Chapter XIII

Strategies for Bricks to Beat Clicks – How Established Businesses Can Incorporate the New Technologies

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INTRODUCTION

This chapter looks at models for organizational development using the potential of virtual organization for established firms. For established businesses, particularly those in the consumer product area, much cash and knowledge is invested in the management of multiple physical outlets—bricks. The potential for the inexpensive and pervasive Internet technologies to reinvent the mail order shopping with a real-time interaction attraction has been widely touted and is under test. For books, music and perhaps even groceries, it is possible that the old measurement of value—“location, location, location” may be replaced with clicks of the mouse.

Any retailer of mass consumer goods must be looking over his shoulder for fear that a start-up enterprise, not needing to match him dollar for dollar, may be sneaking up to compete for the same number of customers. The phenomenon has been so sudden that strategies for encompassing and managing the integration of technological change and deciding on appropriate business forms have yet to be agreed. In this chapter the authors argue that there is a single best response to the opportunities and challenges presented by competition from start-up virtual organizations. Instead, organizations are invited to select a mix’n’match from a series of strategies, electing on the basis of individual strengths and industries. Six models of virtual...
organizations are proposed within a dynamic framework of change. In order to realize the flexibility promised by new technology, organizations must identify their long-term opportunities and match these with the appropriate model for structural alignment. The authors provide case descriptions of organizations and an analysis of their strategic positioning in relation to the virtual business models.

**BACKGROUND**

Established consumer business enterprises, particularly those with heavy sunk financial knowledge capital in brick-and-mortar retail outlets, are looking to formulate strategies to deal with the perceived threat of startup competition operating in virtual space. The lowering of cost barriers to entry into retail business over a wide geographical area that does, or is perceived to, result from the adoption of Internet technologies offers cause for concern.

After a discussion of current trends toward creating or moving toward virtual organizational forms, this chapter looks at business planning models for brick-and-mortar companies seeking to incorporate Internet advantages with existing assets. It challenges the notion that there is a static optimal model for virtual configuration as an answer to the opportunities and challenges presented by changes in the technology infrastructure for the 21st century.

The authors suggest that the basic concepts of organizational form as a response to the potential for virtual organizing are so poorly understood that there are likely to be far more real failures than virtual realities. The chapter attempts to redress some of these imbalances by providing clear working definitions of virtual organizations and models of virtuality, which can exist along a continuum within the electronic market. It is accepted that the value of different models for organization are likely to be constrained both by the extent of pre-existing linkages in the marketplace and the ease of their replacement with new ones, but also by the intensity of linkages which support the virtual model.

Six models of virtual organizations are proposed within a dynamic framework of change. In order to realize the flexibility promised by new technology, organizations must identify their long-term opportunities and match these with the appropriate model for structural alignment. The value of the adopted degree of virtuality which may result has then to be examined in relation to the structure/strategy alignment and to both the organization and its component alliances. In this way it is proposed that it is possible to identify factors which may inhibit or promote effective business value realization.

The authors provide case descriptions of organizations and an analysis of their strategic positioning in relation to the virtual business model. Detailed proposals are advanced to demonstrate the means by which these organizations can develop virtual organizing and management skills to allow them the flexibility demanded by such a dynamic environment.

We believe that this explication will allow for the clearer formulation and implementation of management strategies within ongoing business contexts. The
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