

Comparison between e-business and traditional business

[Business](#)



INTRODUCTION Electronic Business (E-Business) is a perplexing practice due to the numerous aspects it involves. In today's rapidly changing environment, organizations adopt E-Business to respond to several business drivers. The progressions of the macro-environments are creating innovative business environments, in which E-Business is considered a normal practice. This paper attempts to model the business environment and evaluate its competitive characteristics by comparing the traditional business with E-Business. Kreplin.

K, et al (2000), identified "Reality" and "Virtuality" terms; these terms differentiates traditional business from E-Business. According to Kreplin. K, et al (2000), E-Business is based on a virtual (digital) business process with a virtual agent, and virtual product. Traditional Business is a physical business process with respect to the macro-environments. The macro-environment components can influence the way entrepreneurs use the internet to coordinate export businesses. Analysis of the macro-environment comprises of cultural, economic, competition, political and legal factors that affect the way business transactions are made today.

CULTURAL CHALLENGES In the cultural dimension, traditional business entrepreneurs will face a major challenge. In this case, infrastructure cost is what worries traditional businesses of today. As opposed to E-businesses, online business transactions incur minimal cost (Robertson. B & Sribar. V, n. d.). Whereas, traditional businesses will have to incur a significant amount of cost in order to remain competitive in the market. This is due to the fact that there is a paradigm shift towards a more innovative market alongside the consumers.

<https://assignbuster.com/comparison-between-e-business-and-traditional-business/>

Through the report it is assured that in the long term infrastructure cost will be the key obstacle for traditional entrepreneurs as newer technological innovations take place (Robertson. B & Sribar. V, n. d.). Opposing to the traditional method of business, E-businesses also have their share of cultural challenges. Firstly, entrepreneurs will experience a change in the nature of workforce (Parreiras. F , n. d.). According to Heerwagen. J, Kelly. K, Kampschroer. K (2010), the structure of work is now more cognitively complex, team-based, and time pressured. This movement causes entrepreneurs to be more competitive. Secondly, there is resistance to change when an organization moves towards adopting E-business (Parreiras. F, n. d.). In a research done by Ahmed. Z and et al. (2006), it was determined that the resistance to change will cripple the organization. Thus, it is important for the entrepreneurs to adapt to rigid cultures. ECONOMIC CHALLENGES In the aspect of economy, the nation's currency plays a vital role. Thus, it also poses as an obstacle for traditional businesses.

In areas of importing and exporting, entrepreneurs need a mutually agreed upon currency (e. g. U. S dollar) due to different payment methods. Furthermore, being sensitive towards exchange rates of currencies is vital as it will affect the buying decisions (Kavas. F, 2011). As compared to E-business transactions, the fluctuation in currency is harder to depict; thus, becoming a challenge for traditional businesses. On the other hand, E-businesses also experiences economic challenges. Firstly, the free entry into the digital market will be a problem for entrepreneurs.

As there are minimal barriers to entry, it would mean that E-businesses are operating in a highly competitive market whereby competitive advantage is

<https://assignbuster.com/comparison-between-e-business-and-traditional-business/>

almost impossible as highlighted by M. Hassan & E. Harris (2007). With this tight competition among entrepreneurs the issue of imitation of products will arise. As described in the related research paper, it was revealed that a massive amount of imitation took place as it was a cost effective method to most entrepreneurs. Therefore, it becomes an obstacle for E-business entrepreneurs. COMPETITION

When it comes to traditional businesses, entrepreneurs will definitely face competition. One major factor that entrepreneurs have to consider while exporting their products is the difference in time zones. An article written by Henricks. M (2006) explains that the time zone differences will cause a lot of difficulty in terms of decision making, planning shipment, organizing logistics and more. As opposed to E-business, E-business have online softwares that enables smoothcommunicationthrough digital platforms regardless of time zone differences.

For E-business entrepreneurs, the first challenge here is the difficulty to obtain capital large enough for any ventures. This includes the research and development needed for the product. In the report “ Managing Worldwide operations & Communications with InformationTechnology” (2007), it was highlighted that many venture capitalist will incur higher risk with large sums of capital. This is because there is high uncertainty of success for entrepreneurs to compete in an open market environment. In addition, another factor arises which is also known to be labour market exuberance.

This is described as an irrational competition that arose with the increasing need of technical skills (e. g. software programming). Therefore, firms will likely experience a short supply of skilled workers (Wright. P & Lee. D , <https://assignbuster.com/comparison-between-e-business-and-traditional-business/>

2000). **POLITICAL & LEGAL CHALLENGES** In the area of political and legal, there is a major concern of the country's policy for traditional businesses. Entrepreneurs need to abide by both the local and the other country's laws and regulations while selecting to export goods over. This is due to several laws are made according to the country's culture and beliefs (Kavas.

F, 2011). For instance, products that contain pork are restricted in Islamic countries due to their religious beliefs. Apart from that, there is an essential concern of the security and privacy of E-businesses (Parreiras. F, n. d.). A research on " Security and Trust in E-Business" by Valmurugan, M. S (2009) discussed the unawareness of E-business transactions and the degree of confidentiality of E-business transactions. Without the trust of consumers, entrepreneurs in the E-business line will be facing serious competition to obtain their share of the market.

Another major concern is the government regulations. The government needs to play a role to protect the consumers against unfair and deceptive trading especially when it comes to Internet banking (Kay. A, Hafeez. K & Siddiqi. J, n. d.). Therefore, this would become a small obstacle for E-business entrepreneurs as they need to adhere closely to government policies. **CONCLUSION** This research paper covered numeral aspects of traditional businesses and E-businesses with respect to the macro-environmental challenges faced by the entrepreneurs.

Because we live in a rapid changing environment, businesses will continuously face multiple challenges. The traditional way of business may have been successful in the past, but now is the time for change. E-business enables organizations to reach global markets; thus, crossing borders with <https://assignbuster.com/comparison-between-e-business-and-traditional-business/>

less restraint from trade barriers. Evidently illustrated by Fleenor, C & Raven, P (n. d.), the adoption rate of internet is growing tremendously and that governments of international countries recognises such growth; hence, promoting it as well within their country (e. . E-government). Although there may be areas that E-business is a challenging area to pursue; however, without such obstacles businesses will never revolutionize. Therefore, it goes to show how businesses have evolved over the decades. Business entrepreneurs need to be more innovative as traditional business will soon be uncompetitive. 1, 111 words Reference List Ahmed, Z. et al. (2006) RESISTANCE TO CHANGE AND ERP IMPLEMENTATION SUCCESS: THE MODERATING ROLE OF CHANGE MANAGEMENT INITIATIVES. [online] Available at: <http://web.usm.my/aamj/11.2006/AAMJ%2011-2-1.pdf> [Accessed: 26/9/2012]. Fleenor,, C. and Raven, P. (n. d.) Barriers To Effective E-Business In Developing Countries. [online] Available at: <http://www.google.com.my/url?sa=t&rct=j&q=&esrc=s&source=web&cd=2&cad=rja&ved=0CC0QFjAB&url=http%3A%2F%2Fcluteonline.com%2Fjournals%2Findex.php%2FIBER%2Farticle%2Fdownload%2F3912%2F3957&ei=dTRIULXHAcnIraeTulCgDg&usg=AFQjCNFo3MqMmHHbqbtHGpyGH9MPiLUQhA&sig2=NnGlv4mCofIkSx211W9PVw> [Accessed: 28/9/2012]. Hassan, M. and Harris, E. (2009) Entrepreneurship and innovation in e-commerce . [online] Available at: http://www.journalamme.org/papers_vol32_1/32114.pdf [Accessed: 25/9/2012]. Heerwagen, J. et al. (2010) The Changing Nature of Organizations, Work, and Workplace. [online] Available at: <http://www.wbdg.org/resources/chngorgwork.php> [Accessed: 26/9/2012]. HENRICKS, M .

<https://assignbuster.com/comparison-between-e-business-and-traditional-business/>

(2006) How Time Zones Affect Global Businesses. [online] Available at: <http://www.entrepreneur.com/article/160228> [Accessed: 28/9/2012]. Kay, A. et al. (n. d.) AN EMPIRICAL STUDY OF THE KEY DRIVERS AND