Chapter VII

Strategies For The New Economy And Dynamic Competitive Environment

Introduction

The so-called “New Economy” has expanded market competition to a world scale — no longer is it local or regional. Thus, decisions which are made or events that occur in one part of the planet can have repercussions for the rest of the world. In addition, the interrelationships between companies can involve actors who are very far away from each other.

Information Technology (IT) is seen as the factor that has made this worldwide integration possible, along with the creation of new business strategies, new organizational structures, and new modes of relationship among companies and between business and consumers (Laurindo et al., 2003; Laurindo et al., 2001). The Internet is the IT application with highest visibility, since it provides the infrastructure for developing strategic IT applications, of which e-business and e-commerce are the most outstanding (Evans & Wuster, 1997; Frontini, 1999).

This has given rise to virtual organizations, the companies whose activities are exclusively on the Internet, while simultaneously, traditional businesses have
become active on the web. New forms of association and relationships in business have also come into being. IT makes a new form of integration viable: virtual integration, which has become a strong alternative to vertical integration, which is losing its potential as a source of competitive advantage, according to Venkatraman and Henderson (1998).

After the initial period during which many innovative initiatives appeared and then disappeared, the need for a well-defined strategy became clear. Early interest in business to consumer (B2C) shifted to an interest in business-to-business (B2B), where large companies explored the features of this new and powerful tool.

In Porter’s (2001) opinion, while the Internet is the best IT platform developed to date to reinforce a distinctive strategy, businesses have committed many errors in utilizing it, because they lack a strategic vision. Further, he argues that the founding principles of traditional strategy are necessary to the success of companies that use the Internet. He does not believe in a “New Economy” or the revolutionary nature of the Internet. In turn, other authors such as Tapscott (2001) see in the Internet an agent that ruptures economic activities, to the point that strategy must be revised totally.

With this scenario in mind, it is important to understand these concepts and paths for strategy in the midst of this turbulent environment and in virtual space, so that the entire potential of the Internet can yield new organizational forms, both intra and extra-company.

**Seeking to Understand the New Economy**

What is usually called the New Economy is strongly connected to two other terms: globalization and virtuality.

The term “globalization” has been widely disseminated and gained both fans and enemies. Since the 1970s, countries have become more interdependent due to the flow of goods, services, and capital. An orientation toward the external market has become strongly correlated with development in several countries. This process has been underscored with the distribution of production activities to different countries, involving international investment and outsourcing and promoting a functional integration of the world economy.

www.igi-global.com/e-resources/library-recommendation/?id=1

Related Content

Online Shoppers’ Satisfaction: The Impact of Shopping Values, Website Factors and Trust

www.igi-global.com/article/online-shoppers-satisfaction/185539?camid=4v1a

Debiasing Decision Makers Through Knowledge Management

www.igi-global.com/chapter/debiasing-decision-makers-through-knowledge/11249?camid=4v1a

Biometric Authentication: Verifying a User’s Identity Using a Frequentist Probability Model of Keystroke Intervals

www.igi-global.com/chapter/biometric-authentication/107909?camid=4v1a

A Locational Decision Making Framework for Shipbreaking under Multiple Criteria

www.igi-global.com/article/a-locational-decision-making-framework-for-shipbreaking-under-multiple-criteria/149662?camid=4v1a