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Winter 12-19-2001

The Impact of the New Economy in Spanish Firms

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TITLE: THE IMPACT OF THE NEW ECONOMY IN SPANISH FIRMS.

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“ABSTRACT”

The new *e-economy* characterizes itself by its newness and its potentiality of growth. In order to participate in this activity, the companies are renewing their processes of business, as well as the old ways to serve and to attract their clients. This has motivated traditional business to move its commercial operations towards others, much more dynamic, that are based on using computer supports and the use of networks through the connection to the Internet and the web pages.

The main obstacle for using new technologies has been the great number of Spanish business, specially the small and medium ones, that have restricted themselves only to include these information technologies to apply them exclusively, to their processes and internal procedures, instead of using them to overcome the difficulties and the barriers imposed by their environment, or to improve their competitiveness and their position in the market. With all the above, this work will be based on the examination and overhaul of the “Resource-Based View” (RBV), of the Theory of the Distinguishing Competitions, and its adjustment to the dynamic and turbulent environment that characterizes this segment of business.

The incorporation of technological advances in the telecommunications and computer science fields, has supposed the consolidation of worldwide scale markets that are provided with a great facility for the analysis of an ample volume of information, that allows decision taking in real time.

The sum of these new technologies in the companies can be turned into inimitable resources, where the characteristics of their products it have to be differentiated in a very evident way. That is the reason why it can be generated competitive advantages, especially in costs leadership or differentiation of the products.

The processes known with the name Digital Economy B2B or B2C, receive the denomination of e-business, including the field that is known as e-economy. In agreement with [1, p.21], there are different steps in the evolution of initiatives by e-business channel, that go from the provision of information, to the creation of markets, which would culminate the cycle of this evolution.

The main conclusions will be:
A great part of the Spanish companies are in the first step of the preparation for e-business cycle.

Another of the detected problems is the difficulty that exists to get to know the behavior habits of the consumers. Finally, we will mention the nonexistence of a model of enterprise culture for small and medium business, which could support the technological infrastructures that are necessary to complete all the stages of e-business, as well as the construction of trustworthy and periodically updated databases, that would go over the profiles of the customers.

Keyword: e-economy, e-business, competitive advantages, intangible assets, e-commerce, RBV, distinctive competition.

INTRODUCTION

The enormous opportunities that emerge daily throw Internet, are allowing persons, corporations, and states to use Internet technology with increasing intensely, which at the same time requires the design of new systems in order to adapt more effectively to this technology. The boom of Internet is considered to be one of the most relevant characteristics of the actual decade.

If the general evolution of Internet in Spain were evaluated, we can find that a clear disproportion exists between its influence level and its real penetration. However, this disproportion is decreasing proportionally to the increase of it users and the number of firms and organizations that are adopting this new form of informatics' navigation. Never less the stock situation of the firms known as .com has not been as favorable as expects, because although they awakened great expectations there are not yet firmly established enough to attracts the confidence of institutional investors.

THE RESOURCE-BASED VIEW THEORY (RBV)
The RBV theory analyzes the interior textual of organizations according the work of [2], [3], [4], [5], [6] & [7].

Another theory is that of Distinctive Competence due to [8] & [9], also examines the internal aspects which might determine business success. However the RBV theory centres on the analysis of an organization's internal elements to find the causes that lead to the differences in the empresarial resources.

From this perspective the company's resources constitute the basic unity of analysis, making success or failure depend

on this resources, even though external factors also influence their level of competitiveness.

However technical and specialized it may be, information can be estimated as a key resources for the organizations. In consequence the tactical dimension of knowledge is considered the principal essence of empresarial potentiality.

The differentiation between resources and capacities is based on the treatment of resources as inputs, which are incorporated in the productive process and which process together with the market, a certain form of real characters, not virtual, while the capacities refer to ability of the individuals, groups and organizations to carryout certain tasks and accomplish certain functions which accumulated definitively within the organizations. [5] [p.116]. At the same time, [5] [p.119] classifies the resources in: physical, financiers, humans, technological, reputation and organizational.

The intangible resources constitute the origins of the competitive advantages of the company, and include the rest of the resources and its capacities [5] & [7].

The technology is a mean that can be used in other areas of the organization without losing his previous qualities. It also admits the possibility of integrating and combination itself with other technological resources.

Companies that use the same group of techniques can be differentiated from others, if they have social relations and complementary resources that allow them to get a better advantage of the technology, which would mean to turn into irreplaceable this technological resource [7] [p.107]. A strategically irreplaceable resource will harness the technological capacities -that is composed by organizational structures and culture of business-.

The technology is directly related to the innovating efforts of the company, which are in last instance, the elements that provide competitiveness. Therefore, the change from the technology to the competitiveness usually takes place through the innovation. The innovation turns the potential (the one from the technological resources) into economic goods or products and thus, according with [10] [p.134], we can consider the innovation as the result of the application of one or several technologies to the development of new products and/or processes, or to the improvement of these ones.

THE E-ECONOMY

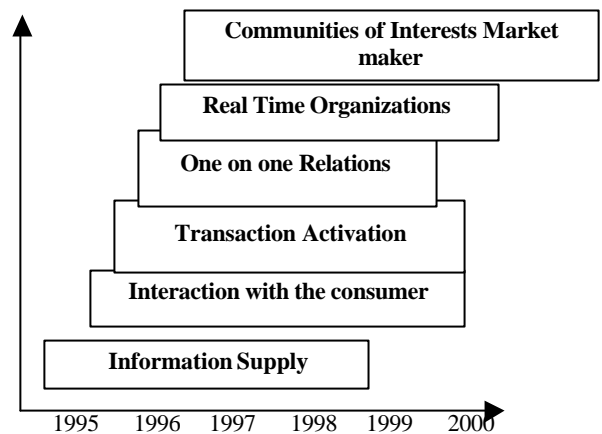
The economy includes the virtually world, in where a type of business is carried out; in which it is created and exchanged value and in where it takes place the transactions through a one-to-one relationships, in agreement with [1] [p.1].

Any initiative made through Internet (tactical or strategic), in where the business relations are transformed: business-to-

business -B2B-; business-to-consumer -B2C-; between companies or even between two consumers, it receives the denomination of e-business [1] [p.33].

The companies usually follow a related to e-business evolution, as the one that appears represented in FIGURE 1.

FIGURE 1: PHASES IN THE EVOLUTION OF THE INITIATIVES OF E-BUSINESS



SOURCE: [1] [p.21]

- The information supply appears in the beginning, when the organizations use Internet to present their advertising brochures, the lists of telephones of the employees and later on, some more important documents, like catalogues and lists of prices.

-The phase of interaction with the customer happens when the companies start a system of communication with their clients that allow them to enter, to ask for and to establish the type of added value that is necessary to provide. The term "client" can have several meanings: a consumer, a final client, an employee, and etceteras.

-The phase of the transaction activation takes place when the companies begin to use the network to extend the processes aimed to sale products, storing of provisions and other necessities.

-The phase of one-on-one relations arises when Internet is used to create customized products equipped with interactivity. Since the Web technology allows the companies to deal with the clients in an individualized way, the allocation of prices to products becomes fluid and, it often ends up with an auctions-type process.

-The stage of real time organizations is characterized by the capacity of the company to provide its clients and to plan its suppliers in the less possible time.

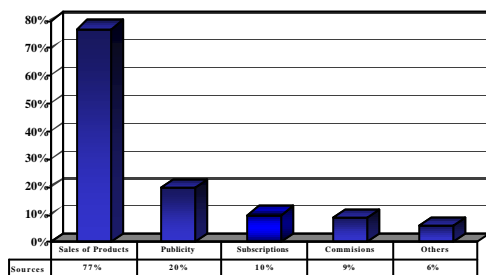
-Regarding the phase of communities of interests, it consists on the creation of an added value chain through the use of Internet, which will serve as a bond and, as an assembly of companies and will help to improve the commercial relations among them, based on the common interests.

THE DIGITAL MARKET

A basic element for a company that wants to begin in any type of business, is the knowledge of its customers.

This question has been demonstrated in the survey made by the Spanish Association of Electronic Commerce [11] in March of 2001, in which a sample of 4,200 companies established in Spain, was analyzed. The most relevant data from the mentioned study indicate that a 24% of the Spanish companies (203.400), have got a Web page in the Internet, being the main objectives of their Web sites: to make publicity; to give information about products and services they offer; the seizure of clients and the sales and the customers liaison, as it appears in FIGURE 2.

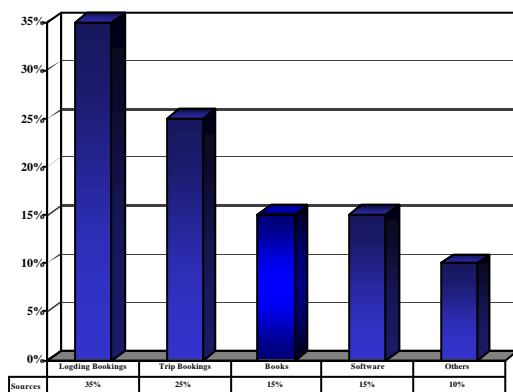
FIGURE 2: OBJECTIVES OF THE ENTERPRISE WEB PAGES IN THE INTERNET



From the total amount of companies with Web page, 13,6% of them sale their products or services through the Internet.

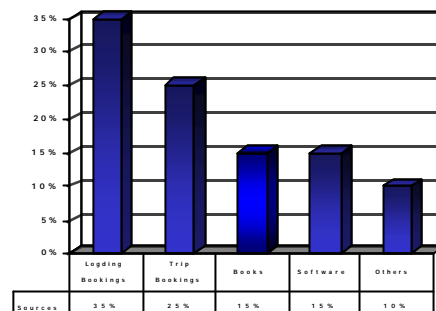
The main incoming sources in the electronic commerce are the sales of products and services (76,6%); the publicity (19,7%); the attainment of subscriptions (10,1%); the collection of commissions (9,1%) and others (5,9%), as it shows FIGURE 3.

FIGURE 3: INCOMING SOURCES IN THE ELECTRONIC COMMERCE



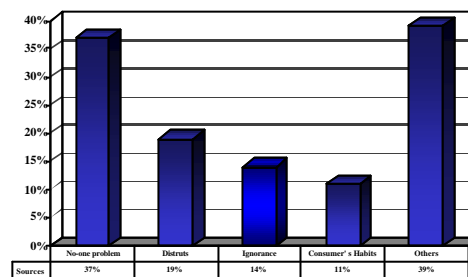
The type of products and services that are offered by the companies through the Internet are: lodging bookings (61,1%); trip bookings (50,8%); books (22,1%); software (10,3%); educational (10,2%); hardware (3,8%) and insurances (2,5%), as it shows FIGURE 4.

FIGURE 4: TYPES OF PRODUCTS AND SERVICES SUPPLIED THROUGH THE INTERNET



The main difficulties demonstrated by the companies that compose the sample, for the accomplishment of the sales vary widely and are showed in FIGURE 5: a 23% of these companies declare not to find any problem, a 19% affirm the distrust in the system of payments by their clients, a 14% faces the ignorance of computers by their customers, a 11% indicate the habits of the consumer like the main difficulty and a 29% declare other barriers using the network of networks.

FIGURE 5: MAIN BARRIERS FOR THE SALE IN INTERNET



The investments made by the companies also vary and, thus the figures expressed in U.S. dollars reflect that 28,6% of them declare to have invested less than 1.500; the 21,7% of the companies, answer that they have spent within 1.500 and 5.000; the 8,4% of them declare to have made an investment located from 5,000 to 25.000; 2,8% indicate that they have spent between 30.000 and 75.000. Finally, 2,3% invested more than 250.000.

Another circumstance talks about the reasons why the companies do not sell in Internet and the main answers are: the 28,3% indicate that they do not have appropriate products for the distribution by this channel; the 18,8% think that there is no necessity to work with a Web. The 13,1% consider that the size of their company is very small; the 10,2% that his target group is inadequate; 8% adduce the lack of technological knowledge; the 5,4% do not see it as a clear opportunity of business, the 5% shows the circumstance of the conflict with the traditional channels of

sales. The 4.1% has still not considered it and the 3.5% consider it like a project on the way to accomplish.

Spain has a total of 7,63 million users of the Internet, from which 970.000 indicate that they had made some purchase by this channel during year 2000 and its average cost of purchase by Internet was of 175 USD per inhabitant and year. Nevertheless, the use of Internet is not uniform in all the places, according to Netvalue. In its analysis on the results of Internet in Europe, it reveals that a 12.7% of the Spanish homes are connected to the network. [12] In France it is up to 17,6%, in Germany to 25,8% and the United Kingdom to 31,2%.

This study also indicates that 46.2% of Spanish people have been connected less than a year, whereas a 23.1% have been connected more than two years. Finally the 63% of the Spanish people who use the Web are younger than 35 years, percentage that in France reaches 59.9% and in the United Kingdom 48,6%.

[1] [p.11], declare that the mechanism adapted for the preparation for the use of the Internet is made up of six fundamental factors: the clients, the global unions, the alliances, the employees, the business culture and the possibility of getting the access to the information. That is why the qualities most important to get the success through the use of the electronic business is: the leadership, the business model, the capacities and the technology.

CONCLUSIONS

The companies try to adapt their models of business, when the economy and the habits of the consumers change.

In this context, the new digital tools constitute an appreciable aid for the companies, when allowing them to apply business patterns, that adapt better to the necessities of the markets, and when they are sufficiently flexible to adapt quickly to their variations.

In order to conquest successfully in the new economy, it is essential to have the necessary infrastructure to take advantage of the digital technology, creating new alternatives of value, that fit the clients and the consumers, who also will benefit to: to be able to accede to information referred to the range of the produced goods; to have an effective and fast technical service; to be able to make the configuration of its own products; the unloading of information on specific subjects; the improvement of its communications; etceteras.

The failure of the companies that act in the e-conomy usually is due to, the lack of proposals of value for its customers, not using or not knowing the opportune models, and the lack of strategic controls enough and adapted to maintain and to stimulate the yield in this class of businesses.

The development of the resources as well as the capacities, gives the companies the competitive advantages and indicates the way of its future evolution. As the new alternatives to apply appear, also the new opportunity sources arise, that cause improvements in the competitiveness.

The possibility of extension of the new technologies, knowledge and capacities, will allow to solve new necessities, and will improve the way to satisfy those, that already were being taken care of.

The capacity to combine, to administer and to harness the resources, which the company has, depends on its organization capacities, the dominion of skills and abilities, and on the technology chosen. It is a slow process that is not immediately translated to financial results.

For that reason, the companies that try to generate competitive advantages, must fix long-term objectives, oriented towards the technological leadership -as the German companies do- or decide to increase the market quotes -as the Japanese do-.

In reference to Spanish companies, we believe that one of the best alternatives to choose, would be to aim themselves towards the development of applications of self-made models, that would serve to sustain effective channels of communication with their customers, to discern the non-satisfied necessities by this activity, and which also, could generate differentiating competitive advantages.

The capacities arise from the individuals, being the continuous formation of the personnel somewhat crucial. Tied with the personnel policies, there is the corporate culture, being this one the result of a continuous process, oriented towards the communication to all the members of the company, in an assembly of rules and uniform values.

The fundamental thing consists on the diffusion and transmission to all the organization, of an assembly of principles and beliefs that favor the accumulation of specialized knowledge and cause a desire of constant improvement and permanent learning.

The development of certain capacities that stimulate the generation of other new ones, the existence of the values, the language and the common identity keys, will favor the transmission inside the organization of those knowledge and abilities. By all this, the culture, the will of the company and the goals that would be indicated, will be the result of the application of that capacity to learn, to develop or to improve new businesses.

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