The Evolution from E-Commerce to M-Commerce: Pressures, Firm Capabilities and Competitive Advantage in Strategic Decision Making

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ABSTRACT

This study focuses on the isomorphic pressures and firm capabilities that affect strategic decision-making in organizations in the context of m-commerce. The authors take into consideration that the three isomorphic forces set forth by DiMaggio and Powell (1983), mimetic, coercive and normative pressures, work together to impact strategic decisions based on stakeholder influences. This study found that the effects of mimetic pressures seen in results of previous studies may be the result of model misspecification. Findings also indicate that firms want to leverage capabilities gained from e-commerce in the m-commerce wave in order to gain a competitive advantage in the marketplace.

Keywords: Dynamic Capabilities, Electronic Commerce, Institutional Theory, Isomorphism, Mobile Commerce

INTRODUCTION

During the first days of the commercialization of the Internet, many retailers were reluctant to develop an e-commerce presence fearing cannibalization of offline sales. At the same time, retailers felt pressure to develop an online presence due to forces within the retail industry. Sears, for example, went kicking and screaming to the Internet, starting as an information-only Web site, reluctant to use the Internet as a retail channel (Ranganathan et al., 2004). As consumers began to purchase more items online, manufacturers developed direct relationships with consumers through online sales, and purely virtual merchants began online businesses to attract consumers. An online presence soon became a strategic advantage for many of those who developed e-commerce Web sites. Because of what was happening between consumers and suppliers, brick and mortar retailers felt pres-
sure to develop an online presence in order to stay competitive.

Mobile business (m-business) is emerging; however, many firms are not committing themselves. Marketers have been slow to optimize m-business, even though firms see the importance of having m-business as a strategy. Even though forecasters expect mobile spending to increase, it has not garnished the spending that has been expected for the past few years (Hilimire, 2011). As of 2010, almost 80% of U.S. retailers had not developed mobile business capabilities (eMarketer, 2010). This reticence is perhaps not surprising. Mobile is different. The platform is characterized by ultra-portability, location sensitivity and untetheredness (Shankar, Venkatesh, Hofacker, & Naik, 2010). The mobile device is intensely personal with different input/output sensibilities (Shankar et al., 2010).

Companies find themselves asking many of the same questions asked at the very onset of the e-business era. Do we have the capabilities necessary for entry in m-business? Why should we invest in the new medium or channel? Which stakeholders might m-business affect? The purpose of this study is to examine capabilities and the pressures exerted by stakeholders, both intraorganizational and interorganizational, that affect investment and strategy decisions in m-business.

Isomorphism can be competitive, meaning organizational changes are based on market competition, or isomorphism can be institutional, whereby organizations change for legitimacy, that is they change to create social or economic compatibility (DiMaggio & Powell, 1983). The pressures, or forces, through which isomorphism occurs are mimetic, coercive and normative (DiMaggio & Powell, 1983). The research questions center on the different types of pressures that influence firms as they make strategic decisions about m-business. Also asked is whether firms’ sense, from their e-business capabilities built up in the recent past, that they have the capabilities to have a competitive advantage in the mobile enabled marketplace.

Realizing sustained competitive advantage is the goal of firms; stakeholders of these firms may influence the achievement of this competitive advantage. These stakeholders can be internal as well as external to the firm. Mobile devices have become indispensable in corporate culture. As more and more of the firm’s stakeholders use mobile technology, these stakeholders will influence firms in the decision to adopt m-business. In this case, stakeholder refers, in its broadest sense, to include suppliers, customers, and competitors.

The attraction of managerial attention to mobile business is obvious since the technology of mobile devices is advancing at a dizzying pace. Improved wireless infrastructure and user interfaces, as well as quality middleware, are all critical to the success of mobile business (Yeo & Huang, 2003) and all these are rapidly improving. Personal digital assistants have evolved into smart phones that allow users to combine their productivity helpers with cell phones, and laptops are evolving into still smaller netbooks and tablets. Now all these devices have converged with Internet technology to create a host of opportunities, as well as challenges, for marketers. However, firms are not convinced that m-business is worth pursuing. Mobile conversion rates are seen as “anemic” and total revenue figures are “modest” (Andrasick, 2011). How to generate revenues, development of new business models, as well as costs have kept many firms from exploring m-business (Kini & Bandyopadhyay 2009).

While many published studies help the understanding of the consumer in the adoption of mobile commerce, the generation of only minimal research in the understanding of the firm in the adoption of mobile business is available. The purpose of this research is therefore to investigate the internal and external influences and pressures acting upon the firm with respect to mobile commerce adoption, and to detect the existence of carryover from e-business capabilities to m-business in the decision making process. Using institutional theory to understand better influence, a conceptual model examines the power of firm stakeholders over marketing and general business strategy. We look at how stakeholder influence affects the performance
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