds that for resources to create sustained competitive advantage they must be valuable, rare, imperfectly imitable, and not strategically substitutable.

Strategic use of IS and related information technologies, such as Internet, can impact organizational-level variables such as entry barriers, suppliers and customers, industry rivalry, search

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