Chapter VII

A Simonian Approach to E-Business Research: A Study in Netchising

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Abstract

The third industrial revolution, combining Internet technology with globalization, produces an increasingly complicated e-business environment. It is no wonder that skew distributions, a striking empirical regularity in the hypercompetitive digital economy, have attracted the attention of many researchers recently. Herbert Simon had studied similar regularities in the industrial economy and developed empirically grounded explanatory theories to help guide strategic decision making in the evolutionary processes of organizations in this area little-known to many. In this chapter, we draw upon five seemingly unrelated research areas of Simon (skew distributions, near decomposability, docility, causal and effectual reasoning, and attention management) and propose a holistic framework of attention-based information systems for firms to frame an enduring competitive strategy in the digital economy. As an ongoing project, the framework is applied to model Netchising, an emerging research topic in global e-business.
Introduction

The third industrial revolution, combining Internet technology with globalization, produces increasingly complicated e-business issues and opportunities. Tackling those new challenges requires multifarious skills, which are becoming inextricably interwoven. In his last public speech, Herbert Simon (2000, p. 751)—Nobel laureate in economics in 1978—pointed out that we have “very little experience” to deal with those challenges:

Current developments in electronics, notably the development of the World Wide Web and e-markets, and the enhanced abilities of organizations to manage geographically dispersed activities, provide new opportunities of unknown magnitude for coordination at a distance. Today, we have very little experience with these new developments, both in their current forms and their potential.

As an attempt to tackle those complicated e-business issues and opportunities, Simon drafted four papers (2002a, 2002b, 2002c, 2002d) documenting his views of how modern organizations ought to do in the digital economy to survive and thrive. It turns out that the four drafts were the last “four unpublished manuscripts by Herbert A. Simon” (Dosi & Teece, 2002, p. 581). Examining the four papers closely, one may find that they were based on Simon’s decades of research in the following four areas (with key papers/books referenced) of strategic decision making:

1. Organizational evolution and near decomposability (Sarasvathy & Simon, 2000; Simon, 1962, 1995; Simon & Ando, 1961);
3. Entrepreneurship and effectual reasoning (Sarasvathy & Simon, 2000); and

Like many of Simon’s pioneering research works, the four areas lay out as a groundbreaking source of inspiration for e-business researchers seeking to address the new challenges of issues and opportunities. There are rich treasures hidden in Simon’s thought processes. Instead of reinventing the wheel, it makes much sense to draw upon Simon’s research works and develop theories to advance our understanding of e-business economy. Specifically, we first review Simon’s perspective on business research based on the first three areas above. Following it is the review of Simon’s perspective on information systems research. Strategic implications of Simon’s perspectives for e-business research are then discussed. Finally, we conclude the chapter with an ongoing Netchising project, which combines the power of the Internet for global demand-and-supply processes and international franchising arrangements for local responsiveness (Davenport, 2000). The intent is to illustrate how Simon’s thought processes are useful for addressing issues and opportunities in an emerging global e-business research area.
A Network Approach to Identifying Military Fleet Replacement Strategies
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