Applying lean to e-commerce business

Business, E-Commerce

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Introduction

The number of electronic commerce (e-commerce) business openings has been increasing over the last decade. This is largely attributed to the enormous importance that e-commerce plays in the running and management of various types of businesses (Weick & Quinn, 1999). As far as e-commerce is concerned, Beer and Nohria (2000) identified two major groups of companies which are those using the concept as mainstream approach for the sales of products and services, and those adapting component of electronic technology in the delivery of their businesses. In any of these types of companies, there are often production related problems which require strategic approaches to managing them. Typical example of such well-known e-commerce business with production problem is Disney Shop.

The problem

Disney Store uses e-commerce as a mainstream approach to the sale of variety of products through online stores. Users of the online store log in, create account, select preferred items, go through a payment system, and have the products shipped to them within an identified time. Financial records from the business however shows production related problems whereby the companies is recording increases in revenues but still have declining profits (Disney Stores, 2014). Hines (2008) noted that a typical cause of such a situation is high level of waste in the production system, reducing the productivity and efficient levels of the company significantly. With such reduced productivity and efficiency, the company will be making

more revenue but due to high expenditure, the income does not balance the expenditure and so there are losses.

The place of lean in solving the problem

The overall aim of lean thinking is to ensure that there is high benefit and value from production through the elimination of waste (Womack, Jones & Ross, 1990). The reason lean is seen as useful in solving the problem is that it will ensure that all forms of waste that have created unwarranted expenditure will be done away with. In any typical organization such as Disney Store, when lean is adopted, there are seven major types of wastes that are targeted for elimination. These include production defects, overproduction, unnecessary transportation, long waiting, unnecessary inventory, unnecessary motion, and over-processing (Hines, 2008). For most companies, once these forms of wastes are available, they would be seen to be making a lot of sales but in reality, they lack profitability. The reason for lacking profitability is because the wastes bring about huge cost of production that consumes the sales.

Challenges with the use of lean

One major challenge that has been reported with the use of lean is the resistance to change on the part of the human resource of the company (Hendry, 2009). Very often, there are bureaucracies that cause most of the seven identified wastes. Meanwhile, the bureaucracies also define power and authority within the companies. This means eliminating the waste through lean by eliminating the bureaucracy means eliminating some levels of power and authority. In situations like this, people in such positions may resist the changes. The issue of organizational culture changes is another challenge.

This is because Beer and Nohria (2000) observed that to effectively implement lean for the e-commerce business, it is important that there will be drastic changes to the organizational culture. Meanwhile, when the organizational culture changes the overall approach to doing business could also change, creating inconsistency among customers.

Conclusion

As the use of e-commerce advances, it is important that any forms of management approaches such as lean which leads to the maximization of profits will be put in place. Disney Store stands very good chance of benefiting from e-commerce if the company would base on the principles of lean to change its approach to internal production.

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