

E-Business: The challenges of a new Business Strategic Model for the Brazilian Companies

Suggested Track: Electronic Commerce Applications

FARIAS FILHO, José Rodrigues

Labceo - Production Engineering Department - Federal Fluminense University (UFF) – Rua Vereador Duque Estrada, 93/604 - Santa Rosa - Niterói - RJ – Zip code 24.240-210 – Phone number: (+55+02121) 7115896 Fax: (+55+02121) 7191252 E-mail: rodrigues@civil.uff.br

FARIAS, Ana Paula Paiva de

Labceo – Master Student of the Production Engineering Department - Federal Fluminense University (UFF) – Rua Passo da Pátria, 156 – Bloco D - Sala 240 - São Domingos – Niterói – RJ – Brasil – Zip code 24.240 - 210 Phone number: (+55+02121) 6207070 ext. 310 - Fax: (+55+02121) 7191252 E-mail: paula@civil.uff.br

BARROS, Bianca Goulart da Costa

Labceo - Specialist in Total Quality Management of the Production Engineering Department - Federal Fluminense University (UFF) – Rua Passo da Pátria, 156 – Bloco D - Sala 240 - São Domingos – Niterói – RJ – Brasil – Zip code 24.240 - 210 Phone number: (+55+02121) 6207070 ext. 310 - Fax: (+55+02121) 7191252 E-mail: biancagoulart@correios.com.br

SALLES, Mara Telles

Labceo - Production Engineering Department - Federal Fluminense University (UFF) – Rua Vereador Duque Estrada, 93/604 - Santa Rosa - Niterói - RJ – Zip code 24.240-210 – Phone number: (+55+02121) 7115896 Fax: (+55+02121) 7191252 E-mail: mara@civil.uff.br

Abstract

This paper focuses primarily on issues related to the expansion of e-business and the challenges faced by Brazilian companies when adopting this new competitive strategy, which enables access to external markets at the same time as it increases competition. This paper also shows how crucial it is for Brazilian companies to adjust to this new change in the market. It pinpoints the importance of working on their Internet insertion strategies, focusing on the automation of their activities in the following areas: technology, internal and external communication, marketing, logistics, human resources, sales and production. This process is aimed at the optimization of management and the integration of the physical and virtual value chain.

Key words: E-business; Competitive Strategy; E-commerce.

Resumo

Este trabalho enfoca, principalmente, a temática relacionada com a expansão do e-business e os desafios encontrados através de sua elaboração e implementação para a realidade das empresas brasileiras, resultando na consolidação de uma nova cultura de gestão. Trata da importância das empresas brasileiras acompanharem esta nova mudança e começarem a repensar o planejamento de suas estratégias de inserção da empresa na internet, visando automatizar suas atividades em diversas áreas; como de tecnologia, comunicações internas e externas, marketing, logística, recursos humanos, vendas e processo de produção, buscando otimizar o gerenciamento e a integração da cadeia de valor física e virtual.

Palavras-chave: E-business, Estratégia Competitiva, E-commerce

Introduction

The modern business is characterized by the growing capacity of supply, global competition and even the increase on the consumers' expectations. The Internet is becoming an important tool for this kind of business, providing the company with the reach of a sustainable competitive advantage and, consequently, a position of note among its competitors. A tendency in the companies to decrease the barriers between their suppliers and clients can be noticed. For this reason, the processes are being restudied so that old paradigms can be broken. There are many examples of processes that take in the whole company and even processes that are operated by the company conjoined with its clients and suppliers.

The e-business aims at increasing the industry competition by the improving of the factors related to the costs optimizing, the increase in the production process speed, the trustworthiness improvement, the increase in the possibilities to make the production system flexible and, finally, the meaningful improvement in the production process quality level, principally in what comes to the quality of the services to the clients and the integration with the new suppliers. It makes possible for the companies to become more efficient and flexible in their internal operations, intending to work closer to their suppliers and to be more efficient to the necessities and expectations of their clients. Also, it makes it possible to select the best suppliers without worrying about the geographic locations and to sell in a global market. Nowadays, any company, as small as it can be, can enter this market aiming at reaching a profitable and competitive position. And the commercial frontiers between the countries have been virtually disappearing, since all the business steps, from the product search to its delivery to the client, can be done through the computer.

The e-business strategy has to be constructed and adapted with the implementation process, requiring agility and flexibility from the company, due to the fact that the competition environment is extremely dynamic, since it is necessary that new products and services be made available to a great number of potential consumers in very short periods of time, and making the insertion in new markets and the increase in the competition power possible, what becomes an important competition differential. The challenges met by the e-business require meaningful changes in the mind and in the system of the company operation, which, many times needs to be reeducated to make the new business operation in e-commerce possible in a short period of available time. And to confront them, it is necessary to adapt itself to the new economy environment: competitive, dynamic and constantly changing.

The Business Transformation searching for the Competitive Advantage

New Strategic Competition Model

The e-business, which has been growing meaningfully in Brazil, restructures all the supply chain of an industry connecting the producers, the assemblers, the distributors, the traders and clients in a completely innovating way. The technology allows the connections the possibility to be done in any part of the process, leading to combinations of different participants to create new markets, new industries and new opportunities. There are two business models in the electronic business, they are: B2C (Business-to-Consumer) and B2B (Business-to-Business).

In the B2C operation, the company sells straight to the consumer, what implies in being aware of procedures like delivery, charging, client assistance, technical assistance and others. The on-line logistic, due to the channel characteristics, has been the biggest “drainage” of the e-business profits. The B2B establishes the business among the companies where the industry sells to the retailer that operates a virtual business.

In this way, the companies that wish to compete in the Internet or through it will have to reinvent its structures and ways of working to face the “companies.com”.

According to Laouchez (2000), the companies should worry about two important facts to make this transformation possible: 1) Accept the power structure of the traditional company does not work for the companies of the new economy; 2) It is necessary to analyze the organization of the leading companies in the internet and to create a new organizational structure that would be adequate to operate in the world net. And, in this context, he highlights five basic rules for the e-business design.

Rule n.º 1: Separating the “company.com” from the rest of the company

When starting a new e-commerce business, the general philosophy should be the reproduction of the market environment and of the independent start-up dynamic and these units refer straight to the president of the institution and use the institution’s name and also make use of the company funds for the first investments. However, the e-commerce business does not take part in the management processes of the traditional businesses (off-line), as budget or funds distribution, whose criteria are not adapted to its reality. Once it is well established, the e-commerce business will be able to trigger more efficiently the HQ management resources or to be integrated to the main business.

Rule n.º 2: Developing a value proposal for the internet era talents

The project success will depend on the leadership quality and on the way the virtual business businessmen will act. The proposal for these leaders should be similar to the one of most of the internet companies: profit-sharing with perspectives of launching the company in the stock market or meaningful bonus based on the performance; big decision autonomy, with periodical presentation of the intermediate results to the main shareholders; etc. However, these talents should have a “visionary” profile and the capacity to be the leader of the project execution, dealing with the changes speed and the ambiguity. Consequently, the businessmen for the new enterprise will not necessarily come from the institution itself.

Rule n.º 3: Using partnerships

The *e-business* strategy should establish which elements of the value chain the new enterprise will focus on. The rest should be outsourced or made by partners to reduce costs, improve the quality and save time.

Rule n.º 4: Defining mental and social contexts before the formal structures

The Internet companies leaders should, before anything, establish the mental and social context to create later on a coherent formal context with the first two. To do so, they need to essential qualities: visualizing the future in a competent way and capacity to “evangelize”, that is, to communicate their vision to the workers, partners and investors in a convincing way; and also facility to deal with speed and ambiguity existing in this kind of business, keeping the organization well focused and productive in spite of the risks and constant changes. Next, these leaders should line the formal structures and integrate the processes, always keeping the flexibility and the group spirit, and also assure the execution speed and the everlasting learning.

Rule n.º 5: Supervising the new business as a venture capitalist

The *venture capitalists* vocation is investing in high risk/high return businesses. For this reason, they have developed advanced entrepreneurs evaluation methods, ideas selection, accompanying of projects and financing. One of the main *venture capitalist* contributions in the supervision of the project is its discipline in the monitoring of the performance indicators, which measure the value proposal evolution: traffic increase, site return index, conversion of a visitor to a client index, average duration of the visits, etc. If the performance is not satisfactory, a careful analysis is made, however short, of the causes. The *venture capitalist* also analyses the acting of the project management – if they are not doing a good job, they are substituted – and he evaluates the business concept – if it is not successful, it is changed or abandoned. This kind of accompanying allows making a fast estimative of the enterprise potential and deciding if they will continue or not investing in it.

Implementation Challenges

The elaboration and implementation of an e-business strategy represent a great challenge to the organizations. The process management is complex and it includes all the process chain. In order to be successful in an e-business implementation, it is necessary to have a wide control of the technology and solid knowledge and back-up services in the marketing area, strategic planning, financial engineering, human resources and logistic.

The implementation of an e-business strategy differs from the traditional projects, since the implementation of traditional businesses strategies happens in sequence and it allows to clearly establish the final vision and prepare the launching of new products and services in a limit of a year or two. However, in the e-business, the strategy is constructed and adapted during the implementation process, requiring from the organization agility and flexibility.

In order to overcome these challenges it is necessary that meaningful changes happen in the mind and in the organization operational system, which many times needs to be reeducated to make the operation of the new business possible. When hiring professionals to form the staff for this new project, one should look for, instead of abilities and experience in developing traditional projects, an enterprising spirit. In the new economy, the long planning cycles and aims review (generally yearly or every six months) have to be substituted by short cycles of no more than a week. The limited base of suppliers becomes insufficient to deal with

the demand and the deadlines associated to this kind of enterprise, for this reason it is necessary to develop and to manage a very wide basis of suppliers and partners for the new business.

An e-business success depends on the integration of strategic, marketing, security, legal, technological and tributary questions and on regulations in a strategic and operational level. The decisions about the location of an e-business should consider the access to suppliers and clients, the hand-labor, the substructure, the government steadiness and the tributary and the regulations questions. The choice of the business partners, the way that prices are defined given to its products, the way these products are distributed and if existing brand names are used or if one creates new brands that should take into account the business strategy and the tributary consequences.

The strategic integration should also occur in the operational scope. The companies should identify the decisive success factors required to the client service level necessary to establish fidelity. For instance, the companies that can accept orders in their web sites, but cannot accept payments, are about to see their clients changing to the competitors who deal with the complete transaction. The sales conditions, the privacy, the compatibility and the return policies, as well as the charging, payment, security and delivery systems are part of the client experience.

Conclusion

According to what was seen, the use of this strategic business model, called e-business, will probably trigger the economy development in the next years in Brazil, due to the fact that the competition in this market is hard, because of the entrance of new global competitors, with Brazilian companies basing their strategies in the creation of a powerful and profitable virtual business, what can lead to a space and competitive position war in the digital market.

On account of the e-business implementation increase in the Brazilian companies, the challenge of knowing how to take advantage of the frequent opportunities appears. And in order to make the present organizations overcome this challenge, it is necessary to adapt it to the new economy environment. For this reason, the e-business should have its own structure and management, and it should follow different patterns from the ones normally followed by the Brazilian companies.

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