

# The Impact of E-Business and Competitive Advantage

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**Abstract :-** The article presents the impact of e business on competitive advantage. Different approaches of authors towards e-business and competitive advantages have been analyzed, the analysis of the e-business impact on usual business processes has been outlined. The model put positive impact of e-business and business processes hence competitive advantage was developed. The model may help for integration of broader research framework constructed for the analysis of e-business development and its role in gaining competitive advantage in any industry. Although many studies proved that e-business solutions have a positive impact on various business processes, e-business benefits do not necessarily lead to the increased profits or sales, thus the association of e-business value with the competitive advantage should be made with huge caution.

**Keywords:** e-business, competitive advantage.

## I. INTRODUCTION

E-business as the processes and tools that allow companies to use internet-based information technologies to conduct business internally and externally. Lately company's investments into e-business infrastructure and e-business solutions have been considered to be of primary importance for the companies seeking to compete successfully in any industry and market. Though e-business is considered to be more important and beneficial for companies and there fore there is growing concern about the payoff of the investments into e-business. These growing concerns mainly stem from the fact that the materialization of e-business impact on the improved financial performance of the company is not obvious . It is based on information technologies, With the spread of internet usage, e-business has gained large attention in the academic literature. However the meaning and understanding of e-business is not fully developed and means different thing to different researchers. Electronic business is very often understood just as the financial and commercial transactions online thus using the definition of e-business interchangeably with e-commerce concept. The broader definition of e-business term covers all business processes which also include e-commerce . The second approach to e-

business has been applied in this research and in order to make the definition fully clear, the definition was adopted from e-Business , which defines e-business as an “automate business processes (both intra-and inter-firm) over computer mediated networks”. Literature on e-business impact focuses on the application of various e-business solutions and their impact on the business processes. Drawing on various studies, key application areas of e-business solutions may be inward oriented (internal business processes) and outward oriented (to the external environment oriented business processes). Concrete outward oriented application areas of e-business are value system integration.

## II. OBJECTIVES

- 1.The of the article is to find out the relationship between e-business benefits and the competitive advantage.
2. The Impact of e-business on the Usual Business Processes.

## III. IMPACT OF E-BUSINESS

The impact of e-business on the usual business processes are as follows:

- It improves business processes through the automation and optimization of usual business processes.
- The main advantage associated with e-business solutions are increased efficiency and effectiveness of various business processes.
- Improved internal and external communication.
- Reduction of administration cost and hence lead to reduced costs.
- Improved expenditure control.

## IV. THE RELATIONSHIP BETWEEN E BUSINESS AND COMPETITIVE ADVANTAGE

This study results showed the association of e-business with strategic and operational benefits. The value chain model proposed by Porter is most suitable for manufacturing companies. Using value chain model activities of the company are divided into primary and supportive activities. According

to Porter the primary activities are directly related with the value of the manufactured goods and encompass inbound logistics, services, outbound logistics, marketing and operations. Primary activities are supported by supportive activities, which may support one primary activity and entire value chain. Supportive activities are very important for smooth working of the company and cover such activities as firm infrastructure, technology development, procurement and human resource management. Regarding the primary activities such as inbound and outbound logistic, e-business solutions enable companies to atomize processes and effectively monitor and control inventory, which improves planning and the effectiveness of those processes. Atomization of the processes enables to save time and thus increase effectiveness. In another primary activity – operations, applied e-business solutions improves flexibility and the production of goods, which meet demand more accurately. Marketing and sales through e-business solutions provides new marketing and sales channels, enables to receive clearer picture of the market. In the primary activity such as service, e-business enables enterprises to spread information to their clients much faster. For the procurement processes e-business may be beneficial by enabling various companies to minimize the number of transactions and reaching the suppliers much faster. In the field of human resources management, e-business through e-learning enables companies to develop new capabilities faster. Totally e-business value may be created by e-business application through several broad areas: information management knowledge management, atomization, coordination and faster processes. By applying e-business into usual business processes, companies may improve various business processes by shorter shipping time, faster response to demand, much faster exchange of information in the whole value system, which is more important because the communication between the suppliers or manufacturers abroad might be more complicated and more time-consuming process. As it was mentioned already, though IT value is discussed widely, there is quite few studies on the evaluation of e-business impact on firm's financial performance. One of the first attempts to evaluate e-business impact on firm's performance was made by Zhu and Kraemer in the year 2002, who expanded the literature about IT impact on the companies by introducing into the analysis internet and e-commerce. The authors tested the interaction between e-business capabilities and IT intensity and the associations of the interaction between those variables with the improved supply chain efficiency, lower cost measures and profitability.

#### **V. E-BUSINESS AS A SOURCE OF COMPETITIVE ADVANTAGE**

The conceptual framework relating two set of variables that is e-commerce capabilities and IT infrastructure with firm performance. Many specific hypotheses were related with the

exploration of the relationship between e-commerce and performance. Results showed that e-commerce capabilities in combination with IT infrastructure significantly correlated with improved performance measures of the firm. Operational benefits in this research was the construct of variables- cost efficiencies from higher sales volumes, improvement to current processes, higher profitability. A strategic benefit was constructed from these three variables as well – learning about customers and markets, creation of new products and product enhancement and development of business opportunities. The results showed that the integration of buyer and supplier achieved through e-business had both strategic and operational benefits for the supplier companies. Integration of e-business solutions in the usual business processes may improve all activities throughout the value chain however e-business impact on the improvement of firm's financial performance of the company is debatable. In many studies when analyzing e-business impact on business process from the beneficiary point of view, the benefits created by e-business are very often related with the value creation and competitive advantage of the firm. Relating the benefits created by e-business with the competitive advantage in a way suggest that investments in e-business solutions may generate better performance and thus lead to improved financial performance.

#### **VI. COMPETITIVE ADVANTAGE**

It provide an edge over rivals and an ability to generate greater value for a firm and shareholders. Theoretical approach The concept of competitive advantage is used very often in economic literature without clear definition what does the author mean by applying this concept in his or her research thus leading to the situation that the meaning of competitive advantage is "taken for granted but not fully understood". Though there is no one clear definition of competitive advantage, the creation of value is the milestone of any definition of the concept. Given the different theoretical approaches to the value creation the approach to competitive advantage may be segmented into two dominant approaches. Resource based view approach to competitive advantage and approach to competitive advantage developed by M. Porter. In an effort to develop appropriate conceptualization of competitive advantage, previous studies on the subject are reviewed in the following sub-parts. Resource-based approach to competitive advantage. The beginning of the theory of competitive advantage is related with the industry focused approach, developed in 1960's which rested on the logic that competitiveness of the company in the market depends on the structure of external environment and on the company's action by which company attempts to adapt competitive advantage. The important weakness of industry focused approach to competitive advantage was its weakness to explain diversity because all companies operating in the same industry based on its logic were very forced to choose the same strategy in order

to be competitive. Contrary to the industry focused approach to competitive advantage, models developed by the approach known as resource based view became established and accepted approach to competitive advantage in the academic literature. Studies grounded on resource based view focus on the firm's internal resources and capabilities, which are analyzed with the references to firm's external environment. The possession of specific resources, which are the main source of competitive advantage, and the issue of the emphasized the importance of combining company's resources and capabilities in creating competitive advantage. Authors related competitive advantage with the economic and simple rents and argued that the only source of it is the holding of valuable resources. e-business solutions could be analyzed as a resource of the company, which influences company's activities and has a potential to create competitive advantage which leads to successful financial performance. However, despite the fact that the resource based view to competitive advantage is widely accepted in the academic literature, several limitations of this approach may be identified, The resource based view approach to competitive advantage does not provide clear explanation and empirical evidence which resources and what combination of resources creates competitive advantage, hence it is difficult to apply the approach to the real strategy, because too much emphasis in the literature is focused on the definition of resources. The resource based view could also be criticized for circular reasoning, because resources may lead to competitive advantage, but this is in turn defines relevant competitive structures, which in turn defines what a valuable resource is and so on. M. Porter's approach to competitive advantage.

## **VII. CONCEPTUALIZATION OF E-BUSINESS BENEFITS AND COMPETITIVE ADVANTAGE**

E-business may be understood as one of the IT-dependent strategic choices to create value and competitive advantage. However, more developed research field is in evaluating the IT impact on competitive advantage rather than e-business impact on competitive advantage. related the benefits of e-business with value creation. However there are not clear evidence that the benefits created by e-business really lead to competitive advantage, which following the resource-based view and Porter's approach to competitive advantage is related to firm's financial performance. e- business benefits in this research is understood as the positive impact of e-business solutions on various business processes or in other words we can say that it lead to the improvement of these processes. The processes in which e-business impact was measured were identified using value chain model, which divides business processes into different four supportive activities that is firm's infrastructure, human resource management, technology development, procurement and five primary activities they are inbound logistics, operations, outbound logistics, marketing or

sales and service. Thus the improvement of value chain activities was the main indicator of Ebusiness benefits. The benefits induced by e-business solutions are often associated with the competitive advantage in various studies, but the concept of competitive advantage is usually applied as a self-evident. Performance, however the financial indicators differs across various studies. It is known that the ultimate goal of any company is to generate profits by which the success of company is usually measured. Thus, following this logic, profitably working company in any industry has a competitive advantage, which defines company's good performance. The critique of linking competitive advantage with the performance was expressed in the work of Hao in the year 1999, who criticized previous studies on competitive advantage, especially the resource based view approach, for the interchangeable use of competitive advantage concept and improved financial performance of the company. It seems promising conceptualization of the term, it raises the problem when there is a need to identify competitive advantage upon one dimension in a big sample. Halo's approach to competitive advantage differs from the developed approach to competitive advantage in a sense that it is a relative position oriented and not the result oriented. However, the relative better position or resource possessed by one company is also an important stimulus for the improvement of financial results. Hence the logic of linking certain resources with the improved financial performance and claiming that certain resource is important in gaining competitive advantage seems to be appropriate when analyzing whole industry. In this research following the studies on competitive advantage, was measured by the increase in profit or sales due to e-business applications. Model linking e-business benefits with the competitive advantage.

## **VIII. CONCLUSION**

Although the integration of e-business solutions in the usual business processes may improve all activities throughout the value chain, ebusiness impact on the improvement of firm's financial performance of the company is debatable. Most of the studies analyzing e-business impact on the usual business processes emphasize ebusiness benefits as the improvement of those processes and relate them with the competitive advantage. In other words, studies on the e-business benefits regard e-business solutions as an important source of competitive advantage. however, the empirical research exploring the relationship between e-business benefits and competitive advantage is limited. E-business benefits based on the literature review were conceptualized the positive impact of e-business on different business processes. The competitive advantage was conceptualized as the increase in profits and/or sales due to e-business solutions. The model relating positive impact of e business on nine different business processes and competitive advantage was developed. Although many studies

confirmed that e-business solutions have a positive impact on business.

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