

Risk management for e-business sustainability report

[Business](#), [Management](#)



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Introduction

Two phenomenons have had a largest affect on modern day business operations; globalization and technological advance. (Weil & Vitale, 2001) In the face of the two, entrepreneurs have not been left out in utilizing massive opportunities that they avail by designing new ways of doing business including the e-business platform. However, the change brings with it an equal measure of challenges to the business arena hence a need to devise effective ways of managing the risks involved. Some of the greatest risks in the e-business threaten sustainability of the model’s effective supply chain as well as operations. (Porter, 1991) In that respect, this analysis seeks to analyze the e-business model with an objective of identifying the appropriate application of an effective supply chain and risk management in enhancing sustainability. To achieve this, the analysis begins by defining the aim and objectives that drive the e-business model and those of the study. The

model's supply chain is then analyzed with an aid of a chart to demonstrate its functioning while risk management is discussed in depth and with graphical illustrations. In addition, the analysis applies Amit and Zott model in analyzing the business model's sustainability and finally provides suitable recommendations for enhancing the e-business model's sustainability.

Analysis

- Aim

E-business development is driven by business goals which define aims including saving time through reducing transaction cycles and substantially reducing time taken by customers in completing a purchase. Other aims include providing key tools for market access and reducing the costs associated. For businesses like Amazon and eBay, such aims are the driving forces behind the business's model development and the management of the process that seeks to meet those aims is the subject of this analysis in relation to risk management for sustenance. (Weil & Vitale, 2001)

- Objectives

Objectives for businesses' adoption of the e-business model include the clearly defined goals of what is to be achieved like lowering transaction cost, increasing sales, expanding the market share as well as increasing customer numbers. Other objectives includes ensuring that customers access products whenever they need them at the right price and level. In this respect, the analysis in application of Amit and Zott model seeks to establish how the objectives are met through value creation. (Porter, 2001)

- Supply Chain Analysis

In the face of increased migration by businesses from the traditional business models to electronic based models brings with it immense challenges with businesses grappling with how to integrate the numerous aspects of supply chain value creation in an electronic platform. Therefore, supply chain analysis for an e-business model has to take into consideration various factors and supply chain value drivers. Some of the drivers include value chains, strategic networks, transaction perspective and the business model itself which determines sustainability and defines the suitable risk management strategies. A clear demonstration of a supply chain in e-business can be provided by the chart below showing the players in the process as well as the causation flow of procurements and sales processes. (Malone, Yates & Benjamin, 1989)

Source: Simchi-Levi, 2004

In the chart above, both procurement and sales process by a business are shown with an indication of the process that has to be completed. However, disintermediation can be done with use of e-business platform where the B2Bbusiness agent as the platform assists in bypassing the long process through the intermediaries hence connecting the business directly to the customer or the suppliers. (Simchi-Levi, 2004)

The e-business model presents numerous benefits in relation to value creation in the supply chain through reduced cost of access by disintermediation, improved data and market information's integration, promoting customers' innovation in relation to the products and process in their interaction with a business through the platform. In this respect, the e-

business's supply chain framework can be effectively managed to enhance a businesses' sustainability. (Croom, 2001)

- Risk Management

E-business faces a great number of risks ranging from individual, business, technical and societal risks hence requiring effective management from the single fact that the model cannot create value on its own unlike a firm or industry, but highly relies on value creation and its effectiveness in creating and sustaining suitable strategic networks. In addition, the model's value creation is defined by transactions that bring together several partners. In a bid to understand appropriate risk management, it is crucial to understand how risks manifest themselves in e-business as demonstrated by the chart below. (Greesten & Feinmon, 2006)

Source: Greenstein & Feinman, 2000.

The figure above is an illustration of the causation flow of risk manifestation from the vulnerabilities and threat agents whose contact materializes risks to the business assets and value. In addition, the illustration shows the key role that the business owners play in ensuring that there are effective counter measures for the risks. (Greenstein & Feinman, 2000)

An effective way for a business to manage risks entails various aspects whose interface is crucial in eliminating or minimizing the risk to acceptable levels. The process can be described as flowing from risk assessment, risk treatment to setting the appropriate risk management strategies. (Sampler, 1998)

- In risk assessment, the existing risks are identified and the extent of their

threat determined in order to identify the appropriate treatment. There are two possible scenarios at this stage; identification of risks that can be managed to acceptable level and identification of risks that requires to be fully eliminated.

- At the strategy setting stage, appropriate strategies should be established to eliminate the risks and associated threats. It is also at this stage where the scope and description of the risk management strategies and actions is done. (Peteraf, 1993)

In that respect, the process is suitable in ensuring that organizations engaging in e-business manage their risks to enhance their sustainability. (Naboa, 2004)

- Amit and Zott model

In their bid to explain value proposition in web and e-business, Amit and Zott describes the e-business model as one that is highly dependent on value drivers including complementarities, efficiency, and novelty as well as lock in. They explain a need for a business to address these factors in order to enhance and ensure effective establishment and sustenance of a profitable business and revenue models. (Amit & Zott, 2001) The model can be clearly illustrated by the diagram below which shows the link between all the elements.

Source: Johansson & Mollstedt, 2007

Value as the center point is created by the drivers as explained below.

- Efficiency is crucial in delivering value and businesses should seek to unlock value by reducing transactional inefficiencies through accelerated and

speedy transactions, reduced access costs and reduced inventory and distribution costs. This value driver with aid of the internet can be used to enhance valuable interactions between the business, suppliers and customers.

- Novelty is another value proposition with technology providing unlimited possibilities of introducing novel products and services that seek to create value to the market. Through innovation, businesses can enhance their sustainability and enhance value creation through avenues that enhance supply chain functions through suitable business and revenue models. Good example of novel products and services introduced in the market are eBay and Amazon which introduced unique ways of interactions between suppliers and buyers. (Johnston & Vitale, 1988)

- Complementarities seek to enhance a business sustenance by committing customers through a strategy that seeks to pool together complementary goods. By providing a platform where customers are guaranteed of accessing a variety of products, the business model creates and enhances customer loyalty.

- Lock in is also a key driver that has a considerable ability to guarantee sustainability for an e-business model. Through application of strategies that seek to create customer loyalty and which imposes service switching costs, a business could manage the risk of losing customers as and enhance long-term business relationship with customers. Among such strategies could be loyalty programs that commit customers, ease of system access and efficiency relative to competitors. (Brandenburger, Harbone & Stuart, 1996)

- Recommendations

In view of the analysis and the considered factors, e-business is a high risk business model that requires affective management of the entire value chain in order to enhance sustainability. Therefore, the suitable recommendations would be related to the value drivers including the business model, transaction perspective, strategic networks management as follows. (Amit & Zott, 2001)

- Value chain defines how a business creates value within the process of serving its customers. Establishment of value propositions that resonate well with customers and other strategic partners where all can benefit will create a more sustainable business. (Anand & Khanna, 2000)

- Strategic networks establishments as they are the value creator for an e-business which cannot be a standalone business. This will ensure that the business is assured of continuity while addressing business risk of losing customers. (Gulati & Nitin, 2000)

In addressing the supply chain effectiveness and enhancing sustenance as well as risk management, the following would be recommended for any business in the e-business.

- Effective management of key relationships with suppliers on the buy side of the supply chain where establishment of strategic networks remedies against business risks of losing customers.

- Enhancing effective customer interactions that promotes innovation and seeks to enhance “lock in” strategy through establishment of customer loyalty. (Bradley, Housman & Nola, 1993)

Therefore, a suitable risk management strategy would entail value creation

through a blend of appropriate supply chain and addressing value drivers.
(Lewis, 2000)

Conclusion

The analysis has demonstrated the immense prevalence of risk in e-business model's operation and the process of such risk's manifest. In addition, the analysis has clearly described the supply chain and value creation in relation to the e-business model. Further, the analysis has explained in detail, the process of managing risks in view of the entire model that requires consideration of the value creation drivers. In that respect appropriate recommendation have been recommended which entails blending suitable risk management strategies and value creation in order to enhance the model's sustainability.

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