

# [The increased competiveness and agression of businesses](https://assignbuster.com/the-increased-competiveness-and-agression-of-businesses/)

In the author’s perspective, Increasing competitiveness and aggression in the business environment has necessitated transformation of business practices to keep up with the dynamic environment. For instance, an organization needs to develop key skill (core competencies and strategic capabilities) needed as the basis for resource-based strategies (John Thompson & Frank Martin 2005). Strategic capabilities are defined as the resources and skills available to an organization that needed to survive and win its competitors. “ The resource-based view of strategy: the competitive advantage and superior performance of an organisation are explained by the distinctiveness of its capabilities” Johnson, SK., & Whittington (2008, ch3, p94).

This paper will critically analyse how eBay’s strategic capabilities might provide sustainable competitive advantage. Proposing and justify a structural type for which would maximise its strategic capabilities ‘ Making eBay work’ as a case study by Jill Shepard, Segal Graduate School of Business, Simon Fraser University, Canada. This essay will begin by explaining the concept of strategic capabilities, strategy capabilities using an analytical framework, core competencies, competitive advantage, how organisation’s strategic capabilities can be analysed and measured using marketing tool called SWOT. The second section will briefly discuss what organisational structure is all about and types of organisational structures, present eBay’s structure, proposing and justifying a structural type for eBay which would maximise its strategic capabilities. Thirdly, implications and conclusions based on findings of the chapters and case study.

The sensitivity of strategic capability is particularly necessary since it is concern with whether an organisation’s strategy continues to modify the environment and the opportunities and threats that exist. However, an organisation’s capabilities may be found the edge of strategic development, in the manner of creating new opportunities by stretching and exploiting the organisation’s capabilities such a manner which competitors get it or in genuine difficult to copy or create a new ability. This requires organisation to be innovative in the way they develop and utilize their capability. This is the resource-based view of strategy. Capabilities refer to the organization’s ability to utilise its resources effectively.

The author shall be discussing strategic capability considering the similarities and differences between resources and competencies. Strategic capability could be defined as the combination of resources and competencies of an organization that it requires to survive and participate in the industry.

## Strategic Capabilities and Competitive Advantage

As regards resources, tangible resources are visible and physical assets of an organization such as building and people. Intangible resources are invisible asset of an organization such as knowledge. Physical resources are the visible resources of the organization comprising of machines or production components e. t. c. while financial resources are the resources used to operate the organization on a daily basis includes cash, creditor e. t. c. Human resources are the combination such as training and recruitment, skills and knowledge of an organizational networks.

Intellectual resources are intangible resources that involve patents, brands, business system, and customer database. Resources is vital to an organization because they provide the organization to produce at lower cost or create a superior product or service. Resources such as tangible and intangible of an organisation are not enough to survive and competition in a dynamic environment. It depends on the organizational’s ability to deploy their resources of its capacity and competencies in an efficiently in the organizational activities and processes.

## Threshold resources

- IT server platforms and space

- Offices and facilities

- Appropriate personnel

- Sufficient customers and suppliers

## Threshold competences

- Account management

- All other general managerial skills

- Sophisticated ICT skills

- Customers and suppliers who are competent

## Unique resources

- The biggest on-line electronic exchange platform

- The eBay brand

- First mover advantage

- An active and vocal community of users

- Learning from experience

## Unique competences

- A unique form of account management that balances central control versus decentralised community involvement

- Leadership in terms of ability to renew the Board and keep a sense of consistency

- Electronic platform management skills

- Partnering on the internet (deciding when and how to compete)

- Web 2. 0 management skillsThere are various capabilities (resources or competencies) that are in Threshold and Unique resources explained below:

Threshold resources could be termed to be the basic resources required to meet customers’ basic requirements in order to exist. Unique resources are resources that strengthening and stabilizing competitive advantage which are devilishly difficult to cope imitate and obtain by competitors in the market.

Threshold competencies are activities and processes required to meet customers’ basic requirements in order to exist in a given market. Unique competencies are activities that strengthening and stabilizing competitive advantage which is extremely difficult to cope, imitate and obtain by competitors in a given market.

Threshold Capabilities are capabilities required/ need to exist/ remain in the market. Firms having threshold capabilities are less innovative, little focus on current customer requirements, and do not welcome changes. Competitive Capabilities are capabilities required/ needed to get a competitive advantage”. Firms having competitive capabilities welcome changes, mad to acquire new technologies before competitors (These days software to facilitate sales & workforce collaboration software are new arrivals in the corporate world), coping with current customer requirements & pursuing the environment of “ continuous improvement” in their organizations.

Competitive Advantage – It can be defined as ‘ the ability of an organisation to out-perform its competitors’ (Campbell, Stonehouse and Houston, 2000, p. 324). Measurement is possible in terms of superior profitability, increase in market share, return on investment, etc. (Stonehouse et al., 2000). However, it is a fundamental aim of business strategy to maintain competitive advantage over certain given of time called sustained competitive advantage (SCA). Johnson and Scholes (1999) suggest low-price, differentiation or switching cost strategies to build up competitive advantage and hold it over time.

Core competence “ are the skills and abilities by which resources are deployed through an organisation’s activities and processes such as to achieve competitive advantage in ways that others cannot imitate or obtain” ( Johnson, Scholes & Whittington, 2008, ch. 3 p. 97).

Sources of Cost Efficiency: Managers of most organisations currently lead management of cost as source or key to Strategic capabilities advantage. In order to maintain low cost, attention must be paid to these key drivers such as economics of scale, supply cost, products product design, experience, Growth, unit cost should down slopping and first-mover advantage.

In order to sustaining competitive advantage over time as a manager while managing cost efficiently and continuously, other vital criteria are of immense importance namely:

1. Value: Organisation must be able to build capabilities that are of value to its customers.

2. Rarity: For an organisation to sustain competitive advantage, it should possess unique capabilities. There are just three important key points to consider about the extent to which unique competence might provide sustainable competitive advantage:

Transferability: Rarity to a great extent depends on who own the competence and difficulty of transferring it.

Sustainability: How long will the manager be able to sustain it unique competencies? Most time is temporary and competitive transfer it over time. So an organisation must be dynamic by nature by look out for other bases of sustainability.

Core rigidity: This is another case of redundancy.

3. Inimitable: It all involves identifying capabilities that likely to remain for a reasonable time and impossible or very difficult to imitate or copy.

So, in order for an organisation to achieve and sustain advantage and core competencies the following factors must be considered below:

(1). They pave ways for higher level of performance more than rivals own.

(2). They are in most cases very hard and difficult to imitate.

There are two reasons for core competencies of an organisation to be imitated because they are complex.

Complexity:

(a.) Internal linkages. This is as a result of linking the activities and processes that together deliver value to customers.

(b.) External interconnectedness: This can best be termed as co-specialisation.

Culture and history: It involves core competencies may be embedded in an organisational culture.

Causal ambiguity: This is another good reason why core competence can’t be imitated by competitors. It is very difficult to discover the causes and effects underpinning organisation’s advantage. There are two types of ambiguity namely characteristic ambiguity and linkage ambiguity.

Non-substitutability: adding and providing value to customers that are complex and ambiguity making it impossible / very difficult to copy.

To sustain competitive advantage over, an organisation must strategically position itself in such a way that capabilities in ways that activities and resources and competencies are deployed as to sustain competitive advantage over it competitor’s.

Diagnosing strategic capability: If an organization is to achieve competitive advantage by adding value to customer, the following must be understood below:

Value Chain: Describes the in and out categories of activities of an organisation that both create a product/ services. It is more directly concerned with the creation and delivery of a product/ services.

Value Network: Describes the inter-organisational link and relationship needed to create a product.

Activity Maps: It shows how the various activities are linking together in an organisation.

Benchmarking: It deals with comparison of both programs & strategic position of rivals.

SWOT: Summarises analysis of Business environment (Opportunities and threats) & Strategic capabilities (Strengths and weaknesses).

## Brief History of eBay

EBay Inc. is an internationally recognized e-commerce company that manages eBay. com, an online auction and shopping website in which people and businesses purchase and sell globally a variety of goods and services to a wide range of clients (Filley & Aldan, 1980 p 56). Currently, eBay is a multi-billion dollar company with physical infrastructures of operations in more than thirty countries. EBay website was founded in San JoseHYPERLINK “ http://en. wikipedia. org/wiki/San\_Jose, \_California”, California, on September 3, 1995, by French-born Iranian computer programmer Pierre Omidyar. Millions of collectables, interior decorations, appliances, electronics, furniture, trappings, equipment, vehicles, and other miscellaneous items are listed, bought, or sold daily on eBay. EBay expanded from its original “ set-time” auction format to include “ Buy It Now” standard shopping’s online advertisements; online event ticket trading; online money transfers and other services. In addition, eBay launched its Business & Industrial category in the year 2006 breaking into the industrial surplus business (Whitten, 1987 p 6).

## Analytical framework analysis of eBay Inc

To strategically maintain as well as promoting its success level, eBay has a highly motivated human capital. This is through provision of a favorable working environment comprised of satisfaction of physiological needs, provision of safety within the work, availability of career growth opportunities for self actualization as well as self esteem. This has made eBay working force to be oriented to the organizational goals and objectives. This has subsequently accrued substantial benefits to the organization’s performance (Cameron & Whitten, 1983 p 67).

Apart from internal customer satisfaction, eBay has embarked on satisfying its external customers in a number of ways. For instance, a diverse range of products as well as services can be accessed by their customer by just a click of the button (Yukl, 2010. P 43). EBay has a collection diverse range of product. The probability of any customer with a given unique needs for a given product or service lacking the desired need or service is significantly low. Subsequently, eBay serves a central or a core point area where all customers with diverse needs as well as wants can integrate into their satisfaction. According to statistical reports which were collected in the United States of America, the satisfactory level of customers accessing or conducting their business through eBay platform is significantly high. Consequently, the organization has managed to acquire a high market share (Hedger, Nostrum & Starbuck, 1976 p 67).

The risks associated with ecommerce trading activities have been significantly reduced by the open communication strategies and channels which have been adopted by the eBay organization. For instance, eBay has a well conversant informed customer care services which equip their customer with necessary information on any information concerning the Internet trading. For instance, eBay has a safe online payment channel which can be adopted or used by its customers. Online payment and other fiscal transactions processes have reduced risks associated with check payments as well as travelling with liquid cash (Meyer, 1977 p 81).

## SWOT analysis of eBay Inc

SWOT analysis entails the evaluation process of the organizations internal and external environmental elements which are likely to induce a change in the operations of the business entity. Consequently, SWOT analysis comprise of evaluating external factors such as opportunities and threats which are known to face the organization as well evaluating the internal elements with mainly focus on weaknesses as well as on the organization’s strengths. EBay Inc is an organization which has adopted technological elements into its mode of operation. Consequently, a number of strengths, weaknesses, opportunities as well as threats may dominate it area of operation (Hedger, Nostrum & Starbuck, 1976 p 89).

Evaluating on the strengths which are possessed by this organization, eBay has developed a vast and an immense number of clients or stakeholders who largely contributes to it overall performance. These stakeholders include current customers, supportive client such as financiers as well as reliable employees. In addition, it has developed a strong financial backbone which has been supportive to it overall goal achievement.

Also, eBay has developed a strong customer-organization bond through the creation of high confidence level between the organization and its clients. This is through customer analysis and delivery of services and ordered goods in the appropriated needed time. Bearing in mind ninety nine percent of eBay transactions are carried out through online platform, people are generally afraid to deal with virtual elements especially on matters concerning their fiscal status. However, eBay has secured a substantial number of such customers by creating a high confidence level (Zammuto, & Cameron, 1985 p 6).

Another eBay’s dominance, it is the first-mover advantage as regards online auction site. Consequently, most of its customers felt no worries about going about buying goods physically. Therefore, this triggered most customers to come back.

Ebay has a very strong business model and updating it. Just as it was redefined by Meg Whiteman by establishing strong linkages of activities in the operational aspect of the organization.

eBay also had a very strong technological base e. g. leveraging ICT.

Using Pay pal account as means of payment made every transaction be secured and easy.

Nevertheless, eBay is faced by a number of weaknesses, it has a poor organizational structure which limits it contact with it clients. Maintenance of customers usually requires an intimate contact which sometimes involves reading of facial expressions. In addition, though eBay website can be accessed in almost all parts of the world through the Internet, customers in some geographical regions cannot be served with eBay services. This is contributed by poor distribution channels which limit the eBay services to some specific regions only. A part from these weaknesses, the organization is also faced by a number of emerging threats. For instance, the barriers to entry in the Internet based trading systems are relatively low a factor which has led to a high number of entrants. This has posed as a threat to the operations of eBay Inc (Gallos, 2008. P 68).

Despite these weaknesses and threats being faced by eBay Inc, there are a number of opportunities which the organization can effectively utilize in order to maximize it profits. For instance, the technological advancement which has been witnessed in the electronic world can be utilized to enhance the customer base. In addition, eBay has an opportunity of merging with a number of suppliers and other stakeholders to boost its overall performance. This is usually based on the fiscal status which eBay has obtained since it times of operations in the Internet based services (Kast & Rosenzweig, 1972 p 78).

## Capabilities that have provided eBay with a competitive advantage

This organization has a strong financial background which enables it to embark successfully on new profit generating strategies. In addition, it has embarked on product diversification as one strategy to promote its profit generating factors. EBay is a multi-billion dollar company with physical infrastructures of operations in more than thirty countries. Millions of collectables, interior decorations, appliances, electronics, furniture, trappings, equipment, vehicles, and other miscellaneous items are listed, bought, or sold daily on eBay (Pierce, 2003 p 6).

Strategic capabilities of the eBay in a nutshell might include:

Business model creation and updating:- The business model of eBay is brilliant and simple. They facilitate a service of enabling transactions between millions of users. They also have no inventory. eBay does not have to consider production, packaging, and shipping of the goods sold. There is no need for a large number of employees at achieve their organizational goals. The main source of costs for eBay is technical. They perform tasks as maintenance of servers and networks. This is the marketplace Internet business model being used to much of its potential. Revenue is generated in both business to consumer and business to business transactions. The auction and transaction revenue will continue to rise as the number of users rises. Ebay has a very strong business model and updating it. Just as it was redefined by Meg Whiteman by establishing strong linkages of activities in the operational aspect of the organization.

Managing growth: eBay reported record consolidated Q1-07 net revenues of $1. 77 billion, representing a growth rate of 27% year over year. GAAP operating income was $468 million, an increase of 45% year over year, and represented 26. 5% of net revenues. Non-GAAP operating income in Q1-07 was $593 million, representing a 33. 6% operating margin and a 29% year-over-year increase.

Leveraging ICT:- ICT as both strategic and operational at the same time. So getting the server up and running initially would have been strategic but now managing traffic would be considered operational, whereas incorporating any new versions of the Internet and its functionality would be considered strategic. Accommodating different high speed broadband penetrations within individual countries would currently be strategic but become less of a strategic issue over time.

Knowledge management:- Knowledge in organisational terms does not mean data and information alone. It means experience both of individuals and between individuals (i. e. of groups or across an organisation). This sharing takes place, not least, through the day to day activities and routines in organizations. If strategic capability is conceived of in terms of competence (i. e. activities as well as resources), then the relationship of strategic capability to organisational knowledge. So, it darned close. It becomes even closer if robust (non- imitable) competencies are conceived of as linked and embedded competencies.

Account management:- eBay’s technology allow every particulars of users both sellers and buyer to be traced since very users must first register to again access to buy or sell. This create a great deal of trust among users.

Customer involvement:- ebay managers listen to all their customers and always meet the needs as regards what they want to sell/ buy and how they want to do it. And more so, the management involves their customers by inviting 10 sellers and buyers all over the country to their main office every few months to discuss the company in dept.

Service and shareholder management:- eBay has developed a vast and an immense number of clients or stakeholders who largely contributes to it overall performance. These stakeholders include current customers, supportive client such as financiers as well as reliable employees. In addition, it has developed a strong financial backbone which has been supportive to it overall goal achievement.

Rather than, be critical:- Meg might look to the challenges that the company faces ahead of time. These might include not becoming complacent about success, how to keep customers passionate about the company and how to expand into new geographical areas.

## Sustainability and dynamic capabilities

The attainment of any eBay’s goals and objectives is directly reflected by the kind of leadership and environment found in that organization. Different managers and human resource organizers embrace various forms of leadership. Nevertheless, their overall aim objective is to adhere to the stipulated mission with no signs of complacency and a subsequent attainment of the organizational goals. Being a leader in any form of business entails a set of processes connected to directing and guiding employees towards the attainment of stipulated goals. This endeavor of assure that the business entity is heading towards its vision comprise of effective employee motivation, embracement of appropriate leading structure and strategies and timely effective communication among the internal and external members affecting the business entity (Clark, 2010). EBay has been dynamic to embrace technological measures which are aimed in maintaining a lead in the field of it operations. For example, incorporation of new modern software, use of Internet security tools as well as developing future oriented goals to cater for its customers (Gallos, 2008 p 34).

Frequent trainings and seminars for it employees can effectively boost the competence level for employees in eBay Inc. In addition, online training and guidance manuals can highly boost the performance level for the eBay operations.

## Organisational Structure

The organising process leads to the creation of organisation structure. Organisation structure can be defined as the framework in which the organisation defines how tasks are divided, resources are deployed and departments are coordinated (Samson & Daft, 2009, p. 328). The structure of an organisation should be set up in such a way as to help the organisation accomplish its mission in an efficient and effective manner. The mission of an organisation can be defined by its mission statement. “ A mission statement is designed to answer the most fundamental questions for every organization: Why do we exist? What are we here for? What is our purpose? As such, mission statements form the corner-stone and the starting-point for any major strategic planning initiative” (Christopher K. Bart, 2001, p. 19). An organisation’s structure can be represented visually with an organisation chart (Samson & Daft, 2009, p. 328).

Structure has three components: complexity, formalisation and centralisation. Complexity refers to the degree of specialisation of an organisation’s employees, how labour is divided, the number of levels and geographical dispersion. Formalisation is concerned with the degree of rules and procedures, and centralisation refers to levels of decision making (Holtzhausen, 2002, p. 325). The characteristics of organisation structure include work specialisation (the degree to which organisational tasks are subdivided into individual jobs; also called division of labour), chain of command (An unbroken line of authority that links all individuals in the organisation and specifies who reports to whom), authority (The formal and legitimate right of a manager to make decisions, issue orders and allocate resources to achieve organisationally desired outcomes) and responsibility (The duty to perform the task or activity an employee has been assigned), span of managerial control (the number of employees who report to a supervisor), and centralization (The location of decision authority at a single point, usually near top organisational levels) and decentralization (The dispersed location of decision authority, usually near lower organisational levels). These dimensions represent the vertical hierarchy and define how authority and responsibility are distributed. Departmentalization describes how organisation employees are grouped (Samson & Daft, 2009).

## Types of structures

The three most common generic organizational structures are the functional structure, the divisional structure and the matrix structure. There are also hybrid structures consisting of network structure and team structure.

## Functional Structure

The functional structure is a direct descendant of the bureaucratic structure. It is based on a group’s function or dedicated activities in an organization such as sales and marketing, finance and operations. The structure’s effectiveness is based on this division of labour. Smaller to medium-sized organizations with limited product ranges tend to favour the functional structure (Martinsons & Martinsons, 1994, p. 24).

## Advantages of functional structure:

Efficient use of resources

economies of scale

In-depth skill specialisation and development

Career progress within functional departments

Top manager direction and control

Excellent coordination within functions

High-quality technical problem solving

Best with one or few types of products

## Disadvantages of functional structure

Poor communication across functional departments

Slow response to external changes, lagging innovation

Decisions concentrated at the top of hierarchy, creating delay

Responsibility for problems is difficult to pinpoint

Limited view of organisational goals by employees

Limited general management training for employees

Less innovation (Samson & Daft, 2009) (Duncan, 1979)

## Divisional Structure

This structure is used as companies become larger and begin to diversify their product line. The company is divided into separate units based on different products or markets. The company breaks up its operations into manageable units or little companies which then operate under a mechanistic structure (Martinsons & Martinsons, 1994, p. 24).

## Advantages of divisional structure:

Fast response, flexibility in an unstable environment

Fosters concern for customers’ needs because product responsibility and contact points are clear

Excellent coordination across functional departments

Easy pinpointing of responsibility for product problems

Emphasis on overall product and division goals

Development of general management skills

Best in a large organisation with several products

## Disadvantages of divisional structure

Duplication of resources across divisions

Less technical depth and specialisation in divisions

Poor coordination across divisions

Less top management control

Competition for corporate resources

Eliminates economies of scale in functional departments.

Makes integration and standardization across product lines difficult (Samson & Daft, 2009) (Duncan, 1979)

## The Matrix Structure

The matrix structure was the structure of the 1970s (Miller, 1986). It was seen as a way of bridging the advantages of the functional and divisional structures. The matrix structure is based on a dual chain of command. The functional departments are used to gain economies of specialization while the project teams focus on particular products or markets. Each employee in the matrix structure is responsible for one functional department and one project manager, hence the dual chain of command (Martinsons & Martinsons, 1994, p. 25).

## Advantages of matrix structure:

More efficient use of resources than single hierarch

Flexibility, adaptability to changing environment

Development of both general and specialist management skills

Interdisciplinary cooperation, expertise available to all divisions

Enlarged tasks for employees

Best in medium-sized organizations with multiple products

## Disadvantages of matrix structure

Frustration and confusion from dual chain of command

High conflict between two sides of matrix

Many meetings, more discussion than action

Human relations training needed

Power dominance by one side of the matrix.

## Team-based structure

With a team-based structure, the entire organisation is made up of horizontal teams that coordinate their work and work directly with customers to accomplish the organisation’s goals (Samson & Daft, 2009, p. 344).

## Advantages of team structure:

Reduced barriers among departments, increased compromise

Less response time, quicker decisions

Better morale, enthusiasm from employee involvement

Reduced administrative overhead

Less absenteeism

Increased performance

Higher quality products

Reduced turnover

## Disadvantages of team structure

Dual loyalties and conflicts

Time and resource spent on meetings

Unplanned decentralisation (Samson & Daft, 2009) (Harris, 1992)

## Network structure:

## Advantages:

Global competitiveness

Workforce flexibility/challenge

Reduced administrative overhead

## Disadvantages:

No hands-on control

Can lose organisational part

Employee loyalty weakened

## Analysing eBay’ current and the best organizational structure for the eBay Inc

eBay’s organizational structure is a source of competitive advantage as it is the basis for the company’s ability to process information