Chapter 2

The Always-On Business Model and Competitive Advantage

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ABSTRACT

This chapter discusses the always-on business model of information technology (IT) and how firms can gain a competitive advantage and differentiate themselves from competitors that may be adopting a similar always-on model. The discussion of how firms can get and keep a competitive advantage has been a topic of interest for a long time. An always-on application is a type of IT application; therefore, this is part of a more general research question that has been of interest to researchers that researches have wondered if information system applications actually provide an advantage to firms when firms are getting the same type of IT application. Previous research has concluded that IT improves productivity but the exact mechanisms by which IT increases business value are still not fully understood. One of the mechanism by which IT improves the competitiveness of firms is through the identification of innovative opportunities (Bardhan et al., 2013).

INTRODUCTION

This chapter discusses the always-on business model of information technology (IT) and how firms can gain a competitive advantage and differentiate themselves from competitors that may be adopting a similar always-on model. The discussion of how firms can get and keep a competitive advantage is always a topic of interest.

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Because an always-on application is a type of IT application, it fits into a more general research question that has been of great interest to researchers who have examined whether or not information system applications actually provide an advantage to firms when competitors are also adopting the same type of IT application. Previous research has concluded that IT improves business value, but the exact mechanisms by which IT increases business value are still not fully understood. One mechanism by which IT improves the competitiveness of firms is through the identification of innovative opportunities (Bardhan, Krishnan, & Lin, 2013). Specifically, it is important to understand how firms can use IT in order to gain a strategic advantage over competitors through improvements in business operations and through the development of unique processes that can differentiate firms in a unique way from competitors. Bardhan et al. (2013) argued that the interaction of IT with other business processes will create more value to the firm, and when these interactions are supplemented with research and development (R&D) investments then the increase in shareholder value is evident. R&D is a firm expense related to activities related to the development of new procedures/products or to improve current procedures/products. It is considered an intangible asset. Bardhan et al. (2013) used Tobin’s Q as a proxy measure for IT investments. Tobin’s Q is a financial variable that measures future earnings of a firm, while R&D is an intangible variable whose future benefits are uncertain (Pandit, Wasley & Zach, 2011).

The always-on technology is supposed to offer continuous operations, continuous information technology services and permanent support all day long and without interruptions. The fundamental idea of this type of IT application is that information technology applications under the always-on technology offer reliable and constant access and services to clients. This always-on characteristic offered by current information technology services presents a new business model for firms that can help create and deliver value to customers, such as strategic competitive advantage. As firms evolve and implement new technologies and offer a novel service such as always-on, they have to realign their processes and business models in order to remain competitive (Desyllas, 2013). Hence, the business model that has to be in place has to be a life cycle model because especially with IT applications, new systems and new products are being developed at a frequent rate and firms have to be constantly adjusting their strategy (Desyllas, 2013; Chesbrough and Rosenbloom, 2002).

The research question we explore here is: how do firms gain competitive advantage and distinguish themselves from competitors when competitors are also implementing and offering a similar always-on business model? There are two ways to gain a strategic advantage over competitors when competitors are adopting a similar type of IT, either the firm has to adopt and install faster, or the firm has to do it in such a unique way that it is difficult to replicate by competitors (Anderson, Banker, Menon & Romero, 2011). A recommendation that can be provided to firms implementing
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